



GUIDE on Advancing Fiscal Transparency for Development 2022

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CONTENTS

PREFACE	VII
ACRONYMS	VIII
OVERVIEW	1
Objective	1
Modules	2
Limitations of the Guide	3
MODULE 1: An Introduction to Fiscal Transparency	5
Module objectives	6
Defining fiscal transparency	6
The importance of fiscal transparency	10
Fiscal transparency and improved PFM outcomes	16
Examples from the field.....	21
Fiscal transparency norms and standards	23
Module 2: External Actors in Fiscal Transparency, Public Participation, and Accountability	53
Module objectives	54
Key actors for fiscal transparency, public participation, and accountability	54
Oversight institutions: Legislatures	61
Oversight Institutions: Supreme audit institutions	72
Public participation.....	80
Examples from the field.....	97
Module 3: Fiscal Transparency Information Disclosures and Standards	101
Module objectives	102
The role of the executive in the fiscal policy cycle.....	102
Legal framework and effective fiscal transparency	105
Processes and tools for fiscal reports	117
Revenue transparency	139
Measuring fiscal transparency	154
Examples from the field.....	163
Module 4: Internal Systems and Digital Tools for Better Implementation	171
Module objectives	172
Information systems and digital tools for fiscal transparency	172
Financial management information systems (FMISs)	174
Open data movements and tools	185
Further lessons learnt from studies on digital tools for fiscal transparency	206
Examples from the field.....	209
Module 5: Actions towards advancing fiscal transparency (reforms and other measures)	213
Module objectives	214

The global status of fiscal transparency	214
Public financial management and fiscal transparency reforms	215
Examples from the field.....	237

REFERENCES 241

List of Tables

Table 1.1. Evidence of the benefits of fiscal transparency	19
Table 2.1. GIFT Public Participation Spectrum	92
Table 2.2. Common objections and responses to increased public participation in fiscal policy	96
Table 3.1. General Government.....	111
Table 3.2. Extrabudgetary funds.....	112
Table 3.3. Public corporations.....	113
Table 3.4. Pre-budget statement.....	119
Table 3.5. Executive’s budget proposal (Draft budget)	121
Table 3.6. Citizen’s budget.....	125
Table 3.7. Enacted budget.....	126
Table 3.8. Pre-execution budget profiles / Cash-flow forecasts	127
Table 3.9. In-year budget execution reports.....	128
Table 3.10. Mid-year review / Implementation report	129
Table 3.11. Supplementary budget.....	130
Table 3.12. Year-end report.....	131
Table 3.13. Audit report	132
Table 3.14. Long-term report	133
Table 4.1. Levels of data openness	189

List of Figures

Figure 1.1. Fiscal policy cycle	12
Figure 1.2. Theory of change: From fiscal transparency to policy impact	16
Figure 2.1. GIFT Principles of Public Participation in Fiscal Policies	88
Figure 3.1. The public sector.....	110
Figure 3.2. Open data	138
Figure 3.3. Reasons taxes are imposed	141
Figure 3.4. GIFT Transparency Principles for Tax Policy and Administration	148
Figure 3.5. OECD principles of Budgetary Governance.....	158
Figure 4.1. FMIS	178
Figure 4.2. Open data	186
Figure 4.3. Benefits of Open data	191
Figure 5.1. Stages of PFM reform.....	216

List of Boxes

Box 1.1. A summary of GIFT’s 10 high-level principles.....	28
Box 2.1. Independent fiscal institutions	70
Box 2.2. Peer learning	71
Box 2.3. The Fiscal Openness Accelerator (FOA) Project	85
Box 2.4. Norms and standards on public participation pertaining to specific actors/sectors	89
Box 3.1. Tax gaps	143
Box 4.1. Open data standards	194
Box 4.2. Open Government Data Toolkit	196
Box 4.3. Open Data Tutorial.....	198
Box 4.4. Fiscal transparency portals.....	199
Box 4.5. User-centered development.....	201



PREFACE

The Global Initiative for Fiscal Transparency (GIFT) is an action network established in 2011 to achieve sustained and measurable improvements in fiscal transparency and inclusive participation by advancing global norms, peer-learning, collaborative assistance and promoting the use of digital tools. Comprised of over 50 members, it brings together ministries of finance, civil society organizations, international financial institutions and other stakeholders, and facilitates meaningful dialogue to find, share and advance solutions to challenges in fiscal openness.

In 2021, GIFT launched the Advancing Fiscal Transparency for Development (AFTx) online course funded by the United States Department of State. This Guide is based on the information presented in the online course, designed to assist countries in advancing and institutionalizing improvements in fiscal transparency. It covers what fiscal transparency means; why it is important; who the key actors are; best practice norms and standards; how it is measured as well as how it can be enhanced. Importantly, it shows that advancing fiscal transparency requires better coordination within budget authorities and between these and budget execution units, as well as an enhanced linkage between budget implementation and the consecution of the objectives of development programs. This facilitates increased efficiency and effectiveness in the use of public resources, with an enhanced impact of the budget, which explains the connection between institutional efforts to advance fiscal transparency and development. This Guide makes the case that fiscal transparency and participation can become drivers of development.

To do this, it draws on the unique diversity of the GIFT network, utilizing expertise from international organizations, including the International Budget Partnership, where GIFT is housed; International Monetary Fund; World Bank; Public Expenditure and Financial Accountability Secretariat; Organization for Economic Co-operation and Development; International Federation of Accountants; Collaborative Africa Budget Reform Initiative; and the Extractive Industries Transparency Initiative as well as the knowledge and experience of GIFT steward practitioners that have advanced fiscal transparency policies and practices in their respective countries, thereby providing opportunities for peer learning emanating from the numerous examples of concrete steps that countries have taken to successfully increase fiscal transparency.

The Guide takes readers through a range of issues critical to establishing fiscal transparency as part of good governance. Issues explored, include how key actors interoperate in a fiscal ecosystem using fiscal transparency to actively contribute to and participate in fiscal policy; different technical tools available to facilitate it, the role of non-technical factors and the obstacles often faced in advancing it, together with the actions that can be taken to overcome these obstacles and take advantage of windows of opportunity for advancing it.

Along with the general learning content, this guide provides numerous links to organizations and many documents. We encourage you to bookmark these sites, read the materials we provide and save them for the future. As effective fiscal transparency involves not only governments but also other key actors in the fiscal ecosystem, we recommend this Guide to key officials and technical teams from ministries of finance and line-ministries budget execution units; as well as representatives from civil society organizations, legislature finance committee researchers and support staff, supreme audit institutions and donor representatives. Members of the general public will benefit from it too. Indeed, advancing fiscal transparency for development is truly a global effort, that you are encouraged to join!

Raquel Ferreira & Juan Pablo Guerrero



ACRONYMS

AFTx	Advancing Fiscal Transparency for Development online course
CIPFA	Chartered Institute of Public Finance and Accountancy
COFOG	United Nations' Classification of the Functions of Government
CoST	Construction Sector Transparency Initiative
CSO	Civil society organization
EITI	Extractive Industries Transparency Initiative
FMIS	Financial Management Information System
FTE	Fiscal Transparency Evaluation
FTR	Fiscal Transparency Report
GDP	Gross domestic product
GDDS	General Data Dissemination System
GFS	Government Finance Statistics
GIFT	Global Initiative for Fiscal Transparency
GPS	Global Positioning System
IATI	International Aid Transparency Initiative
IFMIS	Integrated Financial Management Information System
IBP	International Budget Partnership
ICT	Information and communication technology
IFAC	International Federation of Accountants
IFPP	INTOSAI Framework of Professional Pronouncements
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPAP	International Association for Public Participation

IPSAS	International Public Sector Accounting Standards
ISO	International Organization for Standardization
ISSAI	International Standards of Supreme Audit Institutions
MTBF	Medium-term budget framework
MTFF	Medium-term fiscal framework
OBI	Open Budget Index
OBS	Open Budget Survey
OCDS	Open Contracting Data Standard
OCPP	Open Contracting Partnership
ODA	Official development assistance
OECD	Organization for Economic Co-operation and Development
OGP	Open Government Partnership
PDF	Portable Document Format
PEFA	Public Expenditure and Financial Accountability
PFM	Public financial management
PIMA	Public Investment Management Assessment
PPP	Public Private Partnership
ROSC	Report on the Observance of Standards and Codes
SAI	Supreme audit institution
SDDS	Special Data Dissemination Standard
SDGs	Sustainable Development Goals
NGO	Non-governmental organization
TADAT	Tax Administration Diagnostic Assessment Tool
UCD	User-centered design
USAID	United States Agency for International Development
VFM	Value for money



OVERVIEW

Objective

This Guide aims to provide knowledge and resources for advancing fiscal transparency, including frameworks, research, tools and detailed explanations towards making fiscal information more open and accessible across stakeholders. Related to this, this guide helps readers to understand that fiscal transparency can be a driver for development.

It is expected that through this Guide, readers will not only gain theoretical knowledge on enhancing fiscal transparency, but will also see fiscal transparency in action, gaining practical knowledge from the vast experience of others. Examples of strong budget transparency are found in nearly all regions of the world, demonstrating that it is possible to achieve in diverse country contexts. It is thus within everyone's reach!

By the end of this Guide, readers will be able to:

- Identify the linkages between fiscal transparency and improved public policies, budget management and fiscal performance.
- Identify the various global norms and standards on fiscal transparency, public participation and accountability and understand how these norms complement each other.
- Identify the role of key actors, including the executive, legislature and supreme audit institution, in fiscal transparency.
- Recognize the role of public participation for a better use of public resources.
- Recognize processes and gain knowledge on the use of tools for effective improvements in fiscal transparency.
- Explain the importance of publishing fiscal information that responds to users' needs.
- Recognize the political framework and the institutional settings in which fiscal transparency progresses and regresses, including the accountability ecosystem in which it operates, and the political opportunities and challenges it faces.
- Identify the leadership, coordination, and capacity required to improve fiscal transparency.
- State the role of local conditions in designing and implementing actions aimed at increasing fiscal transparency.
- Identify issues relevant to the prioritization, sequencing of actions and sustainability of fiscal transparency.
- Analyze the challenges of advancing fiscal transparency in different country contexts from various perspectives.
- Work with relevant stakeholders in analyzing, planning, coordinating and taking action in advancing fiscal transparency.
- Understand the positive linkage between fiscal transparency, efficiency and effectiveness in the use of public resources and ultimately development outcomes.

Modules



This Guide consists of five modules. Modules 1 to 3 explore the basics of fiscal transparency, including what it is, who the key actors are and what is expected from each of them, as well as what it means to attain sufficient levels of fiscal transparency. The last two modules build on this by examining the newest tools facilitating fiscal transparency, in the digital age; as well as the non-technical factors that have great bearing on the potential success of fiscal transparency initiatives. The Guide culminates with potential actions being put forward to overcome commonly encountered obstacles and to take advantage of windows of opportunity for enhancing fiscal transparency.



The modules are organized as follows:



1. An introduction to fiscal transparency

This module introduces the concept of fiscal transparency for development. As part of this, it explains what fiscal transparency is, why it matters as a part of good governance, what benefits can be gleaned from it across a range of evidence as well as the norms and standards that assist in achieving it.



2. External actors in fiscal transparency, public participation and accountability

This module identifies the key actors for fiscal transparency. It then focuses on those outside of the executive, examining their roles and how they can contribute to and use fiscal transparency to actively participate in open budgetary processes, and to judge the government's performance in order to hold it accountable for its management of public resources.



3. Fiscal transparency information disclosures and standards

This module focuses on the executive's role as the key actor in advancing fiscal transparency for development, including its central role in providing information that meets fiscal transparency standards and how its success in doing so can be measured using fiscal transparency assessments.

4. Internal systems and digital tools for better implementation

This module examines how information systems, including financial management information systems, and a variety of other digital tools can facilitate the achievement of, and lead to improved fiscal transparency.

5. Actions towards advancing fiscal transparency (reforms and other measures)

At this point, readers would have an understanding of the technical knowledge and tools available for advancing fiscal transparency. This module then focuses on the non-technical factors, that often facilitate or hamper fiscal transparency advancements. From the GIFT network experience, practical actions/reforms are put forward that can potentially be taken to overcome obstacles and take advantage of opportunities to establish and/or enhance fiscal transparency.

Limitations of the Guide

This Guide presents standard knowledge and tools for advancing fiscal transparency. It also provides summaries of practical examples and experiences from GIFT network partners and practitioners. These experiences are incorporated throughout each module to complement the theoretical content, ensuring that readers can see how fiscal transparency has been applied in practice by a range of actors in different countries, in various geographical regions.

For a more comprehensive learning experience, the Advancing Fiscal Transparency for Development online course is recommended, where the information provided in this Guide is presented in a user-friendly manner in video recordings. The course also contains comprehensive recordings of practical experiences as told directly by fiscal transparency practitioners and experts, a webinar per module where knowledgeable senior experts from highly regarded institutions engage on pertinent module topics, as well as progress assessments in line with a continuous learning experience framework, culminating in those course participants that successfully complete a post-course quiz, receiving a course certificate.

In addition, the successful implementation of the Guide and Course contents will largely depend on resource capabilities and local contexts. It is of paramount importance that fiscal transparency actions/reforms are customized to the local context and target community expectations.

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GIFT

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FISCAL TRANSPARENCY



MODULE 1: AN INTRODUCTION TO FISCAL TRANSPARENCY

Module objectives

The main objective of this module is to introduce the concept of fiscal transparency for development, by explaining what fiscal transparency is; why it matters; what evidence shows regarding its benefits; and finally what the norms and standards are, for achieving it.

1

Defining fiscal transparency

At the core of fiscal transparency are questions about the availability and quality of information related to public finances.

1.1 Availability and quality of information

Fiscal transparency is defined in [GIFT's High-level transparency principles](#) as the openness toward the public at large about government structure and functions, fiscal, public sector accounts, and projections. It involves ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities so that the electorate and financial markets can accurately assess the government's financial position and the true costs and benefits of government activities, including their present and future economic and social implications. (Kopits and Craig, 1998, Transparency in Government Operations, IMF Occasional Paper No. 158 (Washington: International Monetary Fund).

This is in line with the definition included in the International Monetary Fund's (IMF) [Fiscal Transparency Handbook](#) (2018), where fiscal transparency refers to the information available to the public about the government's fiscal policymaking¹ process. It refers to the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness of such information.

In practice, fiscal transparency means that the public has a right to know everything about public resources, including how funds are raised, managed, allocated and to what ends they are used.

Two elements are key in this definition: the availability and the quality of the information about public resources.

¹ Fiscal policy is the use of the level and composition of the general government and public sector spending and revenue—and the related accumulation of government assets and liabilities—to achieve such goals as the stabilization of the economy, the reallocation of resources, and the redistribution of income (IMF [Government Finance Statistics \(GFS\) Manual](#), 2014). Fiscal policy thus refers to government taxation, borrowing, spending, and the investment and management of public resources.

1.2 Information availability



[GIFT's High-level transparency principle 1](#) sets the foundation for the definition of fiscal transparency by stating that: “*Everyone has the right to seek, receive and impart information on fiscal policies.*” No-one should be excluded on any basis, for example it is not relevant if people are citizens of a particular country or not.

In order to fulfil this requirement of making fiscal information available to the public, governments naturally need to be able to document fiscal policies, have record keeping systems in place, as well as the ability and will to publish the information emanating from these systems.

Making information available, is however not enough, it needs to meet quality considerations to be accessible and usable.

1.3 Quality of information

Quality of information considerations referred to in the definition of fiscal transparency are critical for available information to be accessible and usable by different audiences. These considerations include that information is:

Reliable

- Extent to which reports are an accurate representation of government’s fiscal operations and finances. Reliable information requires that controls are in place for the generation and publication of fiscal information, including through the adoption of internationally recognized reporting, accounting and auditing standards, that certify information quality.

Comprehensive

- Published fiscal information should cover the entire public sector to enable observers to assess the government’s financial position; and be provided over time. The public sector² is comprised of a number of government units, each with their own roles and responsibilities. For fiscal transparency, information must be comprehensively provided on each and every one of these units, individually and collectively, such that one can gain a holistic understanding of the workings of the executive branch of government. Some of these units are fully funded from the executive branch’s central budget, some are partially funded, and others have completely separate budgets. Budget transparency relates to the units that are funded from the central budget, referring to the publication of full information across the complete budget cycle, from a pre-budget statement, through to the proposed and approved budgets, in-year and annual fiscal outturn reports, and audit reports. Fiscal transparency includes budget transparency, and in addition, requires that quality information is made available on government units that have separate budgets. This is because units that have

² The United Nations’ [System of National Accounts](#) (2008) explains the distinction between the government sector, the rest of the public sector, and other sectors of the economy. The IMF’s [GFS Manual](#) (2014) explores these distinctions further, together with the treatment of the different levels of government and social security funds.

separate budgets can perform specific tasks for the government at non-market related prices and/or may be subsidized by the government to undertake functions that the government provides guarantees for, among other functions. Fiscal transparency ensures that the fiscal position of the whole of government can be assessed including the fiscal risks that institutions with separate budgets may be posing. Fiscal data should also be provided over time, that is, multi-year information should be published in respect of the past, present and future (estimates on the future trajectory of public finances). This is because budget decisions made in an annual budget process have consequences for future years; while events anticipated to occur in future years also have bearing on current budgets.

Timely

- The time lag between the production and the publication of fiscal reports, should be as short as possible, at times non-existent, with reports published in real time. International good practice norms and standards provide guidance in respect of reasonable publication timelines for different fiscal reports. Reports should also be published regularly, with a frequency/periodicity that allows observers to understand the evolution of public finances over time.

Understandable

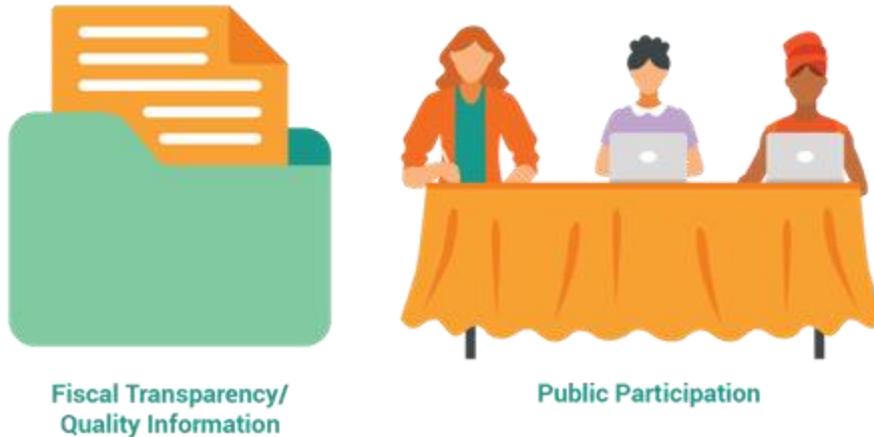
- Fiscal reports should be clear such that they are easily understood by users. This means that information needs to be published in different formats, catering to the ability of various users. Information provided should also be relevant, that is, it should provide users with the information they need to make effective decisions.

Internationally comparable

- Information should be compiled using internationally accepted definitions and standards, facilitating understanding and comparability across all institutions using the same standards, thereby facilitating independent evaluation.

1.4 The public relationship with government

Fiscal transparency is about the public's relationship with the government, whether the public has the information required to be able to effectively engage with government. For fiscal transparency to have impact, it needs to be meaningful. Indeed, at GIFT, it's often expressed that fiscal transparency that is not used, is useless!



Key questions in this regard, include:

- How easily can a member of the public access and then use fiscal information to influence and hold government accountable for its fiscal policy decisions?
- Does a person not in public office have the information needed to be able to form an opinion on how government is raising revenue, and how the government intends to use it to deliver goods and services?
- Does this person know what the government ultimately aims to achieve, by delivering these goods and services, in the form of broader economic, social and other developmental outputs and outcomes; and importantly whether it has achieved what it set out to achieve once it has implemented its policies?

This brings three concepts to the fore that are important for fiscal transparency to be meaningful, they are public participation; fiscal openness; and accountability:

Public participation

- The variety of ways in which the general public interact directly with public authorities with respect to the design, implementation and review of public policies by any form of communication. Public participation provides those outside of the executive with opportunities where their voices can be heard.

Openness

- The availability of quality information (fiscal transparency) in combination with opportunities for direct participation in fiscal policy (public participation), such that fiscal transparency can be used by the public to influence and hold governments accountable for their fiscal policy decisions.

Accountability

- An obligation for all public servants and authorities in charge of public resources, to report, explain and be answerable for the resulting consequences of decisions taken and implemented. In the public sector, there is a chain of command of accountability relationships, and there should be controls and sanctions. These can be within governments or external to it, with checks and balances, and the separation of powers. Besides internal control systems and practices, unelected public officials are generally accountable to elected political decision makers, who are in turn accountable to legislatures, and ultimately, to voters.

As such, quality information should be available (fiscal transparency) for the public to be sufficiently informed to be able to engage in effective discussions and deliberations, while public participation is required for them to have an opportunity to use this information to have a say on how government raises and uses scarce resources to achieve societal goals. Public participation can thus be seen as a necessary link in the causal chain between fiscal transparency and more effective accountability for public financial management (PFM), and ultimately better fiscal and development outcomes.

Throughout the 5 modules of this Guide, the concepts emanating from the definition of fiscal transparency will be unpacked together with their practical application enabling readers to gain a holistic understanding of what fiscal transparency means and entails.

2

The importance of fiscal transparency

Fiscal transparency operates within the PFM system, it is important at all stages of the fiscal policy cycle, and key in holding the executive accountable for its performance in managing public finances.

2.1 Fiscal transparency and public financial management

PFM refers to the financial systems through which governments implement policies to achieve public goals. As defined by the Public Expenditure and Financial Accountability (PEFA), the PFM system comprises:

- reliable budgets;
- transparent public finances;
- management of assets and liabilities;
- policy-based fiscal strategy and budgeting;
- predictability and control in budget execution;
- accounting and reporting;
- and external scrutiny and audit.

“

According to the IMF’s course on PFM:

“Simply put, public financial management, or PFM, is how governments manage their resources, public finances. It refers to laws, organizations, systems, and procedures that are required for a government to implement fiscal policy well. In other words, PFM is about the institutions that make fiscal policy work. We refer to PFM institutions as tangible, concrete, budget institutions. For example, the organization and operations of the Ministry of Finance or line ministries, or a supreme audit institution. But, we also refer to institutions as a set of laws, procedures, and frameworks. These exist to ensure that the government manages their finances well. This could be a law, or regulation, and sometimes even the Constitution.”

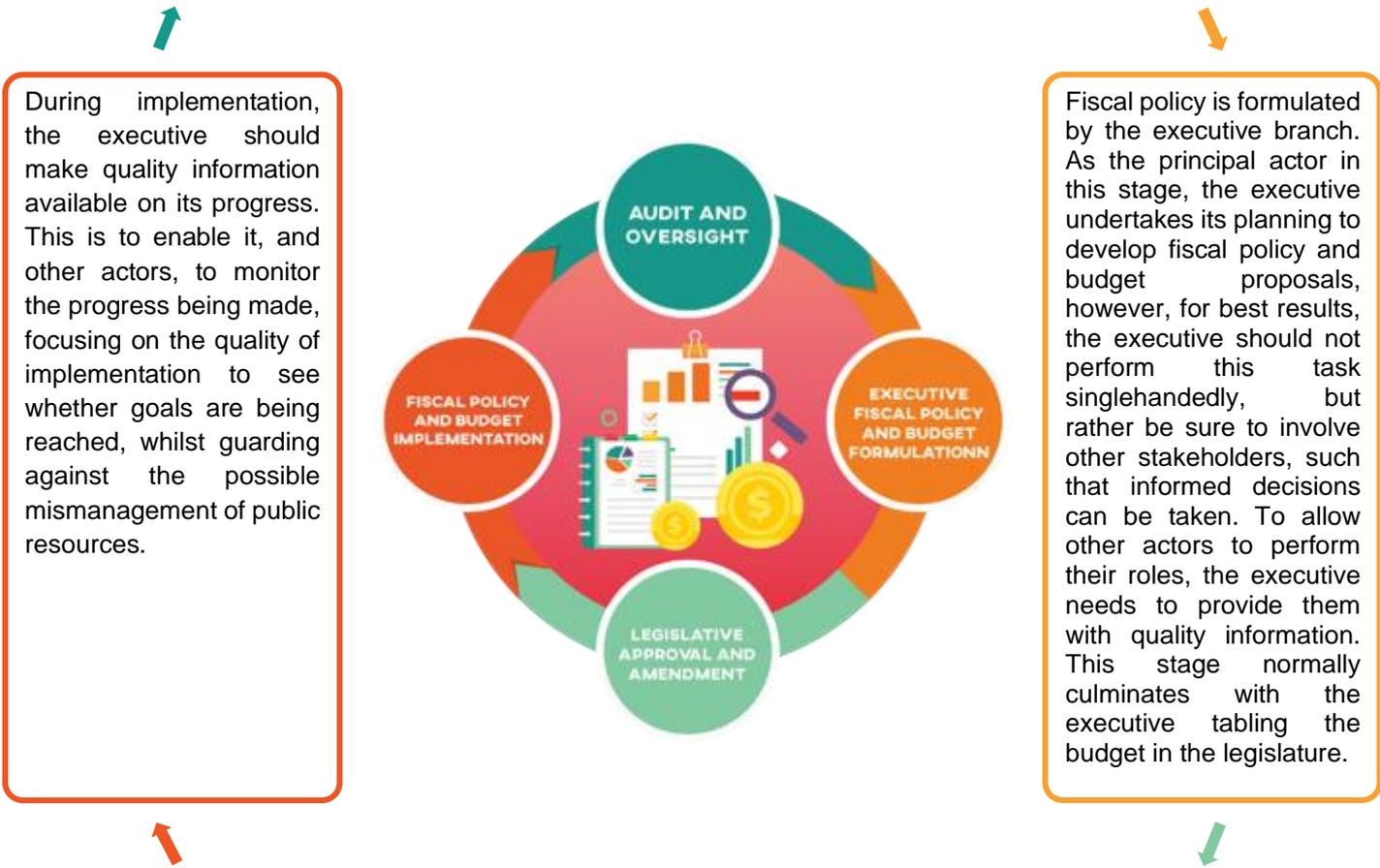
At the heart of PFM is the relationship between the public and the government. This relationship centers on the idea of there being an agreement, or what political experts call a “social contract” between the state and the public who are governed, but ultimately retain collective ownership of public resources. In this ‘contract’ the public contribute to collective resources while the government acts on their behalf, being entrusted with these resources and consequently expected to use them for collective wellbeing. Fiscal transparency is key in this relationship as it is the way in which governments provide information on the use of public resources to those who ultimately own the collective resources and are governed, including in respect of policies, goals and implementation results. Access to information is a precondition for public participation and for the public to be able to take informed decisions regarding basic needs, safety, and any other public services necessary for their wellbeing. As such, fiscal transparency is key in PFM, enabling all stakeholders to be well informed and able to participate in government’s management of public finances.

2.2 Fiscal transparency along the fiscal policy cycle

Fiscal transparency and openness involves different stakeholders, in various ways, throughout the different stages of the fiscal policy cycle. The fiscal policy cycle can be divided into four stages as shown in the diagram below. Fiscal transparency is a critical element for the effectiveness of each stage, as described briefly below.

Figure 1.1. Fiscal policy cycle

At the end of a fiscal year, parliamentarians, with the assistance of other actors, need to review and assure the reasonableness and appropriateness of the executive's actual spending and other results. The legislature needs to have a full picture of the previous fiscal year, both from a financial and non-financial performance or outcomes perspective, to scrutinize the executive's financial management from planning, to the allocation of resources to declared priorities, to the evaluation of the results these decisions generated. The executive's year-end report is its key accountability document, containing accounts of its activities, including all of its revenue and spending activities. This report should be accompanied by an audit from the supreme audit institution for independent assurance. Legislative scrutiny of audit findings assists in ensuring that public funds have been used for the purposes intended, and that policies achieve their intended results.



2.3 Publication of key fiscal information



Fiscal transparency should enable meaningful public engagement throughout the fiscal policy cycle. For this, the publication of key fiscal information is required, including that pertaining to projections of macroeconomic variables; government revenue; public expenditure; as well as the associated targeted outputs, outcomes and impact. This information assists the public to understand how governments aim to raise revenue, spent it, and towards what end.



Macroeconomic projections

The projected values of key macroeconomic variables including gross domestic product (measure of economic growth); employment/unemployment growth rates; interest rates; inflation rates; exchange rates; and the balance of payments (international financial transactions made by the residents of a country). These projections form the basis for the calculations of key fiscal indicator forecasts, that provide information on the projected state of the economy, including on the quantum of collective resources that the government will likely have available to it, essentially the resources within which fiscal policy choices can be made. They also provide vital information on fiscal policy needs, providing inputs into the budget choices to be taken, for instance fiscal policies may be targeted to deal with unemployment, inflation or to stimulate economic growth in particular sectors. Transparency in this area provides the basis for oversight institutions and the public to be able to understand, participate, and oversee budgetary processes. For instance, if macroeconomic projections are found to be unrealistic it may mean that budgets are not funded in reality and as such are not implementable.



Revenue projections

Governments raise revenue to generate the resources required to meet societal collective needs, generally through taxation, borrowing, and/or other alternative sources such as donor funding and revenue derived from natural resources. Governments make choices regarding the share of revenue to be generated from each revenue source, and well as from different components within these sources. For instance, when levying taxes, choices include the types of taxes to impose, their rates, their application, as well as whether any exemptions will be applied. Based on these revenue policy choices, governments will have either more or less fiscal space (capacity a government has to increase spending without risking its own fiscal sustainability). The different weights given to the costs or benefits of raising taxes, of increasing debt, or offering/eliminating exemptions also show what other priorities the government is addressing through the use of its revenue policies. For instance, a government can use tax policies to shape and influence society by subscribing to a regressive or progressive tax system (a progressive tax is one that overall charges higher rates of tax on a person as their income or wealth rises with the aim of redistributing income from the rich to

the poor). Revenue transparency is thus necessary for the public to form a better understanding of the resources available to meet collective needs as well as to more broadly understand the government's fiscal policy objectives. Fiscal transparency is also an essential driver of tax compliance because when the public understand how their government is raising revenue and how this revenue is being used efficiently and effectively, they are generally willing to pay more taxes.



Public expenditure and targeted outputs, outcomes and impact

Governments raise revenue to pay for the goods and services they are mandated to deliver to the public, especially those that lead to a country's growth and development. Revenues raised should be spent in the most efficient and effective manner towards the achievement of desired societal outputs (what is being produced/delivered), outcomes (what one wishes to achieve by producing those outputs), and impact goals. The desired goals differ from country to country and over time, depending on country unique contexts and the public thus requires the opportunity to be able to contribute to the debate not only regarding how revenue will be raised, but equally importantly on what the revenue raised will be spent on and whether the goods and services delivered meet their needs. Fiscal transparency thus requires governments to make available detailed financial and nonfinancial (performance) information for all its inputs; activities; outputs; together with the targeted outcomes and the expected impact of a particular government program in key development areas.

2.4 Performance and accountability of public authorities

The publication of financial and non-financial projections forms the basis for the public being able to participate in budgetary processes and then to hold the government accountable for its actions, by enabling them to have an understanding and to form expectations regarding how resources are to be raised and spent; what specific outcomes are expected to emanate from public expenditure; as well as how these outcomes are expected to have societal impact.



Fiscal transparency is then required for the public to be able to judge the government's actual performance. Once the budget, and fiscal policy more widely, is implemented, actual comparative financial and non-financial (performance) information should be published on what has actually transpired thereby allowing comparisons of actuals to targets, enabling one to follow the money and assess whether the government achieved what it set out to achieve. Importantly, the production of this information, also enables government officials to do a self-assessment of government's performance. For example, if a government allocates money in its budget to build one hundred colleges, aiming at upskilling a group of people in order to reduce unemployment and ultimately contribute to economic growth, once budget implementation begins, information is required to firstly see whether the government raised the revenue to cover the budget allocation and then to see if colleges were actually built within the budget and time limit set. Later,

additional information will also be required to see whether the building of colleges actually contributed to enhanced skills levels and consequently to economic growth. Fiscal transparency empowers the public to ask key questions and assists them in determining whether the executive has fulfilled its commitments.

Fiscal transparency is also a precondition for key oversight institutions including the legislature and the supreme audit institution to fulfil their main function of overseeing the executive's performance. For instance, supreme audit institutions (SAIs) require the executive to provide them with detailed and consolidated data such that they can conduct audits using internationally-recognized auditing standards, fundamental to financial accountability. The legislature is, in turn, the key institution vested with the authority to approve budgets and to hold the executive to account for its stewardship of public resources, requiring significant information to perform this function. A lack of fiscal transparency can undermine accountability as it provides opportunities for the misappropriation of public funds, including through corrupt activities.



Experience has however shown that the disclosure of information, while a necessary condition, is not a sufficient condition for accountability. Attention has consequently increasingly shifted beyond fiscal transparency to translating disclosure into more effective accountability by means of greater public engagement on fiscal management. The role of oversight institutions and public participation is discussed in detail in Module 2.

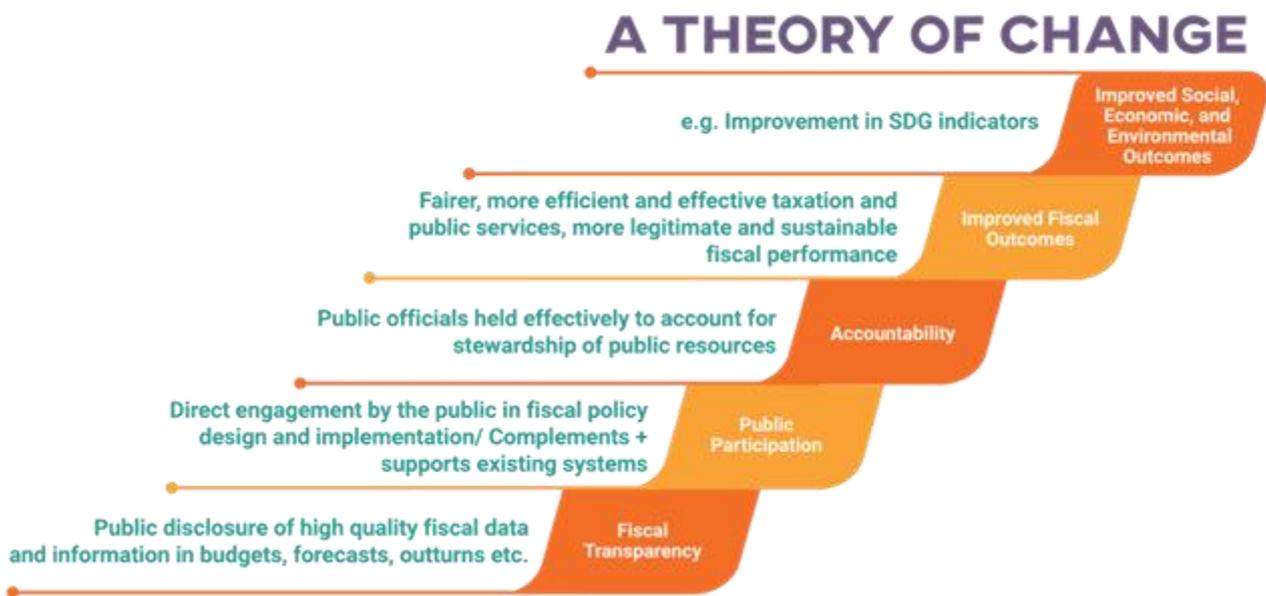
3

Fiscal transparency and improved PFM outcomes

The previous sections defined fiscal transparency and spoke to its importance. This section builds on this by examining the benefits of fiscal transparency and consequently why the key actors involved in it, would seek to strengthen it.

3.1 Theory of change

Figure 1.2. Theory of change: From fiscal transparency to policy impact



The logic behind the theory of change is that access to quality fiscal information is needed for those outside the executive to be able to engage in any meaningful debate on how government determines fiscal policy and then implements it, that is, it allows them to contribute to policy decisions on revenues and spending, and to check budget implementation with the aim of ensuring that budget plans are implemented, and that public spending delivers results. It also assists public officials within the executive, for instance, those outside the ministry of finance, in understanding and contributing to the development and implementation of fiscal policy goals. Fiscal transparency assists the executive in doing self-assessments of government’s progress in reaching its goals, and in managing its own performance, where necessary.

While quality information is required for the public to be able to engage in discussions and deliberations, public participation provides opportunities for these discussions to take place, allowing society to have a say on how the government uses scarce resources to achieve societal goals. Public participation opportunities can take place through a variety of mechanisms, be formal or informal, government-led or public-led processes, with members of the public acting individually or collectively. Public participation efforts should be inclusive, allowing voices from a diverse spectrum to be heard, particularly marginalized groups, reaching out to them with the aim of serving them

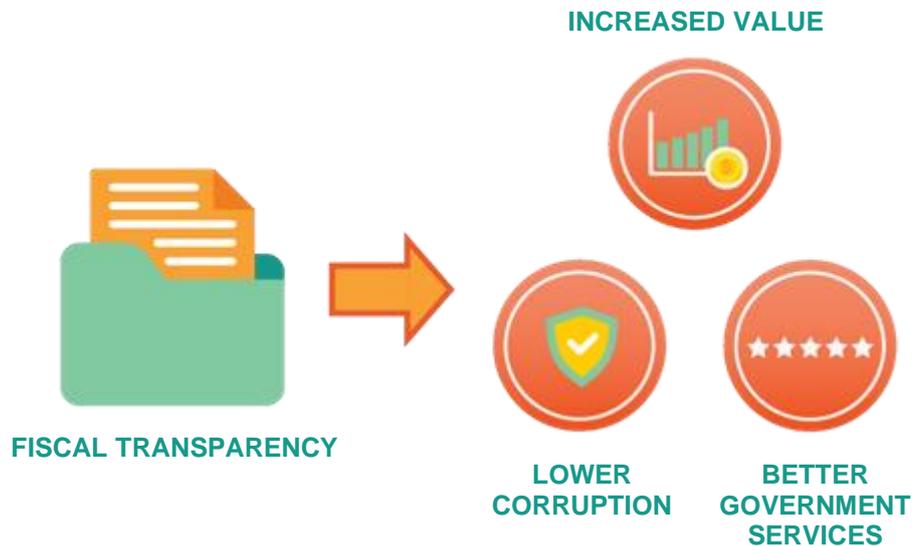
better. Well informed members of the public can engage in meaningful deliberations, potentially enhancing the formulation and implementation of government budgets. Public participation helps ensure that budget trade-offs—limited resource availability means that increases in spending in some areas are at the expense of spending in other areas—are in the public interest, and that fiscal policy implementation challenges are resolved over time. This is based on the fundamental premise that the executive branch simply cannot do everything on its own. Fiscal transparency helps ensure that public policy decisions are informed and that governments can take better decisions and implement them with the support of informed social actors that demand, and then use information to advocate for social change, engage with, and hold governments to account. Public participation can be seen as a link in the chain between fiscal transparency and more effective accountability for PFM.

Fiscal transparency provides independent oversight institutions including parliaments, SAIs, and the public with the information they need to check if budget decisions proposed by the executive and approved by the legislature are implemented as intended and deliver results.



- In the fiscal policy cycle, legislatures approve government plans for raising revenue and spending public funds, and require quality information to effectively do so.
- SAIs, on the other hand, require quality information to effectively conduct audits to gauge whether public accounts are accurate and reliable, whether funds were used in accordance with the law, and whether public spending was efficient and effective.
- Legislatures should also monitor budget implementation and support the work of SAIs by reviewing audit reports and tracking the executive's progress in implementing audit recommendations.
- The public too, has key roles in holding the executive accountable for its management of public funds.

When those outside the executive, especially those that participated in the design and implementation of fiscal policies, receive quality information on budget outcomes, they can compare what was achieved against expectations, and use this knowledge to assist in holding the government accountable for its use of public funds. Fiscal transparency also reduces the executive's informational advantage making it more likely that it will undertake its programs in line with campaign promises and publicly released plans, knowing that its progress is being monitored by the public.



As shown by a growing body of evidence, discussed in the section below, fiscal openness and robust independent oversight leads to **more revenue, lower corruption, and generally better government services**, towards improved human development outcomes, such as those contained in the United Nations' Sustainable Development Goals (SDGs). Fiscal transparency is critical for evaluating the degree to which governmental commitments to developmental goals, such as the SDGs, are supported by adequate resources. Transparent and inclusive fiscal policy supports healthy public finances, better fiscal outcomes and more responsive, effective and equitable public policies.

In a nutshell, the theory of change advocates that having access to quality information on public finances empowers stakeholders to provide feedback to influence fiscal policy formulation and resource allocation leading to improved budget management. Fiscal transparency coupled with effective public participation is vital to enhance inclusiveness, enabling all actors, including traditionally excluded and vulnerable groups and individuals, to have a voice in fiscal policy that affect their interests and living standards. Clarity about the use of public resources is necessary to hold public representatives and officials accountable for their effectiveness and efficiency. Fiscal transparency thus fosters trust in society and helps create a culture where people's views and interests are respected, helping ensure that better public choices are made and that public funds are used with integrity and high standards, enhancing government efficiency and effectiveness, towards the achievement of its developmental goals.

3.2 Evidence of linkages between fiscal transparency and PFM outcomes

The link between fiscal transparency and improved PFM and development outcomes has been the subject of several studies over the years, with evidence generally showing a positive association between fiscal transparency and improved fiscal policy outcomes, governance, as well as socio-economic and human development indicators. Some studies credibly identify causal effects in the form of reduced corruption, enhanced electoral accountability, and improved resource allocation. The evidence highlights how specific and locally relevant disclosures, especially on budget

execution and audits, can improve governance outcomes. Some of the findings of selected studies are summarised in the table below to illustrate some of the practical benefits of fiscal transparency.

Table 1.1. Evidence of the benefits of fiscal transparency

Expected impact of fiscal transparency ^{3 4}	 Mechanism at work
Higher tax collection ^{5 6 7}	When governments are more inclusive and transparent, citizens have greater trust in them, and are more willing to pay their taxes, which can reduce enforcement costs and increase collections.
Increased demand for sovereign debt and lower borrowing costs ^{8 9}	The amount that lenders are willing to lend and to charge borrowers for doing so, largely depends on the risk associated with that lending. A lack of fiscal transparency creates uncertainty and increases risk perceptions. A lack of transparency also increases the cost of monitoring a country, and monitoring influences a country's behavior, which in turn affects its credit spreads.
Lower misallocations and capture ^{10 11 12 13}	Budget information disclosure can reduce misallocations and promote accountability by helping oversight institutions to hold governments to account, as well as by incentivizing citizens to monitor governments, and public officials to refrain from corrupt behavior. Public access to information can be a powerful deterrent to the capture of funds at the local level, as the public knows the budgets allocated to the local projects they have an interest in, as well as the anticipated outputs/outcomes of these projects. They can then closely monitor actual progress on these projects. Also, when officials know they are being closely monitored, they are less likely to engage in corrupt activities. For instance, regarding procurement transparency, it has been found that more disclosure, especially during the call for tenders, improves monitoring by bidding firms, thereby reducing a contracting organization's share of contracts awarded on the basis of a single bid and the likelihood of corrupt behavior. Also, given that single bidder contracts are on average more expensive, this can lead to significant potential savings.

³ De Renzio, P., Haus, P., and Wehner, J. (2022). [“\(When\) Do Open Budgets Transform Lives? Progress and Next Steps in Fiscal Openness Research.”](#) GIFT, IBP and Open Government Partnership.

⁴ De Renzio, P., and Wehner, J. (2015). [“The Impacts of Fiscal Openness: A Review of the Evidence.”](#) Incentives research.

⁵ Touchton, M., Wampler, B., and Peixoto, T. (2019). [“Participatory Institutions and Tax Compliance in Brazil.”](#) World Bank Group Policy Research WP 8797.

⁶ Sjoberg, F., Mellon, J., Peixoto, T., Hemker, J., and Tsai, L. (2019). [“Voice and punishment: A global survey experiment on tax morale.”](#) World Bank Policy Research Working Paper 8855.

⁷ Touchton, M., Wampler, B., and Peixoto, T. (2021) [“Of democratic governance and revenue: Participatory institutions and tax generation in Brazil.”](#) Governance 34, no. 4: 1193–1212.

⁸ Glennerster, R., and Shin, Y. (2008). [“Does Transparency Pay?”](#) IMF Staff Papers 55(1): 183-209.

⁹ Kemoe, L., and Zhan, Z. (2018). [Fiscal Transparency, Borrowing Costs, and Foreign Holdings of Sovereign Debt.](#) IMF WP/18/189.

¹⁰ Reinikka, R., and Svensson, J. (2011). [“The Power of Information in Public Services: Evidence from Education in Uganda.”](#) Journal of Public Economics 95(7-8): 956-966.

¹¹ Bauhr, M., Czibik, Á., de Fine Licht, J., and Fazekas, M. (2020). [“Lights on the shadows of public procurement: Transparency as an antidote to corruption.”](#) Governance 33, no. 3: 495–523.

¹² Olken, B. (2007) [“Monitoring Corruption: Evidence from a Field Experiment in Indonesia.”](#) Journal of Political Economy, 115(2): 200-249.

¹³ Gonzalez, R., Harvey, M., and Tzachrista, F. (2020). [“Monitoring Corruption: Can Top-down Monitoring Crowd-Out Grassroots Participation?”](#) SSRN, 2020.

Expected impact of fiscal transparency	 Mechanism at work
Greater electoral accountability of public institutions ^{12 13 14 15}	<p>When information regarding the performance of public institutions is made publicly available, media, interest groups, and concerned communities are likely to use this information to exert pressure on public authorities to respond, explain, justify and eventually correct themselves. This raises the costs of continuing to provide poor institutional performance records. For instance, the undertaking of random, external audits by independent institutions, accompanied by the publication of timely audit reports, is likely to reduce corruption and enhance electoral accountability, especially where the public dissemination of these reports is supported by local media. Random audits reduce corruption, predominantly by increasing the chances of a police crackdown or a conviction in court. The effectiveness of external audits is however reduced where auditors lack independence, and where auditees can anticipate the timing of audits relative to elections, or otherwise adjust their behavior strategically to weaken the detection or consequences of poor governance.</p>
Budget credibility ¹⁶ and improved development outcomes ^{17 18 19 20}	<p>Fiscal transparency reduces the government’s informational advantage making it more likely that it will implement and undertake its programs in line with its publicly released plans/projections as contained in its budgets, as it is aware that its progress is being monitored by the public. Fiscal transparency coupled with public participation can lead to improved development outcomes, as it empowers the public to not only understand the priorities that the government is pursuing but also to contribute to these choices, by providing the government with feedback. As such, government policies are more likely to be appropriately designed to meet the public’s needs and consequently to lead to enhanced developmental outcomes. For example, studies have found that fiscal transparency is associated with higher budget execution rates in the health and the education sectors, and better projections of GDP growth and inflation.</p>

¹² Olken, B. (2007) "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," Journal of Political Economy, 115(2): 200-249.
¹³ Gonzalez, R., Harvey, M., and Tzachrista, F. (2020). "Monitoring Corruption: Can Top-down Monitoring Crowd-Out Grassroots Participation?" SSRN, 2020.
¹⁴ Ferraz, C. and Finan, F. (2008). "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes," Quarterly Journal of Economics 123(2): 703-745.
¹⁵ Avis, E., Ferraz, C., and Finan, F. (2018). "Do government audits reduce corruption? Estimating the impacts of exposing corrupt politicians." Journal of Political Economy 126, no. 5: 1912–1964.
¹⁶ Sarr, B. (2015). "Credibility and Reliability of Government Budgets: Does Fiscal Transparency Matter?". International Budget Partnership WP 5.
¹⁷ Touchton, M., and Wampler, B. (2014) "Improving Social Well-Being Through New Democratic Institutions," Comparative Political Studies 47(10): 1442-1469.
¹⁸ Gonçalves, S. (2014). "The Effects of Participatory Budgeting on Municipal Expenditures and Infant Mortality in Brazil," World Development 53: 94-110.
¹⁹ Touchton, M., and Wampler, B. (2020). "Public engagement for public health: participatory budgeting, targeted social programmes, and infant mortality in Brazil." Development in Practice 30, no. 5: 681–686.
²⁰ World Wide Web Foundation (2018). "Open Data Barometer - Leaders Edition," World Wide Web Foundation.

4

Examples from the field



Indonesia

Fiscal Transparency Journey in Indonesia

As measured, for the first time in the International Budget Partnership's (IBP) Open Budget Survey of 2006, Indonesia had limited levels of fiscal transparency. The government and others actors, such as civil society, however pressed for fiscal transparency reforms aiming at increasing accountability and decreasing corruption. These reforms were successful, with Indonesia attaining sufficient levels of fiscal transparency by the 2012 Survey.



[Watch here](#)

In April 2021, Sri Mulyani Indrawati, Minister of Finance of the Republic of Indonesia, documented this journey in a testimonial [video](#) sharing key lessons and insights from the mainstreaming of fiscal transparency, public participation, and accountability practices in the public sector of Indonesia. She explained that the 1997/98 financial crises devastated the Indonesian economy, and that enhanced fiscal policy management was required to overcome this, with fiscal transparency being a key component. Key reforms undertaken included establishing a legal basis for fiscal transparency, developing frameworks and systems as well as institutionalizing fiscal transparency in all of the stages of the fiscal policy cycle as a basis for continually engaging key stakeholders outside of the executive, including parliament, the SAI, civil society, and the general public. The Minister also emphasized the need to continually work towards maintaining and improving fiscal transparency, including through the use of the media and digital tools. She concludes by iterating that fiscal transparency is key for public trust, and that public trust and credibility are in turn critical for managing public finance in an accountable, effective, and efficient manner.



Mexico

Fiscal transparency as a tool for building trust: An example from Mexico

A key benefit of fiscal transparency is that it enables non-governmental actors to assist government in fiscal policy/budgetary design, and implementation; and then in holding it accountable. This enhances the efficiency and effectiveness of fiscal policies.



[Watch here](#)

An [example](#) of this is provided by seeing how civil society and other non-governmental actors in Mexico were able to analyze fiscal information to show inequalities in a farm subsidies program, and by doing so, greatly assisted in the rectification of the problems identified. In brief, a civil society group, called Fundar, worked with other institutions to develop an online database on government farm subsidies. One of the key problems brought to light by this database was the way in which funds were distributed, although the government claimed

that the farm subsidy program targeted the neediest farmers, the data revealed that a small group of wealthy farmers received most of the subsidy funds over time, with the first 10 percent of recipients having received over 80 percent of the entire allocation for farm subsidies. The government responded to the publicity generated by Fundar with the assistance of the media in this regard, by implementing important reforms including capping payments to individuals and increasing the amount provided to smaller, poorer farmers. Public officials responsible for program operations were also questioned in the Mexican Senate, with several being removed from office.



Reflection from a governmental perspective on the benefits of advancing fiscal transparency: An example from the Philippines

Philippines

The Philippines is one of the top performing countries in fiscal transparency. This was, however, not always the case. Florencio “Butch” Abad, former Secretary of the Philippine Department of Budget and Management (2010-16) reflected in an [interview](#) in 2021 on the Philippine experience in advancing fiscal transparency reforms, providing key lessons.



[Watch here](#)

In brief, the Aquino Administration came into office in 2010, needing to deal with the previous administration’s issues of corruption and inability to deal with a growing problem of inequality and poverty. The public had a general distrust in government. The Aquino Administration used fiscal transparency and public participation as key tools in the government’s quest to improve the lives of Filipinos. The budget was opened up to the public in a comprehensive, yet understandable manner, people were asked to scrutinize it and to provide their feedback to the executive. The government also used fiscal transparency to do self-assessments of their own performance. Political leadership and commitment to fiscal transparency ensured that the Philippines climbed rapidly in the IBP’s Open Budget Survey. Through fiscal transparency, the government was, among others, able to build trust levels, make better, informed choices, and importantly access the international capital required to fund these choices. Governance reforms were at the heart of discussions with multilateral agencies, creditors, and credit rating agencies, with strong efforts made to improve in global governance indices with the aim of restoring trust in the Philippine government. Within a few years, credit rating agencies rated the Philippines investment grade, paving the way for cheaper loans and substantial growth in foreign direct investments, funding the enhancement of the country’s developmental outcomes.

5

Fiscal transparency norms and standards

The potential beneficial impact of fiscal transparency in fiscal matters has over the years led to the development of a multiplicity of international norms and standards on the matter. Norms and standards on fiscal transparency have often also been incorporated into standard-setting exercises that go beyond fiscal transparency.

5.1 Standard bearers for norms and standards

Norms and standards provide assistance to various actors in the form of detailed and specific guidelines for practices that are subscribed to by institutions with recognized authority. With respect to fiscal transparency, international standard setters include the [Global Initiative for Fiscal Transparency](#) (GIFT); the [International Monetary Fund](#) (IMF); the [Organization for Economic Co-operation and Development](#) (OECD); the [Public Expenditure and Financial Accountability](#) (PEFA) program; the [International Public Sector Accounting Standards Board](#) (IPSAS); and the [International Organization of Supreme Audit Institutions](#) (INTOSAI). International civil society organizations have also developed fiscal transparency measurements that have become standards, including [Transparency International](#) and the [International Budget Partnership](#) (IBP).



Numerous global norms and standards have been developed by these international organisations over the years to guide policy makers and other key actors in fiscal policy in their efforts to improve fiscal transparency, participation and accountability. A number of governments have also over time translated these developed norms, principles and instruments into domestic laws, regulations and practices.

Examples of norms and standards include:



GIFT's [High-level principles on Fiscal Transparency, Participation and Accountability](#)



IMF's [Fiscal Transparency Code](#) (2019)



OECD's [Budget Transparency Toolkit](#) (2017)



IPSAS Board's [Handbook on International Public Sector Accounting Pronouncements](#) (2022)



INTOSAI's [Framework of Professional Pronouncements](#)

Several organizations have also developed independent diagnostic assessment tools to gauge the levels of fiscal transparency against these standards and norms. For instance, the IBP's [Open Budget Survey](#) (OBS) is an independent global survey on budget transparency conducted every two years; [Fiscal Transparency Evaluations](#) (FTEs) are the IMF's principal fiscal transparency diagnostic tool, assessing country practices against the Fiscal Transparency Code; the PEFA secretariat's [Framework for assessing public financial management](#) (2016) provides a framework for assessing and reporting on the strengths and weaknesses of PFM systems using quantitative indicators to measure performance; and the United States Department of State's annual fiscal transparency review process results in the publication of [Fiscal Transparency Reports](#) (FTRs) that show whether governments meet minimum requirements of fiscal transparency. Fiscal transparency assessments are discussed in detail in Module 3.

5.2 The GIFT network



[GIFT](#) was established as an action network in 2011 by IBP, the World Bank, IMF and the budget ministries of Brazil and the Philippines, to achieve sustained and measurable improvements in fiscal transparency and inclusive participation by advancing global norms, peer-learning, collaborative assistance and promoting the use of digital tools.

The GIFT network is formed by ministries of finance, civil society organizations (CSOs), international financial institutions, budget specialized organizations, and donors, all key actors in the world of fiscal transparency. The network is currently comprised of over 50 members, including the most influential actors in the field that set fiscal transparency norms and standards, as well as those that practically implement these principles at government level.

The network effectively provides a space where these institutions can engage in dialogue, working together to find, share and advance solutions to challenges in fiscal openness. GIFT members, stewards, are represented by individuals who strongly believe in the importance of fiscal transparency and public participation - resilient, convinced, committed individuals that support, challenge, and encourage each other, providing rich experiences that enable learning to take place in a truthful, frank setting.

5.3 GIFT's contribution to norms and standards

One of the network's first initiatives was to review the plethora of international standards and norms on fiscal transparency for comprehensiveness and consistency.

“

This prompted the development in 2012 of the [High-Level Principles on Fiscal Transparency, Participation and Accountability](#), 10 principles that were

'...intended to guide policy makers and all other stakeholders in fiscal policy in their efforts to improve fiscal transparency, participation and accountability, and to help promote improvements in the coverage, consistency and coherence of the existing standards and norms for fiscal transparency.'



In 2018, an [Expanded Version of the High-Level Principles on Fiscal Transparency, Participation and Accountability](#) was issued, explaining the role played by the GIFT High-Level Principles since 2012 in promoting greater fiscal transparency globally, as well as setting out the relationship between each of the high-level principles and the corresponding standards, norms, assessments, and country practices to which they relate. This version allows one to get a quick overview of the multiplicity of instruments in relation to each other and to find effective entry points to more detailed sources of information and guidance.

Figure 1.3. Hierarchy of principles, norms and standards, and assessments of country practices



GIFT’s contribution to norms and standards is illustrated in the diagram below where the GIFT High-Level Principles on Fiscal Transparency, Participation and Accountability sit at the top of a hierarchy of principles, norms and standards, and assessments of country practices. Importantly, the expanded version also captured the major changes that took place to international fiscal transparency standards and assessment tools after the issuance of the High-level principles in 2012, that is from 2012 to 2018.

The Expanded version of the high-level principles also provides a useful map of international fiscal transparency instruments. The map contains hyperlinks that can be used to easily access the different documents providing international standards in the following three domains (some standards apply to more than one domain):

- **Disclosure of fiscal information**

- **Public participation in fiscal policy**

- **Oversight of fiscal policy**

Principles are at a level of generality that can be applied across all countries, irrespective of constitutional arrangements, type or structure of government, variety of organisational arrangements and relationships, or level of development or capacity. They focus on functions rather than prescribing specific institutional forms. The standards, norms and assessment instruments above which the Principles sit are where graduated approaches are increasingly being developed to recognize diversity in country circumstances.

