

# Annex 2

# Budget Processes

Review of impact and effectiveness  
of transparency and accountability initiatives

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## Introduction

This chapter presents an overview of the current state of knowledge on the impact and effectiveness of accountability and transparency initiatives (ATI) in public budget processes. This study is primarily a literature review, though also reflects my experience as a practitioner.

The chapter begins with a discussion of three inter-related concepts: transparency, accountability, and participation. While transparency, accountability, and participation in budget processes often go hand in hand, we should be wary of conflating them. Below I define these key concepts and distinguish the origin of interest in each as it relates to public budgets. I then briefly map out the range of ATIs in this sector.

The following section discusses the expected impacts and assumptions underlying ATIs in budget processes. Section 2 presents evidence of their impact and effectiveness, Section 3 notes the various methods used to assess and evince impact, Section 4 discusses which factors contribute to impact, Section 5 highlights existing gaps, and Section 6 presents an annotated bibliography.

### Transparency

Robinson (2006) explains the trend toward greater openness in public budget processes as resulting from the confluence of several factors – the democracy and good governance agenda of the 1990s, the emergence over the past two decades of a large number of independent ‘budget groups’ in developing and transitional countries<sup>1</sup>, the political momentum around participatory budgeting with its origins in Porto Alegre in the mid 1980s, and a growing recognition of the centrality of state budgets in reflecting government policy preferences at a time that public expenditure management has become an increasingly important facet of development policy. Furthermore, general budget support has become a preferred instrument for many foreign aid donors, who may now take a greater interest in transparency in order to ensure that the funds they put into general government coffers are spent appropriately.

Philipps and Stewart (2009) argue that current fiscal transparency norms are linked to two broader developments – a ‘neoliberal’ turn in economic policy in the 1990s emphasising fiscal discipline and a renewed focus on reforms that promote good governance. They posit that the link to fiscal discipline helps to explain why

the International Monetary Fund (IMF) has taken up the mantle of transparency.<sup>2</sup> Philipps and Stewart hold that the IMF Code is the dominant model, though it has now been adopted by a number of other influential actors, including the World Bank, financial regulators, private sector investment analysts, the OECD, foreign aid donors and non-governmental organisations (NGOs).

Robinson (2006) identifies two dimensions of transparency that are especially pertinent to the budget process: (i) transparency around the sources of data and information used to frame decisions on revenue priorities and expenditure allocations and (ii) transparency in the budget process. He argues that both forms of transparency can help to reduce the scope for corruption. In the context of federalism, it may also be important to consider transparency between different levels of government.

Kaufmann and Bellver (2005) examine various definitions of transparency and find that underlying all of them, transparency is closely related to accountability. The purpose of demanding transparency is to allow citizens, markets or governments to hold institutions accountable for their policies and performance. The authors also cite a large body of existing research, which shows that countries with more transparent policy environments tend to perform better in international financial markets, that transparency is correlated with better governance, and that transparency can facilitate participation in political processes.

### Accountability

The international community’s interest in improving accountability in the budget process likely stems from concerns about aid effectiveness – or more generally, about the (in)effectiveness of government spending. A number of studies have shown that government expenditures are not having the desired effect on health and education outcomes.<sup>3</sup> This has led to important reflection on the part of donor agencies and private foundations as to how to make foreign aid more effective. Improving accountability in the budget process may be one avenue whereby donors can be assured that their money will not be wasted.

Goetz and Jenkins (2005) provide a useful framework for thinking about accountability, which can be applied to budget-related ATIs in order to assess their impact. They first distinguish two important aspects of accountability – *answerability*, a weaker form of accountability, which entails having to provide information about one’s actions,

<sup>1</sup> He does not identify factors that account for the rise of these groups. For further detail on the rise of civil society budget work, see Krafchik (2004).

<sup>2</sup> Following the Asian financial crisis, the IMF formalized its guidance on fiscal transparency by releasing its Code of Good Practices on Fiscal Transparency in April 1998. The IMF has subsequently published revised versions in 2001 and 2007, along with a manual to assist governments with practical implementation. The Code exerts normative pressure on

policy makers via the IMF’s fiscal Reports on the Observance of Standards and Codes (‘fiscal ROSCs’). While fiscal ROSCs are voluntary, developing countries have an incentive to participate, since credit-rating agencies and private analysts use ROSCs to gauge investment risk (p. 812).

<sup>3</sup> See, for example, Gupta, Verhoeven, and Tiongson (2002), Filmer and Pritchett (1999), Castro-Leal *et al.* (2000) and Canagarajah and Ye (2001).

and justifications for their correctness, and *enforcement*, a stronger form, which entails having to suffer penalties from those dissatisfied either with one's actions or rationale invoked to justify them. They further distinguish between *de jure* and *de facto* accountability, vertical (direct) and horizontal (indirect) accountability, and *ex post* and *ex ante* accountability.

The distinction between vertical and horizontal accountability has received considerable attention elsewhere in the literature. In the context of public budgets, Robinson (2006) cites horizontal accountability within state institutions, through which legislatures, auditors-general, parliamentary accounts committees, and anti-corruption agencies provide a check on the executive in terms of both answerability and enforcement. Regarding vertical accountability, he mentions various mechanisms through which citizens can hold decision-makers to account.

Ackerman (2004) argues that both vertical and horizontal accountability mechanisms are plagued by structural and contextual problems that limit the ability of citizens and their representative institutions to hold government to account. In light of these difficulties, he advocates a third way: 'societal actors can directly oblige government actors to answer for their actions and sanction them for wrongdoing' (p. 449). Scholarship on this emerging topic ranges from 'societal accountability' mechanisms (mass mobilisation, media exposés, and the use of the courts) to a more 'transgressive' approach, which blurs the separation between the state and society. Goetz and Jenkins (2001) trumpet this latter, hybrid form, which they term 'diagonal accountability'; in their case studies of civil society activism in India.