In addition to information on fiscal transparency standards and norms, the expanded version of the high-level principles also contains information on country practices, references to good practice in selected countries, and links to published reports assessing country practices. As such, together with the sources of further information and guidance, it can be used as a starting point for further investigation into the full range of issues relating to fiscal transparency, public participation or accountability.



The OECD's [Budget Transparency Toolkit](#) (2017), designed with the participation of the GIFT Network, provides an alternative way of navigating through the various global fiscal transparency institutions, standards, and guidance materials, using a structure based around five key areas. This Toolkit and the GIFT's expanded version of the high-level principles are complementary. They use different organizing frameworks to cover a similar body of international fiscal transparency instruments.

5.4 A summary of GIFT's high-level principles

In the box that follows, each one of GIFT's 10 high level principles is set out together with the rationale underlying it. A summarised version of the norms and standards contained in the expanded version of the high-level principles is also provided with hyperlinks to the applicable documents, providing a snapshot of each principle. References to standards have been updated in cases where standards were revised subsequent to the publication of the expanded version of the high-level principles in 2018. The expanded version should be consulted for country practices as well as for further readings on each principle.

Box 1.1. A summary of GIFT's 10 high-level principles



PRINCIPLE #1

Everyone has the right to seek, receive and impart information on fiscal policies. To help guarantee this right, national legal systems should establish a clear presumption in favor of the public availability of fiscal information without discrimination. Exceptions should be limited in nature, clearly set out in the legal framework, and subject to challenge through low-cost, independent and timely review mechanisms.



RATIONALE

Access to information is required for the public to get information on things that concern them; to make informed decisions; and to be able to hold the government accountable for fiscal management. Access to information is a precondition for meaningful public participation in fiscal policy. The right to fiscal information is an important guarantor of the public's ability to obtain information in practice. There are however limits to this right, such as privacy considerations.

APPLICABLE INTERNATIONAL NORMS AND STANDARDS

IMF: [Fiscal Transparency Code](#) (2019): Information should be disclosed to the public in respect of 4 pillars:

- I. Fiscal reporting
- II. Fiscal forecasting and budgeting
- III. Fiscal risk analysis and management
- IV. Resource revenue management

[[Manual on Fiscal Transparency](#) (2007) and [Fiscal Transparency Handbook](#) (2018) provide guidance on the Code's implementation].

OECD:

- [Best Practices for Budget Transparency](#) (2002): Defines budget transparency as “the full disclosure of all relevant fiscal information in a timely and systematic manner” and is comprised of 3 parts:
 1. Principal budget reports that governments should produce with their general content
 2. Specific disclosures such as economic assumptions, financial assets and liabilities, and contingent liabilities to be contained in the reports, including both financial and non-financial performance information
 3. Practices for ensuring the quality and integrity of the reports

Since 2015, the Best Practices have been embodied and updated within the [Recommendation of the Council on Budgetary Governance](#), which set out ten Budget Principles, presenting an overview of how various aspects of budgeting should inter-connect to form a coherent and effective system. Introduced a principle of participative and inclusive budgetary debate.

- [Budget Transparency Toolkit](#) (2017): Includes a section devoted to providing useful budget related documents during the annual cycle and including the right to financial information in budget related documents. On publication of budget documents, it recommends that official documents should provide a useful overview of the fiscal activities of the public sector in a regular and timely manner, to inform better scrutiny and decision-making throughout the budget cycle.

Inter-Parliamentary Union: [Parliament And Democracy In The Twenty-First Century: A Guide to Good Practice](#): Stipulates that the legislature should operate transparently, including proceedings being open to the public; prior publication of information on the business before parliament; documentation available in relevant languages; availability of user-friendly tools; and legislation on freedom of/access to information.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance. PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time. There are questions on the public's access to public finance information and on the quality of information. It emphasizes transparency and accountability in terms of access to information, reporting and audit, and dialogue on PFM policies and actions. Comprised of 7 pillars, of which the ones in bold below include references to the importance of pro-actively disclosed information:

1. Budget reliability
2. **Transparency of public finances**
3. **Management of assets and liabilities**
4. **Policy-based fiscal strategy and budgeting**
5. Predictability and control of budget execution
6. **Accounting and reporting**
7. **External scrutiny and audit**

IBP: [Open Budget Survey](#) (OBS): Independent global survey on budget transparency that is conducted every two years. Assesses 3 components of budget accountability system:

1. Public availability of budget information
2. Opportunities for the public to participate in the budget process
3. Role of formal oversight institutions, including the legislature and the national audit office (supreme audit institution).

The majority of the survey questions assess what occurs in practice, rather than what is required by law.



PRINCIPLE #2

Governments should publish clear and measurable objectives for aggregate fiscal policy, regularly report progress against them, and explain deviations from plans.



RATIONALE

A fundamental premise of good public or private sector management is the need for those in authority to state clearly and openly to their stakeholders the intended overall outputs and impacts of their policies; and the resources they will consume. They must also report on aggregate progress and results. Aggregate fiscal policy has substantial effects on the national economy immediately, and in the future, including on employment, inflation, growth, resource allocation and debt, and as such governments are accountable for the impacts of fiscal policy on national welfare.

APPLICABLE INTERNATIONAL NORMS AND STANDARDS

IMF: [Fiscal Transparency Code](#) (2019):

- Pillar I: Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance.
 - Pillar II: Budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances.
 - Pillar III: Governments should disclose, analyze, and manage risks to the public finances and ensure effective coordination of fiscal decision-making across the public sector.
 - Pillar IV: Principle 4.3: Resource Revenue Utilization: Resource revenues should be managed within the budget and macro-fiscal framework in accordance with clear fiscal policy objectives, and any natural resource fund should be operated in a consistent and transparent manner. Principle 4.4: Resource Activity Disclosure: Fiscal, operational, environmental and social aspects of natural resource projects should be regularly reported on and published.
- [[Manual on Fiscal Transparency](#) (2007): Particularly pp. 37-43: Medium term budget frameworks and fiscal rules].

OECD:

- [Recommendation of the Council on Budgetary Governance: Principles of Good Budgetary Governance](#) (2015): Recommend that governments commit to pursue a sound and sustainable fiscal policy (principle 1b) and consider whether the credibility of such a commitment can be enhanced through clear and verifiable fiscal rules or policy objectives....' (principle 1c). Governments to closely align budgets with medium-term strategic priorities by developing a stronger medium-term dimension in the budgeting process....' (principle 2a).

- [Best Practices for Budget Transparency](#) (2002): Pre-budget report should explicitly state the government's long-term economic and fiscal policy objectives and the government's economic and fiscal policy intentions for the forthcoming budget and, at least, the following two fiscal years' (section 1.2).
- [Budget Transparency Toolkit](#) (2017): Topics on the content of a pre-budget statement and the main budget relating to the government's fiscal strategies, as well as a long-term report and reporting on fiscal risks (section A).

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Indicators assess the extent to which government prepares a fiscal strategy that sets out fiscal objectives for at least the budget year and the two following fiscal years; and whether government makes available—as part of the annual budget documentation submitted to the legislature—an assessment of its achievements against its stated fiscal objectives and targets. The assessment should also include an explanation of any deviations from the approved objectives and targets as well as proposed corrective actions. [[Handbook](#), including Assessment Field guide provides expanded guidance on the application of the framework].

IBP: [Open Budget Survey](#) (OBS): Survey asks whether the Executive's Budget Proposal or any supporting budget documentation presents information on how the proposed budget (both new proposals and existing policies) was linked to government's policy goals' for the budget year and for a multi-year period.



PRINCIPLE #3

The public should be presented with high quality financial and non-financial information on past, present, and forecast fiscal activities, performance, fiscal risks, and public assets and liabilities. The presentation of fiscal information in budgets, fiscal reports, financial statements, and National Accounts should be an obligation of government, meet internationally-recognized standards, and should be consistent across the different types of reports or include an explanation and reconciliation of differences. Assurances are required of the integrity of fiscal data and information.



RATIONALE

The publication of high quality fiscal information is at the core of fiscal transparency. It is a precondition for legislative oversight, and for the public to understand and participate in the budgetary processes, to judge the government's performance, and to hold it to account.

High quality information is comprehensive, regular, timely, reliable, useful, easily understood, readily accessible, and subject to internationally accepted standards.

International codes and standards provide guidance on the required coverage and quality of fiscal data. They also recommend that the provision of budgetary information be grounded in law.

APPLICABLE INTERNATIONAL NORMS AND STANDARDS

IMF:

- [Government Finance Statistics \(GFS\) Manual](#) (2014): Core standards that are widely adopted across the main fiscal transparency instruments, including on the classification of the government sector and the public sector [based on [the United Nations' System of National Accounts](#) (2008)]; the classification of the levels of government, and the economic and functional classification of expenditures [based on the [UN Classification of the Functions of Government](#), (COFOG)]; and a classification of revenues. [[GFS Compilation Guide for Developing Countries](#) (2011)].
- [Fiscal Transparency Code](#) (2019): Pillar I: Requirements for fiscal reporting supplemented by further detail in Pillars II and III. Pillar IV focuses on the greater specificity required for natural resource activities. [[Manual on Fiscal Transparency](#) (2007): Particularly pp. 61-105, covering Pillars II and III of the Code on public availability of information and assurances of integrity]. [[Guide on Resource Revenue Transparency](#) (2007): Detailed requirements for the information (data and forecast) that should be published on resource-related revenues, spending, fiscal balance, natural and financial assets, and fiscal risks, in countries that are identified as resource-rich; and on past government receipts of company resource revenue payments. (See particularly pp. 37-48)].

- [Standards for Data Dissemination](#): Voluntary standards for dissemination of economic and financial data. Special Data Dissemination Standard (SDDS) sets good practices for data publication in terms of coverage, periodicity, and timeliness; ease of access; integrity; and quality. The SDDS was established for governments that have, or might seek, access to international capital markets. Most countries not subscribing to the SDDS, participate in the General Data Dissemination System (GDDS), or enhanced GDDS, which also provides guidance on the provision of comprehensive, timely, accessible, and reliable statistics to the public. For the fiscal sector, both the SDDS and GDDS provide detailed guidance on data sets and methodologies pertaining to government operations and gross debt.

OECD:

- [Recommendation of the Council on Budgetary Governance: Principles of Good Budgetary Governance](#) (2015): Budget documents and data should be 'open, transparent and accessible' (principle 4). Budget reports should be clear and factual (principle 4a) and published 'fully, promptly and routinely' (principle 4c). All expenditures and revenues of the national government should be accounted comprehensively and correctly in the budget document (Principle 6a) and a full national overview of the public finances, including sub-national levels of government, should be presented (principle 6b).
- [Best Practices for Budget Transparency](#) (2002): Detailed requirements for the publication of data and other information in the government's budget, pre-budget report, monthly reports, mid-year report, year-end report, long term report and a pre-election report. A summary of relevant accounting policies should accompany all reports, including disclosure of any deviations from generally accepted accounting practices, and the same accounting policies should be used for all fiscal reports. Also contains provisions designed to provide assurance of data integrity, and requirements for information on assets, liabilities, and contingent liabilities.
- [Budget Transparency Toolkit](#) (2017): contains section H on making budget information accessible to the public. H.1: Presenting key budget information in a clear manner that can be understood easily by the public and by civil-society stakeholders. H.2: Publishing a Citizen's Budget. Section I: Using open data to support budget transparency. I.1: Open data should meet minimum standards. I.2: Requirements for access to open budget data. I.3: Integrating open budget data portals with existing portals.

[International Public Sector Accounting Standards Board](#) (IPSASB): [Handbook on International Public Sector Accounting Pronouncements](#) (2022): Accounting standards for public sector entities.

[G20 Anti-Corruption Open Data Principles](#) (2015): 6 principles for provision of government data. Principle 1: Government data should be 'open by default'. Subsequent principles establish that government data should be: timely and comprehensive; accessible and usable; comparable and inter-operable; for improved governance and citizen engagement; and for inclusive development and innovation. Principles form the core of the [Open Data Charter](#).

[Public Sector Debt Statistics: Guide for Compilers and Users](#) (2011): Guidance on the concepts, definitions, and classifications of public sector debt statistics; the sources and techniques for compiling data; and some analytical tools that may be used to analyse statistics.

European System of Accounts (2010): Includes set of encouraged disclosures on elements such as assets and liabilities, assistance received from external parties and NGOs, controlled entities, and joint ventures.

International Standards of Supreme Auditing Institutions (ISSAI): State the basic prerequisites for the proper functioning and professional conduct of supreme audit institutions and the fundamental principles of public sector auditing.

Extractive Industries Transparency Initiative (EITI) Standard (2019): Standards for countries with large natural resource sectors including on fiscal reporting.

Declaration on Good Public Financial Governance in Africa (2011): Commitment 1.1: Improving fiscal transparency: Governments to publish information on fiscal projections, the state of public finances, and the structure, functions and financing of government and the wider public sector. Commitment 1.2: Strengthening oversight institutions: Governments pledge that supreme auditing institutions will conduct audits and issue reports without undue influence from the executive. Commitment 2.3: To strengthen budget preparation, execution, and reporting further improvements in the coverage, quality, and timeliness of internal fiscal information will be ensured.

Open Government Partnership: Has minimum requirements for membership that include two fiscal transparency standards: publication of the executive's budget proposal, and publication of the annual audit report.¹

Paris Accord on Climate Change extended reporting requirements for governments on the provision of climate finance under the UN Framework Convention on Climate Change.

International Aid Transparency Initiative (IATI): Global initiative to improve the transparency of development and humanitarian resources and their results to address poverty and crises.

Assessment frameworks:

PEFA: Framework for assessing public financial management (2016): Indicators assess the provision of fiscal information, and the integrity of fiscal data, such as internal controls; accounts reconciliations; and internal audit; adequacy and comparability.

IBP: Open Budget Survey (OBS): Survey has questions on the past, current and forecast fiscal financial and non-financial information included in the budget documents, and on fiscal reporting during and at the end of the year. There are also questions pertaining to fiscal risks.

¹ Note that the OGP's membership requirements cover categories other than just budget transparency (e.g. freedom of information), and a country may meet most but not all of the minimum criteria across all categories to join the OGP.



PRINCIPLE #4

Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavor to assess and disclose the anticipated and actual social, economic and environmental outcomes.



RATIONALE

Government budgets and reports have traditionally focused more on the costs of inputs (spending on salaries, travel, electricity etc.) than they have on the value of outputs produced (specific goods and services) or especially on the results they set out to achieve (impact on the population, economy and environment).

While information on inputs is important, transparency, participation and accountability require governments to state also what they are using resources (inputs) to produce, and what results they are achieving in terms of outcomes of concern to the public.

APPLICABLE INTERNATIONAL NORMS AND STANDARDS

Existing fiscal transparency instruments are clear about the importance of communicating objectives and results, but offer relatively limited advice on how information on the outputs and outcomes of fiscal actions, including social and environmental impacts, should be assessed and communicated. In particular, there is relatively little normative guidance on the level of detail at which spending on the delivery of public services should be reported e.g. at the level of individual service delivery unit such as the school or health center. There is also little guidance on transparency of the environmental impacts of fiscal policies, aside from requirements for publication of environmental impact assessments at the project level.

IMF:

- [Fiscal Transparency Code](#) (2019): Pillar 2: Budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances. Principle 4.4: Fiscal, operational, environmental and social aspects of natural resource projects should be regularly reported on and published. [[Manual on Fiscal Transparency](#) (2007): Particularly pp 42-45 on the intended impact of policy and p 85 on program objectives].
- [[Guide on Resource Revenue Transparency](#) (2007): Particularly pp. 25-26 and 34-36].

OECD:

- [Recommendation of the Council on Budgetary Governance: Principles of Good Budgetary Governance \(2015\)](#): Principle 8: Governments to ensure that performance, evaluation and value for money are integral to the budget process. Recommended actions include: helping parliament and citizens to understand what public services are actually being delivered, and their quality and efficiency; routinely presenting performance information in a way that clarifies accountability and oversight; ensuring the availability of high-quality performance and evaluation information; and conducting open ex-ante evaluations of all substantive new policy proposals to assess coherence with national priorities.
- [Budget Transparency Toolkit](#) (2017): Suggests, in topic B.4, the performance information to be included in budget documents, including on outputs, targets and results, on high-level government strategic goals and outcomes, and on the impacts of budget decisions on different groups and sectors.

International Federation of Accountants (IFAC) / Chartered Institute of Public Finance and Accountancy (CIPFA): [International Framework: Good Governance in the Public Sector](#): Principle C: Defining outcomes in terms of economic, social and environmental benefits. Principle D: Determining the right intervention (outputs) to achieve desired outcomes.

Open Contracting Global Principles: Principle 3 d vii: In seeking and granting public contracts, governments should routinely disclose environmental and social impact assessments to provide a safeguard for the public against the inefficient, ineffective, or corrupt use of public resources.

Rio Declaration on Environment and Development (1992): Established 27 principles for protecting the integrity of the global environmental and developmental systems. Principle 17: Environmental impact assessment, as a national instrument, shall be undertaken for proposed activities that are likely to have a significant adverse impact on the environment and are subject to a decision of a competent national authority.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Assesses the availability of information on performance plans and achievements including on key performance indicators, outputs, and outcomes. It also looks at evaluations that have recently been carried out and published of the efficiency and effectiveness of service delivery.

IBP: [Open Budget Survey](#) (OBS): Contains a series of questions on nonfinancial data and performance indicators associated with budget proposals. As part of the 2019 survey, a new pilot module was introduced to assess the availability of budget information needed by civil society groups and citizens when analyzing sector spending.



PRINCIPLE #5

All financial transactions of the public sector should have their basis in law. Laws, regulations and administrative procedures regulating public financial management should be available to the public, and their implementation should be subject to independent review.



RATIONALE

The 'rule of law' is as fundamental to the management of the public finances as it is to all dimensions of governance. All financial transactions should adhere to a publicly available legal framework, rather than the discretion of government officials.

APPLICABLE INTERNATIONAL NORMS AND STANDARDS

IMF:

- [Fiscal Transparency Code](#) (2019): Principle 2.2 focuses on the legal framework determining the powers and responsibilities of the executive and legislature in the budget process. Principle 3.2.3: The government's guarantee exposure should be regularly disclosed and authorized by law. Principle 4.1: Resource rights should be clearly defined, with open and transparent procedures for their allocation. Principle 4.1.1: Legal framework for Resource Rights. Principle 4.2.1: The fiscal regime for revenue generation from natural resource sectors should be clear, comprehensive, and governed by law. [[Manual on Fiscal Transparency](#) (2007): Particularly pp 21-27 on legal frameworks and review mechanisms]. [[Guide on Resource Revenue Transparency](#) (2007): Particularly pp 34-36].

International Federation of Accountants (IFAC) / Chartered Institute of Public Finance and Accountancy (CIPFA): [International Framework: Good Governance in the Public Sector](#): Principle A requires behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

[Extractive Industries Transparency Initiative \(EITI\) Standard](#) (2019): Promotes standards for countries with large natural resource sectors including on the legal and institutional framework for extraction activity, and revenue.

Technical guide to the UN Convention Against Corruption: Article 9: Identifies measures to establish transparent procurement and public finance management systems.

G20 Anti-Corruption Action Plan 2017-18: Notes that transparency is key to deterring and uncovering corruption, pledges G20 countries to promote greater transparency in the public sector, including in public contracting, budget processes and customs. It draws on the [G20 Anti-Corruption Open Data Principles](#) (2014). At the request of the G20 Anti-Corruption Working Group, the OECD developed [a Compendium of Good Practices for Integrity in Public Procurement](#) (2015).

World Customs Organization: [Arusha Declaration](#) stipulates that customs laws, regulations, procedures and administrative guidelines should be made public, be easily accessible and applied in a uniform and consistent manner; and that appeal and administrative review mechanisms should be established to provide a mechanism for clients to challenge or seek review of Customs decisions.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Assesses specific aspects of the legal basis for financial transactions in the public sector.

IBP: [Open Budget Survey](#) (OBS): Covers several aspects of the legislature's role in approving the executive's budget proposals.

IMF and partners: [Tax Administration Diagnostic Assessment Tool \(TADAT\)](#): Contains performance indicators directly related to the rule of law.



PRINCIPLE #6

The Government sector should be clearly defined and identified for the purposes of reporting, transparency, and accountability, and government financial relationships with the private sector should be disclosed, conducted in an open manner, and follow clear rules and procedures.



RATIONALE

Government institutions exercise coercive powers of taxation and redistribution. It is therefore particularly important that the government sector is clearly defined and comprehensively reported on.

The government sector consists of all the legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area. They provide goods and services to the community or to individual households; finance their provision out of taxation or other revenues; and redistribute income and wealth by means of transfers. The central government sector consists of all such units that are covered by or financed through the central government budget or extra-budgetary funds. The general government sector also includes units controlled by sub-national levels of government, including regional, state, provincial, and local governments. Social security funds can be classified according to the level of government that organizes and manages them (central or sub-national) or combined into a separate sub-sector. Government sectors exclude commercial or monetary activities; these are included within the non-government public sector.

It is also important that the boundary between government and the private sector is clear. Murky or unclear relationships between government and the private sector are often associated with inappropriate or corrupt behavior. They also provide a poor basis for decision-making, and make it harder to hold public officials to account against a clear set of expectations.

United Nations: [System of National Accounts](#) (2008): Explains the distinction between the government sector, the rest of the public sector, and other sectors of the economy.

IMF:

- [Government Finance Statistics \(GFS\) Manual](#) (2014): Explores the distinction between the government sector, the rest of the public sector, and other sectors of the economy further, together with the treatment of the different levels of government and the social security institutions.
- [Fiscal Transparency Code](#) (2019): States that fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its sub-sectors, according to international standards. It also deals with the boundaries and relationships between the government and the private sector for fiscal reporting and in the contexts of fiscal risk management and natural resource management. Also deals with the transparency of the financial position and performance of sub-national governments, public corporations and natural resource corporations.
[[Manual on Fiscal Transparency](#) (2007): Particularly pp. 10-13 on the government sector and pp 19-21 and 28-31 on aspects of relationships with the private sector].

International Public Sector Accounting Standards Board (IPSASB): [Handbook on International Public Sector Accounting Pronouncements](#) (2022): Sets out requirements for the presentation and preparation of consolidated financial statements when an entity controls one of more other entities and provides supporting definitions and explanations.

OECD:

- A number of instruments cover transparency and accountability in government procurement including the [Recommendation on Public Procurement](#) [see OECD [Government Procurement Toolbox](#) and [G20 Guiding Principles on Integrity in Public Procurement](#) (2015)].
- [Budget Transparency Toolkit](#) (2017): States that information should cover the entire public sector and contains a section on promoting integrity with the private sector, including opening up public contracting and procurement, accounting for revenues and expenditures in resource endowments, and managing infrastructure investment for integrity, value for money, and transparency. It includes citations of relevant international standards, selected country examples of good practice, and sources of further guidance.

Open Contracting Partnership:

- [Open Contracting Data Standard](#) (OCDS): Enables disclosure of data and documents at all stages of the contracting process by defining a common data model. It was created to support organizations to increase contracting transparency, and allow deeper analysis of contracting data by a wide range of users. It enables publication of shareable, reusable, machine readable data, joining of that data with related information, and the creation of tools to analyse or share that data.
- [Open Contracting – A Guide for Practitioners by Practitioners](#): Good practices are described.

Construction Sector Transparency Initiative: Country-centred initiative designed to promote transparency and accountability in publicly financed construction.

Declaration on Parliamentary Openness: Stipulates that information should be provided to the public about the constitutional role, structure, functions, internal rules, administrative procedures, and workflow and functions of parliament and its committees.

Extractive Industries Transparency Initiative (EITI) Standard (2019): Transparency standards for countries with large natural resource sectors, including detailed requirements on the publication of: audited and reconciled data on company payments to government and government receipts from companies; legal framework and fiscal regime; licenses; contract disclosure policy; and mandated social expenditure.

Natural Resource Charter: Set of principles for governments and societies on how to best harness the opportunities created by extractive resources for development.

World Bank: Guidance notes for all aspects of Public Private Partnerships including a [Framework for Disclosure in Public-Private Partnerships](#); and [Public-Private Partnerships Fiscal Risk Assessment Model User Guide](#) assessing the fiscal risks associated with individual projects, a Guide developed with the IMF.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Indicators cover the public sector as well as its relationships with the private sector.

IBP: [Open Budget Survey](#) (OBS): Covers the consolidated public sector.

IMF and partners: [Tax Administration Diagnostic Assessment Tool \(TADAT\)](#): Enables governments to assess the administrative effectiveness of their major revenue sources (income taxes, value-added tax and social security contributions). It includes dimensions that measure whether taxpayers have the necessary information and support to voluntarily comply at a reasonable cost to them, including the ease by which taxpayers obtain information and the use and frequency of methods to obtain feedback.



PRINCIPLE #7

Roles and responsibilities for raising revenues, incurring liabilities, consuming resources, investing, and managing public resources should be clearly assigned in legislation between the three branches of government (the legislature, the executive and the judiciary), between national and each sub-national level of government, between the government sector and the rest of the public sector, and within the government sector itself.



RATIONALE

The effective and efficient governance of fiscal policy requires everyone to be clear about who is responsible for doing what, and who is accountable to whom.

Contested, unclear or unintentionally overlapping mandates, and gaps in mandates, reduce transparency, act as a barrier to meaningful public participation, and make it harder to hold public officials to account.

Roles and responsibilities at this level are typically set out in a constitution and/or in an organic budget law.

APPLICABLE INTERNATIONAL NORMS AND STANDARDS

Current international fiscal transparency norms address 4 aspects of the assignment in legislation of roles and responsibilities within the public sector:

- specific areas of potential overlap such as transfers between central and local government;
- accountability of commercial enterprises to government;
- fiscal risks arising from the finances of sub-national governments and public corporations; and
- budget process, including the authority to amend the executive's budget proposals and redirect resources within the budget year.

Measures to ensure rigor in reporting sectoral boundaries can also clarify sectoral roles and reduce the risk of gaps or overlaps in responsibilities.

IMF:

- [Government Finance Statistics \(GFS\) Manual](#) (2014): Core standards that are widely adopted across the main fiscal transparency instruments, including on the classification of the government sector and the public sector. [[GFS Compilation Guide for Developing Countries](#) (2011): See chapters 2 and 6].
- [Fiscal Transparency Code](#) (2019): Principle 2.2: The powers and responsibilities of the executive and legislative branches of government in the budget process should be defined in law, and the budget should be presented, debated, and approved in a timely manner. To ensure that fiscal relations across the public sector can be analyzed, disclosed, and co-ordinated, it also requires the publication of comprehensive information on the financial performance of sub-national governments (individually and collectively) and public corporations (principle 3.3). [[Manual on Fiscal Transparency](#) (2007): Particularly pp. 10-19]. [[Guide on Resource Revenue Transparency](#) (2007): Particularly pp 34-36].

OECD: [Guidelines on Corporate Governance of State-Owned Enterprises](#) (2015): Detailed recommendations to governments on how to ensure that their commercial enterprises operate transparently and in an accountable manner, as well as efficiently. Of relevance in this context is transparency in the exercise of the government's ownership functions, and transparency in imposing public service obligations on State-Owned Enterprises.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Assesses extent to which legislature's procedures to review budget proposals are established and adhered to, and whether they are established and mandated by legislation. Also assesses what proportion of horizontal transfers (unconditional or conditional) to subnational governments from central government are determined by transparent and rules based systems. As part of its fiscal risk assessment, it also measures whether public corporations and subnational governments publish timely annual financial statements.

IBP: [Open Budget Survey](#) (OBS): Contains section on the powers and strength of the legislature.



PRINCIPLE #8

The authority to raise taxes and incur expenditure on behalf of the public should be vested in the legislature. No government revenue should be raised or expenditure incurred or committed without the approval of the legislature through the budget or other legislation. The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources.



RATIONALE

The legislature is the key institution vested with the authority to hold the executive to account for its stewardship of public resources.

The requirement that the executive obtain legislative approval before imposing any tax or compulsory levy ensures the opportunity for public scrutiny and public input, and clear assignment of responsibility. This applies despite the wide variation across countries in the legislature's authority to amend the budget submitted by the executive.

To effectively hold the executive to account for the conduct of fiscal policy, the legislature requires clear authority (often in a Constitution), together with sufficient time, information, financial and non-financial resources.

The legislature needs to be organized in ways that facilitates the effective discharge of its mandate. If the legislature is to enjoy public confidence, trust and legitimacy, it must also operate in a transparent, participatory and accountable manner.

IMF:

- [Fiscal Transparency Code](#) (2019): Focuses on the availability of information, identifying in particular the main requirements for the annual budget documents presented to the legislature (Principle 2.1). It also stresses the importance of the publication of in-year fiscal reports (Principle 1.2.1) and timely annual financial statements audited by an independent Supreme Auditing Institution (Principles 1.2.2, 1.4.2). Budget documents should also be submitted in adequate time for the legislature to approve the annual budget (Principle 2.2.2). Further Pillar IV states that government revenues from natural resource exploration and extraction activity should be collected, managed, and disbursed in an open and transparent manner. [[Manual on Fiscal Transparency](#) (2007): Particularly p 13; pp 23-24; pp 35-43; pp 58- 59; and pp 60-64].

OECD:

- [Recommendation of the Council on Budgetary Governance](#) (2015): The national parliament has a fundamental role in authorising budget decisions and in holding government to account. Countries should offer opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post as appropriate. The Principles of Good Budgetary Governance confirm the importance of timely, clear, factual budget reports to support effective discussion and debate on policy choices (Principles 4a and 4b) and the preparation and scrutiny of budget execution reports (Principle 7f). They also require opportunities for the parliament and its committees to engage with the budget process at all key stages in the budget cycle (Principle 5a) and support for the publication of audit reports by the Supreme Audit Institution in a manner that is timely and relevant for the budget cycle (Principle 10 d).
- [Budget Transparency Toolkit](#) (2017): Contains a section on the parliament (or legislature), with topics covering the operation of Parliamentary Committees on the budget and public accounts; engagement on the government's pre-budget statement; parliamentary approval of the budget; parliamentary scrutiny of budget execution and outturn; and specialist analytical and research resources.
- [Best Practices for Budget Transparency](#) (2002): Stipulates that the government's draft budget should be submitted to Parliament no less than three months prior to the start of the fiscal year, and the budget should be approved by Parliament prior to the start of the fiscal year; and that Parliament should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary.
- [Recommendation of the Council on Principles for Independent Fiscal Institutions](#) (2014): Include norms on independence, mandate and transparency for parliamentary budget offices.

Commonwealth Parliamentary Association: [Recommended Benchmarks for Democratic Legislatures](#) (2018) state that the approval of the legislature is required for the passage of all legislation, including budgets, and that only the legislature shall be empowered to determine its own budget.

Inter-Parliamentary Union: [Parliament and Democracy in The Twenty-First Century: A Guide to Good Practice](#) (2006): Sets out requirements for the effective, transparent, accessible and accountable operation of the legislature.

European Parliamentarians with Africa (AWEPA): [The Legislative Principles for Development Effectiveness](#) (2011): Principles intended to elevate the legislative branch of government to ensure domestic accountability. The principles recognize the key role legislatures should play in national strategy development and in budget formulation, approval and implementation. Also sets out desirable practices with respect to aid modalities, transparency and the budget process, including requirements that donors provide aid in a manner that allows the executive to put aid on budget, all information on aid must be accessible to and usable by the legislature, and budget calendars must allow enough time for legislative committees to analyse budget proposals.

[Declaration on Parliamentary Openness](#) (2012): Principle 23: Parliaments should be provided with information in an easily accessible form on the national budget, including past, current and projected revenues and expenditures; parliament's own budget; budget execution reports, bids and contracts; and promoting public participation.

[Strengthening Accountability through Fiscal Openness: A Toolkit for Parliamentarians in the Americas and the Caribbean](#) (2020): Provides an overview of good practices to promote transparency, accountability and participation throughout the financial cycle. It is tailored to parliamentarians, parliamentary staff and relevant stakeholders in the Americas and the Caribbean. It covers the parliamentary financial cycle, including the budgetary process and major fiscal policy or spending bills, such as infrastructure projects or tax reform, and long-term planning. It concisely summarizes and synthesizes the most recent international standards and resources on parliamentary fiscal scrutiny.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Includes indicators on the contents and quality of information to the legislature.

IBP: [Open Budget Survey](#) (OBS): Questions in detail the information provided to the legislature in the annual budget documents. Addresses the legislatures' participation and authority in the budget process and the resources available to it. Also considers whether the legislature has adequate time to review the budget and the budget review process itself, including assessments of the legislatures' scope, processes, and limitation of powers.

IMF and partners: [Tax Administration Diagnostic Assessment Tool \(TADAT\)](#) Field Guide (2015) cites as a good practice, external oversight of the tax administration through mandatory reporting to Parliament by way of an annual report of the tax administration's operational and financial performance, as well as parliamentary committees probing senior executives in relation to external audit findings.



PRINCIPLE #9

The Supreme Audit Institution should have statutory independence from the executive, and the mandate, access to information, and appropriate resources to audit and report publicly on the raising and commitment of public funds. It should operate in an independent, accountable and transparent



RATIONALE

Independent audit institutions using internationally-recognized auditing standards are widely regarded as fundamental to financial accountability in both the public and private sectors.

The Supreme Audit Institution (SAI) provides assurance that reporting on public finances is reliable and free from material misstatement. It is therefore of utmost importance for a transparent public administration, for ensuring the effective exercise of the legislature's oversight role, and to build public trust in the integrity of fiscal management.

The principle refers to the use of public funds. This incorporates the fiscal activities of government, including social security funds and other extra-budgetary funds (as defined in Government Finance Statistics), as well as public funds paid to non-government entities.

APPLICABLE INTERNATIONAL NORMS AND STANDARDS

International fiscal transparency norms stress the important role of SAIs in auditing annual financial statements and publishing audit reports. Major parameters of independence in practice are assessed under PEFA and the OBS.

International Organization of Supreme Audit Institutions (INTOSAI):

- Lima Declaration (1977), considered the 'Magna Carta' of government auditing, determined essential requirements of proper public sector auditing. Flowing from this, the Mexico Declaration (2007) (reinforced by the South Africa Declaration (2010)), set up eight core principles for SAI independence:
 1. The existence of an appropriate and effective constitutional/statutory/legal framework and its de facto application.
 2. The independence of SAI heads and members of collegial institutions, including security of tenure and legal immunity in the normal discharge of their duties.
 3. A sufficiently broad mandate and full discretion in the discharge of SAI functions.
 4. Unrestricted access to information.
 5. Rights and obligation for the SAI to report on its work.
 6. The SAI's freedom to decide the content and timing of reports, and disseminate them.

- 7. The existence of effective follow-up mechanisms on SAI recommendations.
- 8. Financial and managerial/administrative autonomy for the SAI and the availability of appropriate human, material and monetary resources.
- [International Standards of Supreme Auditing Institutions](#) (ISSAI) Framework: Further develops the principles of independence, auditing standards, access to information, and resourcing of SAIs. ISSAI 20: Sets standards for the transparent and accountable operation of SAIs themselves.

IMF: [Fiscal Transparency Code](#) (2019): Principle 1.4.2: Annual financial statements should be subject to a published audit by an SAI that is independent. [[Manual on Fiscal Transparency](#) (2007): Particularly pp 101-104].

OECD: [Budget Transparency Toolkit](#) (2017): Section F: Supporting the role of the SAI.

International Federation of Accountants (IFAC) / Chartered Institute of Public Finance and Accountancy (CIPFA): [International Framework: Good Governance in the Public Sector](#): Principle G: Sets the implementation of good practices in transparency, reporting and audit to deliver effective accountability as one of its seven core high level principles, noting explicitly that 'both external and internal audit contribute to effective accountability'.

The importance of SAI independence was recognized in UN General Assembly [Resolution A/69/228](#), Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions, 2014. The Resolution recognized:

- that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence;
- the important role of SAIs in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals.

Open Government Partnership: One of the minimum budget transparency standards for membership is the publication of the annual audit report.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Assesses the characteristics of external audit, including by measures of audit coverage and standards, submission of audit reports to the legislature, and external audit follow-up. It measures the extent of the independence of the SAI and its access to records, documentation and information. It explores independence in terms of the legal or normal practice for appointing or removing the head of the SAI, planning audit engagements, publicizing reports, and approving and executing the SAI's budget.

IBP: [Open Budget Survey](#) (OBS): Contains questions on the independence and quality of the SAI.



PRINCIPLE #10

Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.



RATIONALE

Public participation refers to the variety of ways in which citizens and non-state actors interact directly in public discussion and deliberation with state entities.

It is a means to ensure that all those with a stake in, affected by, or intended to benefit from fiscal policies have a voice in decisions that affect their lives. Consequently, public participation is increasingly recognized as a critical link in the chain between fiscal transparency, more effective accountability for public financial management, and better fiscal and development outcomes.

The importance attached to citizen engagement reflects the acceptance that citizens and civil society organizations are important agents of good governance and sustainable development, alongside markets and the state.

Open participation enables public authorities to draw on the wide range of information and perspectives throughout society, avoid undue influence from closed-doors lobbying, and design and implement more effective and fair tax and spending policies.

The view of GIFT's stewards is that public participation in fiscal policy is a potential game-changer: it could help to improve the effectiveness and legitimacy of a representative democracy and to increase public trust in government.

Open Government Partnership: Wider than fiscal transparency, the [Open Government Declaration](#) (2011) includes a commitment to support civic participation, including making policy making and decision making more transparent, creating and using channels (including new technologies) to solicit public feedback, and deepening public participation in developing, monitoring and evaluating government activities. Basic budget transparency is a requirement of membership of the OGP (publication of the annual budget and of the audit report).

A right to direct public participation in fiscal policy had not been included in an international instrument on fiscal transparency prior to the promulgation of the GIFT High-Level Principles in 2012. The GIFT High Level Principles were subsequently [endorsed](#) by the United Nations General Assembly (UNGA) in December 2012, which encouraged member states to intensify efforts to enhance transparency, participation and accountability in fiscal policies, including through the consideration of the principles set out by GIFT.

IBP: [Open Budget Survey](#) (OBS): Led the way when it introduced a section on public participation across the budget cycle in its 2012 Survey.

Since 2012, the importance of public participation in fiscal policy has been progressively incorporated in all the main international fiscal transparency instruments:

GIFT: Given the limited guidance on how public entities should engage directly with the public in managing public resources, the network embarked on a substantial multi-year work program to generate greater knowledge about country practices and recent innovations in citizen engagement. In 2016, after an extensive public consultation process, GIFT launched a new set of principles: [Principles of Public Participation in Fiscal Policies](#): 10 principles:

1. **Accessibility:** facilitate public participation in general by disseminating complete fiscal information and all other relevant data, in formats and using mechanisms that are easy for all to access, understand, and to use, re-use and transform, namely in open data formats.
2. **Openness:** provide full information on and be responsive with respect to the purpose of each engagement, its scope, constraints, intended outcomes, process and timelines, as well as the expected and actual results of public participation.
3. **Inclusiveness:** pro-actively use multiple mechanisms to reach out to engage citizens and non-state actors, including traditionally excluded and vulnerable groups and individuals, and voices that are seldom heard, without discrimination on any basis including nationality, race, ethnicity, religion, gender, sexual orientation, disability, age or caste; and consider public inputs on an objective basis irrespective of their source.
4. **Respect for self-expression:** allow and support individuals and communities, including those directly affected, to articulate their interests in their own ways, and to choose means of engagement that they prefer, while recognizing that there may be groups that have standing to speak on behalf of others.
5. **Timeliness:** allow sufficient time in the budget and policy cycles for the public to provide inputs in each phase; engage early while a range of options is still open; and, where desirable, allow for more than one round of engagement.

6. **Depth:** support each public engagement by providing all relevant information, highlighting and informing key policy objectives, options, choices and trade-offs, identifying potential social, economic, and environmental impacts, and incorporating a diversity of perspectives; provide timely and specific feedback on public inputs and how they have been incorporated or not in official policy or advice.
7. **Proportionality:** use a mix of engagement mechanisms proportionate to the scale and impact of the issue or policy concerned.
8. **Sustainability:** all state and non-state entities conduct on-going and regular engagement to increase knowledge sharing and mutual trust over time; institutionalize public participation where appropriate and effective, ensuring that feedback provided leads to review of fiscal policies decisions; and regularly review and evaluate experience to improve future engagement.
9. **Complementarity:** ensure mechanisms for public participation and citizen engagement complement and increase the effectiveness of existing governance and accountability systems.
10. **Reciprocity:** all state and non-state entities taking part in public engagement activities should be open about their mission, the interests they seek to advance, and who they represent; should commit to and observe all agreed rules for engagement; and should cooperate to achieve the objectives of the engagement.

[GIFT and the Open Government Partnership: [Guide on Principles and Mechanisms on Public Participation in Fiscal Policy](#) (2016): Describes participation practices that illustrate the Principles, and organizes them across a number of dimensions to provide “how to” guidance tailored to those who wish to implement similar efforts].

IMF: [Fiscal Transparency Code](#) (2019): Principle 2.3.3: Public Participation: The government should provide citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations. Pillar IV states that Government revenues from natural resource exploration and extraction activity should be collected, managed, and disbursed in an open and transparent manner.

OECD:

- [Recommendation of the Council on Budgetary Governance](#) (2015): Principle 5: Debate on budgetary choices should be inclusive, participative and realistic.
- [Budget Transparency Toolkit](#) (2017): Defines ‘openness and civic engagement’ as one of the five elements in its organising framework, and contains a component on inclusive, participative budgeting with three topics: J1, elements in designing a participation process; J2, supporting realistic and informed debate; J3, providing opportunities for participative approaches across the budget cycle.

[Extractive Industries Transparency Initiative \(EITI\) Standard](#) (2019): Requirement 1: Requires effective multi-stakeholder oversight, including a functioning multi-stakeholder group that involves the government, companies, and the full, independent, active and effective participation of civil society. Requirement 7: Also seeks to ensure that stakeholders are engaged in dialogue about natural resource revenue management, for instance, by the multi-stakeholder group ensuring that outreach events are undertaken to spread awareness of and facilitate dialogue about governance of extractive resources, building on EITI disclosures across the country in a socially inclusive manner.

Open Contracting Partnership: Governments shall recognize the right of the public to participate in the oversight of the formation, award, execution, performance, and completion of public contracts.

International Federation of Accountants (IFAC) / Chartered Institute of Public Finance and Accountancy (CIPFA): [International Framework: Good Governance in the Public Sector](#). Principle B: Ensuring openness and comprehensive stakeholder engagement.

Inter-Parliamentary Union: [Parliament and Democracy in The Twenty-First Century: A Guide to Good Practice](#) (2006): With respect to public engagement generally with legislatures, it stipulates that there should be various means for constituents to have access to their elected representatives; effective modes of public participation in pre-legislative scrutiny; right of open consultation for interested parties; public right of petition; systematic grievance procedures; and possibility for lobbying, within the limits of agreed legal provisions that ensure transparency.

Strengthening Accountability through Fiscal Openness: A Toolkit for Parliamentarians in the Americas and the Caribbean (2020): Public information belongs to citizens and the public at large who need it in order to be empowered and to fully participate in democratic processes.

Assessment frameworks:

PEFA: [Framework for assessing public financial management](#) (2016): Assesses the legislature's procedures for budget scrutiny include arrangements for public consultation and the functioning of a procurement complaints mechanism. The framework is being expanded to directly include public participation.

IBP: [Open Budget Survey](#) (OBS): The OBS was the first cross-country instrument to measure levels of public participation in budgeting. Since 2017, the survey more comprehensively examines public engagement in the budget process by the executive, legislature and the SAI, to fully incorporate the GIFT principles.

IMF and partners: [Tax Administration Diagnostic Assessment Tool \(TADAT\)](#): Includes a number of performance indicators that cover interactions between the tax administration and taxpayers, a measure of the time taken to respond to taxpayer requests for information; measures of obtaining taxpayer feedback on products and services; performance of tax dispute resolution measures and measures of whether an ombudsman or equivalent body investigates taxpayer complaints, and the mechanism for monitoring public perception of the integrity of the tax administration.

GIFT

GLOBAL INITIATIVE FOR
FISCAL TRANSPARENCY



MODULE 2:

EXTERNAL ACTORS IN FISCAL
TRANSPARENCY, PUBLIC PARTICIPATION
AND ACCOUNTABILITY

Module objectives

Module 2 recognises the diverse set of actors that are key in enhancing fiscal transparency, including how they can contribute to and use fiscal transparency to actively participate in open budgetary processes, and to judge the government's performance in order to hold it accountable for its management of public resources. The discussion focuses on the roles of the actors outside of the executive (the executive's role is the focus of Module 3), each of which, have unique contributions to make to the world of fiscal transparency, as both users and suppliers of fiscal information. This module examines how these key actors should work collaboratively towards optimizing results, leading to an in-depth discussion on public participation, where it is defined, its importance throughout the fiscal policy cycle explained, applicable norms and standards examined, together with key design and implementation aspects.

1

Key actors for fiscal transparency, public participation, and accountability



In this section the key actors in facilitating and advancing fiscal transparency, public participation and consequently government accountability are identified. They operate in an 'ecosystem' that is composed of other actors and country specific public sector contexts, that are shaped by, among others, the rules and processes emanating from a constitution/legislation; the information available within it and its quality; and the

country's social, economic, political, cultural and technological environment. Their roles are fundamental for development and their effectiveness largely depends on this ecosystem, including the level of transparency within it, as well as how they interoperate with each other. To perform their activities effectively, these actors require fiscal transparency and they also need to facilitate and provide it, themselves. The key actors can be divided into the following five main groups:



1.1 Government

The government sphere (*l'État*, the state) typically comprises 3 branches: the **executive**, **legislative** and **judicial branch**. The relationships between these branches varies across countries. The laws in each country should however give distinct powers to each of these different arms of government. This is done through the separation of powers, that is the division of government responsibilities into distinct branches to limit any one branch from exercising the core functions of another. The intent of

this is to prevent the concentration of power in any branch, providing for checks and balances. Within the separation of powers, it is essential under the rule of law that the use of power is lawful and can be challenged. This includes, that the fiscal powers and limits of each branch at the different stages of the fiscal policy cycle, are clearly defined in law and allow for fiscal transparency and public participation.



Executive

The **executive branch** is essentially responsible for the formulation and implementation of public policies and is, as such, the principal actor in the formulation and execution stages of the fiscal policy cycle. It is responsible for drafting the budget, that is the main instrument for setting fiscal policy; and then for the implementation of the approved budget; and ultimately for the results emanating from its implementation. The formulation of public policies involves numerous ministries, agencies and institutions, thousands of public servants, and complex interactions within and outside of public sector agencies. In this process, authorities from different government departments may interact with the public in various ways. The process should, however, be transparent throughout. The formulation of public policies should be crafted with public inputs, responding to their needs. The role of the executive is therefore extensive and the focus of module 3.



Legislature

Parliamentarians from the **legislative branch** of government are the ultimate representatives of the public. In most democratic constitutional settings, the legislature has two key roles to play: analyzing and approving the budget proposal; and fulfilling an oversight role. Regarding fiscal policy, the legislature is responsible for providing the government with informed consent for its raising and spending of public funds. It then holds the government accountable for its spending. Other oversight institutions that facilitate the legislature's function include the supreme audit institution as well as independent fiscal institutions. The roles of the various oversight institutions are discussed in detail later in this module.



The **judiciary**²⁰ plays a role in three main areas: Firstly, interpreting information disclosure laws and rules, that is what information has to be publically released. An example of this comes from Mexico, where Fundar, a CSO, took the government to court over its failure to release information about the beneficiaries of tax amnesties, eventually winning on the basis that this information was protected by the constitutional right of access to information. In such situations, civic actors have forced courts into balancing exercises, weighing the rights of government and private citizens against the public interest in knowing about and participating in the formulation and execution of fiscal policies²¹. The second main area relates to adjudicating conflicts between the other branches of government about control and disclosure²². The case from Mexico cited above also relates to this, in that it pertained to a conflict between the Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales (INAI), an autonomous constitutional body and the federal tax revenue authority over what information ought to be publically released.

Another example comes from a court case between the [Tax Justice Network Africa](#) and the Government of Kenya over the extent to which the executive has to share the details of a tax treaty with Parliament before its approval. Finally, the third area the judiciary plays a key role in, relates to the use of administrative law to ensure that agencies treat people fairly and transparently and document public finance-related decisions in the administrative record. Administrative law is concerned with the use of power by government agencies and the conditions under which agency action can be considered reasonable, rather than arbitrary²³.



1.2 Media

The media is the main means of public mass communication. It provides channels where information can be widely and easily disseminated facilitating ongoing checks and assessments by the public of government's performance; and it offers platforms where social discourse can take place.

Within the fiscal policy cycle, it can play an important role by keeping the key actors in the ecosystem informed at the various stages of the process, by, for instance reporting on the release of various budget documents or on significant debates and policy shifts during budget formulation; reporting on stories about budget and policy implementation, important for all stakeholders wanting information regarding the use of public funds, including ministries of finance; covering proposals and reactions from civil society, communities impacted by the budget, and other interested parties;

²⁰The judicial branch of government falls outside the scope of this Guide. The information and references provided here are not meant to be exhaustive and as such further research would need to be undertaken by those wanting to gain comprehensive knowledge on this topic.

²¹ For further reading and examples: see Lakin, J. (2020). "[Friend of the Court? The role of judiciaries in tax reform](#)". IBP.

²² For further reading and examples see:

Wright, A.M. (2014). "[Constitutional Conflict and Congressional Oversight](#)". Marquette Law Review.

Grewal, A.S. (2020). "[Congressional Subpoenas in Court](#)". North Carolina Law Review.

²³ For further reading and examples see Lakin, J. (2020). "[Justifying Government Budget Decisions: Toward Standards for Public Reasons](#)." IBP.

assisting in the provision of training to the public; discussing important policy decisions; and lastly, monitoring and publicly reporting on the performance of government, including on any incidents of the misuse of public funds and policy failures that may signal the need for fiscal policy changes and/or reforms.

“

A free press together with the right of access to information are essential in this actor fulfilling its role. The media's role is affirmed in Article 19 of the United Nations' Universal Declaration of Human Rights, which states that:

“Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.”

The media also plays an important role in potentially revealing whether countries adopt and adhere to local and global fiscal transparency norms and standards, and how they compare to other countries. This may assist the public in advocating for the government to meet fiscal transparency standards. As an example it can report on the results of the IBP's [Open Budget Survey](#) (OBS). Media coverage on the release and highlights of the latest OBS report may assist the public in pressing the government to meet fiscal transparency standards.

The media's ability to broadly disseminate information in a timely way means that actors in the budget process will try and use it to get support for their positions. This is why in most countries, governments, civil society, and others regularly hold press conferences and issue statements to the press, especially during the formulation and enactment stages of the budget cycle.



The advent of social media also has important considerations, providing powerful communication tools and platforms. Social media allows anyone to make information available quickly and cheaply, making every user a potential information influencer. It also facilitates the organization of virtual gatherings and the organization of people along certain policy positions. This can greatly facilitate fiscal transparency, public participation and governmental accountability. It should however be borne in mind, that on the downside, it can also facilitate the quick spread of inaccurate data and misinformation.

New communication technologies mean that social movements can be quickly organised via social media and spread globally in a short period of time. For example, the ‘Yellow Vests Movement’ in France, a campaign that started against a rise in taxes on diesel and petrol, later becoming a movement for greater social justice, was organised by spreading messages on social media²⁴; and Lebanese protests that were in part prompted by a proposed tax on the use of the messaging

²⁴ For further reading and examples see:

Spire, A (2018). [“The Anger of the Gilets Jaunes”](#). The Nation.

Cokluk Comert, N. (2019). [“Postmodern Status of New Social Movements: A Research on Yellow Vests.”](#) Istanbul University Journal of Communication Sciences.

platform WhatsApp, turned into a broader call for rebuilding the nation's political and economic system²⁵.



1.3 General public

The general public consists of the significant number of people/communities, outside of the government's sphere, that belong to all status groups with different resources available to them and levels of empowerment, including in terms of access to public goods and services. It includes people of different nationalities, race, ethnicity, religion, gender, sexual orientation, disability, age or caste; including vulnerable groups and individuals that have been traditionally excluded, whose voices are seldom heard by those in authority.

Related to this group are private sector organizations managed by individuals and companies for profit. The private sector can contribute to the public policy cycle, that includes fiscal policy and the budget, through a wide range of processes and mechanisms, largely owing to businesses being regulated by public authorities through legislation and regulations. The private sector can also contribute to the formulation of public policies, through the provision of expertise in particular areas, including on the budget, through consultative processes.

The public can contribute to government oversight and budget activities through public participation processes and implementation monitoring.



1.4 Civil society

The likelihood of fiscal transparency being meaningful largely depends on whether there is a demand for fiscal information from the public, and whether the information provided meets the needs stated by said demands, such that it is used once it's published. Civil society plays a critical role in this regard.

²⁵ For further reading see Mordecai, M. (2019). "[Protests in Lebanon highlight ubiquity of WhatsApp, dissatisfaction with government](#)." Pew Research Center.

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As defined by Civicus in its strategic plan (2017-2022):

“Our definition of civil society is broad and covers non-governmental organisations, activists, civil society coalitions and networks, protest and social movements, voluntary bodies, campaigning organisations, charities, faith-based groups, trade unions and philanthropic foundations. Our membership is diverse, spanning a wide range of issues, sizes and organisation types.” Civil society is thus composed of many different types of organizations, coalitions, networks, movements, works, groups, etcetera.



For fiscal transparency, public participation and accountability, civil society has a key role to play, by among others undertaking appropriate research; monitoring and advocating for fiscal policy and political agenda goals, such as social justice; providing and demanding information from the government; providing educational opportunities on public sector issues; as well as endorsing and claiming a right to participate in public sector processes.

Civil society organizations, or CSOs, refer to the non-market or not for profit as well as non-state organizations in which people organize themselves to pursue shared interests in the public domain. CSOs normally focus on specific areas, with some concentrating on policies and encouraging governmental financial transparency and accountability through public participation processes at the different stages of the fiscal policy cycle.



Trade unions refer to organized associations of workers in a trade, group of trades, or profession, formed to protect and further their rights and interests. Trade unions can contribute to the formulation of public policies, through the provision of expertise on the labour force as well as in other areas, through consultative processes. They also play an important role in the oversight of budget implementation.

It should however be borne in mind, that civil society actors comprise a multitude of people and organizations, with countless views, not all of which favor fiscal transparency. For instance, selected groups may actually benefit from a lack of transparency and as such will likely use their influence to oppose it. Governments must, as such, balance the interests of these different groups, including those representing some version of a public interest, and their support or opposition to transparency.



1.5 International development institutions and donors

International development institutions and donors have key roles to play by providing support for fiscal transparency and public participation. This support can come in different forms:

1

Firstly, international development institutions set best practice norms and standards and undertake country assessments against these norms. They provide guidance to governments and other actors seeking to enhance fiscal transparency and draw attention to governments' duty to be accountable to the public.

2

Secondly, international development institutions and regional organizations -- including bilateral and multilateral donors and agencies, private foundations, and international non-governmental organizations -- can enable, directly support, and reward improvements in budget transparency. Donor countries and development institutions can incentivize or condition their aid to countries in a manner that supports improvements in fiscal transparency. For example, they can commit to channel more aid directly into the government budget in countries where budgets are more transparent, or they can demand that specific transparency benchmarks are met first before aid funds are disbursed.

3

Thirdly, international development institutions can also directly provide advice, capacity support, and resources, including through technical assistance on key aspects of fiscal transparency for the different actors in the fiscal ecosystem. For instance, they can support the efforts and build the capacity of domestic accountability actors, including oversight institutions, civil society, and the media in demanding that their governments disclose fiscal information, and in making better use of the already available and published budget information to hold the executive accountable. For example, the GIFT network provides access to technical assistance and peer learning for fiscal transparency by bringing together ministries of finance, CSOs, and international financial organizations in a non-contractual, trustworthy environment. The creation of this open and safe space for discourse and relationship-building, promotes trust among peers and different sectors to collaborate in the sharing of useful knowledge and tools. It also enables economies of scale in advancing fiscal transparency by providing good practices in the form of developed processes, methodologies, and tools, among others. It shows the benefits of fiscal transparency in practice, providing possibilities and aspirations for those seeking to enhance fiscal transparency in their own spheres and countries.

4

Finally, it is also important that donors are themselves transparent about the aid that they provide, including any conditionalities that are attached. This is, the rationale behind the setting up of the [International Aid Transparency Initiative](#) by the United Nations Development Programme, a unified effort and network of international institutions seeking to improve international aid transparency. This initiative is further discussed in modules 3 and 4 of this Guide.

2

Oversight institutions: Legislatures

2.1 Role of the legislature



The role of legislatures in fiscal policy and budgetary governance varies across countries, depending on a number of factors, including constitutional systems, legal parameters, political factors, forms of government and budgetary institutions. Unpacking GIFT’s High-level Principle 8 allows one to understand the role of the legislature in fiscal policy and budgeting processes; the need to anchor everything in legislation; its relationship with fiscal transparency, both as a user and supplier of information; as well as its relationship with other key actors in the process.

“



PRINCIPLE #8

The authority to raise taxes and incur expenditure on behalf of the public should be vested in the legislature. No government revenue should be raised or expenditure incurred or committed without the approval of the legislature through the budget or other legislation. The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources.

Principle 8 refers to the legislature's 3 core roles:

1

“The authority to raise taxes and incur expenditure on behalf of the public should be vested in the legislature” talks to the *representation* role. Parliamentarians are the ultimate representatives of the public; such that members of the legislature should represent the interests of their constituents and the broader public interest, when they contribute to and participate in decision-making on fiscal policies.

2

“No government revenue should be raised or expenditure incurred or committed without the approval of the legislature through the budget or other legislation” talks to the legislature's *law-making* role; vesting in it the power to approve, amend, or reject government bills, including money bills.

3

“The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources” talks to the *oversight* role. The legislature is the key institution vested with the authority to hold the executive to account for its stewardship of public resources. This role is undertaken in two ways: oversight of the preparation of policies (ex-ante oversight) and oversight of the execution and the implementation of policies (ex-post oversight). Ultimately, it needs to ensure that the government implements policies and programs in accordance with their intended purpose, avoiding misallocations, deviations, wrongdoings and corruption.

In a nutshell, as representatives of the voters and taxpayers, the legislature is responsible for the oversight, review, amendment, and approval of budget plans, budgets, and supplemental budgets; as well as for assessing the outcome of budget execution, and consequently for requesting follow-up action from the executive; as required. All of this should be done based on legislation and in accordance with the public interest.

Other normative frameworks such as the IMF's [Fiscal Transparency Code](#) (2019), and the OECD's [Recommendation of the Council on Budgetary Governance](#) (2015) also recognise the fundamental role of legislatures and that they should have the opportunity, authority, resources and information required to effectively hold the executive to account²⁶.

²⁶ Additional reference materials include:

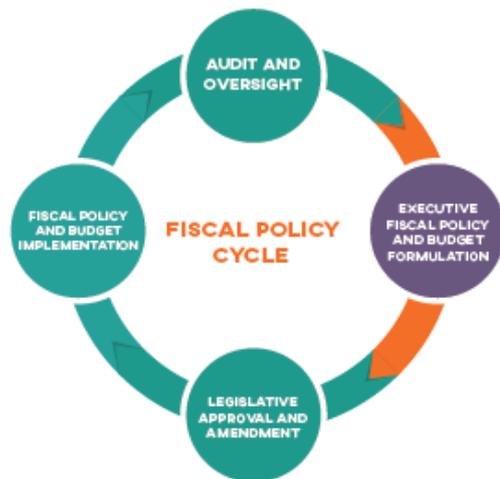
- The OECD's [Budget Transparency Toolkit](#) (2017) devotes a section to parliament.
- [Inter-Parliamentary Union's Parliament and Democracy in The Twenty-First Century: A Guide to Good Practice](#) (2006).
- Commonwealth Parliamentary Association's [Recommended Benchmarks for Democratic Legislatures](#) (2018).
- [Strengthening Accountability through Fiscal Openness: A Toolkit for Parliamentarians in the Americas and the Caribbean](#) (2020).

2.2 Legislative interface with fiscal policy cycle²⁷

Principle 5a of the OECD's [Recommendation of the Council on Budgetary Governance](#) (2015) states parliament and its committees should have opportunities to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post as appropriate.

The following sections summarise the legislature's role and importantly how different external actors can assist it in undertaking this role, at the various stages of the fiscal policy cycle.

Executive fiscal policy and budget formulation stage



The legislature should engage in pre-budget engagements with the executive as well as with members of the public/other stakeholders. These engagements can take different forms, for instance some legislatures receive briefings from the executive on how the budget drafting process is developing and on central issues that have emerged. In some countries, such as South Africa, pre-budget statements are provided for in legislation and presented to the legislature several months before the budget itself, requiring formal consultations between the legislature and the executive, as well as public participation.

Public participation mechanisms that can be used include parliamentary briefings/debates; online consultation tools; social media as a communication and input tool; as well as town hall meetings.

Pre-budget engagements can, among others, shed light on the accuracy of the executive's fiscal forecasts by allowing other actors to scrutinize and provide independent information on these forecasts; highlight lessons learned or considerations that can be applied to the budget; identify public interest issues that could be addressed by the budget but do not appear in the pre-budget statement; provide feedback on the executive's proposed high level revenue and expenditure policies and priorities, thereby potentially informing the upcoming budget proposal. In doing this, pre-budget engagements also increase parliamentarians' understanding of current public policy issues to inform their future monitoring, oversight of executive spending and revenue decisions increasing the likelihood of clear policy priorities and considerations emanating from the legislature to the executive.

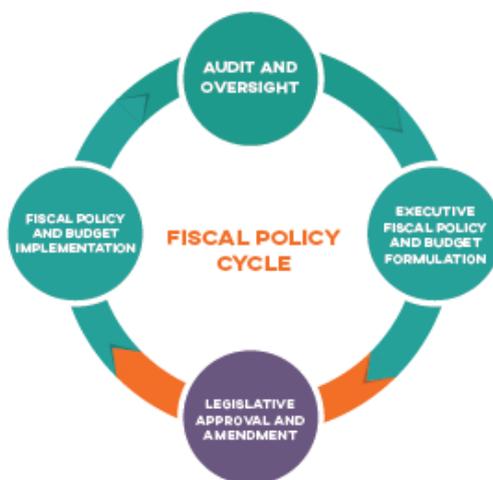
For this process to be effective, there should be sufficient time for consultation about proposed laws, regulatory changes, and broader policy changes that the executive indicates it is likely to table in the upcoming budget proposal. The public should be made aware of major new policy proposals

²⁷ [Strengthening Accountability through Fiscal Openness: A Toolkit for Parliamentarians in the Americas and the Caribbean](#) (2020) contains an in-depth look at good practices parliamentarians can employ to improve openness in each stage of the fiscal policy cycle. For each stage, the toolkit provides:

- An overview of parliament's role;
- Executive reporting requirements;
- Guiding questions for parliamentarians in the fulfilment of their functions;
- Opportunities for public participation led by parliament or parliamentarians, and
- Relevant good practices from parliaments around the world.

and changes to key spending programs. This should be coupled with a public consultation process, allowing for public debate and understanding of the changes. Public consultation may lead to refinements of proposed changes. With reference to consultation processes related to legal amendments, it should be noted that these are often undertaken in processes separate to the executive's budget process with distinct timelines.

Legislative approval and amendment stage



The legislative must approve any tax or compulsory levy as well as, all of the executive's proposed spending as contained in the appropriation legislation tabled. This applies despite the wide variation across countries in the legislature's authority to amend the budget submitted by the executive. When tabling the proposed budget, the executive typically presents its details, to those outside of the it, for the first time. Normally, specifically appointed legislative committees then bear responsibility for scrutinizing these details.

Detailed budget proposals should be presented to the legislature in sufficient time to allow careful deliberation, including by committees and subcommittees where mandated, before any legal deadlines for the adoption of the necessary legislation. In accordance with the OECD's [Budget Transparency Toolkit](#) (2017), the tabling of the executive's budget proposal should allow enough time for parliament to undertake in-depth scrutiny with three months providing a useful benchmark, although the quality and depth of review are important. Where there is a role for subnational governments, the budget preparation calendar for subnational governments should allow adequate time for consultation at the local level and the timely provision of the necessary information for the central government budget process. It should be noted that multiple pieces of legislation may be tabled by the executive in its budget proposal. For example, fiscal year revenue/tax legislation may be tabled separately to spending appropriation legislation. Legislative procedures for the passing of the different bills may also differ, meaning that different elements of the budget may be approved by the legislature at different times.

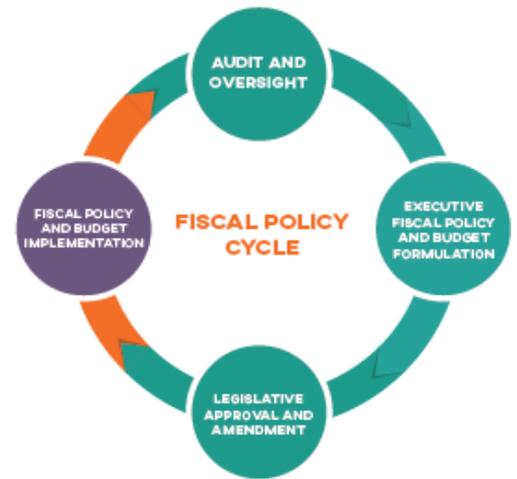
In order to assist it in scrutinizing the budget, the legislature should provide for public participation. This helps other actors better understand the budget's potential economic and social impacts. The themes addressed in these participative spaces can cover the following issues, among others: macroeconomic issues; revenue forecasts, policies, priorities and administration; social spending policies and priorities; deficit and debt levels; public investment projects; and public services.

The information received by parliamentarians through these public participation opportunities along with those in the previous stage of the fiscal policy cycle can help inform their analysis of the executive’s budget proposal and frame their questions to the executive. Discussions in this stage should take account of how the executive has responded in the budget to the policy priorities and considerations in the pre-budget parliamentary review.

In many countries the legislature may have limited analytic capacity to allow them to rigorously scrutinize the policies and assumptions in the executive’s budget proposal. Civil society and other actors can assist in this, by for example, using their technical skills to analyse the proposed budget and providing this analysis to legislatures. Examples of the public participation mechanisms that can be used at this stage include public hearings, committee meetings, online consultation tools; crowdsourcing and social media as a communication and input tool; and town hall meetings. In all of these spaces, the public and other key actors in the fiscal policy cycle can be invited to provide meaningful insights to the legislature.

Fiscal policy and budget implementation stage

Once the executive implements the legislatively approved fiscal and budget policies, the legislature must monitor the executive’s progress in doing this, scrutinize the results emanating from it and hold it accountable for its performance, focusing on the quality of implementation to guard against corruption, mismanagement and fruitless expenditure.



Funds are allocated to spending departments in line with the approved budget. However, it is not uncommon that funds are shifted to purposes other than those for which they were approved. Frequent ad hoc adjustments to budgets can reflect uncertainties in macroeconomic and fiscal environments, but the need for continuous revisions is also a symptom of a weak and ill-disciplined budgeting system. For this reason, legislatures should closely monitor implementation of the budget by scrutinizing information on actual spending. Under normal circumstances, any significant changes in budget lines should also be approved by the legislature in adjustments appropriation legislation. When tabling adjustments appropriations in the legislature, the executive should provide reasons for the proposed adjustments enabling the legislature to assess whether they are justified and in accordance with any applicable legislation/objective criteria stipulating the circumstances when adjustments are warranted.

The legislature requires fiscal transparency, that is quality information, to monitor the executive’s progress to hold it accountable. This information is typically made available during the fiscal year by the executive in the form of in-year budget execution reports. Parliamentary committees, such as a finance, education, or energy committee then typically use this information to scrutinize the executive’s progress in fulfilling commitments, including the reasons provided by the executive for significant deviations from budgets. They can summon witnesses and should produce reports on their findings for parliamentary and public consideration. Committee research and reports can be useful to parliamentarians in their deliberations and examination of government action.

Individual parliamentarians are not expected to be experts in all spending areas. They typically depend on research and analysis from their offices, committees, political parties, civil society and other organizations. For efficiency, they should thus provide public participation opportunities where they can interact and engage other actors. These opportunities provide an additional source of information to support their scrutiny of the implementation of the budget and relevant policies and programs. It can also inform parliamentary investigations that arise during the budget implementation period. Examples of public participation mechanisms that can be used by the legislature in this stage include public hearings; committee meetings; online consultation tools; and social media as a communication and input tool.

Audit and oversight stage

At the end of a fiscal year, parliamentarians should review and assure the reasonableness and appropriateness of the government's actual spending and other results. The legislature should have a full picture of the previous fiscal year, both from a financial and non-financial performance (outcomes) perspective, to scrutinize the government's financial management from planning, to the allocation of resources to declared priorities, to the evaluation of the results these decisions generated. Just as the legislature's approval is required to raise or spend money, the legislature must also accept the government's public accounts and reporting on its actions.

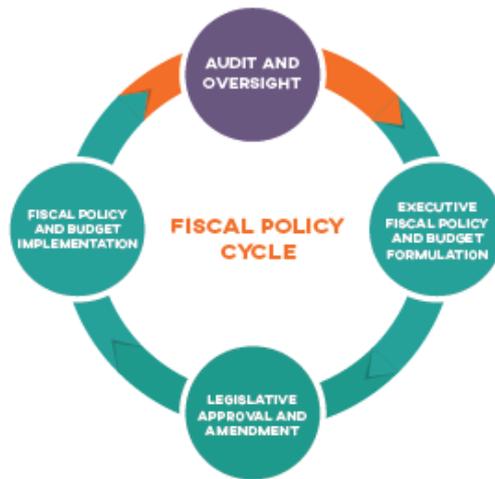
The year-end report is government's key accountability document. It should be presented to the legislature and contain an account of the executive's financial activities, including all of its revenue and spending activities in the form of a public accounts report. This report is usually accompanied by an audit from the supreme audit institution verifying the accuracy of the information presented by the executive. Legislative scrutiny of audit findings assists the legislature in ensuring that public funds have been used for the purposes intended, and that policies have achieved the intended results.

Usually, the results of the audit are presented to the legislature and then considered by a specifically appointed committee, such as an audit or public accounts committee. This committee functions as a forum for debate and inquiry into audit findings and public spending and is integral to the sound operation and closing of the fiscal year. At this stage, the committee is mandated to review government activities from a financial and administrative perspective. Whereas other legislative committees focus primarily on considering bills and investigating policy issues, the public accounts committee's function is much more retroactive than prospective. However, legislators in other committees can use the insights gained from the public accounts committee on the implementation of past budgets when assessing future draft budgets. For example, this information can help inform pre-budget debates when the fiscal policy cycle starts again. In many cases, ministers and senior civil servants will be called to appear before parliamentary committees to answer questions regarding budget implementation. Committees use this information to evaluate and inquire further into the public accounts tabled by the government, as well as the information made available in the supreme audit institution's audit and reports.

Public participation opportunities can contribute to further reviewing the audit report and evaluating the effectiveness and efficiency of public expenditures. The legislature should provide these opportunities. Public participation mechanisms that can be used include consultations with the

supreme audit institution; public hearings; committee meetings; online consultation tools; social media as a communication and input tool; and town hall meetings.

Parliamentarians can get very valuable insights from other actors through these engagements that can be used to inform their workings. For instance, the general public and civil society normally have a stake in monitoring service delivery on the ground, gathering and providing critical information on the mismanagement or misuse of funds. Also, given that some CSOs are linked to international networks of advocacy and support, they can provide useful information networks for parliamentarians, keeping them aware of international developments. They can also offer comparative national information about the regional experiences of service delivery.



The legislature fulfilling its role

To effectively fulfil its role, the legislature needs to be empowered by legislation and requires financial and other resources enabling it to undertake its tasks in each stage of the fiscal policy cycle, including information that meets fiscal transparency standards.

Legislative empowerment



The legislature's ultimate authority to hold the executive to account for the stewardship of public resources should stem from, and be embedded, in law and the political system. This authority is normally derived from the Constitution or other legislation, that should include:

- formal rules for organizing the budgetary process and the respective roles and responsibilities of the executive branch and the legislature;
- timing of budget submission, adoption and publication;
- key documents that the executive should submit to the legislature in its annual budget proposal; and
- powers of the legislature to modify the budget proposed by the executive.

Fiscal transparency, public participation and accountability



In order to be effective, the legislature needs to work with other actors in the fiscal accountability ecosystem, as both a user and supplier of information. Legislatures require quality information to be able to conduct their oversight role. Module 3 contains details regarding the scope and quality of the information that the executive should make available, for fiscal transparency, during each stage of the fiscal policy cycle. These

requirements are based on international standards, including the IMF's [Fiscal Transparency Code \(2019\)](#) that identifies the main requirements for the budget documents presented to the legislature. It also stresses the importance of the publication of in-year fiscal reports and timely annual financial statements audited by an independent supreme audit institution.



Confidence

Trust

Legitimacy

For it to enjoy public confidence, trust, and legitimacy, it is important that the legislature operates in a transparent, participatory, and accountable manner, including that all of its deliberations should be accessible and open to public; that it promote the public's understanding of its work, including publishing information about the fiscal policy cycle and the roles it plays within it; and that it should provide feedback on public consultations including in respect of inputs received and those addressed. For instance, principle 23 of the [Declaration on Parliamentary Openness \(2012\)](#) states that parliaments should make public, information on the national budget, in an easily understandable form, including on its own budgets.

This importance of this bilateral accountability is captured in [Strengthening Accountability through Fiscal Openness: A Toolkit for Parliamentarians in the Americas and the Caribbean \(2020\)](#) where it is stated: "On the one hand, the accountability of the executive to the legislative branch allows parliaments to examine governments' actions and amend public policy and reassign public resources to obtain better results. On the other hand, the accountability of parliaments towards their citizens allows society to stay informed and examine parliaments' actions to ensure they are effectively representing public interest."

Other resource requirements

To effectively hold the executive accountable, besides the legislature requiring clear authority, information and sufficient time, it also requires financial and non-financial resources to be able to use this authority and information to conduct its work. This includes that the legislature should be adequately funded to perform its role. There should be autonomy in the preparation of the legislature's budget, such that executive is not able to limit the legislature's role by controlling its budget. For good governance, the procedures and rules for the legislature's budget determination, approval and review, should be protected by law and transparent. That said, the legislature should also be subject to the same general procedures as the executive for executing and reporting on spending of its own budgets.

To assist the legislature in performing its role, there are numerous actors/structures that can provide analytical support for parliamentarians, including:



Parliamentary committees consisting of small groups of parliamentarians appointed to undertake specific tasks and to examine selected matters in detail. A committee is typically appointed to specifically focus on budgets and finance matters; and to facilitate public input into related deliberations. Parliamentary committees may also benefit from inputs directly from the public, civil society bodies and independent experts, who can contribute to an inclusive, informed parliamentary discussion on budget-related issues.



Research staff as well as libraries of parliament that provide expert research, analysis and information. They can provide information to support the scrutiny of budget proposals and their oversight, as well as to support participative practices. Libraries can also provide public access to parliamentary information.



Independent fiscal institutions: Since budget-related documents can be highly complex and detailed, legislatures may build specialised stand-alone non-partisan offices with expertise to assist in the fulfilment of its mandate. These offices help parliamentarians to objectively assess executive proposals, estimates and economic assumptions. They should be organizationally, administratively and financially independent of the executive branch of the government. Common core functions they perform include: a role in producing, assessing and/or endorsing macroeconomic or fiscal forecasting; monitoring compliance with fiscal rules (constraints on fiscal policy through numerical limits on budgetary aggregates); policy costing; long-term fiscal sustainability analysis; and supporting the legislature in budget analysis. This additional analysis and data provided can challenge analysis from other parts of government, making assumptions and estimations more transparent and rigorous.



The legislature may also benefit from engaging with **other legislatures**, regionally and globally, providing for peer learning opportunities.

Box 2.1. Independent fiscal institutions²⁸



As defined by the OECD, independent fiscal institutions (commonly referred to as parliamentary budget offices or fiscal councils) are publicly funded, independent bodies under the statutory authority of the executive or the legislature, that provide non-partisan oversight and analysis of, and in some cases advice on, fiscal policy and performance. Essentially, they provide an independent input into fiscal policy decisions and an independent view on the conduct of fiscal policy. As an ‘auditing’ body, they verify that the government is providing reliable information on its finances, including in respect of its macroeconomic forecasts. As advisory bodies, they can review and comment on different aspects of fiscal policy, including on the appropriateness of government’s fiscal policy objectives and targets; their predicted impact; and cost of proposed policies. They can also provide independent macroeconomic forecasts to be used by the executive.

The OECD’s [Recommendation of the Council on Principles for Independent Fiscal Institutions](#) (2014) provide principles that seek to reinforce the core values that they both promote and operate under – independence, non-partisanship, transparency, and accountability – while demonstrating technical competence and producing relevant work of the highest quality that stands up to public scrutiny and informs the public debate. While fiscal decision-making is ultimately the responsibility of the executive, independent fiscal institutions, often in complement with fiscal rules, supporting the credibility of the budget²⁹, are seen as a mechanism to help address bias towards spending and deficits and more generally enhance fiscal discipline; promote greater fiscal transparency and accountability; and raise the quality of public debate on fiscal policy, by providing independent scrutiny of fiscal policies, plans, and performance.



Regardless of their specific structure and form, to be effective, independent fiscal institutions should:

- be independent, non-partisan and equipped with professional expertise;
- have a clear and well-defined legal mandate;
- have assured and stable levels of resources, sufficient to meet their mandate;
- have full and timely access to budget-related information from the executive; and
- conduct their work and operations with full public transparency.



Regarding their relationship with key actors in the fiscal ecosystem they should be given sufficient time in the budgetary and legislative calendar to do their work, and also be accountable to the legislature (regardless of whether the institution is under the statutory authority of the executive or legislative branch of government). Its role relative to parliament’s budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation.

Independent fiscal institutions themselves also have a duty to act transparently. This assists in protecting their independence and allows them to build credibility with the public. Independent reports and analysis should be timeously presented to the legislature and executive, published and made freely available to all. They should develop effective communication channels, especially with the media, civil society, and other key actors. Given that their influence in fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering an informed public that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters. Finally, they should themselves also remain accountable, including by developing a mechanism for the external evaluation of its work.

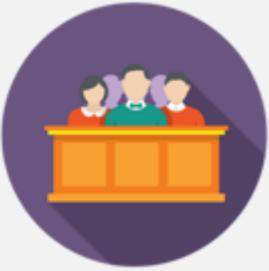
²⁸ For further reading and examples see Kopits, G. (2011). “[Independent Fiscal Institutions: Developing Good Practices](#)” OECD Journal on Budgeting, Vol. 11/3.

²⁹ For further reading see:

IMF’s [Fiscal Monitor: Fiscal Policy from Pandemic to War](#) (2022).

Espinoza, R., Gaspar, V., and Mauro, P. (2021). “[When It Comes to Public Finances, Credibility is Key](#)”. IMF Blog. [Issues Lab: Budget Credibility](#). IBP website.

Box 2.2. Peer learning



The legislature can be seen as a collection of actors with diverse and changing strategies and incentives in the budgetary process. The effectiveness of the role played by the legislature depends on a variety of factors pertaining to its ability to counter the negative effects of politics on budgetary decision-making whilst maximizing the positive aspects. Legislatures can benefit from establishing linkages with other legislatures to share information and learn from each other's experiences. Such links can be particularly helpful on a regional basis, where similarities in basic conditions make the exchange of different approaches especially insightful for mutual learning. For example:

- The [Inter-Parliamentary Union](#) is the global organization of national parliaments that was established in 1889. It published the [Parliament and Democracy in The Twenty-First Century: A Guide to Good Practice](#) (2006).
- The OECD has a [Working Party of Parliamentary Budget Officials](#) and Independent Fiscal Institutions, focusing on improving parliamentary oversight of the budget process and supporting the evolving role of independent fiscal institutions. Officials from parliaments and independent fiscal institutions debate substantive budgeting issues, share practical experiences on working methods and identify good practices. The OECD has a freely accessible database that provides information on national parliamentary budgeting practices from over 30 OECD countries. The database covers features such as; fiscal responsibility and sustainability, the role of lower and upper houses in budget oversight, committee work and powers, analytical support, and audit. There are also parliamentary budgeting reviews available for several countries.
- The [Global Organisation of Parliamentarians Against Corruption](#) is an international alliance of legislators, working together to combat corruption, strengthen democracy, and uphold the rule of law. It works closely with a network of allied international institutions, including the United Nations, INTERPOL, the World Bank, and the Council of Europe.
- The [Parliamentary Network](#) of the World Bank and IMF provides a platform for parliamentarians to advocate for increased accountability and transparency in international financial institutions and multilateral development financing.
- [Parliamentarians for Global Action](#) is a dynamic network engaged in a range of action-oriented initiatives that promote democracy, peace, justice and development throughout the world.
- The [Commonwealth Parliamentary Association](#) collaborates with parliaments of the countries of the Commonwealth to connect, develop, promote and support parliamentarians and their staff to identify benchmarks of good governance. It published the [Recommended Benchmarks for Democratic Legislatures \(2018\)](#).
- The Association of European Parliamentarians with Africa works in partnership with African parliaments to strengthen democracy in Africa, keep Africa high on the political agenda in Europe, and facilitate African-European parliamentary dialogue. It published [The Legislative Principles for Development Effectiveness](#) (2011).

3

Oversight Institutions: Supreme audit institutions

3.1 Role of the supreme audit institution



The **supreme audit institution** is the public body that exercises the state’s highest public auditing function, a key oversight actor for fiscal transparency. It audits the executive’s reports on public finances, providing assurance that they are reliable and free from material misstatement. That is, it provides assurance that a government’s financial statements fairly reflect the revenues collected and expenditure incurred, and that the executive’s implementing agency had authority for transactions undertaken, and acted in accordance with relevant laws and regulations.



In simple terms, while the executive is responsible for implementing fiscal policy and the budget, the supreme audit institution’s role is to check whether the budget has been implemented appropriately and to report on issues identified. It provides its audit finding and recommendations in reports. These reports constitute a source of reliable information on the government’s efficiency and effectiveness and are necessary to be able to hold the executive accountable for its financial management of public resources.

Independent audit institutions using internationally-recognised auditing standards are widely regarded as fundamental to financial accountability in both the public and private sectors. In the public sector, the supreme audit institution plays a key role in ensuring a transparent public administration, enabling the legislature to exercise its oversight role, as well as in building public trust in the integrity of fiscal management. Their role should be technical, highly professionalized, and objective, isolated from political influence and interest capture.



Audit models



The supreme audit institution should be independent of the executive branch of government, forming part of either the judicial or legislative branch. Generally, it is referred to as the Court of Accounts in countries with civil law systems, and the Auditor General in legal systems based on common law. They are also referred to as Comptroller General in some countries particularly in the Americas, including in Peru, Chile, Colombia, and Ecuador.



Three main types of audit models:

1

Westminster/Anglo-Saxon/parliamentary model: The supreme audit institution's work concentrates on reporting and is closely linked to the system of parliamentary accountability. This model can also be found in presidential systems, such as the ones in the Americas, where there are "contralores generales" and "auditores superiores". In this model, the legislature authorises budgets and government departments implement those budgets and produce annual accounts. The supreme audit institution then audits these reports, and presents reports to the legislature. To do this, it examines the government accounts through financial and compliance audits. Financial audits check the accuracy of the financial records and the reliability of the systems underlying them, and examine whether the accounts are in agreement with the records and thus fairly represent the transactions. Compliance audits, complement financial audits, by checking whether the expenditure is in accordance with the intention of the legislature, has been authorised by the finance department, and complies with the provisions of relevant statutes, regulations or other rules. In this model, the supreme audit institution cannot impose its recommendations directly on the executive.

2

Board/collegiate model: Its main difference from the Westminster model lies in its internal structure. Here, instead of having a single head, the supreme audit institution consists of a number of members who form its governing board and who collectively take decisions. The effectiveness of the Westminster and Board models rely heavily on whether the legislature is able and willing to hold the executive to account and in the prosecution and punitive functions of the supreme audit institution. As such, their ability depends on the legal functions and institutional resources available to them. Their robustness generally depends on political factors and the incentive systems guiding their leadership.

3

Judicial/Napoleonic model: The supreme audit institution forms part of the judicial system and operates independently of both the executive and legislative branches. It is a court of law, and its members are judges who can impose penalties or recommendations on audited officials. Officials from the ministry of finance are based in line ministries and other bodies, acting as public accountants. They are responsible for the proper expenditure of funds and for drawing up annual financial statements. The supreme audit institution audits these statements and judges the legality of the public accountant's actions, imposing penalties where illegal transactions are identified. Public accountants are then normally held personally liable for unauthorized or illegal payments. A complementary system of high-level parliamentary accountability for public expenditure is normally also in place. As such, at the end of the financial year, the supreme audit institution prepares the state of account or the audit report. It assesses, reports on public expenditure as a whole and draws its findings from the audit of individual public accountants as well as from wider analytical review procedures. It presents this report to the legislature. Judicial systems are very formalised, focusing on detailed rules and regulations. As such, they can be difficult to operate if key players do not understand their roles or do not have the skills and integrity to fulfil them. They also tend to focus on compliance without necessarily focusing holistically on how well resources are being used. The limited role of the legislature in this model can also reduce the openness of the accountability process, in that court processes tend to be fairly closed, generally posing significant challenges in providing opportunities for public participation.



The mandates of supreme audit institutions can go beyond financial and compliance audits towards auditing how well government institutions are doing their work, that is they can also conduct performance audits. For instance, some conduct audits on the budget processes themselves; operational efficiency; cost effectiveness; and the performance of budget programs.



The important role of the supreme audit institution in promoting the efficiency, accountability, effectiveness and transparency of public administration, conducive to the achievement of national development objectives and priorities as well as internationally agreed development goals was recognized in the United Nations General Assembly [Resolution A/69/228: Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions](#) (2014). Their role in auditing annual financial statements and publishing audit reports has also been stressed in numerous international fiscal transparency norms and standards, including in the IMF's [Fiscal Transparency Code](#) (2019), the OECD's [Budget Transparency Toolkit](#) (2017), [GIFT's High-Level Principles on Fiscal Transparency, Participation and Accountability](#) (2012), and importantly in norms and standards specifically developed

for audit institutions. For instance, Principle G of the International Federation of Accountants (IFAC) / Chartered Institute of Public Finance and Accountancy (CIPFA)'s [International Framework: Good Governance in the Public Sector](#) sets guidelines on the implementation of good practices in transparency, reporting and audit to deliver effective accountability, as one of its seven core high level principles. Among others, it states that external audit involves analytical review, systems evaluation, compliance, and substantive testing. In particular, an audit opinion is required to determine the adequacy of the entity's financial statements, as well as whether they have been prepared in accordance with legal requirements, a recognized reporting framework, and fairly reflect the entity's performance and position. It also states that oversight responsibility involves not only financial reporting, but also operational processes, including accountability for efficiency and effectiveness as well as performance reporting. The principles also emphasize that the provision of assurance through external audit, performed by qualified professionals, is an essential element of a public sector entity's accountability.

As such, through their audit review process and publication of audit reports, supreme audit institutions have a crucial role in ensuring that the check and balance of power is evident within government and in ensuring that public accountability systems are working.

3.2 Fulfilling its role

Statutory independence

“



PRINCIPLE #9

The Supreme Audit Institution should have statutory independence from the executive, and the mandate, access to information, and appropriate resources to audit and report publicly on the raising and commitment of public funds. It should operate in an independent, accountable and transparent manner.

By unpacking international norms and standards, including GIFT’s High-level principle 9, one can understand the capacity the supreme audit institution requires in order to effectively undertake its role, including that its independence relies on legislative empowerment. This is codified in a number of international norms and standards.

The [International Organization of Supreme Audit Institutions](#) (INTOSAI)’s Lima Declaration (1977), considered the ‘Magna Carta’ of government auditing, calls for a supreme audit institution to be laid out in the constitution, and for its independence to be protected by a supreme court.

Principle G of the [International Framework: Good Governance in the Public Sector](#) states that for the supreme audit institution to accomplish its tasks objectively and efficiently it must be independent of audited entities and protected from outside influence; and that in many jurisdictions, the independent supreme audit institution’s function is extremely important in providing independent and objective oversight of a public entity’s governance, risk, and control processes and the stewardship of public resources.

Principle 1.4.2 of the IMF’s [Fiscal Transparency Code](#) (2019) reaffirms that the executive’s annual financial statements should be subject to a published audit by an independent supreme audit institution which validates their reliability.

Flowing from the Lima Declaration, the [Mexico Declaration \(2007\)](#) (reinforced by the South Africa Declaration, 2010), set up 8 core principles for supreme audit institution independence including that the supreme audit institution should have unrestricted access to information; that it has an obligation to report on its work and that it should have financial and managerial/administrative autonomy.

Section F of the OECD's [Budget Transparency Toolkit](#) (2017) on supporting the role of the supreme audit institution, reiterates that they should be instituted in a way that allows them to undertake independent, regular and high-quality audits.

The independence of the supreme audit institution is thus expressed in a number of ways in norms and standards including in respect of how it should be provided for in legislation, how its head/s should be independently appointed; who the supreme audit institution should report to; how its financial and administrative resources are funded; and in terms of its access to information and duty to report on its work. Essentially, the supreme audit institution should be organizationally, administratively and financially independent of the executive branch of the government, having the necessary core of professionally trained staff that undertake their duties in an independent manner.

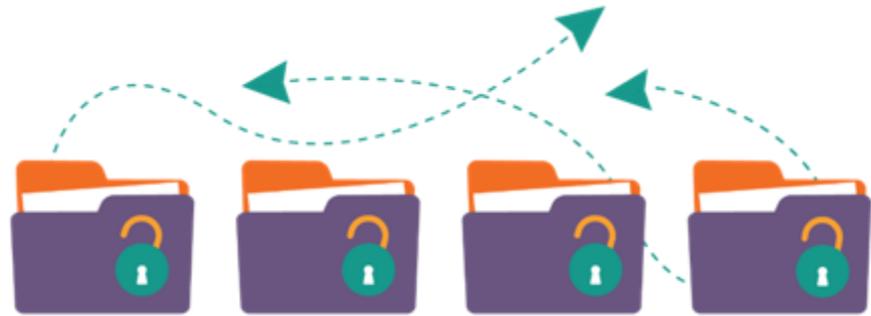
Fiscal transparency, public participation and accountability

The INTOSAI [Framework of Professional Pronouncements](#) (IFPP) flowing from the Lima and subsequent declarations, further develops the principles of independence, auditing standards, access to information, and resourcing of supreme audit institutions. The supreme audit institution functions in the fiscal ecosystem, needing to work with other actors as both a user and supplier of information.

As a user of information, supreme audit institutions require, at a minimum, timely access to governmental accounts and systems in order to report on the executive's annual accounts; and to review the quality of the executive's fiscal reporting. To be able to do this, they must be given access to all necessary records, documents, and personnel. Legislative requirements providing for this, assist in it obtaining the cooperation of audited agencies. INTOSAI's core principle 50 provides guidance in this regard. It establishes 12 principles for a supreme audit institution to undertake jurisdictional activities in a country.



For example, Principle 3 states that the audit institution should have legal powers or rights guaranteeing it access to information. INTOSAI's International Standards of Supreme Audit Institutions (ISSAI) then set out fundamental principles that can be used by all supreme audit institutions, including that the scope of auditing should incorporate the fiscal activities of the public sector, including social security funds and other extra-budgetary funds, as well as public funds paid to non-government entities.



As a supplier of information, the supreme audit institution should conduct its audit using generally accepted auditing practices. This includes that audits should be conducted in a timely manner, and that reports should be submitted to the legislature and simultaneously published. At the minimum, the supreme audit institution should report to the legislature on an annual basis. External, independent, published technical assessments are key for the public being able to assess the executive's management of public funds, enabling it to have a broader perspective about the use and impact of the budget. Delays in the release of reports may mean that information contained in them is no longer of interest and/or usable. INTOSAI's core principle 12 is applicable in this regard. It looks at the supreme audit institution's ability to make a positive difference in the accountability process of fiscal systems. Among other essential functions, supreme audit institutions should lead by example by being transparent and accountable themselves; perform their duties in a manner that provides for accountability, transparency and good public governance; and communicate effectively with stakeholders. They should report publicly and widely on their activities and audit results in a timely fashion, in a simple and clear manner, using appropriate communication tools. Many audit institutions around the world are increasingly undertaking these important elements for advancing fiscal transparency.

Potential impact of audit reports

The external audit report provides an independent and authoritative review of the executive's year-end reporting, showing whether it is accurate and reliable as well as whether financial management laws and regulations have been complied with. This report can yield important messages for policymakers, parliamentarians and the public regarding issues of corruption, fraud, mismanagement and wastefulness of resources.



Audit reports will however have less impact if due to their technicality, the legislature and other key actors, such as civil society cannot understand their meaning or significance. To overcome this, supreme audit institutions can facilitate other actors' understanding and interpretation of technical information by, for example, training key stakeholders to use the information, potentially through the media and civil society; presenting information in easy-to-understand formats with summaries and glossaries that explain technical terms; and producing non-technical or citizens' versions of reports³⁰.

Supreme audit institutions may also face capacity and political challenges that limit their impact. Capacity challenges include that they may be underfunded, understaffed, under-skilled, and constrained by narrow legal mandates. Political challenges include that they may be subject to political influence; and/or the executive may not always adopt its recommendations, particularly when it forms part of the legislative branch of government.

The supreme audit institution's transparent engagement with other actors in the fiscal ecosystem can assist it in overcoming these challenges. For instance, other actors can assist the supreme audit institution by:

- ✓ disseminating supreme audit institution information;
- ✓ facilitating training to build literacy;
- ✓ assisting it in conducting audits including by identifying audit subjects, passing on information about problems in service delivery and possible instances of misuse of public funds, and conducting their own social audits; and
- ✓ assisting in holding the executive to account by putting pressure on executive offices to implement audit recommendations.

The legislature has a particularly important role to play in this regard by opening up and enabling other actors to participate in parliamentary processes in each stage of the fiscal policy cycle, and by potentially adopting formal mechanisms to help ensure that remedial action is taken in response to adverse findings in external audit reports. These mechanisms include a regulatory requirement wherein the audited agency needs to respond to audit findings publicly, in writing, and to indicate the actions it will take in response; and that the public accounts committee then actively follows up and reports on the executive's implementation of these remedial actions. Owing to the importance of this and accountability weaknesses found in this area; initiatives and research are being undertaken in an attempt to strengthen the link between audits and their enforcement leading to

³⁰ Some guidance may be found in this World Bank material on "[How to develop Citizen Audit Guide and a Citizen Audit Report for improving public outreach and communication with external stakeholders](#)". An example is also provided by the United Kingdom's National Audit Office that produces explanatory information targeted at assisting members of parliament in undertaking their oversight roles, including by producing departmental overviews and short guides. These can be accessed on this [link](#).

accountability, including the IBP's [Audit Accountability Initiative](#). This matter has also been the subject of a [court case in Ghana](#), where Occupy Ghana approached the judiciary seeking to force the Auditor-General to go beyond the issuance of audit reports, to also ensure that its findings are actually enforced by the executive. Lastly, other actors, particularly international organizations and donors, can assist the supreme audit institution by emphasizing transparency, participation, and accountability when they are deciding which programs to support, and by directly supporting audit capacity-building efforts.

4

Public participation

From the discussion above, it is clear that for oversight institutions to be effective in holding the executive to account for its management of public resources, they among others require the executive to be fiscally transparent; need to be non-partisan and independent, including by having well-defined legal mandates, budgets that are determined independently from the executive that provide the financial and non-financial resources they require to fulfil their mandates; and that they themselves need to conduct their roles in a transparent and participatory manner, engaging other key actors including the public throughout their processes. The executive branch of government too benefits from engaging the key actors in the fiscal ecosystem throughout the fiscal policy cycle. This section thus looks at the role of public participation in holding the executive to account for its management of public finances.



4.1 Defining public participation

Public participation refers to the variety of ways in which non-state actors interact directly in public discussion and deliberation with state entities. Public participation in fiscal policy thus refers to the variety of ways in which civil society, businesses and other non-state actors interact directly with the executive on fiscal issues including government taxation and revenue collection, resource allocation, actual spending and performance, auditing and the management of public assets and liabilities.

PRINCIPLE #10

As stated under Principle 10 in GIFT's [Expanded Version of the High-Level Principles on Fiscal Transparency, Participation and Accountability](#) (2018), public participation includes both expert-based external engagement, and engagement with the general public.

There are two ways in which it can be initiated:

Invited participation

Initiated by state actors inviting non-state actors to participate. For example, regarding fiscal policies, the ministry of finance may invite public inputs during the preparation of the annual budget or on prospective changes to fiscal policy. Line ministries, departments, or agencies, at different levels of government, might also consult or engage the public on policy or operational issues. For instance, consultation may take place on the design or delivery of public services and public investment projects, or on other topics. Oversight and autonomous institutions within government may also initiate participation, for example, the legislature may invite submissions on the annual budget; and the supreme audit institution may engage the public directly on its audit programs or in the conduct of individual audits.

Invented/claimed participation

Initiated by non-state actors, such as CSOs or social groups. Such engagements are common and may or may not involve state actors, for example, in South Africa, informal settlement residents were mobilized through the [Asivikelane “Let’s protect one another” campaign](#) to monitor failures in the delivery of critical hygiene services during the COVID-19 crises and to report problems to the government for resolution. This campaign provided timely information to municipal governments, with several then responding positively to meet basic service delivery needs. This information was also used by institutions such as the National Treasury and the Auditor-General in performing their roles. Another example stems from Mexico, where a fiscal transparency portal was published following the 2017 earthquakes, in response to the public’s demand for transparency in emergency response spending.

Participation in fiscal policies may take different forms, for instance it may be through:

- **face to face communication;**
- **deliberation or input to decision-making;**
- **written forms of communication including via the internet; or**
- **a combination of different mechanisms.**

It ranges from formal or informal one-off public consultation or invitations for submissions, to on-going and institutionalized relationships, such as regular public surveys, standing advisory bodies, or administrative review mechanisms. It could potentially include ‘participatory budgeting’ – where citizens vote on and decide how a specific line in the budget will actually be spent.

4.2 Relevance of public participation



Public participation is a means to ensure that all those with a stake in, affected by, or intended to benefit from fiscal policies have a voice in decisions that affect their lives. At the heart of fiscal transparency and public financial management is the relationship between the public and the government. This relationship centers on the idea of there being a social contract between the state and the public who are governed, but ultimately retain collective ownership of public resources. In this 'contract' the public contribute to collective resources while the government acts on their behalf, with the state being entrusted with collective resources and consequently expected to use these resources for collective wellbeing.

Experience has shown that fiscal transparency is a necessary condition, although not, a sufficient condition for governmental accountability. Opening the processes by which public funds are raised, allocated and spent is an important part of strengthening the accountability of public institutions. Attention has consequently increasingly shifted beyond fiscal transparency to translating disclosure into more effective accountability by means of greater public engagement on fiscal management throughout the fiscal policy cycle. **Consequently, public participation is increasingly recognized as a critical link in the chain between fiscal transparency, more effective accountability for public financial management, and better fiscal and development outcomes.**

Fiscal transparency and participation are mutually reinforcing. Access to adequate, timely, useful information is essential for informed, effective public participation. Simultaneously, opportunities for participation create incentives for the public to request, and utilize available information.



Fiscal Transparency



Public Participation

The importance that state actors give to public participation reflects their acceptance and commitment to democratic life and the basic principle that non-state actors are key agents of good governance and sustainable development. Public participation by non-state actors is a critical democratic mechanism through which the government's decision-making process and public policies can be made more legitimate, efficient, equitable, accountable, and sustainable. It can strengthen policy choices, increase public support for budget decisions, and strengthen oversight, all of which can ultimately improve outcomes. When public participation is inclusive and effective, listening and engaging with the marginalized members of society, it especially benefits the poor and the most vulnerable, who are traditionally excluded. Members of the public can provide critical information on needs and priorities and, through monitoring budget implementation reduce mismanagement and opportunities for corruption, thus further enhancing budget efficiency and effectiveness.



Although public participation in budgeting is relatively new, the evidence attesting to its impact on resource allocation and service delivery, and development outcomes, is growing²⁸. In contrast, the lack of public participation means that the benefits derived from engaging with the public are not realised, for example, policies may be designed without fully understanding the needs and priorities of the public, resulting in the provision of goods and services that may be mismatched with their needs, thereby leading to the sub-optimal use of resources and potentially to the non-realisation of broader developmental outcomes.



4.3 Public participation throughout the fiscal policy cycle

Public participation should take place across the fiscal policy cycle, that is in the design, implementation and review of fiscal policies. The executive and oversight institutions should actively use public participation to address distinctive goals and challenges. The way they do this is normally closely related to their formal responsibilities regarding fiscal issues, as well as the broader governmental structures in which they are embedded. For example,

legislation might formally require the executive to engage with other actors before and after the budget is formally tabled in the legislature for approval. There are also different purposes for

²⁸ De Renzio, P., and Wehner, J. (2015). "The Impacts of Fiscal Openness: A Review of the Evidence" Incentives research. De Renzio, P., Haus, P., and Wehner, J. (2022). "(When) Do Open Budgets Transform Lives? Progress and Next Steps in Fiscal Openness Research," GIFT, IBP and Open Government Partnership.

public participation across the stages of the fiscal policy cycle, with distinct tools that can be used to design, plan, and implement appropriate participation mechanisms²⁹.

Main purposes of public participation in each stage of the fiscal policy cycle

Executive fiscal policy and budget formulation stage

As the lead actor in this stage, the executive often invites non-state actors to engage in various forums. Engaging diverse actors enables public authorities to draw on the wide range of information and perspectives throughout society, such that their feedback and perspectives can be integrated into the blueprint of financial management. This is generally impactful as it assists in getting a common understanding of issues; in ensuring that budget policy priorities match the public interest; in garnering support for their implementation; and in building trust.

Executive and legislative engagements may take the form of pre-budget consultation meetings with the general public and/or consultations with expert groups, such as think tanks, independent fiscal institutions and academia. The latter help in assessing government fiscal plans and performance as well as budget proposals, and in the evaluation of, or provision of, macroeconomic and budgetary forecasts. Expert groups can also be formed as multi-stakeholder groups, represented by the government, civil society, and the private sector.

Governments manage revenue, spending, and debt in accordance with fiscal policies. When it comes to taxation and resource mobilisation, public participation establishes legitimacy of policies and ensure that it is equitable and reflects public needs, not only serving selected interests. On the expenditure side, citizen's participation helps to ensure that the allocation of public resources is efficient, effective, equitable, and aligned with people's aspirations. Some examples of public participation in this stage include those described below.

In [Mexico](#), the government involved citizens in education sector expenditure policy design through the Education Reform Program, a federal government program overseen by the Ministry of Finance and Public Credit. Under this program, a public trust fund is created for schools that is administered together with the School Board of Social Participation in Education, composed of parents and representatives of family associations, teachers, school officials, students, and other interested community members. The main responsibilities of the School Board include defining the projects the school is to carry out with government resources through the crafting of the "School Improvement Roadmap"; and promoting accountability through the generation of an annual activity report on the main results of the program. The report is presented to the school community annually.

Under the Fiscal Openness Accelerator Project, [Nigeria](#) held regional consultations on public participation in the budget process and a national consultative forum where the Minister of Finance, Budget and National Planning presented the draft 2023-2025 Medium Term Fiscal Framework (MTFF) for citizen inputs. The event was done in hybrid format. The in-person event was held in the country capital, Abuja, while other members of the public were also allowed to join online via Zoom teleconference. The event was recorded with a video published online. After the consultations, issues on the introduction of new tax measures were revisited and reconsidered in the updated version of the MTFF.

²⁹ Kumagai, S., Bandyopadhyay, S. and Grandvoinnet, H. (2019). "[Mainstreaming Citizen Engagement in Public Financial Management for Better Results](#)" World Bank Group Open Knowledge Repository.

Box 2.3. The Fiscal Openness Accelerator (FOA) Project

With the support of the United States Department of State, the Fiscal Openness Accelerator (FOA) project was launched in 2019 by the IBP and GIFT with the objective of improving fiscal transparency in Benin, Liberia and Nigeria, and supporting the implementation of a public participation pilot mechanisms in the budget cycle in these countries as well as in Senegal and South Africa.

As part of the key results from this engagement, Benin, Liberia, and Nigeria achieved significant improvements in selected fiscal transparency indicators as measured by the United States Department of State's Fiscal Transparency Report and IBP's Open Budget Survey. The following citizen engagement mechanisms were successfully piloted under the public participation workstream of the initiative:

- **Benin** developed and rolled out the *Bousprob mobile application*, an alert and monitoring tool available freely on the Google Playstore that features a library of budget information, informs citizens on opportunities to engage in the budget process and provides a platform to collect their feedback.
- **Liberia** conducted several pre-budget consultations with civil society and members of the general public in different counties towards the development of a Shadow Budget Options paper consolidating citizen inputs in the formulation of the 2023 executive's budget proposal.
- **Nigeria** implemented regional consultations on public participation in the budget process and a national consultation event in hybrid format. The Minister of Finance, Budget and National Planning, presented the draft 2023-2025 Medium Term Fiscal Framework for public inputs, with other high-level government officials also participating in an open forum on key budget and fiscal policy issues.
- **Senegal** organized a meeting with civil society on the Document de Programmation budgétaire et économique pluriannuelle 2023-2025 (Multi-Year Budgetary and Economic Programming Document 2023-25) that provided a platform for civil society to provide recommendations and comment on the content of this multi-year budget programming document and economic framework, that includes assumptions on expenditure and revenue.
- From 2021 to 2022, **South Africa** implemented two rounds of pre-budget consultations to solicit citizen inputs on fiscal policies through a public consultation event and other online and offline platforms for the submission of written inputs. The submissions were also published online and presented for consideration of the Medium-Term Expenditure Committee, a high-level national technical decision-making authority on fiscal policy.

Legislative approval and amendment stage

Public participation aims to provide legislators with non-partisan budget analysis and various viewpoints. This is mainly achieved through finance or appropriations committee, as well as other committee budget hearings as well as through other mechanisms available to gather public inputs. Expert groups such as think tanks, CSOs that specialize in the budget, and academia can provide valuable analyses. The legislature can, for instance, use this analyses to alter budget priorities, shift allocations, or increase executive accountability.

An example of this comes from [Georgia](#), where legislative committee meetings on the proposed budget are open for anyone to attend and also allow members of the public to testify. This right is guaranteed by the Parliament of Georgia's procedure rules. The Committee hearings are public and televised, covering key topics such as macroeconomic issues, revenue forecasts, administration, social spending, debt and deficit levels, public investment projects and public services. The Finance and Budget Committee then publishes a report on Transparency of the State Budget and Citizens Participation in the Budget Process, that includes a summary of inputs received in legislative budget hearings.

Fiscal policy and budget implementation stage

A variety of mechanisms can be used to oversee government's implementation of fiscal policy. Key stakeholders include government at different levels, legislature, CSOs, the media, community groups, the private sector, academia, and the general public. The government can consult and collaborate with these actors to ensure that the budget is executed as intended for public service delivery. Civil society actors can also take proactive initiatives to hold the government or the elected officials accountable by following budget and expenditure data, that is, by following the money.

In the Philippines there is a mobile android application called [DevLIVE](#) that was designed to gather citizens' satisfaction feedback on the quality and implementation progress of government's local infrastructure projects. Administered by the Department of the Interior and Local Government, it hosts budget execution and project implementation data of over 30 billion Philippine Peso worth of locally implemented projects. It specifically collects user feedback on the following performance indicators: visibility, functionality, quality, accessibility, timeliness, relevance, and operations. From its pilot rollout in 2019, by 2022, the government received approximately 5 000 different public responses covering more than 1 000 projects in over 260 pilot local government units, with a satisfaction rate of 95 percent on the progress of projects monitored.

Audit and oversight stage

Public participation opportunities should be created by the executive and government oversight institutions. The supreme audit institution should inform the public about its audit findings and recommendations as well as create spaces for the public to assist in the monitoring and audit of public spending, outputs, and outcomes. For instance, it should hold consultations to receive proposals on entities and programs to be audited, and to garner focused contributions on particular areas, such as inviting civil society collaborations on social audits. The legislature, mostly through its public accounts committee, can hold public hearings on issues related to the implementation of select government programs and invite members of civil society and the public to provide inputs and/or testify. The executive can also invite members of the public to assist it in program monitoring and audit activities.

Civil society, the media, academia or any member of the interested public can also initiate activities, for example, they can conduct an external review or a social audit exercise to assess the effectiveness and efficiency of government programs.

An example of this emanates from [Andhra Pradesh, India](#), where the Ministry of Rural Development initiated the engagement of non-government actors in the audit process on the Mahatma Gandhi National Rural Employment Guarantee, an employment guarantee program targeting the poorer sections of society. A [study](#)³⁰ in this regard found that these repeated social audits led to an increase in beneficiary awareness of entitlements. Given the low cost of conducting these audits it was found to provide a cost effective mechanism to improve delivery through community monitoring.



Key points of public participation include, participation:

- Across the annual budget cycle, that is from the executive developing the fiscal strategy, annual budget and tabling it in the legislature; to the legislature adopting it; it being implemented and reported on by the executive; to this implementation being monitored, reviewed and audited by oversight institutions and other actors.

³⁰ Farzana Afridi, F., and Iversen, V. (2014). "[Social audits and MGNREGA delivery: Lessons from Andhra Pradesh](#)" Forschungsinstitut zur Zukunft der Arbeit Institute for the Study of Labor.

- In revenue, expenditure, financing, and assets and liability policy initiatives and reviews that may take place over a longer time frame than the annual budget cycle.
- In the design, production and delivery of public goods and services.
- In the design and delivery of public investment projects.
- That covers both macro-fiscal policy – the main fiscal aggregates, the appropriate size of the deficit et cetera as well as more micro issues of tax design and administration, and the allocation and effectiveness of spending.

4.4 Norms and standards on public participation



The [Open Government Partnership](#) (OGP) in its 2011 [Open Government Declaration](#) included a commitment to support civic participation, including making policy formulation and decision making more transparent, creating and using channels (including new technologies) to solicit public feedback, and deepening public participation in developing, monitoring and evaluating government activities.

A right to direct public participation in fiscal policy had however not been included in an international instrument on fiscal transparency prior to the promulgation of the [GIFT High-Level Principles](#) (2012).

“



PRINCIPLE #10

Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.

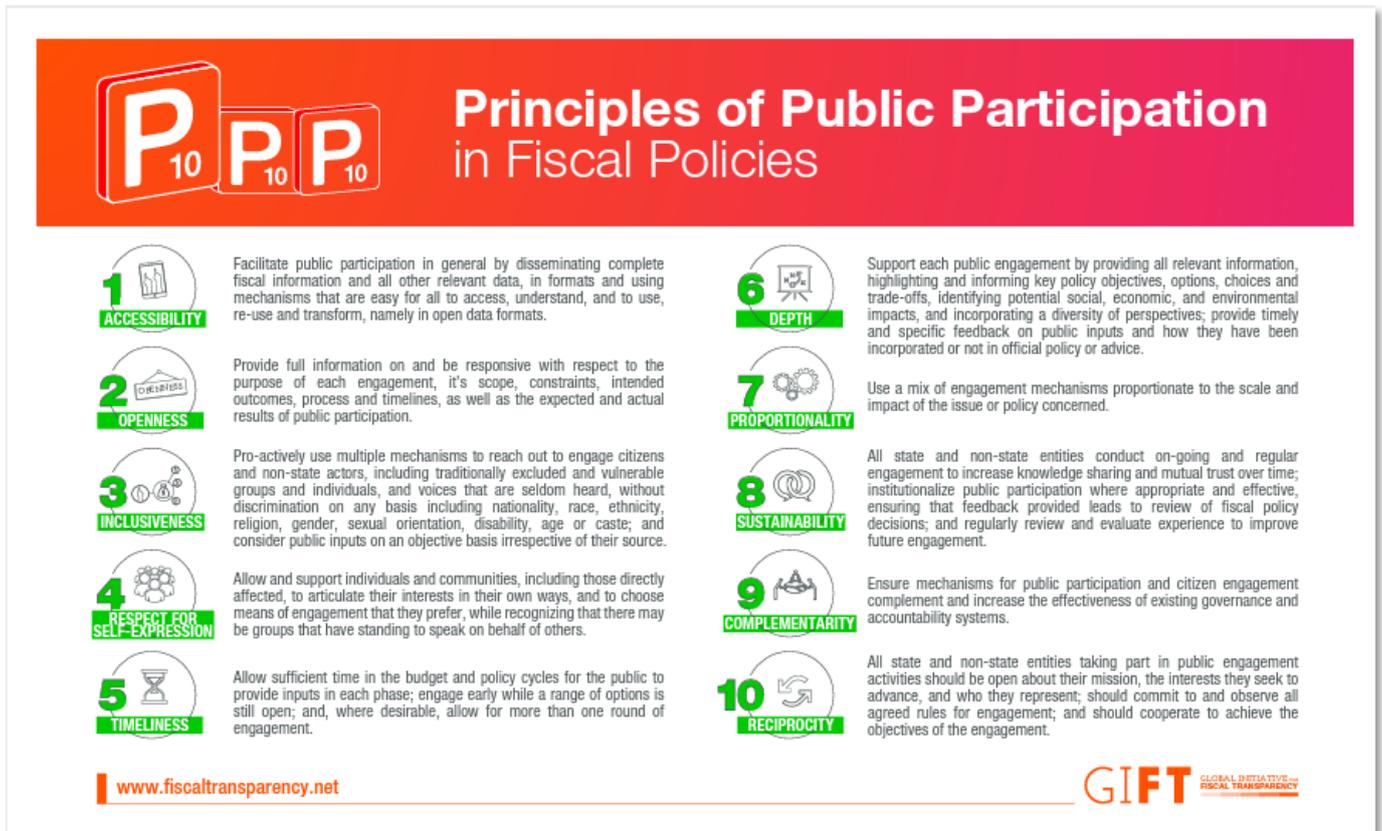
The GIFT High Level Principles were subsequently acknowledged by the United Nations General Assembly in December 2012, that encouraged member states to intensify efforts to enhance transparency, participation and accountability in fiscal policies, including through the consideration of the principles set out by GIFT.

The IBP's [Open Budget Survey](#) (OBS) then led the way when it introduced a section on public participation across the budget cycle in its 2012 Survey. Since 2012, the importance of public participation in fiscal policy has been progressively incorporated in all the main international fiscal transparency instruments.

Given the limited historical guidance on how public entities should engage directly with the public in managing public resources, the GIFT network then embarked on a substantial multi-year work program to generate greater knowledge about country practices and innovations in citizen engagement. In 2016, after an extensive public consultation process, GIFT launched 10 Principles of Public Participation in Fiscal Policies. This guidance states that public authorities should

endeavour to ensure that citizens and other non-state actors have effective opportunities to participate directly in public debate and discussion with respect to the design, implementation and review of fiscal policies, while observing 10 interdependent principles.

Figure 2.1. GIFT Principles of Public Participation in Fiscal Policies



These principles include select concepts that are also included in other norms and standards. For example, Principle 5 of the OECD’s [Recommendation of the Council on Budgetary Governance](#) (2015) states that parliamentary debate on budgetary choices should take place throughout the fiscal policy cycle and be inclusive, participative and realistic; Section J of the OECD’s [Budget Transparency Toolkit](#) (2017) talks to making the budget more inclusive and participative, with relevant examples; Principle 2.3.3 of the IMF’s [Fiscal Transparency Code](#) (2019) states that the government should provide citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations; and Principle B of the International Federation of Accountants (IFAC) / Chartered Institute of Public Finance and Accountancy (CIPFA) [International Framework: Good Governance in the Public Sector](#) (2014) states that public entities should be open in their activities engaging with all groups of stakeholders.

Box 2.4. Norms and standards on public participation pertaining to specific actors/sectors



Public procurement

The [Open Contracting Partnership](#): Governments shall recognize the right of the public to participate in the oversight of the formation, award, execution, performance, and completion of public contracts.

Natural resource revenue

[Extractive Industries Transparency Initiative \(EITI\) Standard](#) (2019) requires:

- Effective multi-stakeholder oversight, including a functioning multi-stakeholder group that involves the government, companies, and the full, independent, active and effective participation of civil society.
- That stakeholders are engaged in dialogue about natural resource revenue management, for instance, by the multi-stakeholder group ensuring that outreach events are undertaken to spread awareness of and facilitate dialogue about governance of extractive resources, building on EITI disclosures across the country in a socially inclusive manner.

Pillar IV of the IMF's [Fiscal Transparency Code](#) (2019) states that Government revenues from natural resource exploration and extraction activity should be collected, managed, and disbursed in an open and transparent manner. [IMF [Guide on Resource Revenue Transparency](#) (2005)]

4.5 Designing and implementing public participation practices

When designing and implementing public participation practices it is important that they are designed to meet the Principles of Public Participation in Fiscal Policies. The Principles are intended to be applicable to all country contexts, although the specific institutions, processes and programs for public participation reflect diverse country circumstances. Variation across countries including disparities in terms of governmental structures and processes, density and vibrancy of civil society, the level of socio-economic wealth, and the availability of different technologies, means that there isn't a set of best practices that can be uniformly adopted.



Multiple public participation tools and engagement channels are available, however randomly choosing a tool and undertaking public participation just for the sake of doing it, is likely to be ineffective and undermine trust. When embarking on a public participation journey, it is thus important that, desired engagement results are determined and matched with appropriate tools such that meaningful public participation can take place. Governments and non-state actors should work together to design

public participation practices that correspond to national specific political and policy needs, adopting appropriate public participation options and tools, towards the progressive achievement of the Principles.

Designing appropriate public participation mechanisms requires that decisions are taken on the objectives; target audience; and when and how the participation should take place:



At the outset, public participation mechanisms should have a clear purpose and objectives. To have impact, objectives should align with, reinforce and complement fiscal policy goals. Answering the following questions can assist in this regard:

- How will participation assist in the achievement of fiscal policy goals?

- Who is the target audience?

- What is the degree of involvement necessary to achieve policy objectives?

Public participation should provide inputs to improve the design, integration, processes and/or execution of public resources. Public participation initiatives should be prioritized and sequenced to achieve higher development objectives and results. When thinking about the objectives of public participation, answering the following questions is key, such that efforts can be directed towards participation for results:

- Are there problems that can be solved or mitigated through public participation?

- Is there actually room for public influence over the decision? For instance, are there decision constraints that limit the scope of public engagement?

- How will public inputs be used?

- What characteristics will successful policy decisions/processes have?



Target audience

The focal audience should be determined based on the policy issue to be addressed, the purpose sought and the context. It is important that traditionally excluded groups of people are included, giving them a voice. Answering the following questions assists in this regard:

- Who will be affected by the policy decision?
- How can traditionally excluded groups be included?
- Are there interest groups or organized groups that could capture or undermine the decision process?
- Who wants to and who can effectively participate?

There are two main approaches that can be taken, either engaging with the general public to receive broad feedback or engaging with small, select, and specialized groups, such as CSOs, academia, think tanks, and multi-stakeholder committees to receive in-depth feedback on particular aspects of the fiscal policy cycle.



When

The timing of the public participation initiative is important in optimizing results. It should be determined when participation is feasible and desirable in the fiscal policy cycle as well as what the opportune entry points in the fiscal policy cycle calendar are.



How

The scope, format and degree of the target audience's involvement needs to be determined when selecting the appropriate mechanism. The [International Association for Public Participation](#) developed a spectrum to help define the public's role in, and manage expectations of, public participation processes. It covers different objectives for governments to consider when consulting the public ranging from informing, to consulting, involving, collaborating and finally empowering. This spectrum is based on the idea that the level of public participation is linked to the potential level of public influence on the action or decision being considered. This ranges from the beginning of the

spectrum where the expectation is merely that the audience will be informed, with no feedback expectations or specific public impact expected; to the end of the spectrum where there is an expectation that the audience will be empowered to take decisions with the associated higher level of public impact. Applicable participation tools vary accordingly as shown in the diagram below. There are risks if the public’s potential role is not outlined, for example, if members of the public are led to believe that their feedback will be incorporated or responded to, and this is not the case, they will likely become disillusioned and lose trust in the process. This spectrum thus not only assists governments in shaping the design of a public participation mechanism but also in managing public expectations.

For meaningful participation to take place, there should be openness regarding the purpose of each engagement, its scope, constraints, intended outcomes, process and timelines, as well as the expected and actual results of public participation. When designing public participation mechanisms, it is also important that their sustainability is taken into consideration, and that they are institutionalized where appropriate.

Table 2.1. GIFT³¹ Public Participation Spectrum

(-) LEVEL OF PUBLIC INVOLVEMENT (+)					
	Inform	Consult	Involve	Collaborate	Empower
					
Objective of public participation	To provide the public with balanced and objective information assisting them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public comments on analyses, alternatives, and/or decisions.	To work directly with the public throughout the process ensuring that public concerns and aspirations are consistently understood and considered.	To partner with the public in every aspect of the decision, including in the development of alternatives and in the identification of the preferred solution.	To place the final decision in the hands of the public.

³¹ Based on the IAP2 Spectrum of Participation, [International Association for Public Participation](#).

	<p>Inform</p> 	<p>Consult</p> 	<p>Involve</p> 	<p>Collaborate</p> 	<p>Empower</p> 
<p>Objective from the public's perspective</p>	<p>We will keep you informed.</p>	<p>We will keep you informed, listen to, and acknowledge your concerns and aspirations.</p> <p>We will provide feedback on how public inputs influenced decisions.</p>	<p>We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed.</p> <p>We will provide feedback on how public inputs influenced decisions.</p>	<p>We will seek the public's advice and ideas when formulating solutions.</p> <p>We will incorporate this advice and recommendations into decisions taken, to the maximum extent possible.</p>	<p>We will implement the decisions taken by the public.</p>
<p>Examples of tools</p>	<p>Newsletters, e-mails, videos, websites, social networks, and virtual meetings.</p>	<p>Social media discussions, surveys, interviews and blogs.</p>	<p>Ideation, surveys, interviews, social media discussions and competitions.</p>	<p>Online forums, collaborative documents, mapping, twitter chats and video calls.</p>	<p>Decision-making through online voting, participatory budgeting, and direct community actions through discussion forums.</p>
<p>Policy examples</p>	<p>Portals focused on users' information needs.</p> <p>Budget training courses.</p>	<p>Consultations with communities about public works that affect them.</p> <p>Consultations on the national development plan.</p>	<p>Design of tax policies taking into account inputs from academics and taxpayers.</p> <p>Complaint and denunciation mailboxes providing information about program improvement processes.</p>	<p>Public security policies designed with citizen oversight.</p> <p>Surveillance committees and social audits linked to institutional control.</p>	<p>Participatory budgets.</p> <p>Advisory councils with delegated capacities in specific sectors (e.g. science and technology).</p>

4.6 Resources for learning about public participation

Despite the fact that there isn't a blueprint for successfully designing and adopting public participation practices, a lot of valuable lessons can be learnt from examining the practices adopted by other institutions and countries. Among others, the following can be consulted in this regard:



GIFT's Public Participation primer: [The time is now: Advancing public participation in government fiscal policy and budget-making](#) (2015) includes participation opportunities by institutional type at the different stages of the fiscal policy cycle; as well as numerous case studies.



The GIFT and the OGP's [Guide on Principles and Mechanisms on Public Participation in Fiscal Policy](#) (2016) describes participation practices/mechanisms that illustrate the Principles of Public Participation in Fiscal Policies and organizes them across a number of dimensions to provide a "how-to" guide for their implementation. These dimensions include:

- Summary of the mechanism adopted and its objectives – that is what it seeks to address;
- Basic facts including in which stage of the fiscal policy cycle it is utilized, where it happens (level of government), and who implements it (executive, oversight institutions or non-state actors);
- Why – that is the objective of public participation and how success is measured;
- Authorising environment – that is whether there is a specific law or regulation requiring it;
- Who and how – including who participates, selection processes, diversity of inputs, how decisions are made, whether decisions are binding, how much of the process relies on technology, whether there are any institutionalized elements, and the resources invested in the implementation of the mechanism, including whether these are one-off or recurring resources;
- Results and impact;
- Lessons learned by the practitioners who implemented the mechanism, including summaries and links to any assessments or evaluations of the intervention. This also includes tips and the main conditions and factors associated with the success of the practice;
- How many of the Principles align with the use of the mechanism. In addition, when appropriate, recommendations of how many principles could be incorporated; and
- Country context, containing information to facilitate a general understanding of the surrounding factors and conditions in which the mechanism in question took place.



GIFT's [Expanded Version of the High-Level Principles on Fiscal Transparency, Participation and Accountability](#) (2018) under Principle 10 contains a link to comparative country case studies for Brazil, Canada, Croatia, Kenya, Korea, Mexico, the Philippines, and South Africa. These case studies dive into the political economy of

reforms introducing public participation in budgeting. This publication also includes individual country examples of public participation in fiscal policy, organised by stage in the budget and fiscal policy cycles and by type of participation mechanism. Links are also included to papers describing mechanisms in more detail.



The World Bank Group Open Knowledge Repository's: [Mainstreaming Citizen Engagement in Public Financial Management for Better Results](#) (2019) provides numerous country examples and includes, among others a snapshot of the approaches and tools that can be used in engaging with citizens to improve results.



Specific guidance is also provided by the IBP on social audits, including in its:

- [Guidelines for capturing social audit data](#); and
- [Guidelines for developing a social audit questionnaire](#).



IBP and GIFT's [Fiscal Openness Accelerator](#) is a project that aims to deepen work in improving transparency and enhancing public participation in fiscal policies. Governments and civil society are working together to introduce specific mechanisms of public participation in the budget cycle. Documentation related to the project, including write ups on the different mechanisms for public participation and video interviews, can be accessed on the GIFT's website.



The IBP's [Open Budget Survey](#) contains public participation indicators that assess the degree to which the executive, the legislature, and the supreme audit institution each provide opportunities for the public to engage during the different stages of the budget process; including the quality of participation mechanisms. These indicators are based on the GIFT Principles of Public Participation in Fiscal Policies, emphasizing the importance of the principles of accessibility; openness; inclusiveness; and depth, among others. By so doing, the Survey provides good examples of public participation practices and experiences.



Over and above the resources listed above, there are also other research and articles put forward by different researchers and institutions looking at different aspects of public participation in fiscal policies and in other sectors³².

³² As an example see Lakin, J. (2019). "[Save Lamu! Drawing lessons on public participation from other sectors](#)." IBP.

4.7 Common objections and responses to increased public participation in fiscal policy

While direct public engagement in budgeting has fairly become established as an international norm, it is worth considering common possible objections to it, and applicable responses as shown below.

Table 2.2. Common objections and responses to increased public participation in fiscal policy³³

COMMON OBJECTION	RESPONSE
<p>Public participation is costly</p>	<p>The ICT revolution has dramatically cut the cost of direct engagement with citizens, as well as created completely new possibilities for interactions. Public participation is a means for government to tap into the information, insights and perspectives distributed throughout society, lowering the cost and improving the effectiveness of official research, policy development, service delivery, monitoring, review, and evaluation. Also, proportionality is one of the Principles, recognizing the need to tailor participation exercises to the size and importance of the fiscal policy issue concerned.</p>
<p>Direct public engagement could undermine the role of the legislature in representative democracies</p>	<p>Direct public participation is designed to complement and strengthen existing governance arrangements - and increase trust in government - not to set up parallel processes. Calling for public submissions during consideration of money bills is a long-standing and widespread practice that illustrates well the complementarity between direct public participation and legislative oversight.</p>
<p>Fiscal policy is too complicated for the general public, and should be left to the experts</p>	<p>Open engagement of external experts is a participation mechanism. In addition, fiscal policy involves ethical and distributional choices that should not be the sole preserve of 'experts', it is inherently political and will not be left to experts in any case.</p>
<p>There is a culture and long-standing practice of budget secrecy</p>	<p>Policy making in general is much more open now, and budget secrecy can be retained in the narrow range of cases where pre-disclosure could result in adverse behavioral responses.</p>
<p>Public engagement takes time, and slows down the policy process</p>	<p>Participation is a right, similar to and complementary to the right to information. In addition, it can help improve policy quality, avoid policy reversals, and thereby save time and cost. It should also be borne in mind that participation can become more efficient over time, as when processes are regularly implemented they can be more easily understood by policymakers and the public, potentially revealing needs and ways to meet those needs, including through the refinement of processes/participation spaces, and the provision of appropriate information.</p>

³³ For further reading see Petrie, M. (2017). [What is public participation in fiscal policy and why is it important](#)". GIFT Blog.

5

Examples from the field



Kenya

Kenyan Parliamentary Budget Office



[Watch here](#)

The legislature and independent fiscal institutions play a key role in fiscal transparency. The role of Parliament and the Parliamentary Budget Office in Kenya has progressed over time as described by Dr. Martin Masinde, a Senior Deputy Director in an [interview](#) that took place in May 2021. He explains that post 2010, new legislation, including an amended Constitution and a new Public Finance Management Act, meant that Parliament was given a more profound role in reviewing the executive's budget proposals and in involving the public in public financial management matters. To solicit the views of the public, among others, parliament requests public inputs, especially from civil society, through its website, it then take the public's views into account when approving the budget. In this regard, it also sets aside funds and visits a different set of counties every year to get their views on how this funding should be allocated, rotating through all the counties over time.

In conducting its oversight role, Parliament analyses the information received from the executive and the Auditor General, gauging they extent to which the executive is meeting its targets. In doing this, various parliamentary committees and agencies, including the Parliamentary Budget Office, work together, including by utilizing their independently developed analyses frameworks to analyse policies, targets and programs, providing alternative scenarios and proposals to the budget; producing a budget options paper to stimulate policy discourse; and making submissions to departmental committees. Challenges experienced include that the Auditor General's audits aren't based on programs, that its recommendations often don't filter into actions, and that state enterprises largely operate outside the budget process.

The interview culminates with Dr. Masinde stating that in his view the following factors make a Parliamentary Budget Office function well: enabling legislation that gives it appropriate confines and functions, including that it provides the terms of information acquisition and the frameworks for publishing information, allowing it to operate without interference and safeguarding its independence; on boarding experts who have worked in government for long assists in understanding the complexities around budget making; and lastly its credibility and interface with civil society also contributes to how well it functions.



Brazil

Brazilian public councils

Brazil has a rich history of public councils at different levels of government. These public councils are consultative bodies/boards, composed of governmental and non-governmental representatives, working together to oversee and evaluate specific fields of public policies. Some councils have been more effective than others. In an [interview](#), recorded in April 2021, this was explored to understand some of the factors that underlie this, providing valuable lessons on the effective functioning of these key independent fiscal institutions.



[Watch here](#)

Public councils can be very effective in bringing people together with diverse points of view, to discuss and try reach agreement regarding issues that cannot be completely resolved by the government alone. Their success in doing so, depends on many factors, including the strength of their legal foundation, the dynamics of civil society/non-governmental actors in the specific policy area, as well as whether there is a trust relationship between the different actors around the table. For instance, in the Brazilian health sector, there is an established legal framework for councils to function as well as a strong, well organized, civil society that has been present from early on, demanding to play a prominent role. Such councils, have become entrenched in government, and as such, non-government councilors are able to actively access information and engage the bureaucracy directly, playing a proactive role rather than a passive role waiting for government to supply information to them. The advantages of well-functioning social councils include that non-governmental actors become protagonists of public policies, actively getting insights on how government works forming realistic expectations, this is then normally coupled with government becoming more transparent and responsive. Lastly it is critically important that councils are seen to operate in an ethical, transparent manner, for instance, the selection of councillors should be undertaken in a transparent fair manner, such that there is trust that they are operating for the public good.



Chile

Chilean independent commissions



[Watch here](#)

A temporary Independent Commission on the Efficiency and Transparency of Public Spending was formed in Chile in 2019 after social protests. The Commission was composed of a diverse spectrum of actors making budget reform recommendations for fiscal transparency and efficiency. As seen in an [interview](#) with the former President of the Commission, it was found that the main issue related to political will as opposed to technical obstacles. A key recommendation thus emanating from the Commission is that fiscal transparency shouldn't be a one off focus, but should rather be embedded in the architecture of an autonomous fiscal institution. Essentially, fiscal transparency is a goal that benefits greatly from a multi-stakeholder push, including coordination with experts and expert institutions that call for, advance, and monitor fiscal transparency developments.



Peru

Role of supreme audit institutions: Experience from Peru

Supreme audit institutions require fiscal transparency; and should themselves also be transparent and promote fiscal transparency, in order to perform their roles effectively. Understanding this, the Comptroller General of the Republic of Peru promotes a series of initiatives to increase transparency in the way the Peruvian state reports on public finances. In a [testimonial](#) recorded in March 2021, the Comptroller General shared practical knowledge and experiences on this.  [Watch here](#)

Initiatives undertaken include that legal provisions allow the Office of the Comptroller General to directly access state entity systems where information is processed and stored, allowing it to use the latest advances in data analyses to evaluate fiscal Information produced by public entities, detecting issues/irregularities in a timely manner, such that they can be resolved quickly, potentially limiting their damage. The Office has also sought to lead by example, achieving first place in the Index of Availability of Information to Citizens on the Institutional Management of Supreme Audit Institutions (IDIGI-EFS) in Latin America and the Caribbean in 2019. Other initiatives include the introduction of the INFOBRAS platform, a tool that not only provides the public with increased access to information on public works, but also allows it to verify the veracity of what is reported on by public officials, enabling them to provide comments, suggestions, and photographs.

The Office has also placed emphasis on citizen participation as a strategy to strengthen accountability and transparency in all stages of the government's control cycle. For example, the public are informed about audits that have been conducted and invited to provide feedback about alleged illegal irregularities in a Public Hearings Program. A series of workshops have also been held with organized civil society; while trained citizen control monitors oversee the implementation of local programs. In addition, a Young Auditors Program, seeks to contribute to the consolidation of a culture of integrity in the citizenry, encouraging high school students to learn to exercise social control in order to ensure the proper functioning of public services.

The Comptroller General concludes that these initiatives have shown that social control has a multiplying effect, allowing supreme audit institutions to achieve a coverage that would be unimaginable if they were to act alone; and that this social control in turn leads citizens to have greater awareness and knowledge of what government does with their resources, with the immense potential to raise fiscal transparency to an unprecedented level and generate greater benefits from state intervention, improving the quality of life and the wellbeing of all citizens.



Role of supreme audit institutions: Perspective from civil society organizations

The IBP's Audit Accountability Initiative shows how strong and strategic engagement between supreme audit institutions and civil society can prompt government action on audit findings. The Initiative works towards enhancing the understanding of the types of relationships that can be developed among accountability actors, the strategies that most effectively spur remedial action by governments, and how these strategies can be replicated by audit institutions and civil society in countries seeking to enhance audit impact. This Initiative was described in an [interview](#) that took



[Watch here](#)

place in June 2021, with examples provided from Nepal, Sierra Leone and Argentina.

In Nepal, the Office of the Auditor General and Freedom Forum, a CSO, are collaborating to strengthen the management of local development funds that support infrastructure projects such as road, water supply, and sewage works. They contributed to the drafting of a Guideline for user committees tasked with managing local development funds and are now interacting with parliamentarians and local authorities on procedures and controls to ensure the accountability and sustainability of infrastructure projects.

In Sierra Leone, the Audit Service and the Budget Advocacy Network, a civil society group, coordinate efforts to ensure proper water, sanitation and hygiene (WASH) facilities in schools across the country. This includes that they have visited schools together with members of the Public Accounts Committee and the media to check WASH conditions and to engage with pupils, teachers and heads of schools. They have discussed the audit recommendations and the earmarking of school fee subsidies towards WASH with school authorities at all levels, to ensure better facilities for students across the country.

In Argentina, the Asociación Civil por la Igualdad y la Justicia (ACIJ), a CSO, mobilized support for implementing audit recommendations that have helped prevent and treat Chagas, a parasite-driven infection. Performance audits found that funds allocated by the executive had been insufficient and not spent as planned. The Auditor General of the Nation called for the implementation of the Chagas Prevention and Control Law and sufficient state investment to address Chagas. As a result of ACIJ's and its allies' advocacy, in August 2020, the Ministry of Health began an ongoing process to regulate the Chagas Prevention and Control Law. Later in 2020, when the annual budget proposal was tabled by the executive, planned funding related to Chagas was at its highest level in 10 years. In addition, in response to the attention ACIJ has drawn to the underspending of funds allocated to address Chagas, the Argentine government collaborated with it in a trans-disciplinary working group for communication and education about Chagas. ACIJ and its allies also developed sensitization materials for distribution through national TV channels and continue to monitor spending and results to prevent, diagnose and treat Chagas.

GIFT

GLOBAL INITIATIVE FOR
FISCAL TRANSPARENCY



MODULE 3:

FISCAL TRANSPARENCY INFORMATION DISCLOSURES AND STANDARDS

Module objectives

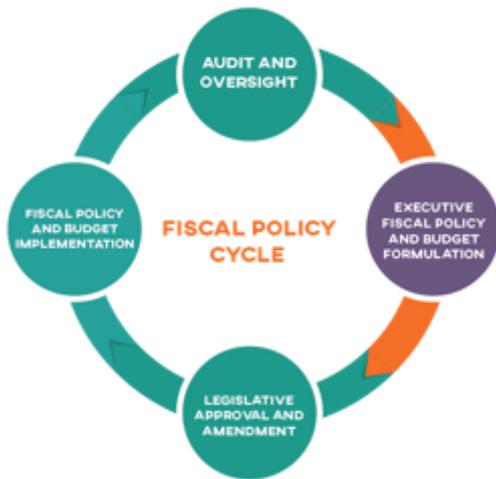
This Module details the executive's central role in publishing information that meets fiscal transparency standards and how this is measured using fiscal transparency assessments. It begins by looking at the processes and tools that the executive branch can use to produce reliable fiscal reports, including the applicable legal frameworks that should be in place, as well as the information and presentation required to produce quality budget related documents. A government's fiscal transparency is generally assessed based on whether a country has legislation that provides the public with access to fiscal information, mandates governments to proactively disclose this information, and whether this information is actually made available in practice. Assessments assist in creating a shared view of country-specific circumstances, thereby facilitating the identification of actions that can be taken to improve fiscal transparency. This module concludes by examining a number of internationally-recognized fiscal transparency assessments that are undertaken by different organizations.

1

The role of the executive in the fiscal policy cycle

The executive is responsible for the management of public finances. Throughout the fiscal policy cycle, it should interact with other actors in the fiscal ecosystem, as both a supplier and as a user of information. The executive itself relies on fiscal transparency, in the sense that the different institutions within the executive need to make information available on their activities such that comprehensive information is available for decision making. Other actors in the fiscal ecosystem require fiscal transparency to effectively undertake their roles throughout the fiscal policy cycle; including by them in turn providing the executive with inputs and feedback that assists it in conducting its role; and them being able to 'follow the money' in order to hold it accountable for its implementation of policies. The executive's key role in each stage of the fiscal policy cycle is described below.

Executive fiscal policy and budget formulation stage



The executive plays the key role in the Executive fiscal policy and budget formulation stage.

It generally raises revenue through taxation, debt and/or other alternative sources such as donor funding and revenue derived from natural resources. Another way governments can raise funds is through the central bank, using its currency reserves and/or printing money in the country's currency to buy government debt. To determine the amount of resources that will be available, the executive needs to analyse macroeconomic projections to determine its ability to raise revenue; and to make choices regarding the share of the revenue to be generated from each of these

sources, as well as from each component within these sources. These choices are important as they have different implications, with fiscal transparency being key in revealing these implications. For instance, governments may have more or less fiscal space (capacity to increase spending without risking its own fiscal sustainability) if they assign different weights to the costs or benefits of raising taxes, increasing debt, using donor funding and/ or other revenue sources. Further, within each of the different revenue-raising instruments, additional choices need to be made, each with their own implications. For example, within taxes, choices need to be made regarding the types of taxes to impose, their rates, their application, as well as any exemptions to be made. The executive uses revenue policies to generate the resources it requires to pay for the goods and services it is tasked with delivering to the people. It also uses these policies to try to achieve other fiscal policy objectives.

Regarding spending, the executive allocates funding to many different areas, including:

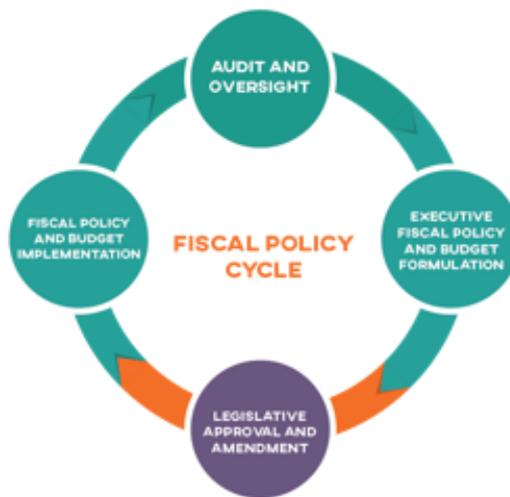
- for goods and services that are exclusive functions of the state, such as defence, public security, and international relations as well as goods and services that the private sector may fail to provide or will only provide for profit, such as roads, hospitals, schools, housing, and social welfare payments and benefits;
- to assist specific sectors/industries that require financial support in order to grow or survive, such as agricultural sector grants and subsidies;
- expenditure aimed at redistributing income between different sectors of the population;
- expenditure aimed at increasing spending in the economy to achieve specific fiscal policy objectives such as economic growth; and
- goods and services to mitigate the effects of negative externalities such as climate change.

Government spending should be undertaken in the most efficient and effective manner towards the achievement of evolving desired societal goals. As such, another key thing the executive needs to do in this stage is determine its desired fiscal policy objectives and outcomes. These outcomes differ from country to country and over time, depending on country unique contexts. The executive should then design and use the budget process to align its resources with policy priorities. This involves it making choices/trade-offs, as needs exceed resources available. These choices, include how much

of the budget to spend on different economic categories of spending and on different programs, each with their own consequences. For example, current spending (such as on compensation of employees) may be at the expense of capital infrastructure spending with consequences for future generations. Spending on specific programs such as defence may mean that there is less funding available to spend on other programs such as education and healthcare.

Fiscal transparency helps the executive in making these difficult choices by amongst others, ensuring that economic decisions are informed by a shared and more accurate assessment of the current fiscal position, the costs and benefits of any policy changes, as well as the potential risks to the fiscal outlook.

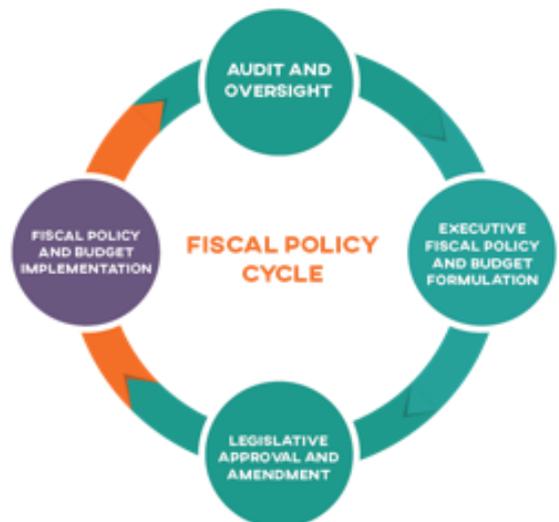
Legislative approval and amendment stage



The Executive needs to table its detailed budget in the legislature for approval, with thorough explanations of how resources are to be raised; how needs have been determined; how resources will be allocated accordingly; and what outcomes are expected, among others.

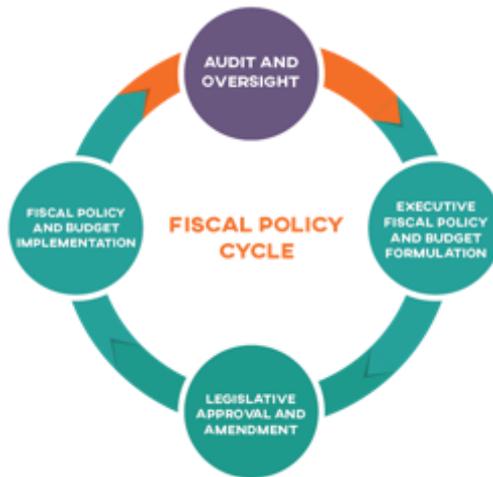
Fiscal policy and budget implementation stage

The executive implements the legislatively approved fiscal and budget policies. It is responsible for implementing its policies in a way that ensures that resources are utilised efficiently and effectively, in accordance with legal frameworks, towards the achievement of fiscal policy objectives and outcomes.



Audit and oversight stage

The executive needs to provide oversight institutions and the public with the information required to hold it accountable. Actual financial and non-financial performance data must be made available, together with the reasons for deviations, thereby allowing comparisons of actuals to targets, to assess whether the government achieved what it set out to achieve.



2 Legal framework and effective fiscal transparency

2.1 Right to fiscal information legislation



The right to fiscal information forms the basis for fiscal transparency. This is based on the notion, acknowledged by most constitutions around the world, that fiscal resources are public and that the public thus has the right to know about their use. This is captured in GIFT’s very first high-level principle:



PRINCIPLE #1

Everyone has the right to seek, receive and impart information on fiscal policies. To help guarantee this right, national legal systems should establish a clear presumption in favour of the public availability of fiscal information without discrimination. Exceptions should be limited in nature, clearly set out in the legal framework, and subject to challenge through low-cost, independent and timely review mechanisms.

Access to information is required for the public to get information on things that concern them; to make informed decisions; to meaningfully participate in fiscal policies; as well as to be able to hold the government accountable for its management of public resources. The right to fiscal information is an important guarantor of the public's ability to obtain information in practice and, as such, it is critically important that it is set in law. Mandatory rules for government authorities are needed to codify the obligations of public officials vis-à-vis the public they serve. There may be exemptions, normally related to privacy considerations or the public interest. While the right to privacy is also a fundamental right, as the GIFT principle concludes, exceptions related to it should be clearly set out in a legal framework, and subject to challenge through low-cost, independent, and timely review mechanisms. Often privacy considerations can be addressed through mitigating actions, such as the anonymization of information.



There are two ways to access government information: governments can proactively disclose it, or they can provide access in response to an information request. Parliaments and governments should decide what information should be proactively disclosed, and make provisions for this in a country's legal framework. Legislation should also provide for the public to be able to make requests for information that individuals require. Fiscal transparency best practice requires the disclosure of information, and the setting of norms and standards regarding the type of information that the executive should publish regularly, in a timely manner. Governments can use the guidance provided in norms and standards to decide what information should be proactively disclosed. For example,

the IMF's [Fiscal Transparency Code](#) (2019) provides that information be disclosed to the public in a comprehensive, timely, and transparent manner in respect of four pillars: fiscal reports; fiscal forecasting and budgeting; fiscal risk analysis and management; and resource revenue management. The OECD's [Best Practices for Budget Transparency](#) (2002) defines budget transparency as "the full disclosure of all relevant fiscal information in a timely and systematic manner". Its [Budget Transparency Toolkit](#) (2017) talks to the main budget-related documents stating what they should contain and when they should be published during the fiscal policy cycle; and also to making budget data publicly available in an open digital form in a regular and timely manner.

In practice, although fiscal transparency is a central part of proactive disclosure legal provisions in many countries, disclosure rules are often spread among many different pieces of legislation, such as procurement laws; public investment, and infrastructure regulations; budget responsibility laws, which frequently include specific stipulations on proactive disclosure of fiscal activities and public funds; and naturally also in access to information laws³⁴.

³⁴ For further reading and examples see: De Renzio, P., and Kroth.V. (2011). "[Transparency and Participation in Public Financial Management: What Do Budget Laws Say?](#)". IBP.

2.2 Clarifying roles and responsibilities in legislation

The laws in each country should give distinct powers to each of the different arms and levels of government, including to the executive thereby defining it, stipulating its roles and responsibilities enabling it to undertake activities to fulfil these responsibilities and subsequently to be held accountable for the manner in which it has done so. The effective and efficient governance of fiscal policy requires everyone to be clear about who is responsible for doing what, and who is accountable to whom. Contested, unclear or overlapping mandates, and gaps in mandates, reduce transparency, act as a barrier to meaningful public participation, and make it harder to hold public officials to account. Roles and responsibilities are typically set out in a constitution and/or in an organic budget law. This Principle is consistent with the IMF's [Manual on Fiscal Transparency](#) (2007) and [Fiscal Transparency Code](#) (2019) that state that the authority of different branches of government at different stages of the fiscal policy cycle should be clearly defined in a budget system law or the constitution.

Current international fiscal transparency norms and standards thus address the assignment in legislation of roles and responsibilities within the public sector and the government sector, including the need for legislation to:



Define and clarify the powers of the different branches of government within the budget process, including the power to amend the executive's budget proposal and re-direct resources during a fiscal year;



Define and clarify roles and responsibilities within the government sector, clearly assigning functions and mandates to avoid the potential overlap of functions between different levels of government and to avoid fiscal risks (factors that give rise to differences between a government's forecasts and the actual fiscal position) arising from the decentralization of government;



Define and clarify the role of public corporations and their accountability to government; including to address the fiscal risks they may pose; and



Define and clarify government's relationship with the private sector. Each of these areas is discussed below.

Roles of the 3 branches of government

“



PRINCIPLE #7

Roles and responsibilities for raising revenues, incurring liabilities, consuming resources, investing, and managing public resources should be clearly assigned in legislation between the three branches of government (the legislature, the executive and the judiciary), between national and each sub-national level of government, between the government sector and the rest of the public sector, and within the government sector itself.

Legislature



As detailed in the previous module, the power to approve the budget should always be vested in the legislature. Legislation should, however, also clarify the powers and responsibilities of the executive and legislature in the budget process, and in respect of changes to the budget during the fiscal year. For example, the executive may be given power to conduct fiscal policy when the budget for the fiscal year has not yet been adopted by the legislature, before the start of the fiscal year to which it relates. Furthermore, the executive may be permitted to shift funds between budget items during the fiscal year in specific circumstances, but may require legislative approval in other circumstances. An example of this is provided in section 43 of South Africa's [Public Finance Management Act](#) (1999).

Executive

The legal framework should among others, provide for the executive's authority on budget formulation and execution. In some countries, this is an organic law, which has higher status than ordinary laws. For example, chapter 13 of the [South African Constitution](#) (1996), legislates finance matters, including providing for a national treasury that must ensure transparency and expenditure control. Another example is provided by the [Mexican Constitution](#) (1917), which establishes in its Article 76 that it is the exclusive responsibility of the Chamber of Deputies to approve the budget submitted for its consideration each year by the federal executive.



The effectiveness of the budget depends on it being well grounded in law, with supporting regulations and administrative practices. The legal framework should among others assign authority for government finance vesting effective power for budget management; clearly define the timetable for budget preparation and approval, including the minimum contents of budget documentation to ensure its comprehensive and covers all applicable public sector institutions; and also make provision for ensuring that individual agencies are held accountable for funds they collect and/or use. In addition, any contingency or reserve provisions should specify clear and stringent conditions for the use of such funds. Budget laws are typically supported by other laws governing specific related areas, such as laws governing treasury operations, the management of public debt, procurement, and public works/infrastructure.

The legal framework should also provide for external and independent control, that is a supreme audit institution, and the preparation of independently audited reports showing clearly how public funds have been used.

Judiciary



The judiciary has a role to play in interpreting information disclosure laws and rules, in adjudicating conflicts between the other branches of government about control and disclosure of information, ensuring that the use of public resources is legal and constitutional, and in settling potential disputes between the public interest and the private rights of individuals in accordance with legal provisions. For example, in specific circumstances it may be in the public interest to remove individual information privacy rights if the disclosure of the information is of benefit to the general public.

Units within the executive

The executive is typically comprised of a number of government units, each with their own roles and responsibilities. Some of these units are fully funded from the central budget, some are partially funded, and others have completely separate budgets. Even those units that have separate budgets may however perform specific tasks for government at non-market related prices and/or may be subsidised by the government and/or may undertake functions that the government provides guarantees for. For fiscal transparency, it is critical that information is comprehensively provided on each and every one of the government units that form part of the public sector, individually and collectively, such that one can gain a holistic understanding of the workings of the executive. The exact structure of the public sector may differ from country to country, making it extremely important that it is clearly defined in law and comprehensively reported on. In this regard, there are several norms and standards that provide assistance, such as the: United Nations' [System of National Accounts](#) (2008) that explains the distinction between the government sector, the rest of the public sector, and other sectors of the economy; and the IMF's [Government Finance Statistics \(GFS\) Manual](#) (2014) that explores these distinctions further, together with the treatment of the different

levels of government and social security funds. The [GFS Compilation Guide for Developing Countries](#) (2011), in particular chapters 2 and 6 also provides extensive information. These manuals should be consulted for detailed definitions and explanations. For examples of the structure of government for many countries see the IMF’s [GFS portal](#). The public sector is examined in more detail below.

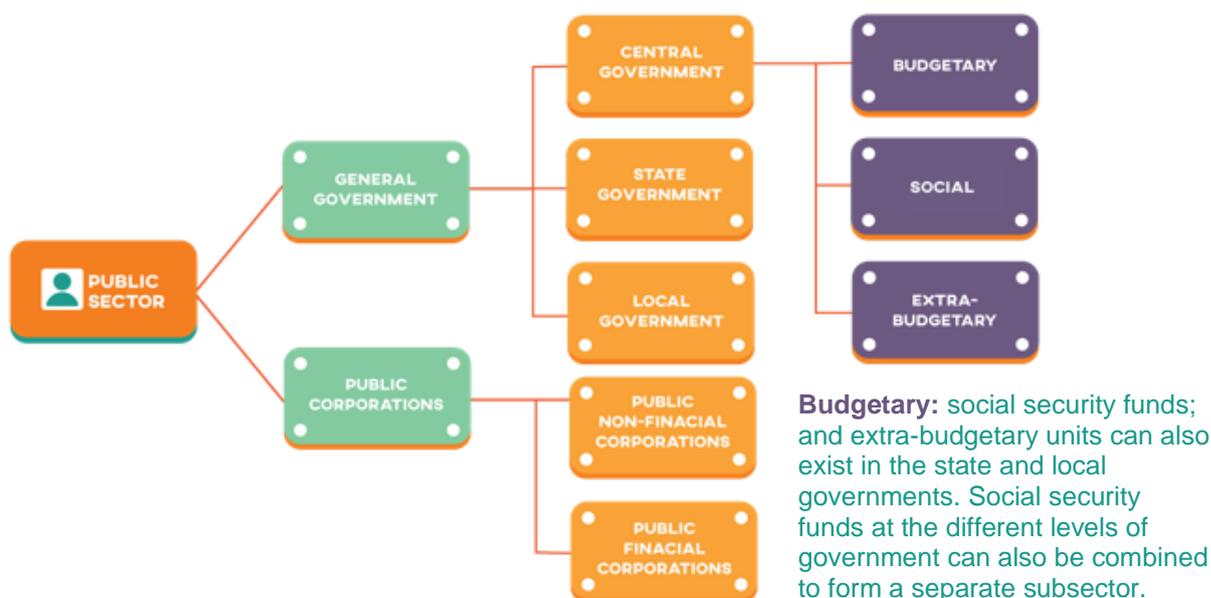
2.3 The public sector

The public sector comprises of general government and public corporations as shown in the diagram below.

The general government consists of levels of government setting the budget from the central level down to the local level. Central government consists of units that have the authority to impose taxes and that are funded from the executive’s budget. They then use this funding to provide goods and services to the public. Further descriptions for each of these units, together with key fiscal transparency considerations, are provided in Table 3.1. and Table 3.2. below.

Public corporations are controlled by government units or by other public corporations. They are distinguished from general government in that their budgets are separate from the executive’s main budget and they have a level of autonomy in their implementation. Further descriptions, together with key fiscal transparency considerations, are provided in Table 3.3. below.

Figure 3.1. The public sector



In summation, to ensure that fiscal relations across the public sector can be analysed, norms and standards state that in addition to information on central government being published, there should also be coordinated publication of information on the financial performance of sub-national governments (individually and collectively), any extrabudgetary operations, and public corporations, including any quasi-fiscal activities undertaken by them. This is important such that the fiscal position of the whole of government can be assessed including the fiscal risks that the institutions may be posing.

Table 3.1. General Government



Central government

Government units that have the authority to impose taxes and that are funded from the executive's budget. They use this funding to provide goods and services to the public, such as defence, public administration, education and healthcare.



State/ provincial and local governments

State/provincial and local governments are levels of the executive. Intergovernmental structures vary widely between countries; and can also vary over time within a country, ranging from unitary forms of government where roles and responsibilities are concentrated at the central sphere of government to federations in which individual states or provinces have considerable powers.



Social security funds

Government unit/s that are devoted to the operation of one or more social security/insurance schemes. These funds are organized and managed separately from the other activities of the government; their assets and liabilities are held separately; and they engage in financial transactions on their own account.



Legal provisions and key fiscal transparency considerations

Decentralization of responsibilities to lower levels of government is normally based on the premise that lower levels of government can better respond to local demands and needs at lower cost. Under these circumstances, there are however numerous openings for the duplication of responsibilities and the unclear assignment of revenue or expenditures. Furthermore, because of inequality across regions, most countries that pursue decentralization also introduce legislation regarding tax sharing and intergovernmental transfers to address such inequalities.

Roles and responsibilities assigned to each level should be clearly stipulated in law or in the constitution, this includes in respect of each level's powers to raise taxes; to borrow or incur debt; as well as to their respective expenditure mandates and accompanying responsibilities for delivering on government priorities and on the related goods and services. For example, in South Africa, the [Constitution](#) (1996) makes provision for three spheres of government, that is a national government, nine provincial governments and almost 300 local governments, each level with its own roles and responsibilities.

As stated in the IMF's [Manual on Fiscal Transparency](#) (2007), where they exist, shared revenues and intergovernmental transfers should be clearly specified, preferably based on stable criteria or formulas rather than discretionary criteria or negotiations. Distribution based on "need" where "need" is not well defined opens the process to subjectivity and reduces transparency. Project grants are also more subjective in nature, but transparency can be enhanced if the criteria and basis for decisions are made public.

Principle 3.3.1 of the [Fiscal Transparency Code](#) (2019) states that comprehensive information on the financial condition and performance of subnational governments, individually and as a consolidated sector, should be collected and published.

The more decentralized the revenue and spending decisions, the more important it becomes to ensure that lower levels of government also follow good practices on fiscal transparency. Central governments need adequate information on fiscal activities of lower levels of government in order to have a full view of general government activities. This is especially important where subnational governments have access to independent borrowing. In

many countries central governments carry an implicit contingent liability on subnational government debt, potentially causing fiscal risks³⁵, and in these cases monitoring of subnational governments is particularly important. As such fiscal responsibility legislation should include reporting and other requirements for subnational governments.

For countries with significant natural resource revenues, the distribution of resources between levels of government has an added dimension. Arrangements to assign or share revenues from these resources between central and lower levels of government should be well defined and any modification of the system should be subject to clear rules and procedures.

Likewise, information on social security funds should be comprehensively provided to the central government and reported on. For example, the South African Social Security Agency Act (2004) provided for the establishment of the South African Social Security Agency. Information on this agency is provided in the central government's budget documentation³⁶.

Table 3.2. Extrabudgetary funds

Units with individual budgets that are not fully covered from the executive's main (or general) budget, in that they source revenue from other sources too. Even though their budgets may be subject to approval by the legislature, similar to that of budgetary accounts, they have discretion over the volume and composition of their spending.

They operate under the authority or control of a central, state, or local government. Such entities may be established to carry out specific government functions, such as road construction, or the nonmarket production of health or education services.



Legal provisions and key fiscal transparency considerations

For government budgets and financial reports to be comprehensive and accurate presentations of total public revenues and expenditures, the use of extrabudgetary funds should be minimized and authorised by specific legislation, with governance arrangements that guarantee adequate levels of transparency and accountability. This is because transactions outside the budget are unlikely to be subject to the same kind of financial discipline as are budget operations, partly because they are financially independent and partly because they are not explicitly compared with other public expenditures. This may result in an increased level of fraud, irregularity, or the use of such funds for unauthorized purposes. In addition, the use of extra-budgetary funds may also mean that the reported level of government expenditure may be understated.

³⁵ For further reading see Irwin, T. and D. Moretti (2020), "[Can subnational accounting give an early warning of fiscal risks?](#)". OECD Journal on Budgeting, vol. 20/2.

³⁶ For example see [2020 Budget: Vote 19: Social Development](#) Pg.19-20. National Treasury: Republic of South Africa.

Table 3.3. Public corporations³⁷

- Corporations controlled by government units or by other public corporations, that have budgets separate from the executive's main budget and have a level of autonomy in their implementation.
- Public corporations may serve important roles and be created to: generate profits for general government; protect key resources; provide competition where barriers to entry may be large; and provide basic services where costs are prohibitive.
- Public corporations are often large and/or numerous, and may have a significant economic impact—for example, they:
 - Rank among the world's largest companies.
 - May receive subsidies directly from the executive's main budget.
 - Their magnitude or strategic position may have significant effects on macroeconomic objectives, such as bank credit, aggregate demand, borrowing abroad, and on the balance of payments.
 - May represent a sizeable investment of national resources, at considerable opportunity costs.
 - Are a potential source of fiscal risk to the extent that their liabilities could be explicitly or implicitly guaranteed by government, or may hold reputational risks for government.

Quasi-fiscal operations

Public corporations may also carry out government operations at the behest of general government. For example, they can lend funds at a lower-than-market interest rate; or sell their product, such as electric power, at reduced rates. Quasi-fiscal operations are usually thus undertaken at a loss or below the usual rate of profit, often representing hidden expenditures that are difficult to identify.

Legal provisions and key fiscal transparency considerations



Fiscal transparency requires that the relationships between the government and public corporations should be based on clear arrangements and that these are clearly reported on.

Principle 3.3 of the [Fiscal Transparency Code](#) (2019) states that the fiscal relations and performance across the public sector should be analysed, disclosed, and coordinated, with principle 3.3.2 stating that the government should regularly publish comprehensive information on the financial performance of public corporations, including any quasi-fiscal activity undertaken by them.

While it may be important for the budgets of public corporations to be separate to that of central government; owing to the fiscal risks this may pose; including that they can significantly weaken a country's fiscal policy position, it is important that this budget flexibility is balanced by fiscal transparency and strict ex post controls such that these institutions remain accountable for their use of public resources.

The OECD's [Guidelines on Corporate Governance of State-Owned Enterprises](#) (2015) provide detailed recommendations to governments on how to ensure that their commercial enterprises operate transparently and in an accountable manner, as well as efficiently. Of relevance in this context is transparency in the exercise of the government's ownership functions, and transparency in imposing public service obligations on State-Owned Enterprises.

The International Public Sector Accounting Standards Board (IPSASB)'s [Handbook on International Public Sector Accounting Pronouncements](#) (2020) sets out requirements for the presentation and preparation of consolidated financial statements when an entity controls one of more other entities and provides supporting definitions and explanations.

³⁷ For further reading, tools and examples see:

Baum, A., Medas, P., Soler, A., and Sy, M. (2020). "[Managing Fiscal Risks from State-Owned Enterprises](#)". IMF working paper.

Fiscal Affairs Department: How to Notes (2016). "[How to Improve the Financial Oversight of Public Corporations](#)". IMF.

CABRI (2016). "[Management of explicit contingent liabilities: Credit guarantees for state-owned entities' debt](#)". CABRI position paper.

2.4 Government's relationship with the private sector

Regardless of a country's government sector's form, its configuration should always be clearly defined and identifiable for the purposes of reporting, disclosing information (fiscal transparency) and accountability. This is stated in GIFT's High-Level principle 6:

“

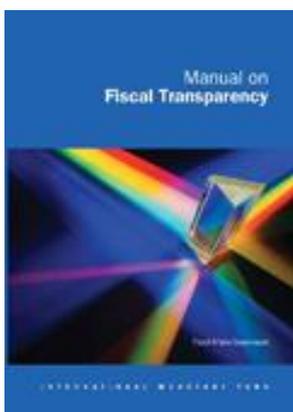


PRINCIPLE #6

The Government sector should be clearly defined and identified for the purposes of reporting, transparency, and accountability, and government financial relationships with the private sector should be disclosed, conducted in an open manner, and follow clear rules and procedures.

In addition, the principle also states that the government's relationship with the private sector should be disclosed. This is because unclear relationships are often associated with inappropriate or corrupt behaviour. They also provide a poor basis for decision-making, and make it harder to hold public officials accountable against a clear set of expectations.

As such, several fiscal transparency norms and standards address the relationship between the government and the private sector, including:



The IMF's **Manual on Fiscal Transparency (2007)** that states that the fiscal powers of the government relationships with the private sector should be conducted in an open manner, following clear rules and procedures.

- The government regulates the private sector in a variety of ways, and transparency in government operations may be of limited benefit if there isn't clarity in all kinds of regulatory interactions with the private sector.
- Contractual arrangements between the government and public or private entities, including resource companies and operators of government concessions, should be clear and publicly accessible. This includes public-private partnerships, in which the private sector supplies infrastructure assets and services that have traditionally been provided by the government



The **IMF's Fiscal Transparency Code (2019)** also deals with the boundaries and relationships between the government and the private sector for fiscal reporting and in the contexts of fiscal risk management and natural resource management.



The **OECD's Budget Transparency Toolkit (2017)** contains a section on promoting integrity with the private sector, including opening up public contracting and procurement, accounting for revenues and expenditures in resource endowments, and managing infrastructure investment for integrity, value for money, and transparency. It also includes citations of relevant international standards, selected country examples of good practice, and sources of further guidance.

There are also several focused norms and standards providing sector-specific guidance, for example in respect of public procurement and construction:

Public procurement

- The OECD has a [Recommendation on Public Procurement](#) and a [Government Procurement Toolbox](#). There are also [G20 Guiding Principles on Integrity in Public Procurement \(2015\)](#). The Open Contracting Partnership's [Open Contracting Data Standard \(OCDS\)](#) enables disclosure of data and documents at all stages of the contracting process by defining a common data model. It was created to support organizations to increase contracting transparency, and allow deeper analysis of contracting data by a wide range of users. It enables publication of shareable, reusable, machine readable data, joining of that data with related information, and the creation of tools to analyse or share that data. Good practices are then described in its [Open Contracting – A Guide for Practitioners by Practitioners](#).

Construction

- The [Construction Sector Transparency Initiative \(CoST\)](#) is a country-centred initiative designed to promote transparency and accountability in publicly financed construction. The World Bank's guidance notes for all aspects of Public Private Partnerships (PPPs) includes a [Framework for Disclosure in Public-Private Partnerships](#); and [Public-Private Partnerships Fiscal Risk Assessment Model User Guide](#) assessing the fiscal risks associated with individual projects, a Guide developed with the IMF.

It should be noted that the other branches of government also have key roles to play in the government's relationship with the private sector. For instance, the supreme audit institution should audit the government's transactions with the private sector to ensure that they are undertaken in accordance with relevant laws and regulations; and the judiciary may also be called upon to adjudicate conflicts or disputes that may occur between the private and the public sector regarding contractual arrangements between them, including in respect of the use of public resources.

2.5 Public sector transactions

The rule of law is as fundamental to the management of public finances as it is to all dimensions of governance. All public finance transactions should adhere to a publicly available legal framework, rather than the discretion of government officials. This means that the collection, commitment, and use of public funds should be governed by comprehensive budget, tax, and other public finance laws, regulations, and administrative procedures. This applies to all fiscal and quasi-fiscal activities. Laws, regulations and criteria guiding administrative discretion in their application, should be accessible, clear, and understandable. This is in line with GIFT's High-level Principle 5:

“



PRINCIPLE #5

All financial transactions of the public sector should have their basis in law. Laws, regulations and administrative procedures regulating public financial management should be available to the public, and their implementation should be subject to independent review.

There are numerous other norms and standards also pertaining to transactions having their basis in law, including:

- International Federation of Accountants (IFAC) / Chartered Institute of Public Finance and Accountancy (CIPFA): [International Framework: Good Governance in the Public Sector](#): Principle A requires behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- [Technical guide to the United Nations Convention Against Corruption](#): Article 9: Identifies measures to establish transparent procurement and public finance management systems.
- [G20 Anti-Corruption Action Plan 2017-18](#): Notes that transparency is key to deterring and uncovering corruption, pledges G20 countries to promote greater transparency in the public sector, including in public contracting, budget processes and customs. It draws on the [G20 Anti-Corruption Open Data Principles](#) (2014).
- OECD: [Compendium of Good Practices for Integrity in Public Procurement](#) (2015).

As such clear laws and regulations are critical for fiscal transparency, it is however just as important for them to actually be followed in practice. Often, it is found that the main weakness is the ineffective

implementation of the laws and regulations rather than in the laws themselves. This is discussed further in Module 5, dedicated to actions to enhance fiscal transparency.

3

Processes and tools for fiscal reports

3.1 Key budget-related documents



For fiscal transparency, the executive needs to publish information throughout the fiscal policy cycle. Official documents should provide a useful overview of the fiscal activities of the public sector in a regular and timely manner, to inform better scrutiny and decision-making throughout the fiscal policy cycle. As stated in the section above, details of the information to be published at the different stages should be stipulated in a country's legal framework.

Fiscal transparency norms and standards assist the executive in doing this, including the OECD's [Budget Transparency Toolkit](#) (2017) that includes a section devoted to the main budget-related documents that should be published during the fiscal policy cycle. The IBP's [Guide to Transparency in Government Budget Reports: Why are Budget Reports Important, and What Should They Include?](#) describes the importance of eight key budget documents; what they should contain; when they should be published and provides examples of each document. The IBP's³⁸ [Guide to Transparency in Public Finances Looking Beyond the Core Budget](#) then goes beyond the eight key budget documents to examine other areas of public finance that are less well understood and especially vulnerable to efforts to shield them from public scrutiny. These areas include extra-budgetary funds; quasi-fiscal activities; tax expenditures (to be discussed further under the section devoted to revenue transparency); contingent liabilities and future liabilities. Contingent liabilities are amounts that the government may owe, but the amount, or indeed the existence, of the liability will depend on future uncertain events, for example those emanating from government guarantees. Future liabilities are estimates of the future costs of current government programs that have a bearing on medium- and long-term fiscal policies and outcomes. These estimates need to be based primarily on projected changes in population.

In the following tables, summaries are provided of the key budget-related documents required to produce reliable fiscal reports. Information is provided on when the document should be published; its importance; what it should contain, together with practical examples from different countries. The following documents are reviewed:

³⁸ For further reading see also IBP's "[Guide to Transparency in Government Budget Reports: How Civil Society Can Use Budget Reports for Research and Advocacy](#)".



Table 3.4. Pre-budget statement

 <p>WHEN:</p>	<p>The OECD’s Budget Transparency Toolkit (2017) recommends publication of the pre-budget statement at least one month before the executive’s budget proposal. Ideally it should be published in the fourth or fifth month of the previous budget year. Sometimes combined with midterm evaluation of the previous year (seventh month). The timing of the statement’s release influences the nature of its role and its importance in the budget process. The earlier in the budget formulation stage the statement is released, the more likely the executive can solicit views and inputs from other actors in the fiscal ecosystem, including the legislature and the public, and incorporate that feedback in its formulation of the budget.</p>
 <p>IMPORTANCE:</p>	<p>It sets out the budget strategy, introducing the government’s high-level budget plans for the forthcoming fiscal year, including its revenue, expenditure and financing strategies. Allows actors outside of the executive to understand the executive’s budget strategies for the coming budget year and, ideally, for the two subsequent budget years; including the link between fiscal policies and budget allocations. By promoting awareness and debate on the budget aggregates including in respect of revenue and expenditure, the implications of maintaining existing policies, and interactions with the broader economy, it sets expectations for the budget and paves the way for an informed scrutiny of the actual budget. This calibrates expectations for the budget across actors in the fiscal ecosystem, and provides the basis for these actors to engage the executive on its strategies and to provide it with feedback. It also improves the budget formulation process within the executive itself, as estimates of allocations widely published tend to be more realistic, than those used internally that may be subject to budget games being played between different role-players within the executive.</p>
<div style="background-color: #4a5568; color: white; padding: 10px;">  <h2 style="margin: 0;">PRINCIPLE #2</h2> <p style="margin: 5px 0 0 20px;">Governments should publish clear and measurable objectives for aggregate fiscal policy, regularly report progress against them, and explain deviations from plans.</p> </div>	
<p>The importance of publishing the executive’s fiscal policy strategy is in line with GIFT High-level Principle 2.</p>	
 <p>CONTENTS:</p>	<p>The contents should reflect government’s initial thinking about the budget for the coming year, containing information on government’s perspective on how fiscal policy will relate to the broader economy and how budget priorities will be shaped in the coming years. It provides a general sense of the government’s budget priorities and policies without the detail that will ultimately be contained in the budget itself, that should then also take account of new developments that emerge and the feedback received on the Pre-budget Statement.</p> <p>Five key components providing executive’s views and rationale thereof, on:</p> <ul style="list-style-type: none"> • Expected macroeconomic conditions, including assumptions about macroeconomic indicators such as real output growth; composition of GDP growth; employment; prices; the current account; and interest rates, over the medium term.

- Long-term economic and fiscal policy objectives and the government's economic and fiscal policy intentions for the forthcoming budget and, at least, the following two fiscal years. Including the total level of revenue, expenditure, deficit or surplus, and debt and the role that fiscal policy is expected to play in the context of overall macroeconomic policy. Should also discuss, for the medium-term period, the sensitivity of budget aggregates to macroeconomic conditions and provide estimates of the net borrowing requirement and assumptions concerning debt-servicing costs.
- Broad policy strategy envisaged for different sectors, providing an initial perspective on how different sectors will fare in terms of budget allocations and how these allocations might be influenced by any new policy initiatives. This should include justifications for shifts in the relative priority of different sectors in the coming years, relative to the current year. Aggregate estimates should provide for current outlays and investment by sector or ministry and the different elements of expenditure on a functional and economic classification basis.
- Expectations for broad categories of taxation and revenue.
- Description and cost estimates for any important new policy initiatives to be undertaken in the coming budget year, highlighting how such initiatives will affect the budget over the medium term and possibly the long term.



EXAMPLES:

- Kenyan Budget Policy Statements can be found on this [link](#).
- The IBP has published Open Budget Index (OBI) training materials for governments on the pre-budget statement that can be found on this [link](#).

Table 3.5. Executive's budget proposal (Draft budget)

 <p>WHEN:</p>	<p>The OECD's Budget Transparency Toolkit (2017) states that the tabling of the executive's budget proposal should allow enough time for the parliament to undertake in-depth scrutiny and that three months is a useful benchmark, although the quality and depth of review are important.</p>
 <p>IMPORTANCE:</p>	<p>The Executive's Budget Proposal is the most important economic policy instrument. It is a comprehensive document (or set of documents) submitted to parliament for approval, specifying the executive's priorities and plans for the forthcoming year. Other actors in the fiscal ecosystem require information on what the government is intending to spend its budget on, including how resources will be distributed among different segments of the population; as well as how it intends to finance its activities, including in terms of taxation and debt that has intergenerational implications; in order to be able to influence the design and implementation of government policies, including those related to poverty alleviation, health, education, gender equity, or the environment. The executive must provide detailed comprehensive budget information, including its rationale and explanations to allow for informed public debate and legislative discussion before the budget proposal is approved/enacted.</p>
 <p>CONTENTS:</p>	<p>Minister of Finance's Budget speech in Parliament setting out reasons and explanations for the government's fiscal strategy, the budget, and the new initiatives being introduced. The Minister formally tables the budget bills and accompanying explanatory document/documentation.</p> <ul style="list-style-type: none"> • Budget bills on revenues and appropriations: The executive's legal proposal/s to the legislature according to the format/s required in the public finance law/s in each country. Once approved by the legislature, it provides the legal authority for the executive to tax and spend in the coming fiscal year. The bills should be accompanied by a document/s that provides the rationale for and explains the budget in detail, together with supporting technical information.
<p>APPROPRIATIONS STRUCTURES form the basis through which expenditure allocations are approved by the legislature. These vary across countries, with implications for accountability and decision-making:</p> <ul style="list-style-type: none"> • Line item/ input budgeting means that the legislature approves each line item of expenditure. This promotes detailed control of inputs, but doesn't provide a basis for the prioritization of expenditure. • Program budgeting structures the budget by program, for example for health and education. These structures provide information on what areas the government is prioritizing its spending on and as such elucidates priority setting, while somewhat loosening controls on inputs. There are as such trade-offs between the benefits of line item and program budgeting. Performance based budgeting is linked to program-based budgeting, it includes information on program goals, and expected results measured in the form of outputs or outcomes, aimed at holding governments accountable for the attainment of results. For examples see: OECD Journal on Budgeting, that contains examples of performance budgeting in different countries including Korea [Volume 14 (2014)], Poland [(Volume 11 (2011))], Turkey [(Volume 10 (2010)), as well as in numerous other countries in the earlier published volumes. 	

- Explanatory document/documentation should use internationally-recognised data standards, such as the IMF's GFS and include:
 - Budget summary: A relatively short technical explanation of the main points in the proposal.
 - Description of recent economic developments in the domestic and international economies, and a summary of the forecasts of macroeconomic variables that influence the government's finances.
 - Discussion of the government's medium-term fiscal strategy and forecasts, and an assessment of the sustainability of current policies.
 - Detailed explanations of the government's forecast revenues, by main revenue type, describing any new revenue measures being introduced, the contribution they are expected to make to policy objectives, and their individual estimated fiscal impacts, including information on tax expenditures.
 - Detailed explanations of government expenditures, by administrative unit, economic classification, and functional classification. New measures being introduced should be described. For capital (or development) spending, a table should show at least basic information on each individual project (project name, responsible institution, location, total approved project cost, total expenditure to date, and source and type of financing).

MULTI-YEAR INFORMATION

Budgets are developed within a set of economic assumptions. The executive should take a medium-term perspective in order to anticipate the consequences of budget decisions (new and current policies), as well as the impact of any unexpected events for the next three to five years (medium term), on its fiscal policy. Preceding year data provides a benchmark for future years, assisting in assessing the realism of budget estimates. Multi-year perspectives are required such that the executive can show whether or not the decisions taken in the budget are fiscally sustainable over time and in line with fiscal policy objectives. This assists in assessing budget credibility and risks. Medium-term perspectives, lead to more effective planning and the more strategic allocation of resources over time.

Good practice is that information should be presented for at least two preceding fiscal years, together with estimates/forecasts for at least two years following the budget year. There are different types of medium-term frameworks:

- Medium term fiscal framework (MTFF): Set multi-year fiscal forecasts: Macro-fiscal forecasts on macroeconomic indicators include GDP, exchange rates, interest rates, inflation; and fiscal indicator forecasts include aggregate government revenue, spending, fiscal balance, borrowing, and debt into the future.
- Medium-term budget framework (MTBF): Goes beyond the MTFF, by developing detailed policy and budget lines, often at the same level of detail as the annual budget, within the fiscal aggregate set in the MTFF. This means that MTBFs include the allocation of expenditure by sector, ministry, or policy over several years in the future. MTBFs set out revenues and expenditures over the medium term, and the policies required for this to transpire.

Providing information in the budget about assumptions is important because it allows oversight bodies and the public to check the assumptions against those of others. As stated in Module 2, forecasts may also be compiled by independent fiscal institutions. The aim of getting independent forecasts is to try to reduce gaming and ensure more realistic and credible budgets, thereby potentially reducing the need for in-year budget changes to alter priorities, et cetera.

The budget should as such provide more than a single year of spending, revenue and performance projections. Regarding expenditure, this is because a large part of the budget consists of recurring spending items such as for the compensation of employees and on projects that are implemented over several years.

Multi-year spending commitments made in the past reduce the choices available for future year budgets, such that only a small portion of each year aggregate expenditure budget may be effectively open to allocation in a particular year's budget process.

- Nonfinancial and financial performance indicators including baseline data and targets, a discussion of priority spending programs and an indication of what the government is doing to improve the delivery of public services.



PRINCIPLE #4

Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavour to assess and disclose the anticipated and actual social, economic and environmental outcomes.

- Explanation of how the Executive's Budget Proposal will be financed, with details of domestic and external financing of the deficit.
- Detailed information on the level and composition of public debt³⁹, debt servicing, and how the debt is being managed.
- Information on the financial assets being held by government, by entity and category.
- Details of fiscal activities that do not require annual appropriations, such as social security funds, including details of any earmarking of revenues.
- Overview of the financial position (i.e., assets and liabilities) and financial performance (i.e., profit and loss) of the public corporations sector.
- All budget year tables should show the totals for the budget year, plus corresponding information for the two years prior to the budget, clearly indicating whether the prior year's data is final, provisional, or estimated.
- Where there have been changes to budget classifications, the effect of these should be explained.
- All financial flows between the government and public corporations, including taxes and dividends paid by public corporations; any government subsidies paid to public corporations; and any loans or guarantees made by government to public corporations, as well as any capital injections.
- All quasi-fiscal activities should be reported, including any non-commercial activities conducted by primarily commercial state corporations; an overview of the finances of public corporations; and reporting on the balance of the consolidated public sector, in addition to the budget balance of the central government sector.

Information on fiscal risks⁴⁰, including on the sensitivity of the budget to variations in macroeconomic assumptions (including assumptions about natural resource prices), risks in public debt management, risks from contingent liabilities (guarantees, indemnities, legal action against the government), and risks from subnational governments and public corporations.

³⁹ The World Bank and IMF's Revised guidelines for public debt management (2014) can be found on this [link](#)

⁴⁰ For further readings and examples see: Petrie, M., De Renzio, P., and Moon, S. (2014). "[The Hidden Corners of Public Finance: A Synthesis of Country Case Studies that Look Beyond the Core Budget](#)". IBP.

FISCAL RISK REPORT

Fiscal risks are factors that give rise to differences between a government's forecasts and the actual fiscal position. These risks can result from an incomplete understanding of the underlying fiscal position; exogenous (external) shocks to public finances; or endogenous (internal) changes in fiscal policy settings. The fiscal risk report should provide an indicative quantification or measure of fiscal risks and outline the government strategies to manage and mitigate the various types of risk. Reporting on fiscal risks provides an overall assessment of the range and scale of factors which have the potential to put public finances on a different path to that planned for. It can assist policymakers and the public in understanding and responding to those risks. Regular risk forecasts that are based on the latest information can amongst others facilitate rapid policy responses, raise awareness of the magnitude of potential shocks thereby potentially encouraging actions to be taken to mitigate or provide for those risks, and can reduce the scope for off-budget activities by highlighting the risks associated with them. As such, fiscal risk reporting, if integrated alongside the annual economic and fiscal documentation, can provide a good sense of how robust and resilient the public finances are, thus informing the national debate about the appropriate budgetary strategy and whether there are sufficient safety mechanisms in place. An additional benefit is that aligning the methodologies and standards for fiscal forecasting, budgeting, and reporting can help eliminate unexplained inconsistencies between forecasts and outcomes.

Example: The Philippines publishes a fiscal risks report every year on this [link](#).

Information needs that reflect **country specific circumstances**. For instance:

- In countries with subnational governments it is important that the central government's budget presents an overview of the general government's fiscal position. Transfers to subnational governments should be shown.
- In countries dependent on natural resources, a range of additional information should be disclosed on the government's policy on resource exploitation and fiscal sustainability, and on resource revenue receipts, including the operation of any natural resource funds.
- In countries receiving development assistance, information should be included by donor on assistance received, both financial and in-kind assistance, and by project and program. The budget balance net of development assistance should be presented as an indicator of budget sustainability.

Some countries are taking an outcome approach to budget information, such that their budget documentation would contain detailed information specifically reflecting the high-level priorities of their governments for example on the [Sustainable Development Goals](#); climate change⁴¹; gender equality; poverty reduction et cetera.



EXAMPLES:

- The South African budget documents can be found on this [link](#) under the budget information and legislation tabs.
- The IBP has published OBI training materials for governments on the executive's budget proposal that can be found on this [link](#).
- The Government of Canada's [budget plan](#) contains sections devoted to achieving specific outcomes including a gender equality statement.

⁴¹ The [Paris Accord on Climate Change](#) extended reporting requirements for governments on the provision of climate finance under the UN Framework Convention on Climate Change.

Table 3.6. Citizen’s budget

 <p>WHEN:</p>	<p>The IBP’s Open Budget Survey Guidelines on the Public Availability of Budget Documents (2016) state that Citizen’s budgets should be published in the same timeframe as the document which the Citizen’s Budget corresponds to.</p>
 <p>IMPORTANCE:</p>	<p>Budget documents are normally long and technical, making it difficult and time-consuming to understand them. Governments should thus assist the general public in understanding them. A Citizens Budget is a nontechnical presentation that can take many forms, but its distinguishing feature is that it is non-technical and designed to reach and be understood by as large a segment of the population as possible. It assists in facilitating wider and more informed debate on fiscal policies.</p>
 <p>CONTENTS:</p>	<p>Citizen’s budgets can accompany any of the budget documents, and as such vary widely in focus, content, and length. The public should be consulted in advance such that they can be designed specifically taking into account their needs and information gaps. They should be objective; written to meet the needs of the general public using simple language and illustrations presenting content in forms that are easy to interpret and understandable by different sections of the public at diverse literacy levels; should provide simple access points for those that want further detail; and be widely disseminated to the public at large.</p>
 <p>EXAMPLES:</p>	<ul style="list-style-type: none"> • The IBP has published a guide to developing Citizen’s budgets: The Power of Making it Simple: A Government Guide to Developing Citizens Budgets. Petrie, M., and Shields, J. (2010). “Producing a Citizens’ Guide to the Budget: Why, What and How?” OECD Journal on Budgeting Volume 2010/2. • The Collaborative African Budget Reform Initiative (CABRI)’s: A review of citizens’ budgets in ten African countries can be accessed on this link.

Table 3.7. Enacted budget

 <p>WHEN:</p>	<p>The OECD’s Budget Transparency Toolkit (2017) recommends publication of the enacted budget as soon as the budget is approved by the legislature. The IBP’s Open Budget Survey Guidelines on the Public Availability of Budget Documents (2016) state that this should be no later than three months after it has been approved.</p>
 <p>IMPORTANCE:</p>	<p>The budget as formally adopted by the legislature, providing the definitive point of reference for the raising of revenues and allocating, and accounting for, public funds. It is a law and hence should be made public. It enables an assessment of changes made by the legislature to the executive’s budget proposal, and provides the baseline information against which actual budget results are to be compared.</p>
 <p>CONTENTS</p>	<p>It should include the same level of detail as the executive’s budget proposal to help in identifying all significant deviations from it, with explanations for the deviations.</p>
 <p>EXAMPLE:</p>	<p>The United Kingdom’s budget documents can be found on this link.</p>

Table 3.8. Pre-execution budget profiles / Cash-flow forecasts

 <p>WHEN:</p>	<p>The OECD’s Budget Transparency Toolkit (2017) states that these forecasts should be published close to, or ideally before, the start of the budget year.</p>
 <p>IMPORTANCE:</p>	<p>Pre-execution budget profiles or cash-flow forecasts show how budget expenditures and revenues are projected to arise over the course of the year in broad terms, and provide a useful benchmark for in-year monitoring. These forecasts assist in identifying potential liquidity risks.</p>
 <p>CONTENTS:</p>	<p>Preparing useful budget profiles or cash-flow forecasts requires careful attention to seasonal factors, expected one-off events and other factors that can lead to large fluctuations in revenues and expenditures. Broad budget profiles or forecasts should be presented for the course of the fiscal year in comparable, similar formats to the budget, for example showing monthly revenue projections by tax category, and spending projections by department by main economic classification, thereby allowing for early identification of budgetary overruns/underspends and other risks. It is also useful to provide explanations for the large fluctuations expected.</p>
 <p>EXAMPLE:</p>	<p>The Department of Finance of Ireland publishes estimates of revenue and expenditure of all subsectors of general government on this link.</p>

Table 3.9. In-year budget execution reports

 <p>WHEN:</p>	<p>The OECD’s Best Practices for Budget Transparency (2002) states that monthly reports should be published within four weeks after the end of the reporting period. The IBP’s Open Budget Survey Guidelines on the Public Availability of Budget Documents (2016) states in-year reports should be published no later than three months after the reporting period ends.</p>
 <p>IMPORTANCE⁴²:</p>	<p>These are brief, periodic reports that list the major components of the budget. They thus provide key snapshots of the budget’s implementation during the budget year, providing periodic measures of revenue and expenditure trends, with some explanation of any significant deviations from expectations. In order to produce these reports the government needs to develop the systems and staff expertise required to track aggregate budget spending and revenue trends. These systems and skills improve budget management as they form the basis for the executive being able to produce information that assists it and other actors in the fiscal ecosystem in verifying whether budget implementation is in line with plans and expectations. In-Year Reports can also support the information in the Mid-Year Review to help determine whether the initial strategy in the budget is in need of any adjustment or fine-tuning.</p>
 <p>CONTENTS:</p>	<p>Should include numerical data and brief commentary covering:</p> <ul style="list-style-type: none"> • Progress in implementing the budget, including actual revenues collected and expenditures incurred in each month and year-to-date; and comparisons with plans. Expenditures should be classified by major administrative units (e.g., ministries, departments, and agencies). Supplementary information classifying expenditures by economic and functional categories should also be presented. • Initial identification of deviations from budget. • Any in-year adjustments to the original forecast, shown separately. • Government’s borrowing activities.
 <p>EXAMPLES:</p>	<ul style="list-style-type: none"> • Egypt’s monthly reports can be found on this link. • The IBP has published OBI training materials for governments on the in-year report that can be found on this link.

⁴² For further reading on budget execution reports see IBP (2018).” [Budget Credibility: What Can We Learn from Budget Execution Reports?](#) ” IBP.

Table 3.10. Mid-year review / Implementation report

 <p>WHEN:</p>	<p>The OECD’s Budget Transparency Toolkit (2017) states that these reports should be published within at least six weeks of mid-year.</p>
 <p>IMPORTANCE:</p>	<p>The Mid-Year Review is an analysis of the budget’s effects provided about halfway through the budget year, providing a comprehensive update on its implementation. As such it enables comprehensive assessment of actual spending and revenue collection against original estimates at the midpoint of the budget year. It allows for an assessment of whether the budget is adequately coping with current macroeconomic developments, including changes in the prices of natural resources, the state of implementation of the different elements of the budget, and revenue collections in the context of expected seasonal patterns. It assists in identifying the need for changes in budget allocations, including the need for virements and/or supplementary budgets. It also takes stock of progress in realizing specific performance targets.</p>
 <p>CONTENTS:</p>	<p>The Mid-Year Review should provide a comprehensive update on the implementation of the budget, including an updated forecast of the budget outcome for the current fiscal year and, at least, the following two fiscal years. It should include revisions in economic assumptions and their impact on budget estimates; the comprehensive identification and explanation of deviations in budget spending and revenues and estimates; explore policy adjustments, that is assess whether the fiscal strategy continues to be appropriate in the context of the current economic environment, and whether there might be scope to adjust the fiscal policy stance in light of prevailing economic conditions; and provide details on policy decisions taken and policy developments since presentation of the budget.</p>
 <p>EXAMPLES:</p>	<ul style="list-style-type: none"> • Ghana’s budget documents can be found on this link. • The IBP has published OBI training materials for governments on the mid-year review that can be found on this link.

Table 3.11. Supplementary budget

 <p>WHEN:</p>	<p>As required and provided for in a country’s legislation.</p>
 <p>IMPORTANCE:</p>	<p>The supplementary budget contains proposed amendments to the main annual budget. This can include the executive asking for more money, or reallocating existing money, or reducing spending. This could be required for example due to changing economic forecasts, leading to revenues being lower/higher than anticipated, and adjustments needing to be made to expenditures; and/or due to emergencies, such as health pandemics and natural disasters. Like the main budget, the supplementary is tabled by the Minister of Finance in the legislature to get approval for significant additions or changes to allocations which were not foreseen at the time of the original budget and appropriations (it should be noted though that in addition to legal frameworks making provision for potential adjustments to budgets, within that they typically also include provisions related specifically to emergency spending).</p>
 <p>CONTENTS:</p>	<p>A supplementary budget should put forward all proposed amendments in a manner consistent with the original budget presentation, at the same level of detail as the main budget, clearly showing the adjustments for which legislative approval is being sought. As in the main budget, the Minister of Finance formally tables the adjustments budget bill/s required and accompanying explanatory document/documentation in the legislature. Documentation should clearly show the amendments being proposed; the effect of these changes on the information originally tabled in the budget and include explanations for each change, including the basis for the supplementary budget measures put forward.</p>
 <p>EXAMPLE:</p>	<ul style="list-style-type: none"> • The South African adjustments and supplementary budget documents (including the supplementary budget 2020 in response to COVID-19⁴³) can be found on this link under the budget information and legislation tabs.

⁴³. Numerous other countries also tabled supplementary budgets in response to COVID-19, including Sierra Leone, Japan, Sudan, South Korea, and The Gambia.

Table 3.12. Year-end report

 <p>WHEN:</p>	<p>The OECD’s Budget Transparency Toolkit (2017) states that these reports should be published within six months of the end of the fiscal year.</p>
 <p>IMPORTANCE:</p>	<p>A year-end report presents the executive’s actual budget execution relative to its original budget and any supplementary budget that may have been issued during the course of the year, including in respect of what was actually spent and collected. It is essentially a tool for accountability, both for reporting on actual budget execution during the year (budget execution reports) and for illustrating the situation of the government’s accounts at the end of the fiscal year (financial statements). These reports thus enable a comprehensive assessment of actual spending and revenue collection against original estimates at the end of the budget year, taking stock of government’s performance in realizing its targets and performance indicators. As such they can inform future policy direction.</p> <p>In some cases, the year-end report and the executive’s financial statements, that are submitted to the supreme audit institution for audit, are the same document. Regardless, the in-year report should be published timeously in Parliament which is normally prior to the audit being undertaken by the supreme audit institution. The audit report is then usually tabled separately in Parliament as seen below.</p>
 <p>CONTENTS:</p>	<p>Should include contents in a way that corresponds with the format of the approved budget:</p> <ul style="list-style-type: none"> • Aggregate spending and revenues, the overall budget balance, and its financing. • Overall position of government’s assets and liabilities (balance sheet). • Expenditures by functional and economic classification and listing of actual revenues collected under different categories. • Summary of government spending by sector and programs (ideally by sub-program too). • Deviations and explanation of deviations between macroeconomic forecast and actual results. • Narrative on strengths and weaknesses in performance of ministries/agencies. • Nonfinancial information on government’s performance in realizing its targets and performance indicators.
 <p>EXAMPLES:</p>	<ul style="list-style-type: none"> • New Zealand’s financial statements can be found on this link. • The IBP has published OBI training materials for governments on the year-end report that can be found on this link.

Table 3.13. Audit report

 <p>WHEN:</p>	<p>The OECD’s Budget Transparency Toolkit (2017) states that these reports should be submitted to parliament as soon as practically possible after the year-end reporting.</p>
 <p>IMPORTANCE:</p>	<p>The Audit Report should provide the public with an independent and authoritative account of whether the government’s reporting of how it raised taxes and spent public funds during the previous year is accurate. The Audit Report also indicates whether the government has complied with financial management laws and regulations during the budget year. In some countries, the Audit Report will also comment on the accuracy of information in the financial statements on assets and liabilities and may also comment on the efficiency and effectiveness of government spending. The Audit Report is therefore a critical element in closing the accountability loop. Having approved a budget at the start of the year that sets out how the government intends to tax, borrow, and spend public money, the legislature and the other actors in the fiscal ecosystem require a credible assurance that the government’s account of how it actually implemented the budget can be believed, and whether it remained at all times within the law.</p>
 <p>CONTENTS:</p>	<p>Contents are dependent on the type of supreme audit institution concerned and its legal mandate (see Module 2), and on the information contained in the financial reports and statements produced by the government. Regardless, the audit report should indicate the scope and nature of the supreme audit institution’s legal mandate, referring to the specific source legislation; provide comments on the accuracy and fairness of government’s financial statements; on the adequacy of government’s control systems for managing public finances; identify cases in which the government has breached the budget and other related laws on public finances; provide the supreme audit institution’s opinion (qualified, unqualified, disclaimer, et cetera.) on the accounts audited; list recommendations for rectifying problems identified by audit; and track the status of previous audit recommendations.</p>
 <p>EXAMPLES:</p>	<ul style="list-style-type: none"> • India’s audit reports can be found on this link. • The IBP has published OBI training materials for governments on the audit report that can be found on this link.

Table 3.14. Long-term report

 <p>WHEN:</p>	<p>The OECD’s Budget Transparency Toolkit (2017) states that these reports should be produced at least every three to five years.</p>
 <p>IMPORTANCE:</p>	<p>The long-term report assesses the long-term sustainability of public finances and government policies. The report shows the projections of the evolution of the public finances over the long term, particularly in light of projected demographic changes and (for some countries) the continued availability of natural resource endowments such as oil, natural gas or mineral ores. In addition to long-term sustainability, this report can also contribute to the national debate on the issue of inter-generational equity, that is how the burden of taxation and the enjoyment of benefits, are over a long time period across multiple generations.</p>
 <p>CONTENTS:</p>	<p>The long-term report should use internationally-comparable indicators of long-term sustainability and suggest near-term (2-5 years) as well as longer-term policy messages.</p>
 <p>EXAMPLE:</p>	<ul style="list-style-type: none"> • Australia’s intergenerational report can be found on this link.

3.2 Publishing high-quality information



For fiscal transparency, information must be published and meet quality considerations.

“



PRINCIPLE #3

The public should be presented with high quality financial and non-financial information on past, present, and forecast fiscal activities, performance, fiscal risks, and public assets and liabilities. The presentation of fiscal information in budgets, fiscal reports, financial statements, and National Accounts should be an obligation of government, meet internationally-recognized standards, and should be consistent across the different types of reports or include an explanation and reconciliation of differences. Assurances are required of the integrity of fiscal data and information.

The publication of high-quality fiscal information that meets internationally recognized standards is at the core of fiscal transparency. It is a pre-condition for legislative oversight, and for the public to understand and participate in budgetary processes, to judge the government's performance, and to hold it to account. Fiscal information is considered high-quality⁴⁴ when it is comprehensive; timely; reliable; internationally comparable and understandable.

⁴⁴ For examples of budget practices and procedures across countries see the OECD's [International Database of Budget Practices and Procedures](#) that contains information covering the entire fiscal policy cycle across OECD countries, and country [reviews](#) of budgeting systems that evaluate experiences in the light of international best practices and provide specific policy recommendations. For further reading see also Lakin, J. (2018). " [Assessing the Quality of Reasons in Government Budget Documents](#)." IBP.



Internationally comparable

One should be able to compare budgeted information and actual outcomes for a year and over time; as well as across countries. To ensure this comparability, a number of things can be done, including the use of:

1. Consistent accounting policies when preparing information, explaining any changes;
2. Consistent formats from year to year, and from report to report;
3. International statistical standards to compile financial and fiscal statistics, including the:
 - IMF's [Government Finance Statistics \(GFS\) Manual](#) (2014), which contains core standards that are widely adopted across the main fiscal transparency instruments, including on the classification of the government sector and the public sector [based on the [United Nations' System of National Accounts](#) (2008)]; the classification of the levels of government, and the economic and functional classification of expenditures [based on the [United Nations Classification of the Functions of Government](#) (COFOG)]; and a classification of revenues.
 - IMF [Standards for Data Dissemination](#) for economic and financial data; and the [Special Data Dissemination Standard](#) (SDDS) that sets good practices for data publication in terms of coverage, periodicity, and timeliness; ease of access; integrity; and quality. Most countries not subscribing to the SDDS, participate in the General Data Dissemination System (GDDS), or enhanced GDDS, which also provides guidance on the provision of comprehensive, timely, accessible, and reliable statistics to the public. For the fiscal sector, both the SDDS and GDDS provide detailed guidance on data sets and methodologies pertaining to government operations and gross debt.
 - IMF's [Public Sector Debt Statistics Guide for Compilers and Users](#) (2014) provides guidance on the concepts, definitions, and classifications of public sector debt statistics; as well as how to compile and use the information.
4. Accounting standards to prepare information, with it being subject to internal controls, independent assessments, and audit. Relevant accounting standards include the International Public Sector Accounting Standards Board's [2022 Handbook of International Public Sector Accounting Pronouncements](#) that contains accounting standards for public sector entities; and the [International Standards of Supreme Auditing Institutions](#) that contains the fundamental principles of public sector auditing. To maintain the comparability of



High-quality fiscal Information



**High-quality
fiscal
Information**

data, any major revisions of historical fiscal data and any changes to data classification should be explained, including why past audited figures may have changed and why audited figures differ substantially from unaudited figures. Data in fiscal reports should also be internally consistent and reconciled with relevant data from other sources, such as that compiled by independent institutions and the private sector.



Comprehensive



Timely

To be useful, comprehensive information needs to be published regularly, frequently, periodically, and in a timely manner. Norms and standards stipulate what information should be released in each of the budget-related documents, when it should be released, and that this timing should be legally provided for. To assist in this, calendars should be published before the start of the fiscal year, containing publication release dates for the year ahead.



Reliable

The reliability and accuracy of information is crucial if it is to form a sound basis for decision-making, scrutiny, and accountability. There are many reasons why information may not be accurate, including that the Executive itself may not have adequate controls in place to ensure that data integrity is intact and/or simply that there may be dishonesty in the information published. It is, however, often difficult for the public (and sometimes the Executive too) to be able to assess whether the information available is accurate. The publication of information should thus meet the following key elements that allow one to more easily assess whether it is accurate:

1. The Executive should clarify how it collects and makes data available, and openly provide information on the challenges it faces in collecting and presenting data.
2. Information published should be realistic, that is budget forecasts and updates should reflect recent revenue and expenditure trends, underlying macroeconomic developments, as well as well-defined policy commitments. Forecast data published should also be accompanied by explanations on variations over time and the methodology for all calculations.
3. Information should be comparable over time, and internationally.



Understandable

Information provided may only lead to meaningful transparency if it is effectively ‘translated’ for the public, that is if it’s user-focused and presented in a clear manner that can be easily understood. Information should also be published in various formats to cater to different audiences. As a starting point, it is useful to get user inputs on their information needs and then design the budget presentation to actually answer their questions.

The OECD’s [Budget Transparency Toolkit](#) (2017) states that careful attention should be paid to the presentation and communication of information. Ways of making information more understandable, include presenting budget tables and headline figures as simply and directly as possible, in a format that is consistent from year to year and from document to document; including a high-level summary of all budget policy measures and their impacts; and putting abstract numbers into perspective with user-friendly graphics and charts. Users of budget information can be very resourceful in suggesting ways for information to be understandable.

Publishing citizen’s budgets assists greatly in this regard. Narratives, explanations, and additional notes should accompany data to explain budget lines that are not self-evident, including the choices made, how the data was derived, and the reasons for making those choices. The IBP’s Open Budget Survey considers it a higher level practice if preliminary versions of the citizen’s budget are actually consulted with the public, in order to make sure their feedback is considered.



High-quality fiscal Information



Information should be published and disseminated in easy and accessible formats through all possible means, including digital open data formats through the internet, public libraries, information centers, and so forth. Information should be made available in non-proprietary and non-discriminatory formats. It should be freely available without access fees and without any restrictions such as the need to register or the need to obtain specific licensed software. Available data should be standardized to make it easily accessible, reusable, and machine readable. This should allow for different types of analyses.

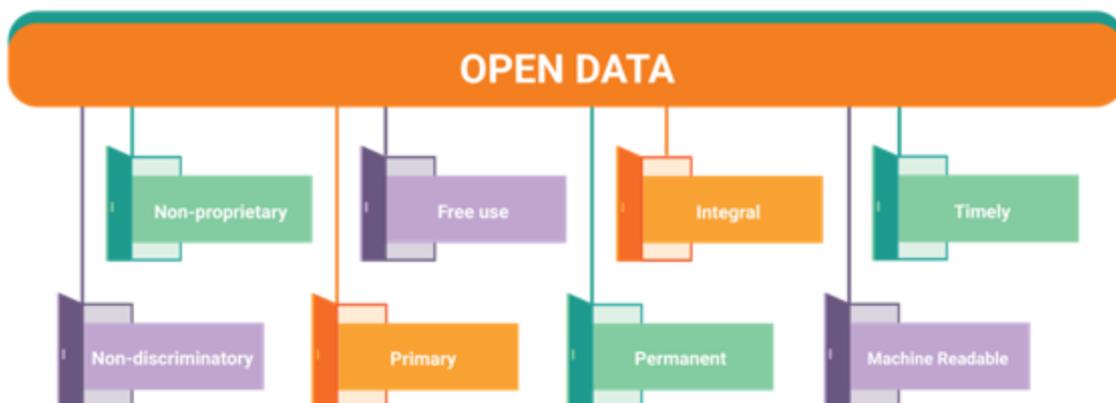
In addition, budget data should be released with adequate usage instructions and guidelines, including where information can be found on websites that should themselves be well-organized and easy to navigate. A curated online repository that classifies and stores budget documents can be a very useful tool. Module 4, focused on digital tools, provides more detail on these concepts.

3.3 Data beyond documents

While budget related documents are key to fiscal transparency, they are produced at a point in time and thus don't necessarily provide the real-time information that is often required to keep the public continually informed and thereby able to purposefully participate and support decision making, implementation and monitoring at all times during the fiscal policy cycle. This is particularly important in times of responses to emergencies/unanticipated occurrences.

Open data is digital data of a public nature that is accessible online and that can be used, reused or redistributed by any person. Open data should be used to support fiscal transparency throughout the fiscal policy cycle. As stated in the OECD's [Budget Transparency Toolkit](#) (2017), making budget data publicly available in an open digital form provides the public with a valuable resource to analyse, evaluate and participate in public budgeting. Open budget data enables the public to understand and engage with the budgetary process and policy-making and to contribute new and innovative perspectives.

Figure 3.2. Open data



For data to be considered open, it must be non-proprietary; it should be free use, with the only requirement for use being the need to quote the source; it must present information that explains what the data refers to and the metadata that allows it to be interpreted; timely, in that it is published and updated as it is generated, stating its time of publication; accessible without restrictions; be available from the original source; permanent in the sense that historical versions are preserved with appropriate version tracking; and machine readable, that is structured, and bulk-downloadable to allow automated processing⁴⁵. Open data should be disaggregated, editable, reusable, comparable and inter-operable thereby allowing users to compare, combine and follow the connections among different data sets. All budget related data should be open by default so that the data can be used in a routine manner for the purposes of scrutiny, accountability and public debate.

Open budget data assists in understanding the broader dynamics or daily events that are integrally connected to the fiscal policy cycle. The publication of budget information in open formats, increases the inputs available to all of the actors in the fiscal ecosystem thereby fostering budgetary decisions that enjoy fuller and timely contexts, encouraging the analyses of information through the re-use of information, promoting greater efficiency. For example, these actors can analyse the data and add value by linking it to their specific knowledge/experiences.

4

Revenue transparency



4.1 Defining revenue transparency

Revenue transparency refers to information on revenue policy, including tax policy; revenue forecasting; revenue collection; and revenue reporting. The information discussed in this and previous modules applies to revenue as well as to other fiscal information. Most of the attention to fiscal transparency has however been devoted to the use of public resources, not as much to the source of resources, although they are both parts of the same fiscal equation. The government's function to secure revenue and levy taxes is different in many ways from its spending activities, relating to the income, wealth and the economic exchanges, transactions and trades of individuals and businesses living in the jurisdictions they govern; with authorities that obtain revenue and levy taxes being subject to a series of informational restrictions that do not apply to the authorities in charge of expenditure.

Revenue is however a key element of fiscal policy and as such, fiscal transparency. This means that laws and regulations related to the collection of tax and non-tax revenues and the criteria guiding administrative discretion in their application, should assign clear authorities and responsibilities, be

⁴⁵ Open data is discussed in detail in Module 4 of this Guide, providing reference material and examples.

accessible, clear, and understandable to the public. This aids fiscal transparency by limiting discretion in their interpretation. Just like with other information, it is vital that information on government revenue is made available throughout the fiscal policy cycle, is reported on in budget related documents and made available online, meeting quality considerations.



Appropriate accounting for government revenues requires that all sources of revenue, including those from taxes; natural resources; donors, and other resources such as that emanating from the sale of assets and/or profits generated by public corporations are reported in sufficient detail.

This is to ensure that the source can be identified and explained; and if the matter is of an unusual or non-recurring nature that there is sufficient detail to allow a

proper understanding of it. International accounting standards should be used and disclosed accordingly. Just as with expenditures, it is also important to provide multiyear information on revenues. Detailed information about revenues is important as revenue sources and their implications need to be well understood; as well as to assess the realism of revenue projections to see whether revenue will be able to support the multiyear spending projections provided for in budgets. Some countries make very ambitious revenue projections. This is problematic as unexpected deficits will arise if revenue projections are not realized, potentially undermining the budget process.

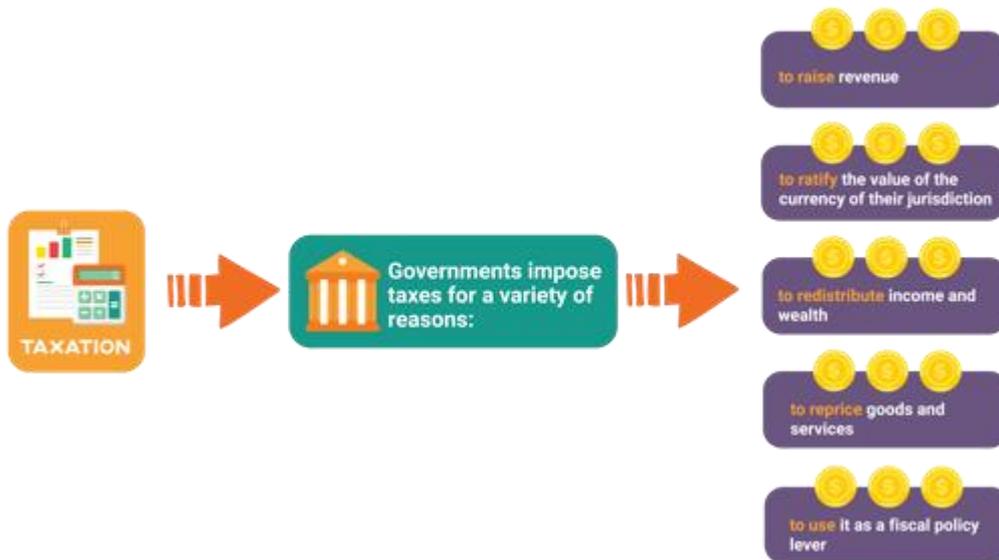
This section delves briefly into areas that are unique to revenue transparency, including those pertaining to tax transparency, natural resources and donor funding.

4.2 Tax transparency

Generally the most important source of revenue is taxation. As seen in the figure below, governments impose taxes for a variety of reasons including to raise revenue to fund government spending or loan repayments; ratify the value of the currency of their jurisdiction (tax having to be paid regularly in a particular currency encourages and incentivizes the use of that currency); to redistribute income and wealth through using a progressive or regressive tax system (a progressive tax is one that overall charges higher rates of tax on a person as their income or wealth rises with the aim of redistributing income from the rich to the poor); to reprice goods and services; and to use it as a fiscal policy lever for example to stimulate economic growth.



Figure 3.3. Reasons taxes are imposed



Tax transparency concerns the publication of information that society needs in order to understand how the tax system works. Authors Andrew Baker and Richard Murphy⁴⁶ have defined tax transparency as the disclosure and publication of quantitative and qualitative data about the tax system, that a society needs to hold decision makers to account and to reach informed judgements on how the tax system is performing during a particular time period. It is a process that supplies the information required to ensure that a tax system works for the benefit of all stakeholders – in and out of government – tax administrators, other government officials, legislators, those who elected them, and those who pay taxes, including any identified disadvantaged and marginalized groups. The information made available through a tax transparency framework is part of an integrated process that includes the collection, analysis, scrutiny and dissemination of data, and the subsequent discussion of tax system performance, as well as the broader fiscal framework that includes the spending side of public budgets. Specifically, the stakeholders of a tax system require information that allows them to:

understand how the tax that people have to pay is determined;

understand the administrative procedures that prescribe how taxes are paid;

assess whether the taxes they are expected to pay are fair compared to the contribution required of others within the society of which they are a part;

determine whether all of those who should pay taxes actually do so;

⁴⁶ Baker, A., and Murphy, R. (2021). [“Making Tax Work: A Framework for Enhancing Tax Transparency.”](#) GIFT.

evaluate what alternative options for raising revenues exist within their society;

understand how their tax system compares to those of similar jurisdictions; and

know how the taxes that are collected are used by government.

Tax transparency also forms the basis for different stakeholders to be able to engage on the design of, and reform of tax systems. This, in turn, enables societies to discuss and consider collectively how to design and structure the tax systems to best meet mutual needs and their own specific societal challenges. It does this by making available information that enables societal wide scrutiny and debate on the effectiveness and fairness of government tax policies. Tax systems are different in every country, and they change through time. Tax transparency allows such systems to better reflect what people want, and the way they have come to agree on the definition of the public interest in a given time. Comprehensive, complete information needs to be freely available on all respects of the tax system, including, but not limited to, on the rationale and strategy for the chosen system and its link to the national economy; the tax authority itself; all tax legislation; tax sources and rates; tax gaps; tax data on past, current and anticipated future performance; targeted performance outputs and outcomes; accounting policies and reports; and international tax agreements.

Information on the performance of the tax administration authority and its accountability mechanisms is also crucial. Tax laws and their implementing regulations can be particularly complicated. As stated in the IMF's [Manual on Fiscal Transparency](#) (2007) it is thus critical that tax laws are complemented by guidance from the tax administration, for instance through the provision to the public of regular up-to-date explanatory materials. In addition, countries can provide the public with 'advance rulings' on how particular transactions would be treated in tax assessments. Exceptions to the application of tax laws should also be published. It should however be noted that the larger the number of exemptions, the greater the complexity and room for interpretation of the law, thus potentially reducing transparency.



Customs administration is a particular area in which transparency is critical, especially given the high reliance on import duties in many developing countries. As such, the World Customs Organisation's [Arusha Declaration](#) stipulates that customs laws, regulations, procedures and administrative guidelines should be made public, be easily accessible and applied in a uniform and consistent manner; and that appeal and administrative review mechanisms should be established to provide a mechanism for clients to challenge or seek review of customs decisions.

Box 3.1. Tax gaps

Tax gaps can be defined as the difference between the tax revenues that a government might be able to collect and the tax revenues it actually does collect during a specific time period.



There are 5 tax gaps that should be measured:



Tax base:

Cost of tax bases that a jurisdiction decides not to tax, such as wealth.



Tax spend:

Cost of the exemptions, allowances and reliefs granted within tax bases that are otherwise subject to tax.



Tax evasion:

Tax cost of the illegal non-declaration of income, that should be taxed, by a taxpayer or the tax cost of their illegal claim for a tax exemption, allowance or relief to which they are not entitled.



Tax avoidance:

Tax cost arising from a taxpayer arranging their affairs to pay less tax as a result of their management (manipulation) of the tax laws of a jurisdiction in a way that the tax authority of that jurisdiction thinks is contrary to the spirit of the laws in place.



Unpaid tax:

Tax cost of sums known to be owing to the tax authority that are not paid, for example due to the insolvency of a taxpayer.

4.2.1 Tax transparency in practice

In practice, tax transparency is often lacking, leaving room for improvement. Common areas where this occurs, include those related to:

1

A culture of tax transparency often not being adopted by governments with certain aspects of tax information veiled in secrecy and not freely accessible to the public.

2

Political and legal environments not favoring the disclosure of information. The processes of collecting taxes, verifying and auditing taxpayers require discretion, with privacy concerns often put forward as the rationale for not disclosing information. However, while important, there are ways to overcome these concerns, for instance, anonymised data can be made available.

3

Tax gap estimate information not being sufficiently disclosed, if at all. Assessing the efficiency of a tax administration authority provides relevant information of some of the more measurable tax gaps, such as tax evasion estimates. Tax gap analysis can provide critical insights about the success of a government in delivering on its social, economic, and fiscal priorities through the tax system. It is important to know the quantum and motivations of taxpayers who are not paying what they are supposed to according to legal provisions. This helps to determine how tax compliance and the efficiency of tax administration can be improved.

4

*Tax expenditures*⁴⁷ information not being disclosed. Just as it is important to understand why and what governments are taxing, it is important to have comprehensive information regarding what governments have decided not to tax or to tax at lower rates than other items, and why. Accessible, timely and reliable information about tax exemptions, allowances and reliefs is crucial in understanding the tax system. Ideally, the justification for each relief, exemption and allowance should be specified to justify its provision. This information assists in assessing the effectiveness of the tax system and in designing reforms to improve it.

⁴⁷ For further readings see:

De Renzio, P. (2019). "[Counted But Not Accountable: Tax Expenditure Transparency in Latin America](#)." IBP.
Ross, J. (2018). "[Evaluating tax expenditures A framework for Civil Society Researchers](#)." IBP.

5

Revenue administration information, including on the performance of the revenue authorities not being sufficiently disclosed. This often leads to a lack of accountability. For instance, the tax authority's budget should be comprehensively published and include its performance targets. Accounts then have to be prepared and published that can be compared against this budget, including in respect of what the tax authority spent to collect taxes and whether tax collection targets were met.

6

International tax arrangements and international corporation information not being comprehensively known, at a sufficiently disaggregated level. It is widely accepted that significant tax gaps occur due to international funding flows. Often the only sources of information available on these flows are from international organizations, with databases that are not customized to unique country contexts.

7

Norms and standards on tax transparency not adequately recognizing the kinds of tax information that the public may need in order to be able to engage with tax policy and tax reform processes. While many areas of public services are thoroughly evaluated to see if they are offering 'value for money', the functioning of the tax system itself is rarely one of them, which is problematic given that for most governments the ability to continue funding public services to a large extent depends on the effectiveness of their tax systems.

4.2.2 Work to increase tax transparency

As such, there are a number of areas where tax transparency is lacking. Initiatives are however being undertaken to try and address this issue. This includes the OECD's [Global Forum on Transparency and Exchange of Information for Tax Purposes](#), an international body working on the implementation of global transparency and exchange of information standards around the world, aiming to amongst others decrease offshore tax evasion.



[OpenOwnership](#) is an initiative dedicated to increasing corporate transparency across the world by making it easy to publish and access data about who owns companies (beneficial ownership). It published [A Guide to Implementing Beneficial Ownership Transparency](#), and helps countries generate high quality data on company ownership that complies with international standards and meets the needs of data users across government, civil society, and the private sector. It has developed a [data standard](#) for beneficial ownership information,

co-founded the international [Beneficial Ownership Leadership Group](#), and built the world's first [transnational public beneficial ownership register](#).



Further work is also being done by GIFT, where, with the support of the World Bank's [Global Tax Program](#) and in collaboration with the IBP's [Tax Equity Initiative](#), a set of documents were commissioned in 2019 to inform the development of a comprehensive tax transparency and participation framework. **This included the publication of:**



A compendium titled “[Making Tax Work: A Framework for Enhancing Tax Transparency](#)”⁴⁸. The compendium details a range of issues surrounding tax reporting and information standards, and examines the systematic appraisals of tax systems required to enhance and enable tax transparency. In this framework, the specific information needs of tax transparency users are defined, together with criteria relating to the necessary quality aspects of this information. The authors explain that tax transparency is a process with multiple information maps or systems, such that “no single report, account, set of data, information or budget will ever, by itself, represent the totality of the tax transparency process. It is, instead, the supply of information from across the tax system that will create an effective tax transparency process so that governments and tax authorities might be held to account for their effectiveness, in managing the tax system”. They state that tax transparency requires:

- A comprehensive commitment to publishing data by a government;
- A willingness on a government's part to both interpret this data and to assist others to do so;
- A commitment to provide missing data on demand;
- A willingness to cooperate with actors outside government who suggest what data they require to meet their own needs; and
- The creation of an environment in which data on tax can be appropriately appraised so that the success or otherwise of tax policy can be determined.



A brief titled “[Promoting more open and accountable tax systems: The role of international principles and standards](#)”⁴⁹.

⁴⁸ Baker, A., and Murphy, R. (2021). “[Making Tax Work: A Framework for Enhancing Tax Transparency](#).” GIFT.

⁴⁹ De Renzio, P., and Guerrero, J.P. (2021). “[Promoting more open and accountable tax systems: The Role of International principles and standards](#)”. IBP and GIFT.



A scoping study titled "[Tax Transparency and Informed Public Dialogue in Tax Policies: A civil society perspective on taxes: Scoping Study](#)"⁵⁰.

These documents were designed to address a gap in the current debate – the lack of consensus around what constitutes revenue transparency and how best to promote public participation in decisions regarding taxation – by identifying the information and tools needed to promote strong civil society engagement in tax policy and administration. This research and related conversations informed the development of the GIFT [Transparency Principles for Tax Policy and Administration](#) (2022)⁵¹. This new set of global principles aims to establish standards for the transparency, participation, and accountability of domestic tax systems to promote an informed public and provide the basis for a strong social compact between government and the governed that helps ensure that tax systems raise needed revenues more equitably and efficiently. The new principles are intended to apply to all government jurisdictions with the authority to tax and are intended to apply to all country contexts. They are designed to promote improvements in the scope, consistency, and quality of information that governments make available to the public and to establish a framework for how governments meaningfully engage with their stakeholders around issues of tax policy and administration with the ultimate goal of ensuring that public resources are used to advance the public interest. These new principles address fundamental components of good governance and seek to cultivate the trust required to ensure a more sustainable fiscal pact, namely the right of access to information, proactive transparency, accountability, and public participation.

⁵⁰ Guerrero, J.P. (2020). "[Tax Transparency and Informed Public Dialogue in Tax Policy: A civil society perspective on taxes: Scoping Study](#)". GIFT.

⁵¹ For further reading see Baker, A., Murphy, R., Ferreira, R., Guerrero, J.P. (2022). "[Developing and Using Global Tax Transparency Principles](#)". GIFT/IMF Blog.

Figure 3.4. GIFT Transparency Principles for Tax Policy and Administration

TAX



Transparency Principles for Tax Policy and Administration

- 

1. Governments and national authorities should follow procedures that recognize stakeholders have a right to access information to enable them to reach judgements and participate in consultations, about whether a tax system is meeting stated objectives and working in the public interest. **(BASIC)**.
- 

2. Governments should publish clear and measurable objectives for the tax system on a timely basis, usually annually for each budgeting and reporting period. **(BASIC)**.
- 

3. The objectives of the tax system should be supported by timely and detailed projections of future tax revenues for each annual budgeting and reporting period, along with the sources of information and assumptions underlying all estimates and projections. **(BASIC)**.
- 

4. All taxes and their administrative framework should be codified in law, with changes in policy and substantive administration being made through a legislative process, that involves appropriate meaningful institutionalized consultation with stakeholders and civil society. **(BASIC)**.
- 

5. Taxpayers should be able to access clear, free and accurate information and advice that will maximize their ability to comply with the tax laws of a jurisdiction. They should also have the right to access a clearly set out appeal process and redress mechanism in relation to any liabilities, or judgements against them, which they believe to be incorrect. **(BASIC)**.
- 

6. All taxpayers have a right to confidentiality with regard to their affairs unless specific circumstances require otherwise. **(BASIC)**.
- 

7. Governments should provide the contextual information needed to place taxation within a broader fiscal, economic, and social framework. **(BASIC/INTERMEDIATE)**.
- 

8. Governments should publish a set of accounts on taxes collected at least once a year that includes a discussion of major deviations from budgeted amounts by type of tax, with reference to numerical data and previously published budgets, as well as commentary on whether the tax system has successfully met its stated objectives in the light of this data. **(BASIC/ INTERMEDIATE)**.
- 

9. Tax administration - government relations should be subject to the rule of law and tax administrators should be accountable to executive and or legislative branches of government. **(BASIC/ INTERMEDIATE)**.



10. Where appropriate, governments should collaborate with international and regional financial institutions and tax administrators to meet their international reporting obligations. More generally they should seek to engage with international efforts (inclusive of civil society) to increase revenue transparency, improve administrative practice and participate in research on the impact of tax policies across countries and regions. **(INTERMEDIATE)**.



11. Governments should evaluate and report on the extent to which taxes that are legally owed go unpaid, as a first step in preparing a tax gap estimate (see principle 14). **(INTERMEDIATE/ ADVANCED)**.



12. Governments should seek to examine the impact of and publish information on the amount, sectors and beneficiaries of tax incentives – such as reliefs, allowances and exemptions, in terms of their rationales, costs, benefits and effectiveness. **(INTERMEDIATE/ ADVANCED)**.



13. The data underpinning tax transparency should be subject to verification by an independent agency that audits, evaluates, and reports on the accuracy, quality and fairness of that data. **(ADVANCED)**.



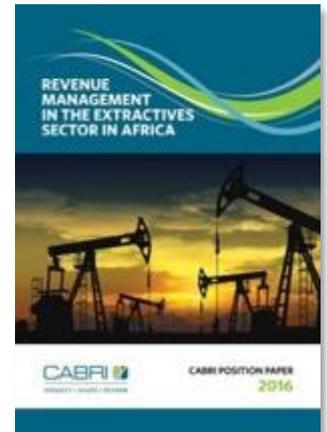
14. Governments should aspire to work with international bodies to periodically evaluate the performance of their tax system by applying advanced assessment tools such as tax gap analyses and tax spillover assessments, to enhance their own and stakeholder understandings of the risks and vulnerabilities within the tax system, and to inform potential reform debates. **(ADVANCED/ ASPIRATIONAL)**.

4.3 Natural resource revenue



For countries endowed with stocks of natural resources, revenues derived from them in the form of license fees, royalties, production shares/dividends can be quite large but need to be carefully managed, given their relative unpredictability. Revenue volatility is a major concern for most countries that are dependent on extractives industries. It makes the associated planning and budgeting of government expenditure difficult, increasing the risk of overspending in boom times, and of drastic expenditure reductions when resource prices or production falls.

As stated in CABRI's position paper: [Revenue management in the extractives sector in Africa](#) (2016), one of the reasons many resource rich countries have not translated their extractives industries' wealth into economic development is due to a lack of fiscal transparency and accountability. The monetization of natural resources can be difficult to monitor and is as such prone to misuse. Fiscal transparency in the extractives sector is important as it leads to enhanced levels of trust and thereby helps manage expectations within and outside the government, mitigating against resource misallocations and investments that are not in the public's best interest, thereby fostering sound fiscal management and accountability, sending positive signals to quality investors. On the other hand, a lack of transparency and accountability has a negative impact on the management of revenue from natural resources and on its use in delivering social services. There is some concern about the legal frameworks governing extractives. For instance, some laws include provisions that allow for direct contracting at the discretion of the Executive or for discretionary decisions to be made on case-by-case basis. This warrants a review of laws and, in some cases, a review of how laws are implemented in practice. Transparent decisions are needed across the policy chain of the extractives industry, including information on the following: bidding processes; contractual terms; fiscal regimes; how much revenue is collected from the sector; how much is used for current and capital spending; how much goes into debt and stabilization; and how much is actually saved. To ensure transparency and accountability, resource-producing countries with weak institutional frameworks should consider appointing an independent external auditor, in addition to the usual audit conducted by the country's supreme audit institution.



Norms and standards provide further guidance in this regard:

- The [Extractive Industries Transparency Initiative \(EITI\) Standard](#) (2019) provides transparency standards for countries with large natural resource sectors, including detailed requirements on the publication of: audited and reconciled data on company payments to government and

government receipts from companies; legal framework and fiscal regimes; licenses; contract disclosure policies; as well as mandated social expenditure.

- The IMF's policy paper: [Fiscal transparency initiative: Integration of natural resource management issues](#) (2019) states that fiscal transparency and good governance are particularly important to help manage non-renewable natural resources in an equitable and sustainable manner. Transparency and governance issues are particularly evident in matters relating to the natural resources (minerals and petroleum) sector, reflecting the large potential rents that make the sector prone to revenue leakages (for example, from corruption); large-sized investments that place a premium on investor certainty; heavy involvement of large multinationals and public enterprises; and the volatile and uncertain nature of revenues that make disclosure and mitigation of fiscal risks key for effective fiscal management. The paper introduced Pillar IV of the [Fiscal Transparency Code](#) (2019) on natural resource management to assist in this regard focusing on resource rights and ownership; resource revenue mobilization; resource revenue utilization; and resource activity reporting and disclosure. The IMF's [Guide on Resource Revenue Transparency](#) (2007) also provides norms and standards related to natural resources, providing examples from different countries.
- The Natural Resource Governance Institute's [Natural Resource Charter](#) sets principles for governments and societies on how to best harness the opportunities created by extractive resources for development.

4.4 Official development assistance



Resource flows from international donors and multilateral institutions constitute an important source of revenue for many developing countries. These flows can be used to promote economic development and welfare in recipient countries. Official development assistance (ODA) can be provided directly by a donor government or through its development agencies (bilateral aid) and/or it can be provided by international and regional agencies (multilateral aid) such as the IMF, the World Bank, the African Development Bank, and the Inter-American Development Bank.

ODA can consist of non-reimbursable transfers of funds (financial grants); concessional loans (loan terms that are substantially more generous than market loans, in respect of low interest rates, longer grace period, or longer amortization period); debt forgiveness; debt rescheduling (debt maturities extended) and/or in-kind (non-monetary) aid provided for developmental purposes. Besides in-kind aid, ODA normally takes the form of general budget support; project support and/or capacity development (technical assistance) support. General budget support is not earmarked to specific

projects or programs and is made available to finance activities identified through the budget process. This means that it is managed using the recipient country's public financial management systems, and thus becomes part of its fiscal policy cycle. Donors do, however, typically set a framework of governance requirements and policy priorities for general budget support, included in formal agreements with recipient countries. These agreements include the amounts of ODA to be disbursed, the disbursement schedule, and the conditions that would need to be fulfilled before disbursements are made. Project support on the other hand provides resources for specific development projects, such as schools, roads, or hospitals. Project support can also be channeled through the budget of the recipient country, this tends to happen when there are well-functioning treasury and expenditure control systems that prevent the diversion of such resources. Often, however, disbursements are made through specified project accounts that are controlled by the donor, managed by project implementation units, that follow donor specified practices on accounting, reporting, internal control, and procurement, among many other processes.



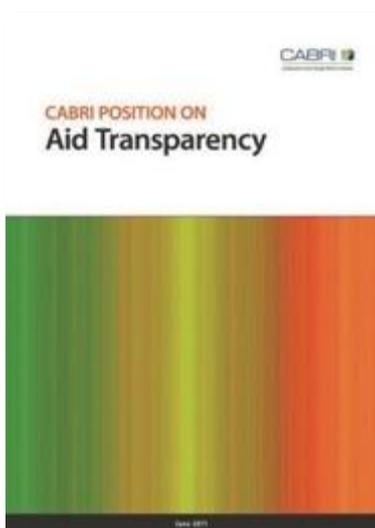
In many developing countries, provisions in legislation define how ODA should be integrated with budgetary processes. For example, it may require the minister of finance to sign all agreements with respective donors; and the ministry of finance to collect data on all receipts and disbursements of aid resources and to monitor these transactions. Ideally, aid flows should be integrated into a country's budget process, including that they should

form part of a country's fiscal policy strategy, fiscal forecasts and debt management strategy. Like any other budgetary funds, ODA should be managed through the government's treasury account and financial management information systems; it should be included in budget execution reports and annual financial accounts and audited by the supreme audit institution. Throughout this process, there should be fiscal transparency with detailed information being made available throughout the fiscal policy cycle as described in the earlier sections of this module. This is important as amongst others, it facilitates a comprehensive account of government's finances, facilitating planning and budgeting with a holistic view of the scarce resources available and allocated. Processes run outside of the central budgetary process may mean that the allocation of funding is inefficient, often due to concealed funding sources potentially leading to the double funding of initiatives and/or trade-offs not being adequately considered, with initiatives not being scrutinized to the same extent as those subject to the central budget process.

There are also international principles for aid effectiveness that can assist governments and donors.



These principles were first set out in the Paris Declaration on Aid Effectiveness of 2005, and then in 2008 at the Third High Level Forum on Aid Effectiveness where stakeholders endorsed the Accra Agenda for Action (AAA). The principles focus on the achievement of results, country ownership, inclusive partnerships, transparency, and accountability. They emphasize the need to increase the use of country systems, including public financial management systems. The International Aid Transparency Initiative (IATI)'s [Standard](#) comprises a set of rules and guidance on how to publish useful development and humanitarian data. IATI aims to make data on development and humanitarian spending and projects easier to access, use and understand. Organisations publish information according to the rules and guidance set out in the IATI Standard, with this data then made freely available.



As stated in [CABRI position on Aid Transparency](#) (2011), aid transparency is an indispensable pillar for the achievement of sustainable development. Unless aid is transparent, many countries will remain unable to use available resources optimally to deliver essential public goods and services for equitable development and growth. It further states that aid transparency requires an adequate flow of and access to information not only between donors and country governments, but also between country institutions. This requires comprehensive, timely, reliable and useful information on aid commitments, disbursements and actual use flows in useful formats and in an accessible manner from donors to country governments, between aid managers and budget managers, between the centre and line ministries, and from executive government to domestic stakeholders. The paper then sets out minimum requirements to be met by donors and countries for effective aid transparency, including in respect of their information flows, systems and integration of aid information into country budgets⁵².

⁵² For further reading see: CABRI (2014). "[Towards a greater use of country systems in Africa: Recent trends and approaches: Synthesis report](#)". CABRI.

5

Measuring fiscal transparency

As is often said, what is measured, can be improved! A government's fiscal transparency is often assessed based on whether a country has laws that give the public access to information, and on the quantity and quality of different types of budget related reports that governments make available to the public. These assessments assist in creating a shared view of country specific circumstances, thereby facilitating the identification of reforms that should be undertaken to improve fiscal transparency and in setting the reform agenda, including reform objectives, priorities, initiatives, and implementation sequencing; the coordination of external support for reforms; and in the monitoring and evaluation of reform progress through the undertaking of subsequent repeat assessments. Reforms to improve fiscal transparency are discussed in detail in Module 5.

5.1 Tools for measuring fiscal transparency

Several tools are available to undertake fiscal transparency assessments. While self-assessments can be useful, evidence shows that credibility is much higher when assessments are performed by external parties. There are a number of internationally recognized fiscal transparency assessment tools undertaken by different organizations, including those listed and described below.



5.1.1 IBP Open Budget Survey

The [Open Budget Survey](#) (OBS) was launched by the IBP in 2006 to assess the openness of national budgets across the budget cycle. Since then, it has been conducted roughly every two years, with the number of countries included growing substantially from 59 in 2006 to 120 countries in 2021. It is currently the only independent, comparative and regular measure of budget transparency and oversight across the world. The majority of the survey questions assess what occurs in practice, rather than what is required by law. It measures government practices against international norms and standards:

1

Budget transparency

- *Budget transparency* indicators assess the public availability of eight key budget documents—pre-budget statement, executive's budget proposal, enacted budget, citizen's budget, in-year reports, mid-year review, year-end report, and audit report— which taken together provide a complete view of how public resources have been raised, planned, and spent during the budget year.

2

Public participation

- *Public participation* indicators assess the degree to which the executive, the legislature, and the supreme audit institution each provide opportunities for the public to engage during the different stages of the budget process; including the quality of participation mechanisms used.

3

Fiscal policy oversight

- *Fiscal policy oversight* indicators examine the role that legislatures and supreme audit institutions play in the budget processes and the extent to which they are able to provide robust oversight of the budget. There are also indicators pertaining to independent fiscal institutions.

The OBS is completed by civil society researchers, who are typically independent budget experts with no ties to the government in each country. Once completed, it undergoes a rigorous review process to ensure accuracy and comparability across countries. While most governments are invited to review the draft OBS, not all do so. The survey is open source published on the IBP's website. Some of the survey results are summarised in a transparency score, the Open Budget Index (OBI), which scores countries on a scale from 0 to 100. Countries are grouped according to their level of transparency, ranging from countries with extensive disclosure to countries with scant or no disclosure. By doing this, the OBS provides the only global quantitative scoring of fiscal transparency. A transparency score of 61 (out of 100) or higher indicates a country is likely publishing sufficient material to support informed public debate on the budget. Amongst others, these scores allow identification of country; region and global trends.

For each round of the OBS, the IBP produces a [report](#) on the global findings of the multi-country study as well as [summaries of country-specific assessments](#), that provide recommendations of specific actions that countries can take to improve their scores. Several other resource materials, including the methodology used and specific studies undertaken, can also be found on the IBP website. Limitations of the OBI include that it is focused on the availability of eight key budget documents without an in-depth, quantified analysis, including on the outputs budgets seek to fund.



5.1.2 PEFA Framework



The goals of the [Public Expenditure and Financial Accounting \(PEFA\) Program](#) are to strengthen capacities to assess the status of country public financial management systems and to develop a practical sequence of reform and capacity development actions. The PEFA framework for assessing public financial management was introduced in 2001 providing a framework for assessing and reporting on strengths and weaknesses using quantitative indicators to measure performance. Subsequent to that, new versions of the Framework were introduced in 2011 and in the 2016 [Framework for assessing public financial management](#), updating and improving the framework in line with the changing landscape of public financial management reforms and the evolution of good practices.

Unlike the IBP's OBS, PEFA assessments are initiated by government and can be implemented by national and sub-national governments. They are often initiated in consultation with the donor community, with donors often requiring recipient countries to undertake a diagnostic assessment of their public financial management system, to assist in getting reassurance concerning the effectiveness of national budget management. Another distinction from the OBS, that is principally a transparency assessment, is that the PEFA framework assesses how the whole public financial management system functions. It is a tool that helps governments achieve sustainable improvements in public financial management practices by providing a means to measure and monitor performance against a set of indicators across the range of important public financial management institutions, systems, and processes. The PEFA methodology draws on international standards and good practices on crucial aspects of public financial management, as identified by experienced practitioners. PEFA provides a public financial management performance report for the subject government that presents evidence-based indicator scores and analyses the results based on existing evidence. It emphasizes a country-led approach to performance improvement and the alignment of stakeholders around common goals.



The framework identifies 94 characteristics or dimensions across 31 key components of public financial management or indicators in 7 broad areas of activity or pillars. It covers central government, with elements covering public sector and sub-national governments. The 7 pillars include budget reliability; transparency of public finances; management of assets and liabilities; policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, external scrutiny and audit. The framework addresses in many of its indicators the questions of public access to public finance information and, in some of them, the issue of the quality of information. The indicators also contain three pillars that require direct public participation in fiscal policy implementation. PEFA has also introduced a pilot stand-alone indicator on public participation in fiscal policy throughout the annual budget cycle, to

address public participation more holistically. The completion of this indicator is currently voluntary for country governments willing to participate. PEFA assessments can however also be used in conjunction with other assessments such as the OBS to get a deeper assessment of public participation.

PEFA has been used in more than 154 countries with over 670 reports, in countries at different levels of income and in different regions around the world – including in Germany, Afghanistan, Norway and Indonesia. In recent years, PEFA has built on this vast experience to adapt to its clients’ evolving needs, and expanded with supplementary assessment tools on gender, climate and guidance for subnational governments with a particular focus on service delivery. The publication of PEFA assessment reports is voluntary, on its [website](#). Limitations of PEFA reports for fiscal transparency, relate to it not focusing or providing focused recommendations on it. These reports can however be used to conduct research and analyses⁵³, and in conjunction with other assessments such as the OBS to get a deeper understanding and assessment of fiscal transparency and public participation in a country.

⁵³ For an examples of analyses undertaken and for an evaluation of the PEFA program see: IBP (2018). “[Budget Credibility: What Can We Learn from PEFA Reports?](#)” IBP; and see resources under [Explore how researchers use PEFA data](#). Swedish Development Advisers (2016). “[An evaluation of the PEFA program, 2016 Final Report](#).” PEFA Secretariat. Fölscher, A., and Gay, E. (2012). “[Fiscal Transparency and Participation in Africa: A Status Report](#).” CABRI

5.1.3 OECD Budgetary Governance Reviews

The OECD focuses its efforts on the governance and decision making of budgeting. It looks at good practices in budgeting and provides guidance to governments on designing, preparing, approving, implementing, and reviewing budgets to ensure they are effective, efficient and relevant.

It has developed [10 Principles of Budgetary Governance](#), as seen in the figure below, from the lessons and insights it has gained from cross-country experiences. One of these principles is dedicated to ensuring that budget documents are open, transparent, and accessible. Another principle refers to the provision of a participative, inclusive, and realistic debate on budgetary choices. It looks at the opportunities for parliament and its committees, civil society, and the public to be involved at key stages of the budget process.

Figure 3.5. OECD principles of Budgetary Governance



The 10 principles are supported with guidance and resources on transparency, financial management, budget performance, and independent oversight. The OECD also provides specialist expertise and resources on gender budgeting, green budgeting, and wellbeing budgeting to help governments increase capacities on the achievement of strategic outcomes from budgeting.

The OECD's reviews of budgeting take place in OECD member countries and non-member countries, usually at the request of the central budget authority in a ministry of finance. The majority of the OECD review reports are published in the [OECD Journal on Budgeting](#). Targeted reviews on individual areas related to fiscal transparency, such as in-depth reviews of independent fiscal institutions, are also published. The OECD's reviews can also be performed in conjunction with assessments by other organisations, with the OECD's reviews providing a distinct and complementary contribution.



5.1.4 IMF Fiscal Transparency Evaluations

The IMF's [Fiscal Transparency Code](#) is an internationally recognized standard for the disclosure of information about public finances and is endorsed by the international membership of the IMF and World Bank under the Standards and Codes Initiative. It comprises a set of principles built around four pillars: fiscal reporting; fiscal forecasting and budgeting; fiscal risk analysis and management; and resource revenue management. It was first published in 1998 and subsequently revised and updated in 2007, 2014 and 2019.



From 1999 to 2011, the IMF published assessments of fiscal transparency laws and practices against requirements in the 1998 and 2007 Codes, known as ROSCs (Reports on the Observance of Standards and Codes). For these reports, the IMF recognized 12 areas and associated standards as useful for the operational work of the Fund and the World Bank, including one that focused on fiscal transparency. Reports summarizing countries' observance of these standards were prepared and published at the request of the IMF member country. They were used to help sharpen the institutions' policy discussions with national authorities, and in the private sector, including rating agencies for risk assessment. The ROSCs for over 90 countries can be accessed on the IMF's [website](#).



In the wake of the global financial crisis, the IMF overhauled the Code in 2014 to advance international fiscal transparency standards and monitoring arrangements and to further integrate resource revenue management issues in 2019. Assessments conducted against these later versions of the Fiscal Transparency Code are referred to as Fiscal Transparency Evaluations (FTEs). They provide countries with:

- a comprehensive assessment of their fiscal transparency practices against the various standards set by the Code;
- a rigorous and quantified analysis of the scale and sources of fiscal vulnerabilities, including measures of the coverage of fiscal reports, the quality of fiscal forecasts, and the size of unreported contingent liabilities;
- an accessible summary of the strengths and weaknesses of country practices related to fiscal transparency and their relative importance. This is achieved through a set of summary “heatmaps,” which facilitate benchmarking against comparator countries, the identification of reform needs, and the prioritization of recommendations; and

- an optional sequenced action plan to help define reform priorities designed to address the main shortcomings in fiscal transparency.

FTEs are carried out at the request of governments and form part of the IMF's policy dialogue and capacity-building efforts with its member countries. FTEs are country specific, taking into account individual country capacities, and focus on outputs rather than processes, leading to the clear identification of reform priorities. They support the identification of fiscal transparency strengths, weaknesses, and challenges as well as the prioritization and delivery of technical assistance by the IMF and other development partners. They place greater emphasis on fiscal transparency issues that are macro-critical and complement other public financial management standards and frameworks that might cover some elements of fiscal transparency. Their limitation is that they do not evaluate internal management processes and outputs at the micro level. FTEs can be found on the IMF's [website](#).



5.1.5 United States Department of State Fiscal Transparency Report

Each year since 2008, the United States Department of State has reviewed the fiscal transparency of governments receiving United States government foreign assistance. The assessment evolved out of interest in public financial management and fiscal transparency issues and the links to governmental accountability, assisting to build market confidence and sustainability. The Congressionally mandated Fiscal Transparency Report (FTR) is a tool to identify deficiencies and support needed changes. The [Office of Monetary Affairs](#) of State's [Bureau of Economic and Business Affairs](#) prepares the annual FTR in consultation with [State's Bureau of Energy Resources](#) and the [United States Agency for International Development \(USAID\)](#).



A survey is sent to United States embassies and consulates in 140 countries identified in the 2014 FTR plus Equatorial Guinea, collecting data on fiscal transparency. The Department then uses this data to assess whether governments meet minimum requirements of fiscal transparency. For the purpose of the FTR, the minimum requirements of fiscal transparency include having key budget documents that are publicly available, substantially complete, and generally reliable. The review includes an assessment of the transparency of processes for awarding government contracts and licenses for natural resource extraction. The scope of the FTR is unique and relates directly to its aim to help ensure that United States taxpayer funds are used appropriately, and to provide opportunities to dialogue with governments on the importance of fiscal transparency. The report categorizes countries into whether they meet the minimum requirements of fiscal transparency or not. Countries which do not meet the requirements are further divided between those which made significant progress towards those requirements and those which did not.



The fiscal transparency determinations may change from year to year due to updating and strengthening minimum requirements of fiscal transparency as required by law, changes in governments’ performance on public financial management, or new information coming to the Department of State’s attention. As a result, some governments may fall short of these requirements, despite in some cases maintaining or even improving their overall level of fiscal transparency. The report includes a description of how governments fell short of the minimum requirements. It outlines any significant progress being made to disclose publicly national budget documentation, contracts, and licenses. It also provides specific recommendations of short- and long-term steps governments should take to improve fiscal transparency. Finally, the report outlines the process the Department followed in completing the assessments and describes how United States foreign assistance resources have been used to support fiscal transparency. FTRs can be found on this [link](#).



5.1.6 IMF and partner organizations Tax Administration Diagnostic Assessment

The [Tax Administration Diagnostic Assessment Tool \(TADAT\)](#) was developed by the IMF and other partner organizations to provide an assessment of tax administration, identifying the relative strengths and weaknesses in systems, processes, and institutions.



It contains 9 key performance outcome areas covering most critical tax administration functions, processes and institutions. The outcome areas are assessed on 32 high-level indicators, each built on 1 to 5 dimensions adding up to 55 measurement dimensions. TADAT focuses on the performance of the major national taxes –corporate income tax, personal income tax, value added tax or its indirect tax equivalent such as sales tax, and pay as you earn amounts withheld by employers. Several of its indicators are directly related to fiscal transparency, including those related to the rule of law, and dimensions that cover interactions between the tax administration and taxpayers. These include whether taxpayers have the necessary information and support; the

ease by which taxpayers obtain information; the use and frequency of methods to obtain feedback; the performance of tax dispute resolution measures and measures of whether an ombudsman or equivalent body investigates taxpayer complaints; as well as the mechanism for monitoring the public’s perception of the integrity of the tax administration. It also cites as a good practice external oversight of the tax administration through mandatory reporting to Parliament by way of an annual report of tax administration operational and financial performance, and parliamentary committees probing senior executives in relation to external audit findings.

The assessment is conducted at the request of individual countries. An assessment team, together with the country's officials, uses the TADAT methodology to assess the health status of the country's tax administration system using collated evidence from desk research and field office visits. The results are then documented in a Performance Assessment Report, that are published on the TADAT website, unless the country chooses to opt-out.

5.1.7 IMF Public Investment Management Assessment



The [Public Investment Management Assessment](#) (PIMA) Framework assesses strengths and weaknesses across all stages of the management of public investment. It evaluates a country's infrastructure governance, namely, the procedures, tools, and decision-making and monitoring processes used by governments to provide infrastructure assets and services to the public. The framework covers the whole investment cycle, across three main stages (planning, allocation, and implementation), and fifteen institutions. Each institution is assessed on both institutional strength (the organization, policies, rules and procedures on paper) and effectiveness (the degree to which the intended purpose is being achieved in practice or whether there is a clear useful impact). PIMA evaluations help identify reform

priorities, and propose practical, sequenced steps for their implementation. Several of the aspects covered in the framework are directly related to fiscal transparency, including publication of comprehensive investment strategies and plans, disclosure of total project costs and breakdowns over the medium-term, publication of appraisal methodologies, explicit selection criteria and access to procurement information.



5.1.8 Global Data Barometer Public Finance Module

The Global Data Barometer’s Public Finance Module is one of the most recent assessments, co-developed with the GIFT. It aims to improve the comparative understanding of public finance data, and to contribute to overall Global Data Barometer assessments of data for the public good. Building on extensive research of norms and standards, this module looks specifically for evidence that governance frameworks exist for the publication of detailed, disaggregated, and machine-readable data on key aspects of government finance; and that data is actually available in a granular, machine-readable, and timely form. Additionally, thematic modules on company information, political integrity, and public procurement contain links to the public finance module, looking at questions of interoperability between budgeting, spending, and procurement, and the inclusion of public infrastructure projects and unique counterparty identifiers in published data.

6

Examples from the field



National budgeting practices facilitating fiscal transparency: Observations from the OECD

The OECD works with governments to improve the management of public organisations, including aspects related to the preparation and oversight of governmental budgets. Fiscal transparency forms a key component of this. In a [video](#) testimonial recorded in May 2021, this is further explored together with country observations, including examples of how countries are meeting fiscal



[Watch here](#)

transparency objectives at all stages of the fiscal policy cycle, benefiting from it, as well as emerging trends, including those related to the COVID-19 pandemic.

The OECD provides best practices, data and advice to support its members and other countries in the design and implementation of policies to improve people’s lives. Regarding fiscal transparency, there are three ways the OECD does this— through networks, best practices and by working directly with countries.

Fiscal transparency is supporting government accountability by enabling citizens to know how decisions are being taken regarding the use of public money and the choices made on how to deliver public services, helping to demonstrate the integrity, reliability and fairness of budgets. Two main trends are being observed: firstly, fiscal transparency levels are increasing, especially with documents such as long-term fiscal sustainability reports and



independent reviews of economic and fiscal assumptions being increasingly published; and secondly, technology is being increasingly used to support fiscal transparency, such as through the publication of e-books and dashboards.

COVID-19 changed the way governments needed to prepare budgets, with fiscal transparency being crucial. This is highlighted in three areas: Firstly, independent fiscal institutions have performed a valuable role by analysing changes to the fiscal positions of governments and supported transparency and accountability in budget processes. Examples include Estonia's Fiscal Council emphasizing the importance of continuing and preparing fiscal plans with a long-term fiscal outlook; Portugal's fiscal council emphasizing the importance of macro-fiscal scenarios in times of uncertainty; and the United States Congressional Budget Office preparing costings on policies that became part of government's budget response. Secondly, countries are adopting outcome based approaches to increase the quality of reporting on how a government makes progress towards a specific result. For instance, in the area of green budgeting, governments are making progress towards climate and biodiversity commitments. Lastly, regarding the management of fiscal risks, budgetary responses to COVID-19 included public loans and guarantees, which have increased government's need for effective risk management in the event that a loan is not repaid or a guarantee called upon.



Achieving fiscal transparency through the publication of key budget documents: The South African experience

South Africa



[Watch here](#)

Since the start of the IBP's Open Budget Survey in 2006, South Africa has been ranked as a leader in fiscal transparency, continually ranking within the top tier of countries, owing to the extensive budget documentation it publishes across the fiscal policy cycle. In a testimonial [video](#), recorded in April 2021, it is explained how South Africa, a developing country, has done this, providing key insights and lessons for other countries seeking to enhance and maintain high levels of fiscal transparency.

In summary, the advent of democracy in 1994, meant that the new government saw the potential advantages of fiscal transparency and was committed to improving the quality and coverage of public finances. Key pieces of legislation were introduced, including the Constitution (1996) and the Public Finance Management Act (1999) that provide for fiscal transparency including by stipulating the minimum information that must be contained in budget documentation. The South African National Treasury put systems and processes in place to produce and publish quality information, with a culture of fiscal transparency being inculcated in it, leading to fiscal transparency being institutionalized. The Money Bills Amendment Procedure and Related Matters Act, 2009, set the procedure for Parliament to consider money bills tabled by the minister of finance, including the requirement to hold public consultations. It also provided for the establishment of a Parliamentary Budget Office. This has ensured that Parliament has played a more active role in the fiscal policy cycle.

To ensure that fiscal transparency is continually maintained and improved upon, among others, public officials in the National Treasury keep abreast of the latest developments in the field and continually strive to make improvements, for instance, *Vulekamali*, a fiscal transparency portal was developed in partnership with civil society and a fiscal risks statement was introduced, and is now regularly published. Discussions and training sessions are also held with different stakeholders to explain budget information and to get their feedback. Lessons that have been learnt over the years, include that:



The political setting should be supportive of fiscal transparency.



Underlying base legislation is key in setting minimum information standards for budget documents.



It is important to have public officials that focus on fiscal transparency such that the 'transparency lens' is constantly applied in reform efforts to ensure transparency is maintained and improvements made.



Lessons should be taken from other countries' experiences.



It is important to realize the limitations of published budget documents and to see how they can be complemented with other forms of information releases, such as through the publication of real time information using digital tools.



Information users should be involved such that their requirements are known and can be provided for.

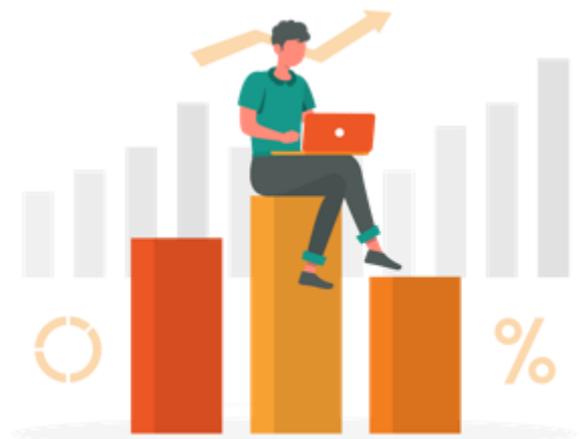
Importance of revenue transparency

It is vital that information on government revenue is made available throughout the fiscal policy cycle, a key component of fiscal transparency. It should be reported in budget-related documents and made available online, meeting the same quality and coverage considerations as other government information.



Watch here

In a [video](#), recorded in May 2021, three experts explore this topic further explaining why revenue transparency has



traditionally not received adequate attention, why it matters and how it can be enhanced.

Traditionally, revenue transparency has not received as much attention as expenditure transparency owing to a variety of factors, including that government spending information is easier to understand and its impact upon society is more obvious and straightforward; a general lack of opportunity to participate in revenue matters making it less obvious what data could be used for; civic actors often not realizing that how governments raise money is as important as how governments spend money; and also that governments and donors increasingly recognized the importance of broader engagement on tax as a foundation for development.

Among others, stakeholders require tax information to hold government to account, to have meaningful discussions regarding the equity of tax systems in making sure that policies within the tax system are fair and appropriately applied. Tax transparency also assists in increasing tax compliance as taxpayers are more likely to want to pay their taxes when they are convinced that their tax payments are being used appropriately to add value to society.



Ways to enhance revenue transparency include that there should be a general willingness from civil society, politicians, treasuries and tax authorities to debate the issue, and work towards undertaking appropriate reforms.

Building capacity within civil society to effectively advocate for revenue transparency, both in engaging the government and in engaging the public, is also important. Civil society can play an important role as translators of revenue information for the public, as enablers of dialogue between themselves or between the public and government, and in training the public, governments and other CSOs on what kinds of information can ensure transparency that can lead to meaningful engagement. For example, Fundar, a CSO, was able to increase tax transparency in Mexico, particularly regarding the use of tax amnesties by undertaking a series of advocacy activities, starting with advocating with the Executive to release information with the tax administration, moving to using access to information laws, and eventually engaging both in advocacy with the Mexican Congress to change laws and using strategic litigation through the courts to eventually force the government to release information. The IBP's Latin American Tax Expenditure Research, Advocacy, and Learning (LATERAL) program connects civil society partner organizations in a peer learning network, supporting them to learn about, learn from, and support each other in pursuing advocacy and policy campaigns around improved tax transparency on tax expenditures. Regarding tax administration, transparency is required to ensure that the tax authority is managing that process equitably, to ensure that tax really works to deliver the services that people need to support the prosperity of a country.

Revenue transparency in extractive industries



Watch here

Within the topic of revenue transparency, transparency in the extractives industry is important, especially for resource-rich countries that are able to derive substantial resources from it, potentially contributing to significant economic and social development. It can strengthen public and corporate governance and provide data to inform debate and reform on how a country's natural resources are managed. The Extractive Industries Transparency Initiative (EITI) Standard assists in this regard by providing tailored transparency norms and standards for the industry. In a [video](#), recorded in May 2021, presenters from the EITI provide more information about the Standard, and how it assists countries, including how it has benefited Nigeria, Senegal and the Democratic Republic of the Congo.



Nigeria

In Nigeria, disclosures enabled Nigeria EITI to undertake financial modelling to estimate how much revenue could have been gained had the government reviewed the terms of its oil contracts, calculating billions of dollars in estimates losses. This revelation led to legislative changes being made by the Nigerian Parliament, to ensure that periodic reviews are undertaken, with stringent penalties introduced for non-compliance. This resulted in increased revenue mobilization as well as an enhanced appreciation for the value of transparency in the sector.



Senegal

In Senegal, EITI stakeholders leveraged technology to better monitor the government's tax collection as well as strengthen citizen oversight of extractive revenue management. For instance, a public portal was developed where relevant data can be accessed. In this regard it is important that government departments are willing to share information and that they work together in improving systems.



Democratic
Republic of the
Congo

In the Democratic Republic of the Congo, the EITI process enabled stakeholders to identify weaknesses in how state-owned enterprises are managed, prompting them to publish more information about their financial transactions and contracts. Among others, the disclosure of contracts shed light on the revenues received by extractive companies and the financial flows between them and state-owned enterprises.

Open Budget Survey experiences



[Watch here](#)

The IBP's OBS is not only a research instrument, but also an advocacy tool used by IBP and its partners to encourage governments to improve budget transparency. In a [video](#), recorded in April 2021, this is explained together with examples of how the OBS has been used in practice to enhance fiscal transparency.

**Open
Budget
Survey**

The OBS's impact at country level is shown using Uganda as an example, where it played an important role in enhancing fiscal transparency. In the 2006 OBS, Uganda scored poorly, with Ministry of Finance officials generally dismissive of the results. However, over time government reform champions reached out to IBP's local civil society partner, the Uganda Debt Network, to understand the survey methodology and results. These reform-minded officials then began to use the survey results in a variety of ways. The national anti-corruption agency also used the survey data to monitor progress and set specific recommendations in their annual reports on corruption. The Ministry of Finance then took remedial actions on several recommendations made in the OBS report. As a result, Uganda is currently one of the most transparent countries in Africa. The Ugandan experience shows how the OBS can be an important tool for governments, helping to both assess performance and provide an independent, external method of legitimizing improvements.



Uganda



An example from Senegal illustrates how the OBS can help key actors in the fiscal ecosystem engage governments on budget policies and processes. Civil society groups and trade unions were frustrated by dysfunctions in Senegal's education sector. In response, ONG-3D, a local civil society group, began to track the use of education budgets in the country. It used OBS data to identify specific budget documents and data on education spending that were not being published by the government. They then initiated a dialogue with the Ministry of Finance, requesting that in-year progress reports on education expenditures be published. Once published, this data was used by ONG-3D to convene a dialogue with government and trade unions that led to consensus modifications in the education budget.

The OBS also plays a key role in the international public finance community. As a global measurement tool, the OBS is widely recognized as an authoritative and objective source on fiscal openness practices followed by countries, with its data informing the work done by a diverse set of stakeholders. For example, the European Union uses the survey results to determine the eligibility of direct budget support in over seventy countries while USAID uses the data to guide their foreign assistance. Private sector actors, especially credit ratings agencies and investment firms are increasingly using the data in their risk analysis of countries. The World Economic Forum uses the survey as part of its economic competitiveness index. The survey is also one of the key criteria for country eligibility in the Open Government Partnership and part of the World Bank's Worldwide Governance Indicators.



Putting the IMF Fiscal Transparency Code into practice



[Watch here](#)

The IMF's key transparency standard is the Fiscal Transparency Code. It is an evolving standard, having been updated three times since its first publication in 1998 to accommodate new insights and learnings. In a [video](#) recorded in April 2021, key features of the latest version of the Code are explained, including its emphasis on fiscal risks, the importance of having a comprehensive public sector view of public finances, and of budget documents providing useful information, in an exhaustive, clear manner, that is accessible and understandable by all.

FTEs provide an opportunity for governments to thoroughly assess their fiscal transparency practices against the Code and prepare a well-sequenced reform strategy. More than 30 FTEs have been conducted, providing valuable insights, especially useful to governments with a strong commitment to enhancing fiscal transparency. For example, Brazil was an early trailblazer of fiscal transparency initiatives. The [FTE](#) in 2016 helped the Brazilian authorities take stock of their achievements and highlight priorities to take fiscal transparency to the next level. Recommendations such as the publication of an enhanced fiscal risk statement were implemented the following year. A 2018 [FTE in Senegal](#) assisted authorities in preparing and adopting a sequenced action plan that has been gradually implemented since, with the support of development partners.

Looking forward, fiscal transparency keeps on gaining importance and will remain a core fiscal management issue for years to come. The IMF collaborates with other development partners and civil society in advancing this agenda. In recent years, the IMF has also designed practical tools to produce and analyse public sector balance sheets, a framework to assess institutional vulnerabilities to corruption created by weak public financial management and limited transparency, and a suite of tools to analyse specific fiscal risks. The PIMA was developed to boost infrastructure governance. All of these tools act as essential complements to FTEs, assisting in advancing fiscal transparency for development.

PEFA **Measuring fiscal transparency: PEFA**

The Public Expenditure and Financial Accountability (PEFA) initiative was developed by nine development partners to support public financial management reforms globally. In a testimonial [video](#), the Head of the PEFA Secretariat explains how the PEFA framework is used to assess public



[Watch here](#)

financial management and consequently to support country level improvements.

The PEFA Secretariat also used PEFA data to compile the [2020 Global Report on Public Finance Management](#) highlighting key trends across the budget cycle, including that: countries on average perform better in preparing their budgets than executing them; internal audit, management of fiscal risks, external audit, and scrutiny by supreme audit institutions and the legislature remains the weakest areas of public financial management; the budget preparation process, predictability of in-year resource allocation, internal controls on non-salary expenditure, and debt management were the highest scoring areas; and that gender considerations in the design, implementation, and evaluation of budget policies are not yet mainstreamed in most countries, though some countries have made important advances in this area.

The PEFA Secretariat periodically releases new free products to support country development. This includes, firstly, guidance on how to use PEFA assessments to develop an actionable public financial management reform strategy involving stakeholder engagement and the appropriate sequencing of public financial management reforms towards improvements. Secondly, a [Supplementary Framework For Assessing Gender Responsive Public Financial Management](#) in support of a sharper focus on gender responsive public finances. Thirdly, the [Climate Responsive Public Financial Management Framework \(PEFA climate\)](#), a new supplementary tool to assess the climate responsiveness of public financial management systems, assisting in mainstreaming climate change responses into public finances. Fourthly, the [Guidance for Subnational PEFA Assessments](#) provides additional guidance on applying PEFA methodology at the sub national government level.

GIFT

GLOBAL INITIATIVE FOR
FISCAL TRANSPARENCY



MODULE 4:

INTERNAL SYSTEMS AND DIGITAL TOOLS
FOR BETTER IMPLEMENTATION

Module objectives

In previous modules the need for the publication of quality fiscal information was explained. In this module, the systems where this information is typically generated, stored, and published, are examined in more detail to see how they can facilitate and lead to improved fiscal transparency. Deficient systems typically hamper fiscal transparency.

The module begins by discussing financial management information systems, including how they are defined; typically developed; what their purpose is; their role in fiscal transparency; as well as some of the common challenges countries face in developing and implementing them, providing key insights. This is followed by a discussion of open data characteristics, principles, and policies; and the various tools that have been developed over the years to assist governments in opening their data. The concept of user-centered development for information disclosure and publication is put forward, where the needs of data users—inside and outside of government—are placed at the top of the agenda. The module concludes by scanning studies on digital tools for fiscal transparency as well as field experiences.

1

Information systems and digital tools for fiscal transparency

Data and information constitute the base to produce and publish the material required for fiscal transparency. Internal information systems and digitalization, as tools for gathering and structuring different reports, thus play an important role in facilitating and improving fiscal transparency.



Advances in information and communications technologies have revolutionized the role played by information systems and digital tools in fiscal policies. Fiscal information can be within everyone's reach, as close as a portable smart device, with the accompanying benefits. As stated by Gupta et al⁵⁴, “the digital revolution holds vast potential to improve fiscal policy. By transforming the way countries collect, process, and act on information, digital technology can reshape the way governments design and implement their tax, spending and macro-fiscal policies.” If technology is used in a purposeful and results oriented manner, fiscal policy can be more efficient, transparent, equitable, and impactful; potentially improving lives the world over. For instance, governments can get access

to better data for evidence based policy making; and the public can potentially access the same information public officials have, directly from the source. This can form a virtuous cycle, as the benefits of fiscal transparency are seen, the pressures to improve the quality of information and as such the underlying systems increase. Digitalization allows for greater storage and tracking of

⁵⁴ Gupta, S., Keen, M., Shah A., and Verdier, G. (2017). “[Digital Revolutions in Public Finance](#)”. In particular, see Chapter 12: Integration of Government Digitalization and Public Financial Management—Initial Evidence by Cangiano M., Gelb, A., and Goodwin-Groen, R. IMF.

information through electronic records, the linking of data registries between different parts of government, and enhanced capabilities to handle and analyze large data sets, in short periods of time. Many countries are already finding that with digitalization, it costs less to collect taxes, manage public finances, and deliver public services.

Information systems have been developed and implemented in different ways across countries by using off-the shelf solutions, ad-hoc in-house development, outsourced development or mixed solutions. There are also different levels of integration within the public financial management functions in these systems. It should also be noted, that traditionally these systems were not built to be open, or as potent as we now know they can be, but rather to comply with operational or legal mandates. There are, as such, efforts to modernize and standardize Financial Management Information Systems (FMISs) in governments around the world. This is important for fiscal transparency as, amongst others, these systems aim to digitize public financial management processes and information, with governments creating a centralized and digital repository of data across the fiscal policy cycle.

Based on the vast data made available by information systems, governments can use digital tools to disseminate more information, internally and externally, in different formats. Historically government institutions printed budget related documents. Interested members of the public would then have to request copies of these documents and/or visit a specific location to obtain them. Owing to this, the reach of these documents was significantly restricted. This then transcended to, in addition to physical copies of the documents being available, online versions of the budget documents also being posted on websites created and maintained by government institutions, typically in Portable Document Format (PDF). This expanded the reach of documents significantly. In many cases, online availability replaced physical distribution as the main way budget information was made available to the public. PDF versions, however make it difficult for the different stakeholders in the fiscal ecosystem to use the information contained in them to conduct analyses. They are also static, providing information at certain points in time, not providing the real-time information that is often required to keep the Executive and the public continually informed in order to enable the public to participate and support decision making, implementation and monitoring during the fiscal policy cycle. Additionally, they typically don't contain information at the granular level⁵⁵ often required to conduct detailed analyses.



For fiscal transparency, information technology innovations and digital tools have made it possible to collect, store, organize, share, and interpret/analyse data on a much greater scale, often allowing real-time open information, including granular information, to be made available in a timely and transparent manner to different stakeholders. This is always crucial, particularly important in times

⁵⁵ For further reading see De Renzio, P., and Mastruzzi, M. (2016). [“How Does Civil Society Use Budget Information? Mapping Fiscal Transparency Gaps and Needs in Developing Countries”](#). IBP/GIFT.

of responses to emergencies/unanticipated occurrences. Governments have as such increasingly been using the digital space, for example by using websites and dedicated portals to disseminate fiscal information. At times, this has been in response to calls for modernization from key stakeholders in the fiscal ecosystem, including in fiscal transparency norms and standards, and from seeing the results derived from the implementation of such tools, including fiscal transparency enhancements and the accompanying benefits. These portals typically provide comprehensive and up-to-date data in a variety of formats, allowing anybody to search and download regularly updated budget information. As such they have the potential to not only dramatically increase the public's access to fiscal information, but also to significantly improve its usability and relevance to the various stakeholders. Publishing data online is made significantly easier if it is already compiled, standardized, and digitized. The global Open Data movement has assisted in this regard by developing standards and principles for online data and information disclosure.



The next section builds on this introduction by examining financial management information systems more deeply, including their definition; how they are typically developed; their purpose, including their role in fiscal transparency; and common challenges faced in developing and implementing them. This is followed by a section dedicated to open data, discussing its definition, characteristics, principles, policies, as well as the tools available to assist governments in opening up their data. The importance of user-centered development for information publication is then examined, showing the importance of putting the needs of data users -inside and outside of government- at the top of the agenda. The module concludes by looking at further studies on digital tools for fiscal transparency as well as field examples.

2

Financial management information systems (FMISs)



2.1 Defining FMISs

A financial management information system (FMIS) is a computerized financial management system that has components that support the executive's public financial management functions throughout the fiscal policy cycle. At their core, these systems provide a complete record of a government's financial events and transactions.

As defined by Dener, Watkins, and Dorotinsky (2011), it is a set of automation solutions that enable governments to plan, execute and monitor the budget, by assisting in the prioritization, execution and reporting of expenditures, as well as the custodianship and reporting of revenues. Accordingly, FMIS solutions can contribute to the efficiency and equity of government operations.



Whenever FMIS and other public financial management information systems (for example, payroll) share the same central database to record and report all daily financial transactions, offering reliable consolidated results for decision support, performance monitoring and web publishing, they can be referred to as an 'integrated' FMIS⁵⁶ (or IFMIS).



2.2 Development of FMISs

There are different ways of developing a FMIS. It is essential that the advantages and disadvantages of each method are carefully analysed, together with risk and cost-benefit analyses, to ensure the cost effectiveness and political viability of the product developed over the long term. Four different methods are briefly discussed below:

1

In-house development: Government uses its own staff or permanently hires experts in various specializations, such as project managers, systems analysts, graphic and user experience designers, developers, as well as software, hardware and data architects to develop the system. This team is responsible for, among others: determination of the project budget; the design, alongside information experts from the different areas of the ministry of finance, of the project scope, priority level, and objectives; evaluation of information infrastructure and security needs; the provision of a timeline and the methodology for delivery, testing, bug-fixing and final approval; determination of the maintenance scheme; the quality control aspects of software and hardware development; the operational and performance testing of the software; and systems maintenance during production.

The disadvantage of this approach is that the government assumes the full costs of development, as well as the potential development risks. The advantage is that the public sector can retain ownership of the source codes, thus reducing the need for external maintenance services and the costs thereof. As the system remains within the expertise of in-house developers, they should also be able to respond quickly to any changes required. However, in practice, this approach has tended to take very long with costs frequently exceeding budgets. This is partly due to it being difficult to break up or redeploy a project team that has been set up by the ministry of finance once the project has reached completion. In addition, innovations may be limited to the expertise within the team, that is naturally smaller than that typically found in outside institutions whose sole focus is on technological advancements.

⁵⁶ For further reading and examples see Pimenta, C., and Pessoa, M. (2015). "[Public Financial Management in Latin America: The Key to Efficiency and Transparency](#)", particularly from page 288. Inter-American Development Bank.

2

Development through consulting firms: Government hires one or more firms to make available the experts required, based on needs set by the ministry of finance. While the ministry of finance usually maintains control of systems development, it can leave the contracting of groups of individual specialists to one or more consulting firms, usually at a monthly rate. The advantage of this approach is that public sector ownership of the source codes is retained, while the cost of capacity building and forward looking or innovation specific recruiting is transferred. The main risk is that, as with any external contractor, dependence on a specific firm for operational or core matters can lead to divergent results and large initial learning curves.

3

Outsourced development: Development is outsourced to a software factory developer. An advantage of this is that the outputs of the system can be precisely defined and the developer is contractually mandated to work within an agreed budget. However, for this to be effective, it does require relevant public officials to have sufficiently strong institutional capacities to be able to elaborate the detailed specifications of the system.

4

Commercial off-the-shelf systems: Use of products that are available on the market. The advantage of this is that the development of the system should take less time, as the system itself does not need to be developed, but only customized as required to meet specific needs. Off-the-shelf systems are also likely easier to maintain. The disadvantage is that they will only meet the general needs they were created for, and not a country's very specific circumstances; and in addition, source codes will also not be owned by the government.



2.3 Purpose of FMIS

The FMIS is a key fiscal management tool. It can generate quality data and reports that support financial decision making and improvements in fiscal discipline, expenditure control and fiscal transparency. A FMIS provides a set of tools to assist government managers to perform financial management functions throughout the fiscal policy cycle, including in budget preparation, execution, accounting and reporting. It can record and track commitments, and maintain the accounts for government revenues and expenditures, providing for the automatic enforcement of various controls, that previously had to be done manually. This includes that the system can record the budget approved by the legislature as spending limits to individual spending units and capture any revisions undertaken during the fiscal year, for example through virements. This data can be used to inform decisions on fiscal policies and programs, and to publish reliable information on budget performance.

More specifically, FMISs vary in terms of the functionalities they perform: systems are typically customized to individual country circumstances and thus perform different functions. As seen in the diagram below, however as a minimum they typically provide core functions including treasury and cash management; accounting and financial reporting; and budget execution functions, as such providing for:



the storing of budget information, that is classifying and recording all financial transactions;



reporting tools to produce in-year, year-end financial and management reports for individual institutions as well as consolidated reports;



cash control, through automated algorithms, including the generation of payment instructions; controls that don't allow actual spending to exceed budgets and controls that validate suppliers and employees to ensure that payments are made to the right parties; and

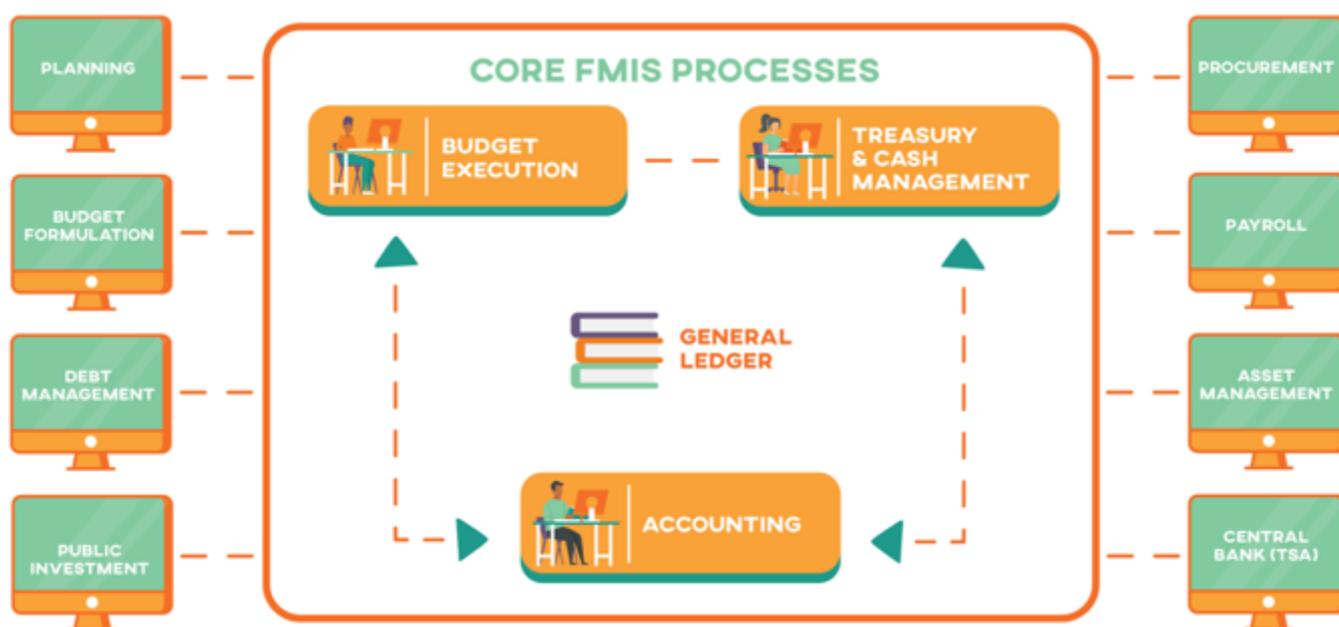


maintenance of accounts allowing for the tracking of budget implementation.

More advanced systems can provide other functions too including budget planning, cash management, procurement, debt management, asset management, human resource (payroll) et cetera. It is also possible for some of these individual functions to continue to be performed in separate systems with an interface to the FMIS.

In practice, the architecture of FMISs has undergone a transformation since these systems were first developed in the 1980s. At the beginning systems tried to cover most or all of the PFM functions, while now many FMISs focus on a few core functions⁵⁷.

Figure 4.1. FMIS



2.4 FMIS and fiscal transparency: Standards and function



The role of a FMIS in fiscal transparency depends on among others its structure; functionalities; and effectiveness.

Experience shows that a well-functioning FMIS can be a significant enabler of fiscal transparency. It can help the executive to collect, store, produce and publish quality fiscal information, including in terms of its timeliness, comprehensiveness, consistency and accuracy, at all stages of the fiscal policy cycle. It can provide quality real-time information that can automatically be made public. To facilitate meaningful fiscal transparency, the financial structure in the FMIS should be consistent with that used for budget classifications and in the

⁵⁷ For further reading see Uña, G., Allen, R., and Botton, N. (2019). "How to Design a Financial Management Information System: A Modular Approach". IMF.

chart of accounts. These classifications should also be aligned to international classification standards. Consistent classifications and structures allow a FMIS to produce comparable, useful fiscal information. Consistent classifications, coupled with priority tagging, also allow for budgeting and reporting as well as the analyses that can follow from this, on identified cross-cutting fiscal policy priorities, such as on gender equity and climate change.

A chart of accounts is a tool to classify, record, and report on government transactions in a systematic, consistent, and chronological way. It classifies transactions and events according to their economic, legal, or accounting nature. A country's budget classification should be fully integrated into the chart of accounts, such that the budgeting and the accounting classifications use the same economic classifications, allowing comparisons to be made between budgets and financial outputs. If expenditures are booked under codes in the chart of accounts that are different from those in the budget classification system, the reports produced from the FMIS will consequently not provide expenditure incurred by budget appropriation line items. If, on the other hand, the codes are the same for the accounting and the budgetary systems, then an integrated system will allow the FMIS to reflect the actual expenditure. For



example, France has developed a common budget and accounting code— *nomenclature budgétaire-comptable*—which is used for both budgetary accounting and financial accounting/reporting⁵⁸. It should however be noted that a chart of accounts should not be overly complex, enabling the allocation of every transaction to the lowest transaction level possible should be balanced by the benefits of doing so. Cumbersome requirements may lead to allocation errors. Therefore, a balance needs to be struck between the level of detail required on the transaction and the quality of the data entry that is possible in given circumstances. The system should also allow for some flexibility in very rare and specific, but potentially crucial times, such as in times of emergency. It is also important that there is transparency about the chart of accounts itself, for example guidance should be provided on the classifications used and how they can be used for analysis. The lack of transparency in this regard can make it difficult to locate information and consequently to understand the flow of resources to different items at a more disaggregated level.

Turning to the functionalities within a FMIS, the automation of processes, significantly enables the production and publication of comprehensive and timely fiscal information. Information on budget execution is made quickly available to governments, thereby providing them with information for different government units, at a detailed, aggregated and consolidated level at all stages of the fiscal policy cycle. Functionalities allow transactions to be tracked at all times, even where these transactions are fully administered in a decentralized manner by line agencies. The executive can use this information to see if budget execution is proceeding according to plan and if not, to put measures in place to rectify this. This also enables them to reduce delays in the



⁵⁸ For a manual on the Chart of Accounts see Cooper, J., and Pattanayak, S. (2011). "[Chart of Accounts: A Critical Element of the Public Financial Management Framework](#)". IMF. "Box 3. Budgetary Accounting vs. General Financial Accounting – Case of France" on page 8 contains information on the French model used.

production and publication of budgets and budget execution reports. Governments are able to publish information at the same time that it is produced. The interoperability of systems, means that information can also be made available on many different detailed facets of budget execution, for instance information can be made available from goods and services procurement, the actual undertaking of those services by service providers, to the payment for those goods and services.

The information produced by a FMIS, should allow the following questions, among others, to be answered:



How is the budget appropriated to different institutions at a detailed level?



How are institutions spending their budgets during the course of the fiscal year; are budgets being implemented according to plan?



Are observed failures in non-financial goals associated with failures to spend financial resources, that is with underspending?



Are governments shifting funds around during implementation, and if so, from where, to where?



Was the budget for the full fiscal year spent according to plan?



If the budget wasn't spent according to plan, where are the major deviations?

The executive and the public require answers to these questions to ensure that budget implementation at individual executive budgetary/spending unit level as well as at the aggregate level, is proceeding according to plan at the different stages of the fiscal policy cycle.

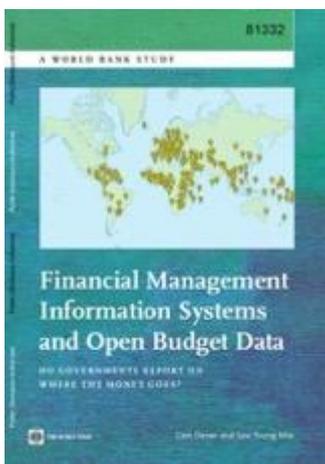
As such, a well-functioning FMIS can be a significant enabler of fiscal transparency; while an increased demand for fiscal transparency will also add pressures to improve the efficiency of such systems. A FMIS is, however, not the only or perfect solution.



2.5 FMIS and fiscal transparency: Limitations and good practices



FMIS, even well-functioning ones, do however have certain limitations for fiscal transparency. For instance, the information stored in them does not normally automatically provide narrative reasons/justifications for the movement of funds by governments and/or for deviations of plans from budgets. The executive would thus need to complement the information produced by them in order for them to provide sufficient information for fiscal transparency, for example by providing narrative explanations with the data in budget related documents. FMISs can also form the basis for other digital fiscal transparency tools, including that a FMIS database may underlie a fiscal transparency portal.



To explore the actual effects of FMIS on publishing reliable open budget data, and to identify potential improvements in budget transparency, the World Bank initiated a study in 2012, titled [Financial Management Information Systems and Open Budget Data: Do Governments Report on Where the Money Goes?](#)⁵⁹. The study created a data set by visiting the government public finance websites in 198 economies, and collecting evidence on the use of 176 FMIS platforms in publishing open budget data. The [FMIS World Map](#) is an output of the study that is periodically updated, it presents basic information about FMIS solutions in economies worldwide using Google Maps⁶⁰.

The study reported on the availability, source, reliability, and integrity of the budget data published from FMIS, identified good practices, and provided guidelines on publishing reliable budget data to assist in exploring the effects of FMIS on budget transparency. It found that the reliability and accuracy of government budget data depends on the capabilities and integrity of underlying FMIS platforms. The researchers identified 100 cases from various

⁵⁹ Dener, C., and Min, S.Y. (2013). "[Financial Management Information Systems and Open Budget Data: Do Governments Report on Where the Money Goes?](#)" World Bank. For challenges of FMIS see also Uña, G., Allen R., and Botton, N. (2019). "[How to Design a Financial Management Information System: A Modular Approach](#)". IMF.

⁶⁰ For more information and tools visit the World Bank's [FMIS webpage](#).

government websites in 53 countries, from all regions and income levels, to highlight some of the good practices in different areas of publishing open budget data from FMIS. From this study, it is clear that the publication of data incentivises improvements in systems and reinforces their robustness. Among others, it allows the different actors in the fiscal ecosystem to engage and use the same information, testing its accuracy and usefulness from different perspectives, revealing gaps and as such providing opportunities for improvements. Highlighted good practices include that:



There should be dedicated government websites that provide timely, comprehensive and regular information on budget plans and execution results. The completeness of the published fiscal information (including off-budget fiscal and quasi-fiscal operations, as well as assets and contingent liabilities), and the presentation of budget execution performance through time-series data, are very important. Missing or incomplete data hampers its use and consequently the benefits that can be derived therefrom.



Government websites should present the key features of the underlying information systems. This forces the previous systematization of the publication, which has a positive impact on the integrity of the system. Ideal features include the use of interoperability standards and digital signatures, and disclosing data protection and information security policies to build confidence in underlying information systems and relevant ICT practices.



Government websites should have capabilities for interactive, multidimensional data analysis with flexible and user-friendly dynamic query and reporting options. In addition, the consistency of historical data should be ensured. This dialogue between users and information providers allows a constant improvement of the information published and therefore of the systems that supply it.



Publishing open budget data from FMIS or data warehouse solutions often requires a change in the culture of organizations. Governments can benefit from the various guidelines on publishing “linked open data” to maximize the benefits. The use of open budget data also creates opportunities to add value to public information.



Appropriate safeguards should be implemented to protect data from unauthorized modification and access, and oversight mechanisms should be in place to ensure the reliability and integrity of systems, the security of operations, and the effectiveness of IT governance and oversight functions.



To substantially improve the quality of presentation in websites, some technical solutions are effective. These include interactive data visualization options, graphical user interfaces, feedback mechanisms, advanced search/reporting options, innovative tools (searchable interactive maps), broadened access to data through mobile applications, and the provision of daily updates on key performance indicators.



Publishing meaningful open data on budget revenues, spending, and other financial activities is crucial for any government to explain how public money has been spent. Simultaneously, the effort and rigor to publish reliable information, generates positive effects on the FMIS.

Importantly, the researchers sought to draw government's attention to possible improvements in the accuracy, timeliness, and reliability of budget reporting, simply by publishing on their websites budget data that are drawn from underlying FMIS platforms. They also found that, even in difficult settings, innovative solutions to publish budget data and improve budget transparency can be developed rapidly, with a modest investment, if there is commitment from the government and strong interest from the public.

All of these conclusions are still relevant, having been taken into consideration by several countries when developing systems. In addition, since the publication of this study, numerous standards, manuals and guidelines have been published making the adoption of these considerations more accessible. In recent practice, it has also been observed that the demand for open data and transparency from non-governmental sectors, as well as the government's need for information to take evidence-based decisions, including that based on more accurate forecasts, has had a profound impact in the push for improved, more flexible and interoperable FMISs.



2.6 Challenges and lessons from implementation



The FMIS can be a powerful tool for public financial management, including for fiscal transparency. Its implementation is however not a simple task, entailing the allocation of significant resources. In practice, while some countries have successfully implemented a FMIS, others have implemented systems that haven't met expectations at significant costs, while others are still in the process of implementing systems. Several studies suggest that the performance of FMIS has been mixed, especially in developing countries and in some emerging markets⁶¹. Below a few common challenges faced by countries are discussed, followed by preconditions for the successful implementation of a FMIS.



Challenges faced by countries when they develop and implement a FMIS typically relate to:

- the system's core functions that may be inadequate;
- weaknesses in the country's underlying public financial management systems, for instance there may be off-budget activity, or inadequate institutional coverage such as a lack of data on some elements of the public sector, including that pertaining to public corporations and extra-budgetary funds;
- information technology platforms used that may be based on antiquated technology; and
- the ease of sharing data or its interoperability with other IT systems, for instance data may be located on multiple incompatible systems.

Basically, the information produced by a system is only as good as the information going into it. Indeed, garbage information put into systems normally equates to garbage information being extracted from those systems! Also, technical limitations, such as not being able to afford the best technology or experts, or current systems being dispersed and incompatible, or raw data simply not being readily available, means that a system may not be as powerful as it could be. For fiscal transparency, information systems should comprehensively cover the public sector and enable the publication of open data. Often information systems however only cover a portion of the public sector, even when they appear to cover a large portion of the public sector. For example, it may be that many transactions are carried out outside of systems and keyed in afterwards⁶². Most government data systems were also historically not designed to produce data in open formats, with governments then struggling to transform huge volumes of government data into open data using manual methods. Data published from these systems may then be of inferior quality, entailing significant time and human resource investment to get it up to standard. For example, it may be

⁶¹ For further reading, examples and case studies see:

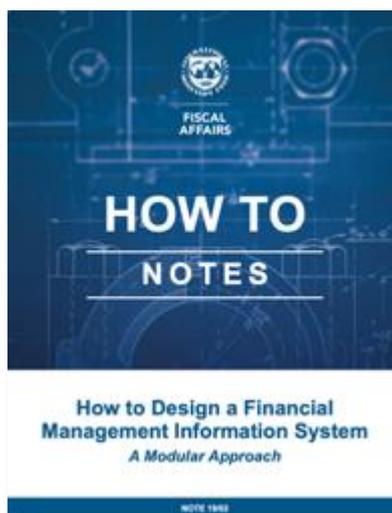
Dener, C., Watkins, J.A., and Dorotinsky, W.L. (2011). "[Financial Management Information Systems: 25 Years of World Bank Experience of What Works and What Doesn't](#)." World Bank.

⁶² For further reading see:

Hashim, A. and Piatti, M. (2016). "[A Diagnostic Framework to Assess the Capacity of a Government's Financial Management Information System as a Budget Management Tool](#)". World Bank.

Piatti, M., Hashim, A., and Wescott, C.G. (2017). "[Using Financial Management Information Systems \(FMIS\) for Fiscal Control: Applying a Risk-Based Approach for Early Results in the Reform Process](#)". SSRN.

incomplete and/or out of date, and completely subject to human error. This undermines the value and transparency of the FMIS.



The IMF's [How to Design a Financial Management Information System: A Modular Approach](#) (2019)⁶³ builds on studies to address these challenges. It concludes that it may be more useful and cost effective to try to update/replace functionalities using a modular approach, rather than to implement a whole new FMIS. Switching off a FMIS might mean the temporary shutdown of the financial operations of a government, requiring transitional plans and resources. In a modular approach, new modules can be connected to existing modules, in a manner that can produce reliable and timely information related to the financial management processes they support. Different modules are connected by the same information structure as well as pivot fields linking one data structure to the next, thereby providing solutions and the associated results within a short

period of time. The authors state that the implementation of an effective FMIS, however, depends on two critical preconditions: strong political motivation and commitment, and the system's ability to meet ongoing and anticipated public financial management needs⁶⁴. Governments should transform their technical infrastructure to allow them to publish open data efficiently. Key concepts in this regard, include governments building information systems that are open by default and open by design, concepts described in the section below.

3

Open data movements and tools

Open Data

3.1 Defining open data

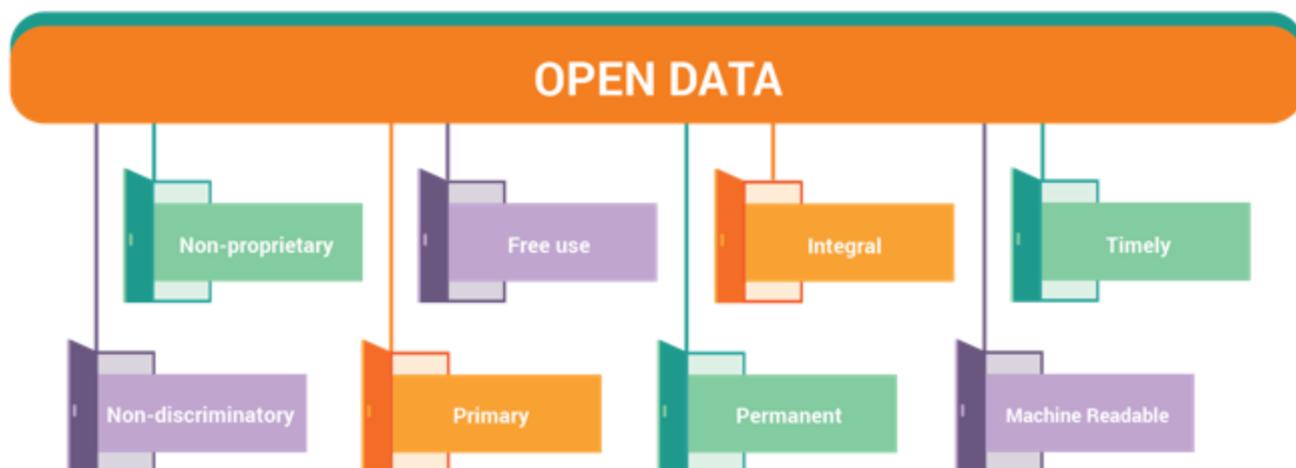
Open data is digital data that is made available with the technical and legal characteristics necessary for it to be freely used, reused, and redistributed by anyone, anytime, anywhere. Open data can be published either or both by private and public organizations. Public data is not necessarily open data; while open data is always public data. This is because, while a large amount of data is currently published on government websites, the majority of published data is intended only to be read as stand-alone documents, not re-used for other purposes. To be considered “open,” the data must be

⁶³ See also GIFT's Webinar titled "[Good internal systems for good fiscal transparency](#)." (2019).

⁶⁴ For further reading see: Financial Management Information Systems Community of Practice (2015). "[Managing Change in PFM System Reforms: A Guide for Practitioners](#)." World Bank.
Hashim, A., and Piatti-Fünfkirchen, M. (2018). "[Lessons from Reforming Financial Management Information Systems: A Review of the Evidence](#)." World Bank Policy Research Working Paper 8312, World Bank.

re-usable, meaning they can be downloaded in open formats and read by software; and users have a legal right to re-use it.

Figure 4.2. Open data



As shown in the figure above, the key characteristics of open data include that it is:



1. No acquisition costs, available in a format over which no entity has exclusive control.



2. The only requirement to use it is to quote the source.



3. It must present information that explains what the data refers to and include metadata allowing it to be interpreted. Metadata is essentially data about data, that is the information required to be able to use a particular source of data effectively, including information about its source, structure, underlying methodology, topical, geographic and/or temporal coverage, license, when it was last updated and how it is maintained. Specific types of data often include additional metadata as appropriate; for instance, digital photographs may include a time stamp, information about the equipment used, and possibly the GPS location.



4. Published and updated as it is generated.



5. Accessible without restrictions.



6. Arises from the original source, with the highest level of disaggregation.



7. Historical versions are preserved.



8. Structured to allow automated processing.



3.2 Open data principles

The concept of open data is still fairly new. In the late 2000s governments began to allow a greater number of users to access open data, with some developing open data policies. In 2014, the G20's Anti-corruption Working Group identified open data as being a key issue for the promotion of public sector transparency and integrity, and developed the [G20 Open Data Principles](#) (2015) for the provision of government data. These principles then formed the core of the [Open Data Charter](#) (2015) representing a globally-agreed set of aspirational norms for how to publish data. The 6 principles adopted are:



Open by default

Data related to government programs and services should be open by default for use and re-use. This means that it should be accessible without the need for requests to be made for it. Clear justifications should be provided when data cannot be released for a legitimate reason, such as privacy considerations. To overcome these considerations, data should be anonymized as and when required, ensuring that confidential, sensitive, personally-identifiable data is removed prior to publication.



Principle 2

Accessible and usable

Released data should be easily discoverable and accessible, and made available without bureaucratic or administrative barriers. Data should be published on a single-window solution, such as central open data portals, so that it is easily discoverable and accessible in one single place. Data should be released in open formats to ensure that it is freely available to the widest range of users to find, access, understand, and use. In many cases, this will include providing data in multiple, standardized formats, so that it can be processed by computers as well as used by people. Data should be released free of charge, under an open and unrestricted license; without mandatory registration. This means that users should be able to download data without being required to identify themselves. Also, it should be ensured that data can be accessed and used by a wide range of users. Initiatives that can assist in this regard include those that raise awareness of open data, promote data literacy, build capacity, and ensure that stakeholders have the tools and resources they need to effectively understand how public resources are used.



Principle 3

Timely and comprehensive

Data should be published as close to real-time as possible. Data users should be consulted to identify which data to prioritize for release and/or improvement. To the extent possible, data should be released in its original, unmodified form, and be linked to any relevant guidance, documentation, visualizations, or analyses that assist in its interpretation. Data released should also be disaggregated to the lowest levels of administration, including by gender, age, income, and other categories. Consistent information life cycle management practices should be applied as well, ensuring that historical copies of data sets are preserved, archived, and kept accessible as long as they retain value. Importantly, data users should be allowed to provide feedback, and revisions should be made to ensure that data quality is continually improved. They should also be consulted on any proposed significant changes to the structure or supply of data in order to minimize the impact on the tools they may have created based on the data. It is also key that there is transparency regarding data collection, standards, and publishing processes.



Principle 4

Comparable and interoperable

Data should be easy to compare within and between sectors, across geographic locations, and over time. Data should be presented in structured and standardized formats to support interoperability, traceability, and effective reuse. Consistent open data standards should also be applied. Open data sets should include consistent core metadata, and be made available in human- and machine-readable formats. Data should be fully described, with accompanying documentation written in clear, plain language, with data users having sufficient information to understand the source, strengths, weaknesses, and analytical limitations of the data.



For improved governance and citizen engagement

Information published as a result of transparency or anti-corruption laws should be released as open data. Training programs, tools, and guidelines should be designed to ensure government employees are capable of using open data effectively in policy development processes. There should also be consultations with users that determine what data they need to effectively hold governments accountable. The use of open data should be encouraged to develop innovative, evidence-based policy solutions that benefit all members of society, including marginalized communities.



For inclusive development and innovation

The more actors in the fiscal ecosystem that use open data, the greater the benefits that will likely be generated. Its use should thus be encouraged. Potential partnerships between governments and the other actors in the fiscal ecosystem should be explored and created to support the release of open data and maximize the impact of data through its effective use.



3.3 Levels of data openness

Tim Berners-Lee⁶⁵, the creator of the World Wide Web, has suggested a scale, ranging from 1 to 5 stars, to measure the level of data openness⁶⁶ as shown in the table below.

Table 4.1. Levels of data openness

	Data is on the web, however not in a format for agile consumption. Example: PDF format.
	Machine-readable data, information is captured in a tabular or data set structure and is available in formats that enable it to be processed. Proprietary software is required for analysis, for example Microsoft Excel or another commercial spreadsheet processor.
	Open source formats, data can be read by open source software. Examples: Data in CSV (Comma Separated Values), XML (Extensible Markup Language) or JSON (JavaScript Object Notation) formats.

⁶⁵ Tim Berners-Lee (S.F.) [Five-Star Linked Open Data](#).

⁶⁶ For practical examples on each level see GIFT's [Open Data Tutorial](#).



Data is published using open standards from the W3C (RDF and SPARQL), data publisher integrates the information to the web by placing it online through an Uniform Resource Identifier (URI)⁶⁷. A URI allows the data's permanent (you can mark it as a favorite), automated (without downloading it elsewhere) and fragmented (use directly from its location of origin without having to use/download the whole bulk of the information) consumption. Developers commonly use an Application Programming Interface– REST (API-REST), which allows queries to be run to a specific datum of the data set without requiring it to be downloaded.



Data already integrated to the web, from different sources of information or publishers, is linked providing context for it.



3.4 Benefits of open data

There are many benefits of open data, including that it provides for and facilitates fiscal transparency, making the information available that actors in the fiscal ecosystem require to fulfil their roles. In particular, it facilitates fiscal transparency by:

- Enabling the access, storage and analysis of information, directly from the use of software and computer applications, to data processing.
- Making it easier and less costly for government ministries to discover and access their own data or data from other ministries, which reduces acquisition costs, redundancy and overhead.
- Allowing actors in the fiscal ecosystem to re-use the data easily, potentially enabling them to innovate and contribute to fiscal transparency and decision making in new ways.

As seen throughout this Guide, the benefits of fiscal transparency are numerous. This section builds on this by briefly exploring two specific views on the benefits of open data, stemming from the European Commission and the World Wide Web Foundation.

The Europe Commission on its [European Data Portal](#)⁶⁸, provides a multifaceted view of the benefits of open data, stating that the benefits range from improved efficiency of public administrations, economic growth in the private sector to wider social welfare:

⁶⁷ This resource identifier has a standard format: `schema://machine/directory/ file#fragment`. The URI should not be confused with the URL, since the URIs identify and the URLs provide network locations. Since locations also serve to identify, it can be said that all the URLs are also URIs, while there are URIs that are not URLs.

⁶⁸ This [link](#) within the portal provides some studies of the impact of open data.

Figure 4.3. Benefits of Open data



- **Performance** can be enhanced by open data and contribute to improving the efficiency of public services. Greater efficiency in processes and delivery of public services can be achieved thanks to cross-sector sharing of data, which can for example provide an overview of unnecessary spending.
- **Social welfare** can be improved as society benefits from information that is more transparent and accessible. Open data enhances collaboration, participation and social innovation.
- The **economy** can benefit from an easier access to information and knowledge, in turn, contributing to the development of innovative services and the creation of new business models. Research commissioned by the Open Data Institute has shown that across all core public sector data assets, open data will provide 0.5 percent of GDP more economic value every year than data that users have to pay for⁶⁹.



The World Wide Web Foundation's [Open Data Barometer: Leaders Edition: From Promise to Progress](#) (2018) contains evidence of the open data impact on governments, citizens and the economy. Among others it measures public financial management transparency, focusing on accessibility,

such that, for example, if a data set is not easily found, it is considered unavailable. It includes examples of how open data is:

- Improving how government resources are used. For instance, in France, it has helped the government [better use energy resources in public buildings](#). In Australia, government departments have [improved collaboration](#) through a Multi-Agency Data Integration Project.

⁶⁹ For further reading see: ["Research: The economic value of open versus paid data"](#). Open Data Institute Blog (2016).

- Driving more transparency, accountability and participation. For instance, [citizen participatory budgeting](#) in South Korea has allowed the public to scrutinise government spending, and citizens in Japan are now able to monitor government IT investments. In Germany, people can [participate in public urban planning and decision making](#).
- Driving social impact by making the policy process more inclusive. New digital data tools have helped to [promote financial inclusion in Mexico's biggest social program](#) and are [helping communities in South Africa have a voice](#) in government. Open data is also being used to [tackle pollution](#) in China, address the [effects of climate change](#) in Canada, manage [natural disaster risks](#) and natural resource planning in the Philippines, and [improve the management of natural resources](#) in New Zealand.
- Leading to positive economic impacts. It is boosting [economic growth](#) in the USA, while in the UK it is [delivering business opportunities](#) and making [entire sectors more efficient](#). Hundreds of data-based companies have flourished in Australia, Canada, Italy, Mexico, South Korea, the USA, and across the world — creating new market opportunities and data business models.

As such these and other studies, provide numerous examples of the benefits of fiscal transparency and open data for development⁷⁰.



3.5 Open data policies

Open data policies provide guidance, instructions, requirements and tools for implementing open data. They provide insight into a government's internal procedures for managing the open data initiative, which helps users better understand the data ecosystem. Governance policies should clarify lines of authority within the government and ministries for managing data, describe the process and requirements for releasing or updating data, and provide a means for users to engage providers over any issues or requests that may arise. Organizations should also clearly articulate their privacy policies concerning data management. Since governments are often important consumers of their own data, open data policies can be helpful to them from the standpoint of both the consumer and producer.

A significant number of governments from developed and developing countries; and entities such as the World Bank and United Nations have as such launched open data policies and initiatives. Guidance on the development of these policies together with numerous examples can be found in

⁷⁰ For links to research on the benefits of open data and additional reading see the second section of the World Bank's Open Budget Data Toolkit on this [link](#).

the World Bank's [Open Government Data Toolkit](#)⁷¹. This Toolkit is further discussed in the section below.



3.6 Open data tools



There are tools that have been developed over the years to assist governments in opening their data. Some of these tools are described in this section. It is important to note that these tools may themselves point to and contain links to several other tools that can be of assistance to governments. Given that these tools seek similar objectives, the information contained in them also tends to overlap somewhat.

3.6.1 Open data standards

An open data standard provides for the homologation of the information in a structured, standardized format using unique templates. Standardized data, has advantages, including that:



there is a higher probability that such data will be readable by machines;



it provides for a uniform source of information, making it easier for users to understand and to properly use it; and



it allows for data visualizations using standard applications.

Data standards provide guidance for those still in the process of publishing information and allows data sets produced by different institutions to be easily linked, once published.

International standards for the homologation of data include:



General data quality norms that should be adopted, including those published by the [International Organization for Standardization](#) (ISO), that provides for all sources of information to use the same format for dates, currencies, languages, and update periods, et cetera.



EuroStat's definition of [quality in statistics](#) provides a set of quality dimensions for all data types:

⁷¹ See also OECD Recommendation on Digital Government Strategies on this [link](#).

- **Relevance:**
Statistics should meet current and potential users' needs.
- **Accuracy and reliability:**
Data should be free of errors and reliably portray reality.
- **Timeliness and punctuality:**
Data should be published in a timely and punctual manner.
- **Coherence and comparability:**
The degree to which data comport to recognized definitions and methodologies. Data should be comparable across time, internally, across regions and countries. It should be possible to combine and make joint use of related data from different sources.
- **Accessibility and clarity:**
The ease with which users can access the data and the degree to which they are explained through metadata and other data governance policies/guidance documentation.

Box 4.1. Open data standards



There are international standards specifically related to fiscal policy data and those that pertain to a particular sector or industry, some (non-structured standards) homologate the way the information should be published and how it should be conceptualized (what type of information a publication must contain), while others use a data structure (of rows, columns, tree, et cetera.) and specific definition and metadata per type of data entry, providing for a deeper standardization. Standards pertain to national accounts data, budgets data (Open Fiscal Data Schema); contracts data (Open Contracting Data Standard); aid data (International Aid Transparency Initiative); extractives data (Extractive Industries Transparency Initiative); construction data (Construction Sector Transparency initiative); transport data; geospatial data; microdata et cetera. Some of these standards are described in more detail below.



Standard 1: Open Fiscal Data Schema

- The Schema is a simple, free, open, technical specification for publishing government budget and spending data. It seeks to reduce the barriers to accessing and interpreting fiscal open data. The Schema includes fiscal data mapped onto either standardized or bespoke functional, economic and administrative classifications. Additionally, the different stages of the budget can be mapped, together with other fields that are relevant to the publisher.
- It aims to make it easy for those publishing data as well as for those using the data. Data publishers can adopt it no matter how they generate their databases. The flexibility of this specification also allows publishers to improve the quality incrementally. Having this structured data allows tools and services independently developed by governments or civil society organizations to cater to their specific needs, to be built using it to allow for visualization, analysis or comparison.
- The GIFT Coordination Team can be contacted on info@fiscaltransparency.net for assistance in using the Schema.



Standard 2: [Open Contracting Data Standard \(OCDS\)](#)

- Contracts data, that is data related to the procurement of goods and services, includes data on issued tenders or requests for proposals, contracts awarded, the performance of contracts and contract completion.
- To encourage best practices in data disclosure in the public contracting sector, the [Open Contracting Partnership \(OCP\)](#) developed a [set of principles](#). These principles were designed to make contracting more competitive and fair, support global transparency and open government movements, and guide governments and stakeholders in data disclosure to enable understanding, effective monitoring, efficient performance and accountability for outcomes.
- The [Open Contracting Data Standard \(OCDS\)](#) was created to enable governments to publish details on all stages of the contracting process, including planning, tender, award, contract and implementation through a common data model. This standard provides detailed schema for representing contracting data in a range of formats, as well as guidance on implementation options.
- The OCDS requires specific fields for each stage of the contracting process. First, a mapping of the existing information is required and then the information is modelled in compliance with the standard requirements. The data is reported in a nested or tree-like structure. The data mapping is done through a template in .xlsx format provided by OCP; once the data has been identified, a model of the information is created in a standardized format for its direct validation by OCDS through an exclusive platform. For that purpose, a file with the data structure must be loaded (in CSV or JSON format) and it must also contain real data related to all the variables requested by the OCDS.
- There is also an [OCDS Help Desk](#) that can be contacted for assistance.



Standard 3: [International Aid Transparency Initiative \(IATI\)](#)

- The [IATI](#) is an initiative promoted by the United Nations Development Programme seeking to improve international aid transparency.
- The IATI requires the publication of data in two specific schemes: organizations and cooperation activities for development. The organizations scheme is used to describe organizations involved in any development cooperation stage (financing, implementation, et cetera). The activities scheme is used to describe the details of the cooperation activities/projects for individual development. Each scheme requires precise elements (variables) expressed in Extensible Markup Language (XML) format.



Standard 4: [Extractive Industries Transparency Initiative \(EITI\)](#)

- It is an initiative led by the International Secretariat of EITI and promoted by governments, private enterprises (Exxon Mobil, British Petroleum, and Pemex, among others), international organizations and organized civil society. It promotes openness and the responsible management of extractive industry resources including oil, gas and minerals.
- The goal is to guarantee the publication of information in order to promote improvement in the governance of extractive industries. To achieve this, EITI requires countries to report income derived from their extractive industries through a report with diverse variables in a specific format. Although it harmonizes published information and promotes best practices, it does not provide for a specific data structure.



Standard 5: [Construction Sector Transparency Initiative \(CoST\)](#)

- The [CoST](#) is an initiative promoted by national governments in Asia, Africa and Latin America and led by the World Bank. It seeks to improve value for money in public infrastructure investments by requiring transparency in the execution of construction projects.

- It requires the publication of key information, including on the purpose, scope, costs and execution of public construction projects, through the different stages of the project cycle from pre-contract to post-contract. It doesn't however provide homologated templates for the data.

3.6.2 Open Government Data Toolkit

The [Open Government Data Toolkit](#) was released by the World Bank to facilitate understanding of the basic precepts of open data and to plan and implement an open government data program, while avoiding common pitfalls.

Box 4.2. Open Government Data Toolkit

The Open Government Data toolkit is comprised of an introduction and seven sections:

1.

Open Data Essentials

Brief orientation, including what open data is and how it is used. It contains numerous examples of open data initiatives at different levels.²⁰³

Examples are available for:

- Governments at country and at city levels;
- By sector/topic including those related to budgeting and public finance such as OpenSpending, BOOST and Civic Commons - An information product that helps governments and institutions share knowledge, solutions and best practices to make better use of technology and advance open data and open government. It supports a community of civic technologists by sharing not only a repository of government and civic apps and information, but also its application code.

2.

Starting an Open Data Initiative

Provides some of the tools that governments need to take the first steps in an open data initiative, including links to open data learning resources, an example being the Open Knowledge Foundation's [Open Data Handbook](#), which presents the legal, social, and technical aspects of open data.

- The World Bank has developed a series of **e-learning courses** to provide knowledge and skills to practitioners and users of open data. Each course in the series is designed for a distinct user segment, and provides technical skills, extensive examples and case studies, with an emphasis on open data in developing countries.

Three courses are currently available online:

1. [Open data for data producers](#) provides a broad overview of open data principles and best practices from the standpoint of a data producer, and empowers data managers and technical staff with the background and skills to contribute to the open data community. This course is primarily intended for managers and technical staff involved in the production, management, and curation of data, particularly within government ministries. It assumes no prior knowledge of open data or specific technical skills.
2. [Open data for data users](#) provides a broad overview of open data from a user standpoint, and empowers anyone to take full advantage of open data. It is intended for anyone who wants to make better use of open data, including ordinary citizens, and assumes no prior knowledge of open data or technical skills.

3. [Open data for policymakers](#) provides a general overview of open data principles and best practices for public policymakers, with focus on the development and implementation of an open data program. It is primarily intended for public policymakers in governments that are considering the establishment or expansion of an open data program, and assumes no prior knowledge of open data or technical skills.

3. Technology Options

Summarizes key technical issues in open data catalogue development, with examples; especially helpful to IT specialists.

- Data catalog: List of datasets available in an open data initiative. Essential elements of a data catalog include searching, metadata, clear license information and access to the datasets themselves. Typically, a data catalog is the online centerpiece of an open data initiative.
- A platform provides an online “front door” for users to access all resources available under an open data initiative. A platform includes the data catalog along with other information and services that are part of the open data ecosystem. These typically include an online forum for questions, technical support and feedback; a knowledge base of background and training materials; and a blog for communications and outreach. The services within a platform are often implemented with a suite of technologies, not a single one.

4. Demand and Engagement

How to build communities of data users and promote open data literacy in local, national and regional stakeholders; how to advance open data concepts through partnerships, media and others; of particular interest to government agencies, civil society organizations, technologists and journalists.

As data are opened, capturing the attention and imagination of the full spectrum of data users and consumers remains a challenge. How do we engage the other side—the demand side—of the open data phenomenon? How can we grow communities of data users and encourage data “ownership” by the media, community groups, non-governmental organizations, labour unions, professional associations, universities and others?

The importance of a user centred approach to open data is discussed separately in this module.

5. Supply and Quality of Data

How to manage datasets, locate data and ensure data quality, timeliness and accuracy; especially helpful for data producers. Data standards are discussed in this section.

6. Readiness Assessment Tool

How to use the World Bank’s methodological tool to diagnose the actions that a government needs to take to launch an open data initiative; of particular interest to governments that are committed to open data but don’t know where to start. There is also a facility to request the World Bank to conduct a readiness assessment and to download the assessments conducted in numerous countries.

7.

Technical Assistance and Funding

A list of technical assistance and funding resources from the World Bank and other organizations; most relevant to governments in developing countries.

3.6.3 Open Data Tutorial

The [Open Data Tutorial](#) was released by GIFT to promote and assist in the opening up of budget data. It's comprised of an introduction and sections looking at different aspects, including leadership and capacity requirements. [Videos](#) explain the content in each stage of the Tutorial.

Box 4.3. Open Data Tutorial



The Open Data Tutorial produced by GIFT, includes the following information:

In identifying the internal capacity needed to build a budget transparency policy that incorporates open data, aiming to facilitate the public's access to data and to promote its use and reuse, it states that will, commitment and a multidisciplinary team is needed.

Note: The multidisciplinary team should be comprised of technical staff who are experts in the information to be published and in data analyses, experts in technology (including software developers, programmers and data scientists), as well as in the latest trends of data communication (to find what is the most efficient communication mechanism to use to deliver budget information) and data visualization tools (for instance maps, infographics, videos, search engines).

Section 1 and 2 describes what open data is and why it is important as discussed earlier in this module. Section 2 also presents several use cases for open budget data allowing the reader to practically see how different types of data can be used. Importantly it states that one of the best uses of open data in public administration, is the promotion of "Data-driven policy making" which uses structured governmental data, as a key input to solve complex problems such as poverty, climate change, migration, among others, based on publicly available information.

Section 3 takes readers through the data opening process. It states that since data publication depends on the characteristics of the information, the technical capacities available and the time frame for its execution, there is no single formula/process that can be prescribed; however, it points to a series of useful steps that should be considered, together with guidance, reference videos and documents.

There are 7 steps:



Data only has value to the extent it is used. It is thus vital that **data users are identified and their interests** are understood. A user centered approach will be discussed in more detail later in this module.



Once a decision to initiate a process of opening information has been made, it is vital to locate the **source and the format** in which the budget data can be found. The less structured the data is, the greater the work required to open it.



During the opening process it is important to review the quality of the information that will be published: not all data is ready to be published from the start, it may need to be **debugged and cleaned**.



The data to be published should be in accordance with **national and international norms and standards** as this will allow it to be comparable and compatible in multiple contexts.



Opening data implies a constant process dependent on the undertaking of different tasks and activities, involving among others, technological infrastructure, temporal and human costs. The **sustainability** of this should be considered.



Considerations related to **licenses** that consider users and protect them while using data, allowing both its commercial and non-commercial use and reuse without restrictions.



Considerations related to the spread and promotion of the use of open budget data. A **webinar** addresses how to guarantee effective access to open budget data, facilitating the interaction, linkage and civic participation.

3.6.4 Fiscal transparency portals

Governments are increasingly disseminating fiscal information through online disclosure tools, including websites, dedicated budget portals, and sets of related webpages that either host or link to fiscal information and datasets⁷².

There isn't a standard definition that distinguishes a portal from a website. Normally however, websites refer to platforms that are used by government to disclose information, without providing specific support to the users of information. A portal can be described as a type of website, designed taking user needs into account, with a single point of access to information, that users can use to link to a specific subset of webpages and related information.

Box 4.4. Fiscal transparency portals



Fiscal transparency portals have emerged in recent years as a digital solution to release information to the public in a proactive, simple and consolidated manner, in formats that allow for faster and easier analyses. Fiscal transparency portals can take on various forms based on a country's context and can contain different information. A fiscal transparency portal can, in turn, be composed of various platforms, each aimed at satisfying different objectives and audiences. For example, there may be a platform on budget and spending, another on public investment and another on public corporations. There may be more beyond this.

While a portal provides its content in an aggregated manner that seeks to invite exploration, the experience is delimited and predetermined by a set of decisions about what is necessary, relevant and useful, and then presented in a

⁷² For examples of the publication of data through websites see Dener, C., and Min, S.Y. (2013). "[Financial Management Information Systems and Open Budget Data: Do Governments Report on Where the Money Goes?](#)": Chapter 4 from page 63". World Bank.

consolidated way to all types of users. Platforms, by contrast, place these decisions back into the hands of users, creating innumerable ways of interacting with information and data, rather than just one way within a single interface.

Portals can be defined by 6 elements that constitute them:

1. Supply of information:

Concerns the information contained in a portal, including its platforms. Additionally, there are considerations regarding the completeness and granularity or disaggregation of the information presented. In order for a portal to be considered user-centered, the supply of information must be responsive to the demand for it.

2. Interaction with the demand:

Considering users' interests and needs has become increasingly important to publishing teams aiming to generate products that are useful and widely utilized by the audience to which they are addressed. Government's interaction with users (the demand), when it exists, can vary from being with selected groups related to fiscal issues, or being with potential users that are not specialists on the subject.

3. Publication formats:

The digitalization of fiscal transparency allows users to access and download files related to different phases of the budget cycle. These files, available online and/or in downloadable form, can vary in degree of openness from those being in non-structured and proprietary formats to those that have open and interoperable data. Additionally, having online publishing portals allows for the possibility of offering interactive visualizations that make interactions more dynamic and attractive for users.

4. Mechanisms and Update Frequency:

The possibility of creating a timely publication depends largely on the degree to which site updates, based on internally generated and stored data, are automated.

5. Design:

The visual development of the interface with which users interact, beyond aesthetic considerations, is key for achieving a positive experience between a portal and its users, taking into account their goals, capabilities and preferences.

6. Communication channels:

There are several possible channels for communication between the publishers of a fiscal transparency portal and its various audiences, and many different objectives for this communication, such as informing, consulting and engaging, among others. The user's role is determined through the selection of these different channels and objectives, resulting in either unidirectional communication channels or two-way interaction mechanisms.

As seen in the section above on the FMIS, the development of portals is strongly aligned with general technological developments, as well as country specific internal systems' progress. Currently, numerous government and civil society institutions worldwide are developing or planning to develop some form of fiscal transparency portal or launching new platforms for already existing ones. Alternatively, in many other institutions, the frequent analyses of results are leading to redesigns in the manner in which fiscal information is published.



The publishers of such portals however frequently face challenges with their configuration and implementation; and subsequently with their dissemination, acceptance and use by wide audiences. This often emanates from a mismatch of expectations from those that supply, and those that demand fiscal information. Digital projects within governments can be considered as being internal management, service delivery and/or public communication investments. Governments that are focused more on processes than results however tend to minimize the importance of considering what users want or need. This GIFT [blog post](#) presents the results of a survey undertaken in 2021 in Latin American countries on fiscal transparency portals, providing key lessons.

3.6.5 User-centered development

As can be seen throughout this module, it is vital that the needs of users are provided for, if fiscal transparency digital tools are to be effective.

Section 4 of the [Open Government Data Toolkit](#) on Demand and Engagement states that when assessing engagement strategies and activities, the level of readiness of an open data initiative and the data literacy of its users are primary factors to consider. It provides a strategy that can be followed to engage a variety of stakeholders as an open data program develops, both the readiness level and the initiative's audience, with the aim of inspiring and empowering citizens to use open data and maximize value to the public in practical ways. It is important to note that potential users of information may not have the resources to engage with digital tools. Tools designed should take this into account, such that they can be as inclusive as possible, not leaving groups of traditionally excluded users, behind. The strategy is comprised of four stages: Early Engagement, Capacity Development, Use and Re-use and Further Development, with tools provided to assist in each of these stages.

GIFT's [Tutorial on fiscal transparency portals: A user-centred development](#) aims to assist in bridging the gap between the supply and demand for fiscal information, by proposing an approach to publishing fiscal information that reflects user needs. The Tutorial stresses that as any digital tool intended for publication is made for the purpose of reaching users; it is vital to not only think about users, but to actively engage them in development through a user-centered process.

Box 4.5. User-centered development



The engagement of users throughout the development of portals and other digital tools not only facilitates an understanding of their needs and capabilities, but also serves as an early alert system for detecting possible positive and negative aspects that the development team may otherwise have overlooked in vital areas such as usability and accessibility. This is likely to lead to improvements in the quality of information published. Different problems that occur during and after the development or update of a publication, for example if requirements are not clear, and consequently the final

product does not have the expected specifications for the publication of content, can be addressed through the appropriate, step-by-step implementation of an iterative process with user engagement.

➤ User-centered design (UCD)

User-centered design (UCD): An iterative design method that focuses completely on addressing the needs of the final users of a product, pertaining to among others, editorial design, urban design, architectural design or web design. This is not the same as designing by “thinking about the user”, because it requires engaging the users that a product is being created for, during development. The goal of UCD is to achieve a positive product user experience allowing users to resolve their specific needs with a high degree of satisfaction, with minimal effort; and developers to evaluate and adjust the design until this result is achieved. **There are five levels of UCD, ranging from abstract to concrete levels:**

1 | Strategic level:

This is where the ‘what for’ and ‘with what’ questions steer the project being developed; in other words, this is where the general purpose of the portal or platform is defined, inclusive of its objectives and goals.

2 | Requirements level:

The digital tool’s scope and content requirements are defined, and its functional specifications are established. Some of the characteristics/requirements that are documented at this level, and that determine specific functionality, could include examples such as when a user interacts with a spending graphic by downloading the open data for a more detailed analysis, or when, as a user analyzes an investment project, they can choose to visualize it on a georeferenced map to get a clearer idea of the possible beneficiaries.

3 | Structure design level:

Focuses on the possible navigation paths available to users in order for them to move from one section of published information to another.

4 | Information design level:

Proportions and distribution plans for elements, including text blocks, buttons, menus, et cetera., are developed through the use of a visual hierarchy that helps users easily find what they are looking for.

5 | Visual Design level:

Decisions made concerning the fonts, colors, images and other elements with which users will interact.

As development progresses from one level to the next, the problems to be solved become more concrete and their level of abstraction diminishes; decisions, too, become more specific and detailed. As the UCD process requires small repetitive stages or iterations, to carry out this method and transit through the five levels, it is necessary to understand each step in order to implement it. These steps are planning, conceptualizing, creating, prototype testing and refining, launching, monitoring, and finally evaluating, which together form an iterative design. The tutorial explains these steps in detail, and explains that they form the axis for its additional modules focusing on:

Defining a **general purpose, objectives and indicators** for the development of a portal. Fiscal transparency can have different objectives and benefits; and as such, the objectives of fiscal transparency portals and platforms can vary according to a country’s context, priorities and public finance management capabilities. This module explains the importance of having a **clear purpose** prior to the development or the upgrade of a portal and provides tools to generate one. In addition, having objectives facilitates the prioritization of a critical route, providing for the establishment of indicators to measure progress and, further on, to evaluate results and inform subsequent iteration.

Identifying and segmenting the audience: This module provides tools and techniques to conduct research on, understand and engage the demand for certain outputs of portal development, with the purpose of identifying and segmenting different potential users (audiences) from within and outside government. The “personas and scenarios” technique is put forward as a method to segment different profiles. The benefits of applying a progressive disclosure of information based on the identification and segmentation performed are also explained.

Internal coordination for external publication:

- **Team coordination:** Before developing or upgrading a fiscal transparency portal or platform, an assessment should be undertaken of the current resource status, including in respect of the availability of tools, team capabilities, and other complementary resource availability. In this section, frequently asked questions within the GIFT network are used to explain the importance of coordination among the different areas that generate the data to be published, allowing for sustainable publication. This module also discusses existing internal organization options.
- **Systems and data connectivity:** To enable publication, it is necessary to map where the data requiring extraction is stored, as well as to note its structure and storage format. This information is required to design a publication that releases data that meets the main objectives, while considering its disaggregation, integrity and comprehensiveness.

Development of the portal or platform: Structure design, information design and visual design are the three architectural levels in a portal or platform. Aside from these three levels, this module addresses concepts like user interface (UI) and user experience (UX), and introduces tools which can be used during the prototype testing and refinement stage prior to the conclusion of programming, and which, in a cyclical manner, ensure a more user-centered development. Finally, this Module presents a developer’s toolkit containing tools, sources of inspiration, outputs, open code, trends, libraries, and other helpful resources.

Amplifying the audience: Fiscal information publishers, as well as development teams, constantly face a lack of engagement from users within fiscal transparency portals and platforms. To handle this issue, this module proposes, in four steps and as part of a comprehensive strategy in the development of a user-centered portal, strategies for communication and engagement, as well as tips and examples for implementation.

Monitoring and evaluation to improve: It is important to monitor both the initially proposed indicators and the functional/operational activity of the platform. Monitoring methods are explored here, including the use of Google Analytics as a tool to enable analyses of user behaviour. Subsequently, methodological options are introduced to allow for the evaluation of a publication’s processes, cost-benefit and impact, providing for the gathering of evidence to inform decision making on subsequent improvements.

Iteration to accomplish a living portal: A fiscal transparency portal developed or upgraded through user-centered processes becomes a living and reactive portal that adapts in an agile and constant way according to objectives and results over time. Living, reactive portals guard against the possibility of inconsistencies due to changing local context, international advances in related matters and technological evolution, among other factors.

3.6.6 GovTech



GovTech is a fairly new concept referring to efforts made to digitize public administrations through innovative technological solutions. The aim is to use the wide range of technologies available to governments to digitize their operations, thereby increasing the efficiency of their internal operations and reducing costs. In GovTech, the primary beneficiaries are governments. For example, tools developed by the private sector like artificial intelligence/machine learning can increase efficiency in government processes, thereby freeing up resources for investment in other areas. This is different from Civic Tech that focuses on the public; on informing, connecting members of the public, as well as getting the public to engage with their government in order to work together for the public good. The combination of both GovTech and Civic Tech will get the public more engaged, help government respond to issues raised by it and make better decisions, therefore strengthening processes overall. These are emerging areas that are likely to have significant impact going forward ⁷³.



3.7 Uses of open data

Governments and civil society can use open data as a basis to improve or propose fiscal policy improvements, including those related to the data itself. Examples of this, from the GIFT network, are briefly explored below.

The GIFT network promotes specific government-civil society partnership events, aimed at encouraging the use of data, as scalable participation initiatives that enable dialogue and collaboration in a semi-formal flexible. This is done towards the achievement of specific development objectives. Different models are used for this.



Firstly, there are events aimed at improving public investments management, where governments and civil society organizations openly participate in the Rally #DataOnTheStreets. People registered for the event go through the construction projects dataset and select the projects they would like to visit, comparing what they observe on the dataset, with what they see on in reality. Virtual versions of the event, #DataRallyFromHome, have also been held, due to the social confinement imposed as a result of COVID-19. Events of both kinds have been held in various GIFT member countries, including Chile, Colombia, Mexico, and the Philippines. These, and other activities, have shown that digital tools have provided good opportunities for the public to get involved in understanding how the budget is spent, essentially in following the money.

⁷³ For further reading see Van Ransbeeck, W. (2019). [“What’s the Difference Between “Civic Tech” and “GovTech?”](#) Citizenlab; and eID blog (2020): [“What is GovTech and why it is in the spotlight”](#).



Secondly, in 2019, the Better Budget Dataquest for Sustainable Development was introduced. These events encourage collaboration in evidence-based policy analysis for the improvement of public financial management, including towards the better allocation of public resources. The dataquest typically takes the form of a day event, where teams explore certain datasets to enable better understanding of a particular subject, and to provide an opportunity for data publishers to expand budget and data literacy, thereby increasing awareness and engagement. In 2021, aside from Sustainable Development Goals, participants were also encouraged to explore COVID-19 related datasets. Dataquests have been held in numerous countries including Argentina⁷⁴, Colombia, Costa Rica, Indonesia, Mexico, Philippines, South Africa, and Uruguay. Various examples of these models in practice are available on GIFT's [website](#). This includes an example from Argentina, showing how a civil society organization, Asociación Civil por la Igualdad de la Justicia (ACIJ), triggered a change in a policy, as a result of implementing the Better Budget Dataquest.

During the dataquest, the Ministry of Finance showed civil society organizations, journalists and other participants how to use newly published open data. Participant teams' analyses were specially oriented towards analysing budget allocations' performance information. One of the participant teams continued the research, later publishing an article containing an analysis of the delivery of fortified milk to children in poor communities, revealing policy inconsistencies. This led the government to take action to improve its program targets as well as the publication of performance indicators.

These events demonstrate the importance of having clear, disaggregated, and accessible information to monitor the performance of public policies aimed at guaranteeing rights, as well as how this puts pressure on, and assists, governments in justifying and explaining the reasons for budgetary deviations.



There are handbooks that can be consulted for guidance on how to create open knowledge events, including the Making Data Social guide in the Open Data Handbook, and the Open Data Hackathon: How to Guide⁷⁵.

⁷⁴ See also GIFT blog (2019). "[An investigation based on budgetary data evidences significant reductions in food policies for children in Argentina](#)". For further examples see ILDA: [Budget and Open Data](#) and [Centro de Investigación Económica y Presupuestaria's website](#).

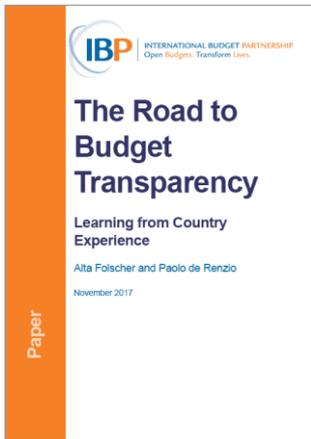
⁷⁵ McArthur, K., Lainchbury, H., and Horn, D. (2012). "[Open Data Hackathon: How to Guide](#)". Creative Commons Attribution 3.0 Unported License.

4

Further lessons learnt from studies on digital tools for fiscal transparency



There have been encouraging developments and successes owing to open data. There are however also challenges that need to be overcome if the public is to reap the full benefits of open data. The integrity of underlying systems leading to the reliability of data is very important for open data availability. The success of open government data projects also relies heavily on will (political commitment), capacity including skills development, technology platforms, and resources, and critically on how users are brought in at all of stages of development and implementation; thereby assisting in creating products that respond to user needs, increasing their usability and consequently the demand for information. There have been studies done that shed light and provide lessons on the use of financial systems, digital tools, and open data for fiscal transparency. Some of these are briefly examined below⁷⁶.



In [The Road to Budget Transparency: Learning from Country Experience](#)⁷⁷ (2017), the authors indicate that technical public financial management reforms, including FMIS systems and fiscal transparency portals, are important enablers and sometimes necessary preconditions for improved budget transparency. This is because they help build the systems, processes, and capacities within government to produce and publish budget information in routine, consistent, and accurate ways. These reforms normally enhance the comprehensiveness of existing documents. They can also enable governments to publish documents for the first time. While successfully implemented reforms usually enable transparency, to become effective in doing so, they often require a deliberate decision by

government to publish the new or better information that becomes available internally, a legal requirement, or the incorporation of transparency considerations in reform plans from the start. In case study countries, governments that emphasized the potential transparency gains of public financial management reforms or that implemented reforms that specifically targeted transparency improvements, such as setting up budget portals, were more successful in achieving sufficient levels of transparency. They found that in three countries that moved beyond an OBI score of 60 (Mexico, the Philippines, and Uganda), a significant reform since 2010 has been the introduction of open budget portals, that provide the public with online access to budget information, in more or less real time, and in open formats. While these portals depend on effective FMIS and consistent budget

⁷⁶ For further reading see: Craveiro, G., Tavares, M., and Porto, J. (2013). "[Assessing Open Government Budgetary Data in Brazil](#)". Seventh International Conference on Digital Society; and Davis, B., and Baxandall, P. (2014). "[Following the Money 2014: How the 50 States Rate in Providing Online Access to Government Spending Data](#)." U.S. PIRG Education Fund.

⁷⁷ Folscher, A., and De Renzio, P. (2017). "[The Road to Budget Transparency: Learning from Country Experience](#)". IBP.

classifications, they are important public financial management reforms in their own right and directly contribute to improved transparency.



In [Digital Budgets: How are Governments Disclosing Fiscal Information Online?⁷⁸](#) (2016), the authors reviewed the practices of 80 governments in disclosing fiscal information online. They developed a methodology based on four dimensions (scope, accessibility, reliability and feedback) to assess websites and portals through which governments publish budget-related information and data, and identified emerging good practices. The findings show that a diverse set of countries (including many middle-income countries) are increasingly employing innovative ways of disseminating budget information online. Many of the examples of good practice identified come from budget portals, which provide access to a broad range of fiscal data in user-friendly formats. While relatively new, portals have great potential to improve both the accessibility and the usability of budget data, with the findings clearly showing that countries that have invested in dedicated portals perform better across the four dimensions. For this reason, they encourage all countries to establish a dedicated portal for disseminating budget information. More specific recommendations depend on the existing online disclosure practices of each country, those that have:



high scores on scope of information, that already publish exhaustive and comprehensive information but have lower than average accountability and reliability scores, should focus on accessibility first, reliability later. This means creating and publishing better guidance documents to make sense of the information online as well as ensuring existing datasets are tagged, described, and downloadable without restrictions.



high scores for scope and accessibility of budget information, for example, should focus on improving its reliability. This means creating the mechanisms for identifying changes in the datasets, identifying the source of each dataset, and logging changes to the datasets.

⁷⁸ Leon, J.R., De la Mora, D., and Ruiz, L. (2016). ["Digital Budgets: How are Governments Disclosing Fiscal Information Online?"](#). IBP.



portals that do not comply with open data principles and practices should open up bulk access to their budget databases. Access to granular data is important and facilitates searches, but it can also be a hindrance to expert analysis as most expert users want to conduct monitoring through large downloaded datasets rather than through online query tools.



good open data and budget portals should link and cross-reference information between sites. This will facilitate access to guidance for data users and access to data for basic users.

All countries need to explore the development of better feedback and reporting mechanisms. Countries with very low feedback scores should for example create an online community of users, or at the very least report on usage and basic feedback received. Small changes in this area have the potential to yield substantial results in a short time frame.



The World Wide Web Foundation's [Open Data Barometer: Leaders Edition: From Promise to Progress](#) (2018) looks at how leading governments are performing a decade into the open data movement, providing recommendations for improvement. The report looks specifically at 30 governments that made concrete commitments to champion open data by adopting the [Open Data Charter](#), or by signing up to the [G20 Anti-Corruption Open Data Principles](#). It concludes that while global progress in opening data has been slow,

government's that have made commitments to open data perform better than those that haven't. It states that open data must become part of the government's day-to-day workflow across the whole public sector, otherwise it will continue to be published in the haphazard, incomplete way. Governments should thus start investing in the policies, practices and infrastructure that will drive this transformation. The report outlines a number of specific recommendations that governments can make in three key areas:



Put “open by default” into action: Develop clear plans, guidelines and procedures to disclose data proactively.

Build and consolidate open data infrastructure: Improve data quality and interoperability through effective data management practices and data management systems.

Publish data with purpose: Work closely with civic groups and multi-stakeholder advisory groups to identify pressing challenges that open data can help solve; publish the relevant datasets; and analyse the impact achieved.

The report concludes that, despite these governments being global leaders in open data, they still have a long way to go to move from promise to progress on open data implementation and impact, and should focus their efforts on data governance.

More recently, a new global data study was released by the [Global Data Barometer](#) in 2022⁷⁹. It is based on a survey carried out from May 2019 to May 2021, evaluating 109 countries in respect of four pillars: data governance, capability, availability, use and impact of data; two core modules; and seven thematic modules, one dedicated to Public Finance. The Public Finance Module, developed in collaboration with GIFT, aims to establish a baseline for governments' Public Finance data collection, management, and reporting, enabling one to make comparisons across countries; understand a country's specific public finance data practices, seeing how advanced its practices are and whether they meet international standards; and to access numerous examples of more advanced practices that countries can work towards.

5

Examples from the field



FMIS experiences from Africa



Watch here

A well-functioning FMIS can be a significant enabler of fiscal transparency. It can help the executive to collect, store, produce, and publish quality fiscal information at all stages of the fiscal policy cycle, including in real-time. Their introduction and maintenance has however, at times, been met with significant challenges. The Collaborative Africa Budget Reform Initiative (CABRI) has done work in this area to better understand some of the key concerns African countries have in introducing and utilizing a FMIS. In a [video](#) recorded in June 2021, this work is briefly explored, providing key insights and lessons from country experiences, including those from Rwanda and Nigeria.

⁷⁹ See also Global Data Barometer/GIFT blog (2022). "[Advocating for accurate, timely, and trustworthy fiscal information](#)".

Common challenges observed in the effectiveness of FMISs relate to: weaknesses in underlying public financial management systems; systems being introduced without an understanding of core public financial management problems; difficulties experienced with service providers; connectivity issues; limited customization of systems to local needs and contexts; over specification of modules; limited institutional coverage; underdeveloped information technology and data capabilities; inadequate human resource competencies; a lack of critical data, including open data; and bureaucratic resistance.

A number of countries have managed to successfully overcome these challenges providing key lessons, one being that leadership recognition of the importance of sharing information and the relevance of information systems is crucial for success. This was the case in Rwanda, where political motivation and commitment has been key in the successful introduction and roll out of a home-grown information system. The design of a FMIS should focus on the system's ability to meet ongoing as well as anticipated public financial management needs, making it important that stakeholders are involved at all stages of development, particularly at the design stage. Another key lesson from Rwanda is that considering simplicity as a FMIS design principal can greatly improve its usability by a wide spectrum of users. Research on extending the institutional coverage of an information system in Nigeria, Benin and Ghana has shown, phasing rollout incrementally; getting acceptance from users; and allowing for adaptation is also important. Identifying where capability gaps exist amongst relevant stakeholders in the FMIS landscape is essential for its effective utilization; in designing and implementing tailored capacity building throughout the public sector; and in facilitating data driven and effective decision and policymaking. Studies on the capabilities of FMIS in Guinea, Ghana and the Central African Republic show that problem driven, targeted and continuous capacity building is required to build skills and use information systems. Further as seen in Nigeria, extending the coverage of an information system requires extensive collaboration with all parts of government, with both clear sanctions and incentives. Governments also need to transform the technical infrastructure that allows them to publish open data efficiently. Key concepts in this regard include government building information systems that are interoperable, open by default and open by design.

South Africa's partnership approach to developing a fiscal transparency portal



South Africa

Fiscal transparency portals have emerged in recent years as a digital solution to release information to the public in a proactive, simple and consolidated manner, in formats that allow for faster and easier analyses. These portals typically provide comprehensive and up-to-date data in a variety of formats, allowing anybody to search and download regularly updated budget information. As such, they have the potential to not only dramatically increase the public's access to fiscal information, but also to significantly improve its usability and relevance to the various stakeholders. To do this, however, it is critical that these portals respond to user needs. In an interview recorded in April 2021, the South African National Treasury's approach to develop [Vulekamali](#), an online budget portal, in partnership with civil society is detailed.



Watch here

The South African National Treasury's motivation to develop a fiscal transparency portal stemmed from the realisation that although extensive budget documentation was being publishing, it was not

being used extensively by members of the public, implying that it was not fully meeting their needs. Civil society got involved in the development of *Vulekamali* in a fairly organic way, with discussions starting within the context of the GIFT network. The process of formalizing the partnership with the National Treasury required the identification of shared fiscal transparency and public participation objectives, and the formation of formal governance arrangements.

To ensure that diverse user needs were provided for in the portal's development process, the needs of different users within the South African context were taken into account including through the development of various user personas in collaboration with different civil society organizations.

Some key lessons learnt in the process of developing *Vulekamali*, include the benefit of government and civil society working together in good faith, towards setting realistic expectations, and the achievement of common goals. Peer learning can also be very valuable, allowing learning to take place from the achievements and set-backs of others. It is however crucial, that local factors are always provided for. Other lessons include that lessons learnt along the way should be continually reflected and built on; that dynamics should be created between different stakeholders to be as inclusive of different users as possible, and lastly that effective communication and building trust between the different parties is key to success.

Importance of fiscal data in emergency responses: The COVID-19 experience



Unparalleled fiscal policy responses to COVID-19 substantially increased risks for decreased transparency, misallocation, inefficiencies and corruption. GIFT, and other key stakeholders thus appealed for fiscal transparency, citing all the benefits it brings, including in times of emergency. The IBP's May 2021 study titled [Managing COVID funds: The accountability gap](#) findings however showed that more than two-thirds of the governments within the study, across different regions and income levels, only provided limited or minimal levels of accountability in the introduction and implementation of early COVID-19 fiscal policy responses. In many cases, spending was done chaotically, behind closed doors, sometimes through the creation of extra-budgetary funds and outside of trusted procurement and budgetary systems. Lack of opportunities for affected people to have a say, has had a negative impact on the poor and vulnerable, including women and children. Within the GIFT network there have however been some positive and encouraging findings. In a testimonial [video](#) recorded in June 2021, the Philippine experience is examined, as one of only four countries found in the study to have shown adequate levels of accountability.



[Watch here](#)

The Philippine government was able to publish data quickly by using existing systems and platforms that made it easier to disseminate financial management information on COVID-19 expenditures in a timely manner. It leveraged international guidance in the design and implementation of each emergency fiscal response package. Open Government principles of fiscal transparency, public accountability and maintaining institutional legitimacy were strongly relied on. Publication requirements indicated in COVID-19 emergency decrees encouraged diverse government agencies to report and publish data/information in a comprehensive and timely manner. In publishing information, it was also ensured

that the data addressed the needs and concerns of the end users. For instance, the Philippines was highlighted as one of only a few governments that took action to ensure that COVID-19 relief and response efforts accounted for gender impact.

Spaces were also opened for meaningful citizen participation, enabling effective and informed engagement between the public and the government in enhancing public policies. This allowed the public to monitor and ensure that the government's fiscal packages for COVID-19 response measures are utilized in the most efficient and equitable manner. The Daguaw 2020 Open Government Virtual Town Hall Meetings provided a continuing series of public dialogues, co-designed and co-implemented by government and non-government organizations at the national and regional levels. The questions and concerns received, as well as, the action points of the government and non-government sectors were documented and published online. The regional Daguaw 2020 adopted a co-creation process in designing and conducting town hall sessions at the local level. Government and non-government conveners deliberated on the list of proposed topics to be discussed, with the non-government convener leading on the prioritization of topics to ensure the agenda responded to the people's issues.

GIFT

GLOBAL INITIATIVE FOR
FISCAL TRANSPARENCY



MODULE 5:

ACTIONS TOWARDS ADVANCING
FISCAL TRANSPARENCY (REFORMS AND
OTHER MEASURES)

Module objectives

The prior modules in this Guide examined what fiscal transparency is; why it is important; who the key actors are; how it can be achieved using international norms and standards, how it is measured; as well as how information systems and digital tools can facilitate it.

This module concludes the Guide by examining actions and reforms aimed at increasing fiscal transparency. It begins by examining the circumstances where actions to improve fiscal transparency are more likely to be successful, showing that achieving fiscal transparency not only depends on technical solutions, but, importantly, on other factors as well, including the nature of institutions, rules of engagement, opportunities available, commitments, alliances, coalitions, and other political factors. This is key in understanding the challenges often faced in advancing fiscal transparency for development, assisting in the identification of ways to overcome them. Recognized fiscal transparency triggers are also described. The module then culminates by exploring specific actions that, based on country experiences, can be taken to take advantage of opportunities opened by fiscal transparency triggers and to overcome challenges. These actions include: how to build support within and outside the executive to improve fiscal transparency for development; how to institutionalize it; how to design reforms, taking local contexts into account; how to prioritize and sequence these reforms; and importantly, how to ensure that advances made are sustained over time.

1

The global status of fiscal transparency

1.1 A review of the recent environment



As explained in Module 3, fiscal transparency assessments are used to measure fiscal transparency globally. Looking at two of the latest assessments, it can be seen that although there have been modest global improvements in fiscal transparency, consistent with trends over the last decade, levels of fiscal transparency remain limited:

- The United States Department of State's [2021 Fiscal Transparency Report](#) (FTR) found that just over half of the governments evaluated met minimum requirements of fiscal transparency (74 of 141 governments).
- The IBP's [Open Budget Survey \(OBS\) 2021](#) found that only 35 of the 120 surveyed countries had Open Budget Index (OBI) scores indicating sufficient levels of budget transparency. Governments often fail to publish key budget documents. When they do, they also tend to release more information during the formulation and approval stage of their budget process than they do on implementation, which undermines government accountability for spending the budget as approved by the legislature. In addition, even when budget documents are published, they frequently lack the types of information that the public need to contribute to fiscal policy.



Looking at trends over time, assessments show that although there have been modest global overall improvements, levels of fiscal transparency remain limited. While limited fiscal transparency is shown in consistently low scores recorded by some countries, other countries show significant decreases or regressions in fiscal transparency. Some countries have simply stopped publishing budget information over the years, and in others, there is uncertainty regarding the publication of budget documents over time, with the publication status of key budget documents changing repeatedly. This is problematic, as actors in the fiscal ecosystem require the regular and timely publication of budget documents in order to effectively monitor what governments do with public resources. This volatility shows that in many countries, budget transparency practices are not well-established or institutionalized. Fiscal transparency can never be taken for granted, it requires constant, well-coordinated actions and forces to push it forward. Some of these actions can also form part of, and should ideally align with other government reforms.

2

Public financial management and fiscal transparency reforms

2.1 Public financial management (PFM reforms)



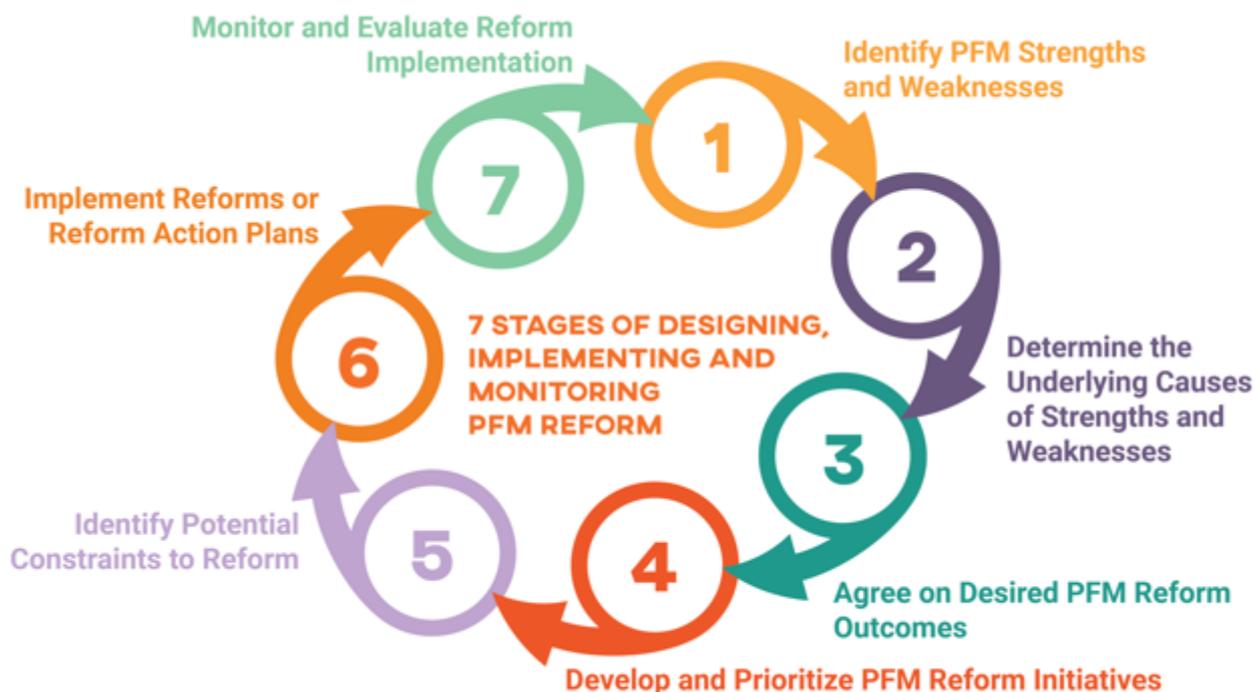
Allen Schick⁸⁰ states that PFM reforms employ new information, process adjustments and rules as levers for changing behavior and outcomes. Reform arguably adheres to a logical sequence, beginning with enriching the information available to policymakers (expecting that better information will produce better outcomes), then using processes to induce policymakers to make prudent and effective decisions, and culminating in rules proscribing or prescribing appropriate actions. PFM reforms vary in nature, from relatively simple to highly complex reforms that take many years to complete.

As outlined in the PEFA's [Handbook Volume IV](#)⁸¹, PFM reforms typically take place over a series of stages as shown in the diagram below.

⁸⁰ For further reading see: Schick, A. (2013). "Reflections on Two Decades of Public Financial Management Reforms". Chapter 1 in "Public Financial Management and Its Emerging Architecture". IMF.

⁸¹ "Using PEFA to Support Public Financial Management Improvement: PEFA Handbook Volume IV". PEFA Secretariat (2020).

Figure 5.1. Stages of PFM reform



2.2 Transparency: A choice, not an inevitable result of PFM reforms

The objective of a PFM reform is to make PFM systems and processes perform better. Fiscal transparency reforms form part of this, aimed specifically at among others ensuring the more efficient, effective, accountable, and participatory use of public resources.

PFM Reform



Ongoing PFM reforms have been found to be important in facilitating transparency improvements in some countries⁸². Such reforms include the development of systems that produce the information required for fiscal transparency, as discussed in previous modules. They also include, for example, the development of medium-term budgetary frameworks; the introduction of systems that produce program and performance data that link spending with results; the introduction of a budget classification system that allows for the detailed breakdown of revenues and expenditures by agency or state unit responsible for the expenditure; the adoption of information technology-based FMISs that make tracking public resources at different stages of the budget process quicker and more effective; as well as the adoption of open data principles and tools to disclose information as part of a fiscal transparency policy, including dedicated online publicly available portals.

⁸² Folscher, A., and De Renzio, P. (2017). [“The Road to Budget Transparency: Learning from Country Experience”](#). IBP.



PFM reforms can thus facilitate transparency improvements, with studies⁸³ showing that low-performing PFM systems seem to be linked to low Open Budget Index scores. However, it is important to recognize that reforms do not automatically lead to transparency improvements. Disclosure-oriented elements must be present too. In fact, in some cases, there is no direct relationship between PFM capacity and fiscal transparency, meaning that one does not necessarily need to have high PFM capacity to be fiscally transparent and that fiscal transparency can often be achieved without requiring specific PFM reforms. For instance, there are a number of cases where governments have systems in place and sufficient capacity to produce budget information, but the information is not published. This means that some governments are perfectly able to produce the information on time, and, in fact, do so in most cases, but may decide not to publish the information for other reasons. On the other hand, there are many governments with what is perceived to be low PFM capacity that have made great strides in improving their levels of fiscal transparency. In fact, good examples of fiscal transparency advancements can be found from countries with different capacities at all levels of development.

In order to understand why this happens, the underlying factors and dynamics that contribute to whether a technical action or reform is actually initiated, together with the success of its subsequent development, implementation, and durability need to be examined. For countries that aren't producing and/or publishing the information required, it is important to identify what is preventing the country from producing this information, including whether this is due to technical issues and/or wider non-technical issues. Technical solutions are unlikely to be sufficient to improve fiscal transparency, if they do not take other non-technical considerations into account. It is necessary to understand the non-technical factors that may have contributed to the lack of fiscal transparency. It should however be noted that while sometimes the reasons for the lack of, or the unsustainability, in fiscal transparency are clear, in other cases, they are more nuanced, and often intertwined.

2.3 Factors leading to the lack of or volatility in fiscal transparency

Five common factors that contribute to the lack of fiscal transparency, or regression away from fiscal transparency, are listed below. These factors represent challenges that often have to be overcome in producing durable, long lasting, transparency improvements.

⁸³ ["Financing Development for Children in Africa: The state of budget transparency and accountability in the continent"](#). IBP and UNICEF (2017).



A **general failure** to recognize the importance and benefits of fiscal transparency. This occurs when the government and/or the other actors in the fiscal ecosystem fail to see that fiscal transparency can have significant positive impact in the use of public resources. This could be due to a variety of reasons, including that they may not have been aware or exposed to the benefits of fiscal transparency, or that those who benefit from the lack of transparency effectively avoid the issue being addressed.



Failure by leaders to implement appropriate fiscal transparency actions or reforms. The political leadership required to ensure that the public has access to fiscal information may be lacking. This lack of leadership may be long-standing or it may stem from a change, with new leaders not favoring the production and/or publication of documents.



Absence of fiscal transparency fundamentals. For example, fiscal transparency rules, procedures, legislation, may be absent and/or there may be a weak enforcement system.

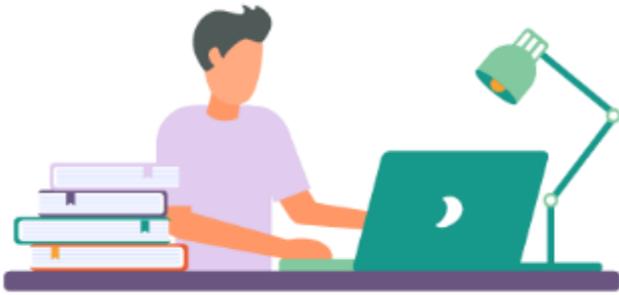


Failure of bureaucratic/institutional systems. This can occur when public officials responsible for fiscal transparency are resistant to it or don't have the required capabilities to effect it. This can be due to insufficient pressure to publish information, or pressure to withhold it, coupled with weak institutional capacity, resulting in officials not publishing budget documents.



Lack of demand for fiscal information. Weak or inconsistent demand for fiscal information from other actors in the fiscal ecosystem, including oversight actors, civil society, and international development partners, weakens incentives for executives to ensure that budget documents are produced and published on a regular and timely basis. If civil society, and the public, do not demand information and/or use the budget information provided, broad-based pressure to start or keep publishing information will likely be weak. Reductions in aid conditionalities by development partners requiring improvements in budget transparency may also weaken the incentives to sustain gains, reducing the political will to undertake reforms.

2.4 Opportunities to advance fiscal transparency



In the [Overview and Synthesis: The Political Economy of Fiscal Transparency, Participation, and Accountability Around the World](#)⁸⁴, the authors examined case studies in eight countries (South Africa, Brazil, South Korea, Mexico, Guatemala, Tanzania, Vietnam and Senegal) identifying four main "causal triggers" for advances in fiscal openness. These four factors were reiterated in a

subsequent study in six countries (Argentina, Ghana, Indonesia, Mexico, the Philippines, and Uganda⁸⁵). In all of the cases covered, government actors took steps to improve transparency motivated by one or more of these triggers.

These factors were found to often interact in complex combinations and to shape trajectories in different countries by fostering or impeding advances in fiscal transparency. Together they create opportunities and shape incentives for the key actors in the fiscal ecosystem to take action in designing, implementing and sustaining reforms designed to promote fiscal openness. The emergence and evolution of the political economy for fiscal transparency will likely be a complex process, with the political conditions, factors, and mechanisms that trigger initial improvements potentially being quite different to those that contribute to their entrenchment and broadening over time.

The four triggers are discussed below:

Political transitions



Fiscal transparency has a political dimension. This is because the setting and achievement of fiscal transparency objectives depends strongly on those who manage public finances. This includes the political leaders who manage fiscal policy matters, political and managerial public officials who are responsible for the effective allocation of resources, and public officials at all levels who deliver public services. In addition, fiscal transparency also has a strong impact on the rules of the game, institutions and stakeholders of PFM systems. Political leaders and bureaucrats behave in different ways, depending on political power dynamics, what their incentives are, and whether fiscal transparency benefits them, or negatively affects them.

Fiscal transparency also depends on the actors outside of the executive and whether they demand fiscal transparency and use the information resulting from it.

⁸⁴ Khagram, S., De Renzio, P., and Fung, A. (2013). "[Overview and Synthesis: The Political Economy of Fiscal Transparency, Participation, and Accountability Around the World](#)". Chapter 1 in *Open Budgets: The Political Economy of Transparency, Participation, and Accountability*. Brookings Institution Press.

⁸⁵ Folscher, A., and De Renzio, P. (2017). "[The Road to Budget Transparency: Learning from Country Experience](#)". IBP.

For further reading see also Michener, G. (2015). "[Why Policymakers Commit to Transparency: Legitimacy, Insurance, Monitoring and the Importance of the News Media as Mediator](#)". GIFT and IBP.

Other factors include political transitions that bring an end to autocratic rule, together with political contestation and alternation in power. The regime transitions in Brazil, Mexico, South Africa, and South Korea, by the end of the last century, among others, provide examples of this. The nature of the political regime that emerges from the transition process is key, particularly the degree of competitiveness of party politics as well as the strength of opposition parties and the power of the legislature relative to the executive. Different powerful factions of political elites may be divided against one another. One side may view increased fiscal transparency as a tool in this competition, for example, a faction of political elites may favor transparency reforms because they lose little through such reforms and may gain the support of an important constituency that favors transparency. Generally, the higher the level of political party competition and the probability of losing power in the next election, the more a government will be incentivized to promote transparency and reduce discretion. For instance, the government might favor, institutionalizing transparency rules, in order to bind competitors in the case of electoral defeat. Besides electoral processes, the effectiveness of parliament also depends on the extent of political competition, and whether it actually demands and uses the fiscal information provided to it, to hold the executive accountable. For example, if the majority of the parliament and the executive are from the same political party, there may not be a political incentive for parliament to question the executive. In addition, political transitions generally only bring about more transformative changes when they are led by reform minded politicians and technocrats⁸⁶, or when there are strong relationships between progressive political parties, and capable civil society organizations that see the budget as an important arena for engaging with the government and thereby press for change⁸⁷ and more inclusive development.

Political and corruption scandals

Widely publicized cases of corruption can lead reform-oriented actors to react strongly and compel governments to provide better public access to fiscal information. For example, in Brazil in 2009 and Guatemala in the nineties and first decade of the millennium, key fiscal transparency reforms were introduced following public outcry over reported cases of corruption. Ad hoc coalitions of like-minded reformers were able to seize the opportunity presented by the urgent need to respond to the pressure exerted by independent media, public opinion and social movements. In Kenya, most of the key pieces of legislation were introduced by the Kibaki government after it was placed in power in 2002 on an anti-corruption electoral platform. In the Philippines, as seen in the field example in module 1, the emphasis placed on transparency improvements by the Aquino Administration was a reflection of the election promise to fight corruption and improve governance. It also became an exercise of building trust. More corruption scandals that broke out halfway through Aquino's term gave the reforms further impetus. In Uganda, the discovery of leakages in the funds allocated for schools in the mid-nineties was key in triggering the publication of disbursement information in newspapers. This also led to the government's adoption of a specific strategy to promote budget transparency. Later in 2012, a corruption scandal involving the prime



⁸⁶ For further reading see: Khemani, S. (2019). "What is State Capacity?". World Bank Group.

⁸⁷ For an analysis of the role that ordinary citizens play in driving processes of societal transformation and institutional change see Chapter 8: Citizens as agents of change in "World Development Report 2017: Governance and The Law". World Bank Group.

minister's office provided strong motivation for the creation of an online budget portal that furthered fiscal transparency.

Fiscal/economic crisis



Fiscal and economic crises can trigger transparency improvements, as part of reforms to address the causes of such crises or because of the pressure put on the executive branch to demonstrate clearly how limited resources are spent in times of scarcity. For example, Brazil and South Africa responded to looming fiscal crises in the 1990s by introducing important fiscal transparency reforms aimed at keeping the spending of subnational governments in check. Reformers in Indonesia and South Korea reacted to the 1997 Asian Financial Crisis by introducing wide-ranging reforms that deepened fiscal transparency. 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. In Argentina, early transparency improvements were introduced after 1998 to prevent a repeat of the negative growth rates, fiscal crises, and hyperinflation experienced in prior years. In Mexico, between 2014 and 2016, economic crises created the tough financial conditions that spurred greater openness on the part of government, in order to demonstrate why cuts had to be made and how those cuts were distributed. This assisted in legitimizing those decisions.

Fiscal and economic crises can therefore open up important windows of opportunity that reformers both within and outside government have used to strategically push through accountability-enhancing measures. COVID-19 is the latest crises presenting such an opportunity⁸⁸. To assist in this, the [Fiscal Data for Emergency Response: Guide for COVID-19](#)⁸⁹ was developed by the GIFT network to advance fiscal transparency in times of emergency. This was done with the inputs from ministries of finance representatives from 9 countries; 16 civil society organizations; and 12 international civil, multilateral and financial organizations. Following online public consultation the Guide was published in August 2020.

In May of 2021, the IBP published a study titled: [Managing COVID Funds: The Accountability Gap](#)⁹⁰ that documented the introduction of almost 400 emergency fiscal policy packages from March to September 2020 aimed at addressing the impact of the COVID-19 emergency. It showed that more than two-thirds of the governments within the study, across different regions and income levels, only

⁸⁸ For further reading see:

Khemani, S. (2020). ["An Opportunity to Build Legitimacy and Trust in Public Institutions in the Time of COVID-19"](#). World Bank Group.

Guerrero, J. P. (2020). ["COVID-19, Fiscal Transparency and Public Participation"](#). GIFT/IMF Blog.

⁸⁹ ["Fiscal Data for Emergency Response: Guide for COVID-19 Version 1.1"](#). GIFT (2020).

For further reading see:

Rivero del Paso, L., and Guerrero, J.P. (2020). ["Fiscal Data for Emergency Response: Guide for COVID-19"](#). GIFT Blog.

Fabian, M., and Ferreira, R. (2022). ["Civil Society's Key Role in Promoting Transparent COVID-19 Fiscal Responses"](#). GIFT/IMF Blog.

Martinez, A., and Guerrero, J. P. (2022). ["Disclosing Fiscal Information during COVID-19 - Country Experiences"](#). GIFT/IMF Blog.

["Fiscal Transparency During the Covid-19 Emergency Response: Bosnia and Herzegovina, North Macedonia, Serbia"](#). (2022) UKaid, World Bank Group and GIFT.

⁹⁰ ["Managing COVID Funds: The Accountability Gap."](#) IBP (2021).

provided limited or minimal levels of accountability in the introduction and implementation of early COVID-19 fiscal policy responses. Some countries such as Australia, Norway, Peru and the Philippines, were however able to respond to the crisis with notable efforts to make expenditures to address the pandemic publicly accessible.

External influence through international norms or more direct donor support



International, global, regional, and transnational influences may promote and support the implementation of global norms and standards thereby empowering domestic reformers and civil society actors.

For example, in Guatemala, Mexico, South Africa, South Korea and Vietnam, the norms and standards promoted, among others, by the IMF through its Fiscal Transparency Code, constituted a standard that technocrats adopted to signal good governance practices. In other regions, the role of the European Union had an important impact in the efforts of countries willing to join or joining the Union, such as Croatia, Georgia, Slovenia, or Ukraine. Such a standard-setting role was complemented, in lower-income countries, by the provision of technical assistance supporting PFM reform programs and through the use of conditionalities linking financial assistance to increased fiscal transparency and, in some cases, civil society participation in policy and budget processes. In the Philippines and Indonesia, governments benchmarked reforms and practices against international assessments of good practice, and designed reforms based on advice from institutions such as the World Bank, the Asian Development Bank, and the IMF. This included an emphasis on fiscal transparency. In addition, membership in the Open Government Partnership and in the GIFT was important in both Mexico and the Philippines, as well as to some extent in Indonesia, in ensuring that transparency commitments were put into practice and that decisive action was taken by the government. External actors were also important in providing direct support to some of the reforms adopted in Uganda towards the turn of the century, including the formulation and implementation of the budget transparency strategy and the creation of an online budget portal.

It should, however, be noted that countries can have different positions concerning global bodies, often provided by different units within these bodies. For instance, technical assistance may be welcomed on a specific topic, while other forms of economic support in other areas, coupled with conditionalities, might be rejected. Sometimes technical and broader economic support are linked, but not always.

2.5 Actions facilitating fiscal transparency

To advance fiscal transparency, the executive should take actions⁹¹ to overcome the challenges to fiscal transparency and take advantage of the windows of opportunity triggering fiscal transparency. These actions include those described below, that, based on the experiences of many countries, are likely to be effective.



ACTION #1

Build support within the executive to improve fiscal transparency

This is fundamental because the executive's leadership plays a key role in either providing for or obstructing fiscal transparency. This is in line with the findings in Open Budget Survey reports that show that faster progress in improving fiscal transparency is possible, if a country's leadership advances open budgeting actions. For example⁹², Croatia, the Kyrgyz Republic and Ukraine all passed the Open Budget Index score of 61 in the 2019 Survey, owing to their leadership taking a variety of actions to enhance fiscal transparency. Importantly, examples of strong budget transparency are found in nearly all regions of the world. This is encouraging as it demonstrates that fiscal transparency is possible to achieve in diverse country contexts, when the leadership within a country is committed to improving it.



The finance minister is often a key figure in overcoming political leadership obstacles for reforms and in making reform commitments. If they are convinced of the importance and benefits of fiscal transparency, they can use this information to try and garner the support of other key political actors including more senior political levels, such as the prime minister or president, and from other ministers whose support and collaboration is needed to enhance fiscal transparency. Ministers should also lead and promote institutional reforms that position the executive to successfully undertake reforms, ensuring that technical capacity is provided for. For example, Trevor A Manuel's

⁹¹ For further reading see [Open Budget Survey \(OBS\) 2017](#) report.

⁹² These countries experiences are profiled in the [Open Budget Survey \(OBS\) 2019](#) report from pages 42 to 44.

tenure as Minister of Finance in South Africa from 1996 to 2009 showed what can be achieved with long-standing political commitment to a series of reforms⁹³.

Technocrats and public officials from within the executive, typically the ministry of finance, should lead the process of identifying, coordinating and implementing PFM and fiscal transparency actions. Finance ministries should thus be organized in an effective and efficient manner, and have the technical capacity to do this. Reform implementation and transparency improvements are often held back by the fragmentation of responsibilities for budgeting and transparency within governments. Overlapping and conflicting mandates can also undermine fiscal transparency. For example, if different units of the finance ministry run their own websites on which they publish the documents for which they are responsible and can't publish information produced by others, they will each be unable to publish comprehensive information. Case studies⁹⁴, have generally shown that to overcome strong resistance, either within the ministry of finance itself or in line ministries, the more successful governments proved better able to tackle and overcome such challenges by building the capabilities of finance ministries to deliver transparency improvements.



Transparency reforms should then ideally be technically led by capable and committed individuals that formulate strategies that show the benefits, provide focus, and allow for accountability in reform efforts. These individuals are known as ‘transparency champions’ in the fiscal transparency community. Transparency champions have played an important role in advancing fiscal transparency in a number of countries, by mobilizing interest and support for transparency and clearing away political and bureaucratic obstacles⁹⁵. These leaders should ideally be in senior positions, command respect and be able to exert influence at the highest level of government. Transparency champions have been able to establish capacity and negotiate cooperation on the part of information holders. They have used informal processes to overcome resistance to reforms elsewhere in the finance ministry or in other parts of government. Such a leader should demonstrate and publicize the potential benefits of the reform, encourage debate in the identification of reforms and development of action plans, and empower others by designing and implementing training programs that build the essential skills required to meet transparency commitments. In Mexico, for example, champions informally approached the leaders of other units in government whose cooperation was required to set up a transparency portal in 2011. In such cases, champions enjoyed the support of the highest ranking officials in the finance ministries, as well as the support of the political leadership at crucial stages. Transparency champions were notably absent in the case study countries that did not break or could not sustain an Open Budget Index score of 60 or above. Many fiscal transparency champions can be found in the GIFT network.

⁹³ An IMF interview with Trevor A. Manuel can be accessed on this [link](#). This video is the property of the IMF and produced by the IMF Fiscal Affairs Department as part of the Public Financial Management online course (PFMx).

⁹⁴ Folscher, A., and De Renzio, P. (2017). “[The Road to Budget Transparency: Learning from Country Experience](#)”. IBP. See also: Khemani, S. (2019). “[What is State Capacity?](#)” World Bank Group.

⁹⁵ See IBP interviews with some fiscal transparency champions on this [link](#); and De Renzio, P. (2017). “[Why OPEN Government? Looking at incentives for fiscal openness through the eyes of experts and reform champions](#)”. GIFT and IBP.



ACTION #2

Appoint a dedicated team of specialist civil servants focusing on fiscal transparency reforms



For fiscal transparency, key players in the executive need to not only have the authority/support to advocate for, and implement appropriate actions/reforms, but also the technical capacity to do so. A dedicated, capable, core government team should ideally be appointed within the ministry of finance to focus on the design and development of reform initiatives and action plans. This can be a small team consisting of a few people. This team should, in consultation with the other key actors in the fiscal ecosystem, facilitate the process of identifying, prioritizing, and sequencing action or reform initiatives, as well as processes to monitor and report on progress. They should also share their knowledge and build the capacities of other government officials, and stakeholders, playing a key role in persuading others to join the effort. The lack of technical capacity, where public officials don't possess the competencies required to develop or support reform implementation, has short- and long-term negative impacts on the ability to implement and sustain reforms. In such cases, capacity building may be required before successful reforms can be undertaken. The importance of setting up dedicated teams, tasked with promoting and coordinating efforts to improve fiscal transparency, was seen in Mexico, the Philippines, Uganda, and Benin. These teams should ideally be led by transparency champions.



ACTION #3

Target low-hanging fruit



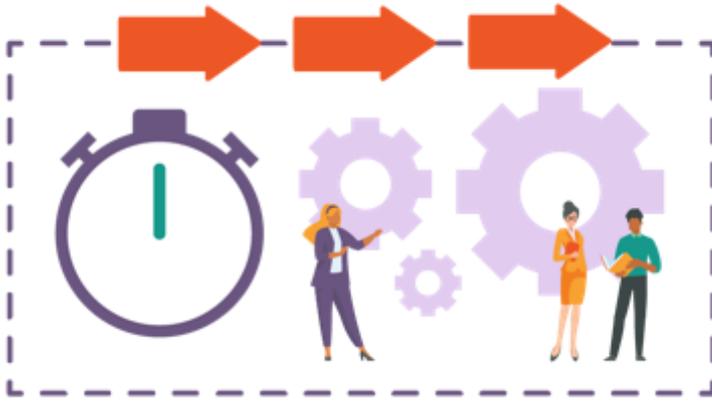
Some actions to improve fiscal transparency are fairly straight forward. They don't necessarily require detailed reforms and can be implemented quickly by the executive in the short-term, generating results. For example, in some cases, fiscal transparency can be improved by taking relatively simple actions to extract and publish information already produced by government for internal use⁹⁶. Reformers can target these actions at the outset to generate quick results, showing the benefits of fiscal transparency, and in the process of doing so, increase their credibility and potentially garner support for more complex reforms.

⁹⁶ For further reading see Sarr, B., and Friedman, J. (2016). ["The Road to 61: Achieving Sufficient Levels of Budget Transparency"](#). IBP.



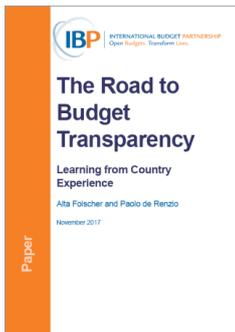
ACTION #4

Institutionalize fiscal transparency



Ways to institutionalize fiscal transparency have been discussed throughout this Guide, including embedding it in legal frameworks, formal procedures, and systems, such that information is consistently produced and then automatically published. For instance, embedding budget transparency practices in law can limit bureaucratic discretion, diminishing the role of political pressure. Case studies show that this is often, though not always, effective in facilitating greater

transparency and in ensuring transparency sustainability, especially when legal transparency provisions are specific and provide detailed information on which documents should be published. While just publishing what is specified in law may not be enough to reach sufficient levels of budget transparency, it can greatly facilitate it.



This can be seen in [The Road to Budget Transparency: Learning from Country Experience](#)⁹⁷ where the authors found that any specification in law that requires a document to be prepared is likely to result in it being published at least some of the time. The link between the strength of transparency provisions in legal frameworks and actual transparency in practice seems to depend on the level of political commitment to implement the legal provisions and on administrative cultures that make it easier for governments to go beyond legal requirements and publish additional budget information.

Improved laws and other reforms will however only result in higher levels of budget transparency if governments ensure that legal provisions and reform commitments are actually implemented⁹⁸. Dedicated and specialist teams can assist in this. Focus should thus not only be applied on drafting and improving legislation but also on its implementation. The process of passing the law itself is also important, as it can provide a valuable opportunity to build consensus and support for fiscal transparency.

⁹⁷ Folscher, A., and De Renzio, P (2017). "[The Road to Budget Transparency: Learning from Country Experience](#)". IBP.

See also:

De Renzio, P., Hiller D., and Hasan, S. (2017) "[Taking Stock of the Volatility of Budget Transparency](#)". IBP.

⁹⁸ For further reading see "Spotlight 3: How do effective and equitable legal institutions emerge?" in "[World Development Report 2017: Governance and the Law](#)". World Bank Group.



ACTION #5

Build support for reforms from actors outside the executive

The executive cannot single-handedly undertake more complex reforms to effectively advance fiscal transparency, without engaging other actors in the fiscal ecosystem. It should thus actively seek



exchanges, synergies, and the support of other actors in the fiscal ecosystem, to ensure that reforms undertaken meet the needs of the different actors. Different actors present diverse opportunities for greater collaboration. Strengthening their capacity is essential to increasing the use and demand for budget information, and as such the likelihood of fiscal transparency actions being sustained, and reforms being successful. These actors can be much more influential in advancing fiscal transparency if they have resources, experience, expertise, and support to work together in different ways towards this goal⁹⁹. Reform teams should, as such, promote dialogue with actors outside the executive and promote capacity enhancement opportunities, such as training on the use of fiscal

information. They should also allow sufficient time in reform processes for the different actors to be consulted; and reform initiatives and plans to be agreed upon.



ACTION #6

Build bridges to civil society



The likelihood of fiscal transparency reforms being successful largely depends on whether there is a demand for information from the public, and whether the information provided meets those needs, such that it is used once published. Reformers should thus focus their budget transparency efforts on making information available that is of particular interest to the public. This includes information related to spending on particular sectors, or tracking budget implementation throughout the year, and connecting budgets to policy goals and outcomes that affect people's lives.

Reformers should also encourage, provide support for, and partner with civil society in the identification of the content and opportunities for advances in fiscal transparency. They should

⁹⁹ For further reading see:

Heald, D. (2015). "[Surmounting Obstacles to Fiscal Transparency](#)." Incentives research.

Rudiger, A. (2018). "[State of the Field Review: Fiscal Transparency and Accountability: Research Note for the Fiscal Futures' Scenario Planning Workshops](#)". Carnegie Endowment of International Peace, the IBP and the Transparency and Accountability Initiative.

Kosack, S. (2015). "[On Incentivizing Useful Budget Transparency](#)". GIFT and IBP.

support the design, implementation, and monitoring of reforms. Reforms that have the buy-in of, and are continually monitored by, different actors, are more likely to be sustained over time. To engage civil society to fully understand their needs and get their assistance in undertaking reforms, reformers should expand the number and scope of existing public participation opportunities and make existing opportunities more inclusive. Civil society should be encouraged to strategically organise themselves to effectively communicate and push for reforms that meet collective and inclusive needs. To do this, reformers should incentivise and support the creation of structures for participation that encourage broader networks, umbrella organizations, and coalitions to form and put forward their views. For example, as seen in the field example in Module 4, the Philippine government has implemented Dagyaw open government townhall meetings. These meetings form a series of public dialogues on key budgetary, sectoral and thematic governance issues at the national and regional level. Importantly, they are co-designed and co-implemented by government and non-government organizations. These platforms encourage civil society and other non-government stakeholders from the Philippines to come together and present their views and recommendations to the government on improving key public policies and programs, including during the COVID-19 pandemic.



In this manner, fragmentation is avoided. Various studies have demonstrated that fragmented and individual level efforts rarely shape and contribute to the advancement of policy objectives. This places greater emphasis on the need for strategic alliances and networks of stakeholders with similar fiscal transparency goals to coordinate their policy agenda into one coherent message that policy-makers can better understand and respond to. By forging links between professional and community-based groups as well as broader social movements on various reform areas such as education, health, and climate action at the local and/or international level, civic actors are likely to be well-positioned to assist reformers in developing focused strategies that meet needs and which garner wider support for advancing fiscal transparency goals. Assisting in this, is the fact that civil society organizations typically have less bureaucratic constraints to their actions, being able to convene and connect with other organizations in formal and informal ways that may be outside of the ambit of other actors, including reform leaders within the executive.



From a civil society advocacy perspective, it should be noted that civil society organization strategies should consider the political economy and context, and windows of opportunity provided by it, including whether governments are receptive, indifferent, or hostile towards fiscal transparency demands. Different scenarios call for different approaches. In one instance, civil society organizations may need to use broad coalition-building and mobilization. In another type of situation where government is more receptive to engagement, they may need to technically contribute to reforms taking on a partnership role with government, facilitating greater outreach to relevant stakeholders. In other cases, civil society may need to take on more of an adversarial role.

Case studies show the benefits of reformers engaging with civil society and provide key lessons¹⁰⁰. In Mexico, the Philippines, Benin and Uganda, dedicated transparency units sought dialogue with relevant civil society actors to ensure that transparency responded to real needs and that the information published would be used. The case studies highlight virtuous cycles of demand and supply of budget information due to engagement with civil society. For instance, in Mexico the political transition eventually spurred civil society and media actors to use budget information to hold government accountable. As more people joined the advocacy, a positive feedback cycle was created: the demand for more and better information increased, and more and better information was made available.



ACTION #7

Make use of the guidance, support and networks provided by international organizations and donors

Based on experience, international organizations set proven and effective practice, norms and standards and undertake country assessments against these norms. Reformers can use this to assist them in determining their status quo, in problem identification, in designing actions or reforms, and to press political actors to undertake reforms to enhance fiscal transparency. It is important to remember that good practice norms and standards shouldn't just be met by countries on a technical level, but actually have impact on the ground.

¹⁰⁰ For further reading see:

Folscher, A., and De Renzio, P. (2017). "[The Road to Budget Transparency: Learning from Country Experience](#)". IBP

Larsen, J. (2016). "[You Cannot Go it Alone: Learning from Cooperative Relationships in Civil Society Budget Campaigns](#)". IBP.

De Renzio, P. (2016). "[Creating Incentives for Budget Accountability and Good Financial Governance Through an Ecosystem Approach: What Can External Actors Do?](#)". IBP and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ).

Van Zyl, A. (2013). "[Getting a Seat at the Table: Civil Society Advocacy for Budget Transparency in "Untransparent" Countries](#)". IBP.



International and regional organizations, including bilateral and multilateral donors and agencies, private foundations, and international non-governmental organizations, can also enable, directly support, and reward improvements in budget transparency. International actors can produce credible non-partisan, ideologically free, technically rigorous information. This information can be used by reformers to show the benefits of reform and to get support to undertake reforms. Organizations can also directly provide advice, capacity support, and resources on key aspects of reform for different actors that have technical gaps. Reformers can

make use of this to assist them in designing and undertaking reforms that align to their goals. It is thus critical that reformers collaborate with international organizations and donors when determining what kind of support is best placed to address the problems identified, as appropriate support requires an in-depth understanding of the structures and forces that shape the reform. New efforts should also complement other initiatives that may already be taking place.

International actors also have convening and diffusing capabilities and can, as such, provide opportunities for training. This can also provide opportunities for reformers and other key actors from diverse environments and perspectives to interact and share extensive experiences and lessons learned. Such networks can create collaboration opportunities, build trust, and highlight the mutual benefits of collaboration. They can be used by reformers to enhance their capacities and become a source of motivation and support, including to overcome doubts and insecurities they may have. Transnational coalitions and networks, which link foreign and international organizations, including governments with civil society groups, assist governments to become more open and inclusive, and also provide them with good examples through peer learning opportunities. Good examples set by countries with strong transparency traditions are likely to motivate other countries to pursue beneficial fiscal transparency reforms, providing opportunities for different actors in the fiscal ecosystem to learn from each other on methods that have been successfully used to attain fiscal transparency.

Examples of these networks include:



The [IBP](#) who partners with CSOs and coalitions around the globe that are engaged in budget analysis and advocacy with an interest and commitment to transparency, participation, good governance, and poverty reduction.



The [OECD Committee of Senior Budget Officials](#) is composed of budget directors and other senior officials from OECD countries. The Committee meets regularly to address key budgeting concerns and relevant policy options. It benefits from open and informal discussions, the variety of countries involved and models presented, and the control of the network by its own members. Members of this network emphasize the benefits in terms of designing the most suitable reform programs, including support in undertaking and sustaining such programs and stressing the importance of good budgeting practices to politicians.



The [Collaborative Africa Budget Reform Initiative](#) works with African finance and budget ministries in developing and implementing reforms that lead to more functional PFM systems. Naturally this includes a focus on budget transparency and accountability as intrinsic elements of good public financial governance. Additional examples of regional bodies are provided by the [West African Economic and Monetary Union](#) (Benin, Burkina Faso, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo) and the [Central African Economic and Monetary Community](#) (Cameroon, the Central African Republic, Chad, the Republic of the Congo, Equatorial Guinea, and Gabon), that adopted directives on PFM that included provisions on fiscal transparency. Their gradual implementation has been one of the key drivers of the gains observed in transparency in the region. Many countries translated the provisions of the directives into their national legislation. These include legal adjustments in Benin, Senegal, Mali and Burkina Faso. Also, as reflected in Open Budget Index scores, some countries began to implement the laws¹⁰¹. This was facilitated by the significant role played by civil society organizations in the region. Development partners such as the European Union have also been active in promoting transparency in the region.

¹⁰¹ For further reading see:

[“Financing Development for Children in Africa: The state of budget transparency and accountability in the continent”](#). IBP and UNICEF (2017). Sarr, B. (2014). [“Are New PFM Reforms in the WAEMU and the CEMAC Working? Lessons from the Open Budget Survey”](#). IBP.



The [GIFT](#) network provides access to collaborative assistance and peer learning for fiscal transparency, bringing together ministries of finance, civil society organizations, and international financial organizations in a non-contractual trustworthy environment promoting trust among peers to collaborate in the sharing of knowledge and tools. It enables economies of scale in advancing the agenda, providing good practices in the form of among others, developed processes, methodologies and tools. Tools developed by it stress the need for user-focused fiscal transparency, such that fiscal transparency doesn't just meet technical requirements but is meaningful. It also shows the benefits of fiscal transparency in practice, providing possibilities and aspirations for members and partners of the network, creating a race to the top leading to innovation and sustained gains.



ACTION #8

Design reforms, ensuring that local context is provided for



Studies¹⁰² have shown that a reason that reforms may not have been successful is due to country contextual factors frequently being overlooked. This has frequently been seen when reforms successfully implemented in countries, typically developed countries, are applied to other countries regardless of their specific problems and contexts. There are, however, no uniformly applicable reform instruments, what works in one country may not be appropriate or desirable in another country. Successful reforms applied to diverse country contexts are likely to require not only different technical solutions, but also the actors in the fiscal ecosystem to undertake distinct actions over time, based on windows of opportunity and customised priorities.

At the outset of designing reforms, transparency strengths and weaknesses should be identified to define the problem. The underlying technical and non-technical causes of strengths and weaknesses should be determined. Having a better understanding of the underlying causes or issues that are hindering transparency will enable the different actors of the PFM governance system, particularly the reform team, to identify which of these causes can be addressed and in

¹⁰² For further reading see:

Andrews, M. (2010). "[How Far Have Public Financial Management Reforms Come in Africa?](#)" John F. Kennedy School of Government, Harvard University.

Pritchett, L., Woolcock, M., and Andrews, A. (2010). "[Capability traps? The mechanisms of persistent implementation failure](#)". Center for Global Development.

Fritz, V., Verhoeven M., and Avenia, A. (2017). "[Political Economy of Public Financial Management: Experiences and Implications for Dialogue and Operational Engagement](#)." World Bank Group.

De Renzio, P., and Angemi D. (2011). "[COMRADES OR CULPRITS? Donor Engagement and Budget Transparency in Aid Dependent Countries](#)". IBP.

what time frame. Some of the underlying causes that are technical or process oriented may be resolved quickly. Others, particularly long-standing political constraints, may take significantly longer to overcome. Reformers should lead on the identification of problems to be resolved, the defining of fiscal transparency objectives, as well as the design and implementation of actions or reforms to overcome problems to attain objectives. This should be done in constant collaboration with the other key actors to ensure that problems identified accurately reflect circumstances, and that potential solutions meet needs. These should be agreed upon to increase the probability of reforms being successful and impactful.

Deconstructing, that is, analysing the problem piece by piece, is critical in directing attention to where reform is needed and in creating a solution that is feasible. Diagnostic tools and independent country assessments can be helpful in this regard, particularly to countries that may not naturally have the capacity to do this. Assessment reports also usually provide recommendations of the steps that specific governments should take to improve fiscal transparency. Care should, however, be taken to not take a mechanical approach to adopting recommendations made in reports. Lessons learnt from peers/experts also provide valuable information. A [study](#)¹⁰³ by the PEFA Secretariat identifies diagnostic tools for PFM systems, including tools for fiscal transparency, such as the GIFT principles, that have been discussed throughout this Guide. Governments can also apply tools such as a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis or the Problem Driven Iterative Adaptation (PDIA) approach (for example, the [PDIA toolkit](#) from the Center for International Development at Harvard University). PEFA's [A Guide to PFM Diagnostic Tools](#)¹⁰⁴, highlights the coverage of each tool but does not provide recommendations on which tools to use, stating that selecting the right tool/s depends on country specific needs and purposes. It is important to note that while diagnostic tools assist in assessing transparency strengths and weaknesses by providing solid evidence, they may not provide sufficient information and cannot be a substitute for an in-depth analysis of the specific areas where actions or reforms need to take place. They also don't answer the question of which weak areas should be addressed first.

Reform initiatives that address identified weaknesses and prioritize reform options that are more likely to lead to the desired outcomes, should be designed. Each reform initiative or action should include a description of the intended result of that action, the impact on progress to achieve the desired outcome, an initial time frame for completing the action and any milestone reached over the short-, medium-, and longer-term depending on the nature of the reform), and the allocation of government responsibility for implementation.

The [PEFA Handbook Volume IV - Using PEFA to Support PFM Improvement](#)¹⁰⁵ provides practical guidance on how to develop and sequence PFM reform initiatives. The handbook is not intended to be prescriptive, but rather to provide a guide on the issues that need to be considered in developing effective reform initiatives, strategies, or action plans that are designed to address each country's unique situation.

¹⁰³ "[STOCKTAKE OF PFM DIAGNOSTIC TOOLS 2016](#)". PEFA Secretariat (2018).

¹⁰⁴ "[A Guide to PFM Diagnostic Tools](#)". PEFA Secretariat (2018).

¹⁰⁵ "[Using PEFA to Support Public Financial Management Improvement: PEFA Handbook Volume IV](#)". PEFA Secretariat (2020).



ACTION #9

Prioritize and sequence reforms

Once problems are identified and the actions or reforms required to address them recognized, it is normally found that a single fiscal transparency action or reform initiative is not sufficient. Rather, numerous actions or reforms may be required to achieve optimal outcomes. Alternatively, desired outcomes may require different reform priorities and initiatives. It is, however, unlikely that all of the reforms required can be optimally undertaken simultaneously. This is because finance ministries and other stakeholders are often overstretched and have limited resources, being unable to undertake a magnitude of actions or reforms. In addition, reform fatigue may set in with politicians and senior officials becoming frustrated with continually needing to undertake actions or reforms. Reform failures frequently arise because too many changes are being targeted at once. A better approach, that is likely to be more effective, is for reform strategies to focus on one or a few key issues at a time.



A country's unique political, institutional, and capacity characteristics is key when designing and sequencing action or reform programs, as they form the basis of what needs are, what actions can be practically undertaken as well as what the priorities are. Reformers should identify potential constraints, including any technical, institutional, or political constraints to reform, as well as possible actions to mitigate these constraints. Political economy support is critical to the success of reform. It is also key that there is available capacity to implement reforms. For instance, desirable actions or reforms are not feasible if there aren't any financial resources available to undertake them. Reform priorities should be reviewed in line with constraints. Often, substantial results can be achieved through the adoption of less expensive options. In some cases, however, the constraints of a particular initiative may be so great that they cannot be resolved in the short- or medium-term, in which case it may be advisable for the government not to engage in a specific reform at that point in time.

Some actions and reforms will be more important and/or urgent than others and have more impact. It is thus key to prioritize and sequence the undertaking of such initiatives, and that this is done by the executive in collaboration with other stakeholders. Areas of reform that are high priority and

achievable should be identified. This list should be refined to a manageable size that aligns well with a country's fiscal and political priorities. Overly ambitious lists of priorities lead to both unrealistic expectations of what can be achieved in a particular time frame and, consequently, often unfair perceptions of failure, as reform programs exceed the capacity of countries to implement them.

In some cases, it will make sense to develop a comprehensive program of initiatives that is formalized into a new or revised transparency reform strategy or action plan. More comprehensive reform strategies or action plans are most appropriate in circumstances where the government has had previous experience in successfully developing and implementing reforms, where existing capacities are good, or where the government has established a capacity development program. In other cases, a more open ended, less structured and iterative approach to an action plan may be appropriate, one that is focused on specific high-priority problems. This approach might be appropriate where reform action plans have been developed in the past without any impact, where commitment to reform has been variable over time, and where the causes of unsatisfactory performance and progress are poorly understood. In these cases, smaller, less ambitious iterative reform initiatives with a focus on continuous feedback and learning tend to be more effective. Especially at early stages of reform, reformers may want to be careful about reform approaches that entail very long planning phases or that are very complex or likely to face strong resistance.

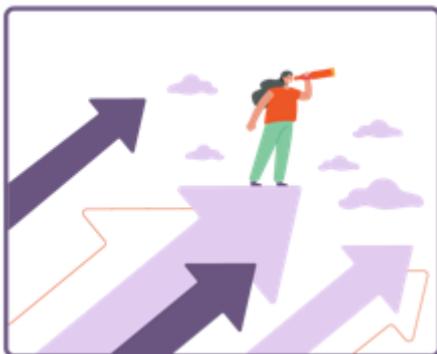
Reforms or actions should also not be viewed in isolation from other actions/reforms to be undertaken, even if they target other PFM areas or priorities. It is critical that reform actions designed and undertaken complement other PFM initiatives that have been implemented or are to be implemented, including those led by other actors. Synergies should always be sought.

Prioritization and sequencing should culminate in an engagement with the political leadership to discuss the analysis, agree on a set of reform priorities based on the analysis, and obtain commitment for their implementation.



ACTION #10

Take advantage of political windows of opportunity to tweak designed reforms and to push them



Non-technical political factors can motivate or impede fiscal transparency. Reformers that focus only on technical solutions are likely to face frustration, not understanding why technical solutions aren't producing the outcomes they may expect. Political impediments need to be overcome for technical solutions to be effective. It should be noted that while an understanding of the motivation of the different actors is important in assessing what reforms are likely to be feasible at different points in time, there shouldn't be an overly simplistic categorization of actors into reform proponents and reform opponents, as most actors have somewhat complex motivations, for example, they may endorse some reforms, but may be cautious about pushing too far in a difficult environment.

The opportunities for reforms can vary considerably over time. It is thus of utmost importance that reformers understand the role the political economy plays and factor it in when designing reforms such that they are able to take advantage of windows of opportunity as they present themselves. Reforms should thus be continually attentive to and seize these windows to tweak and implement designed actions or reform initiatives towards fiscal transparency. During periods outside of windows of opportunity, there should be a deliberate focus on developing a transparency reform agenda and on monitoring and seeking to counteract risks of transparency backsliding. It is also worth pursuing incremental improvements, perhaps at a slower pace. What is key, is to have something ready to move when windows of opportunity arise and, also importantly, to sustain the gains that have been made during previous windows.



ACTION #11

Monitor and institutionalize transparency improvements to ensure that they are sustained



During the implementation of transparency improvement actions or reforms, there should be continual monitoring and review, against objectives. Ongoing iteration, monitoring, learning, feedback, and adaptation during implementation is key to countering unforeseen events, risks and constraints and to leveraging opportunities. As previously explained, the need to get constant feedback means that there should be a fluid relationship with several stakeholders, within the government apparatus but also, crucially, with users of information and members of the public. There should be opportunities to revisit the design during implementation, especially if things are not going according to plan or when the perceived benefits do not materialise, reflecting the iterative nature of a successful reform process.

Tracking what meaningful transparency improvements are made and sustained along the way is also critical for incentivizing reforms, as well as for planning further steps. It provides the opportunity to understand what has been achieved, and to learn and make corrections where and when necessary. Ideally, reform programs need to be dynamic and responsive to their own impact as much as to changing circumstances. Thus a demonstration of early gains is also important to generate and reinforce the will to implement reforms and to keep minds focused. Reformers tasked with undertaking reforms are likely more motivated if real impacts are being tracked and monitored, with the results made public. Independent assessments, such as the Open Budget Survey, are also important in determining to what extent particular reforms have led to desired improvements.

Once reforms are complete, new processes typically take time to be fully embedded, thus leaving them at considerable risk of backsliding. Reformers should thus focus on the sustainability and continued implementation and use of past transparency initiatives as much as they do on the

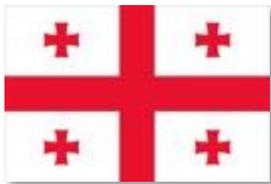
introduction of new initiatives. It is also possible that it may be more feasible to embed already existing actions or reforms than to continually try to break new ground.

Gains made in times of transition and crisis should also not be eroded when attention shifts elsewhere. It is important that progress made through technical reforms and institutional capacity-building when the context is conducive is locked in, by institutionalizing improvements, so that they stand a better chance of enduring when the context becomes less favorable.

3

Examples from the field

Fiscal transparency reforms and the benefits thereof: The Georgian experience



Georgia

In the 2006 Open Budget Survey, Georgia demonstrated only minimal levels of fiscal transparency. This steadily improved over the years, culminating in it taking first place in the 2021 Survey, scoring an impressive Open Budget Index score of 87 out of 100, showing its ongoing commitment to institutionalizing good budgeting practices¹⁰⁶.



[Watch here](#)

In a [video](#) recorded in May 2021, Georgia's Deputy Minister of Finance, Nikoloz Gagua, provides details of Georgia's PFM reform process and how a strong focus on fiscal transparency formed the cornerstone of it. The reform agenda has been complex and multi-dimensional, involving different stakeholders across government. Georgia now publishes comprehensive budget related documentation in a timely manner. Citizen participation has also been a key element of this agenda. He concludes that global initiatives, such as those provided by the GIFT network and other international organizations, provide countries with great opportunities to build their capacity for advancing fiscal transparency and consequently accountability.

The Deputy Minister's testimonial is followed by those of two IMF representatives reflecting on how fiscal transparency enhanced Georgia's relationship with the Fund, and facilitated its reform experience, thereby sharing key insights for other countries. Georgia's PFM reform agenda, followed a sequenced approach and a detailed action plan, designed to respond to its specific needs and implementation capacity. IMF capacity development initiatives and program conditionalities helped the authorities in implementing specific measures to enhance fiscal transparency in advancing the overall PFM reform agenda. The strong leadership of Georgian authorities, particularly the work undertaken by domestic reform champions within the Ministry of Finance, led to the effective implementation of the IMF's recommendations, helping the country achieve its PFM reform goals. Pertinent lessons for other countries include the importance of having a PFM action plan tailored to country circumstances; strong political commitment and support; a gradual approach, starting with

¹⁰⁶ For further reading see [Open Budget Survey \(OBS\) 2021](#) global report, in particular page 54.

small, simple actions, that demonstrate early gains, building towards more complex actions as capacity develops; and lastly, of making the most of international resources available to build capacity, in a coordinated manner.

Fiscal transparency reform experiences: Examples from various countries



Benin



Guatemala



Croatia

A [video](#) recorded in June and July 2021, shows excerpts from testimonials on the budget reform journeys in Guatemala¹⁰⁷, Croatia¹⁰⁸ and Benin¹⁰⁹, providing valuable insights on fiscal transparency triggers, challenges faced, as well as key lessons in overcoming these challenges.



Watch here

In each of these countries there were triggers that led to the introduction of budget transparency and accountability reforms. The Guatemalan experience demonstrates the importance of technical capacity, political will, and the presence of fiscal transparency champions enjoying political support from the highest levels of the Executive, Parliament, civil society and the general public; with political crises shown to trigger fiscal transparency reforms. In Croatia, pressure from international organizations such as the European Union, the OECD, IMF and the World Bank were key in triggering budget transparency, and citizens' participation advancements. In Benin, poor results in the 2012 Open Budget Survey, led to fiscal transparency awareness by the government and an interest by civil society to pursue it.

Challenges had to be overcome in each of these country's fiscal transparency journeys. In Guatemala, a number of fiscal transparency reforms increasingly faced resistance from those that benefited from corruption and opacity. In Croatia, fiscal transparency reforms proved a demanding task for Ministry of Finance officials, including that participatory budgeting practices were more difficult to implement at the state than at the local level; political will diminished over time; and there were also challenges on the demand side for information, including a general lack of awareness of the importance and benefits of fiscal transparency. In Benin, the public administration lacked awareness of what fiscal transparency entailed, including the international norms and standards governing it.

These countries took actions/reforms to overcome challenges and to ensure that fiscal transparency gains are sustained over time, providing key lessons for those seeking to embark on similar

¹⁰⁷ For further reading see [Open Budget Survey \(OBS\) 2021](#) global report, in particular page 54.

¹⁰⁸ For further reading see [Open Budget Survey \(OBS\) 2019](#) global report, in particular page 42.

¹⁰⁹ For further reading see [Open Budget Survey \(OBS\) 2021](#) global report, in particular page 51. In #InsightsAtGIFT interviews recorded in 2022, the Director General of the Budget of the Ministry of Economy and Finance of Benin, provides further details on how the country advanced fiscal transparency in this [video](#); as well as on how the government plans to empower civil society to better engage in the national budget process in this [video](#).

journeys. Lessons from Guatemala, include that the technical work underlying fiscal transparency reforms should be sound, robust, and strong; include citizen participation and benefit from public support. In 1998, the fiscal management integrated system was instituted forming a basis for fiscal transparency. Later, legislative reforms including to the organic budget law to align its provisions with international transparency standards, such as those in the IMF's Fiscal Transparency Code and in GIFT's Fiscal Transparency Principles were also key in ensuring that transparency gains, were sustained over time, not dependent on the political will of a particular administration. Croatia benefited from joining international networks, including being stewards of the GIFT network and joining the Open Government Partnership. Digital tools and Open Data were also used to facilitate fiscal transparency advancements. To ensure the sustainability of fiscal reforms, the Government of Benin focused on instituting a governance institutional framework and on enhancing its collaboration with civil society. Legislative reforms included the adoption of a fiscal transparency code under the organic law on financial legislation aimed at making financial information mandatorily open to the public; and providing for the establishment of regulations to oversee the implementation and management of the fiscal transparency process. The introduction of Parliamentary debates and several discussion fora with citizens, also provided public participation opportunities. Like Guatemala and Croatia, Benin is also part of international networks, including the GIFT network and its Fiscal Openness Accelerator project where selected governments and civil society are working together to introduce specific mechanisms of public participation in the budget cycle; and the Collaborative Africa Budget Reform Initiative, providing among others, technical support and peer learning opportunities. In 2016, Benin established a special unit dedicated to fiscal transparency to manage its action plan on budget transparency. These examples show that the sustainability of measures and actions taken to achieve budget transparency largely rely on the presence of strong institutional and governance frameworks.

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