Finally, we ought to consider accountability in the context of foreign aid – namely, accountability of aid-recipient governments to donors, as well as from donor agencies to citizens of their home countries. Efforts to improve accountability in one sphere may not necessarily imply improved accountability across the board. For instance, the 2008 Open Budget Index revealed that many countries provide detailed budget documentation to their foreign aid donors but did not make such information available to the public in their countries.

## Participation

The quality and extent of citizen participation in the budget process emerges as a key factor determining the potential impact of ATIs in this sector. Simply placing more budget information in the public domain will not have an impact unless citizens can understand it, and have the legal and institutional channels to use it. In addition, citizen participation is inherent to discussions of 'hybrid' or 'diagonal' accountability, as such processes involve the engagement of citizens with oversight institutions that have not traditionally been open to the public.

## Overview of budget-related ATIs

Before considering initiatives that aim to increase budget transparency and accountability, we should note the various efforts to *measure* budget transparency that have been undertaken over the past decade. Perhaps the most well-known is the Open Budget Index (OBI) produced by the International Budget Partnership (IBP).<sup>4</sup> The OBI is particularly notable in that it explicitly incorporates advocacy into its research design, creating a network of civil society experts who conduct the research to inform the Index and then participate in various coordinated advocacy activities based on the OBI findings. In addition, some NGOs have developed measures specific to resource revenue transparency.<sup>5</sup>

More academic efforts to measure budget transparency include Kaufmann and Bellver's (2005) transparency index<sup>6</sup> and Hameed's (2005) indices of fiscal transparency based on IMF fiscal Reports on Standards and Codes (ROSCs).<sup>7</sup> In addition, Rosendorff and Vreeland (2006) operationalise transparency by examining patterns of missing data in the World Bank's compilation of statistics on inflation and employment.<sup>8</sup> Islam (2003) adopts a similar approach, constructing a transparency index based on the frequency with which governments publish information on their real, fiscal, financial and external sectors. More recently, Dabla-Norris *et al.* (2010) have constructed multi-dimensional indices of the quality of budget institutions, including a measure of transparency.

Budget-related ATIs take a variety of forms and relate to various phases of the budget process – from the planning stages to budget execution to audit and ex-post oversight.

<sup>4</sup> The OBI is based on the results of a survey, which focuses on the content and timeliness of eight key budget documents. The averages calculated from the responses to the survey questions form an index, which scores countries on a scale from 0 to 100. The first OBI was released in 2006 and covered 59 countries; it has subsequently been updated every two years and coverage has expanded. For more information see [www.openbudgetindex.org](http://www.openbudgetindex.org).

<sup>5</sup> In 2005, Save the Children UK published two reports under the heading *Beyond the Rhetoric*. The first focused on company revenue transparency, and the second was a 'home' country report, which looked at how the home countries of oil companies were regulating their businesses and operations abroad. In 2008, Transparency International released an update of Save the Children's country report, revising the methodology and expanding the universe of surveyed companies to an extent. Revenue Watch Institute (RWI) is currently developing a Resource Revenue Transparency Country Index, based in part on the IMF standards, as well as transparent practices advocated by NGOs. The first iteration of the RWI index will cover 40 countries and is expected to be released in October 2010.

<sup>6</sup> Kaufmann and Bellver's index covers 194 countries and is based on over 20 independent sources. They decompose transparency into two main components – (i) economic and institutional transparency, and (ii) political transparency. The first component refers to the degree of accessibility and usefulness of information provided by public institutions. This includes economic transparency, e-government, Freedom of Information laws, transparency in the budget process, transparency of policy, and transparency of the public sector. The second component captures more functional component of transparency – that is, the capacity and resources to exercise right to hold institutions to account. This includes transparency of political funding, openness of political system, and press freedom.

<sup>7</sup> Although they are narrative reports, ROSCs are organised in a standard way such that Hameed creates a comparable scoring metric and defines four sub-indices of fiscal transparency: data assurances, medium-term budgeting, budget execution reporting, fiscal risk disclosure.

<sup>8</sup> World Bank data is based on self-reported data by national governments; missing data implies that the government has failed to report in a timely way or failed to report at all.

This review considers both state-led and citizen-led initiatives. State-led initiatives are typically designed and implemented by national, regional, or local governments. Relevant examples include establishing mechanisms for participatory budgeting, publishing citizens' guides to the budget and conducting Public Expenditure Tracking Surveys (PETS). Citizen-led initiatives typically emanate from civil society organisations or social movements, and may operate in concert with the state (e.g. publishing popular versions of government budget documents) or in confrontation (naming and shaming public officials found guilty of misallocating public funds).

Participatory budgeting (PB) in its various forms represents one of the most prominent state-led initiatives. Goldfrank (2006) provides a highly detailed review of recent PB initiatives in Latin America as well as a useful discussion of the origins of PB, which he defines broadly as a process by which citizens, either as individuals or through civic associations, may voluntarily and regularly contribute to decision-making over at least part of a public budget through an annual series of scheduled meetings with government authorities. Goldfrank notes that the PB literature typically presents it as an invention of the Workers' Party (PT) in Porto Alegre, Brazil in 1989. However, he cites earlier instances of PB initiatives in the 1970s and 1980s in other parts of Brazil, and also notes that the PT implemented PB in municipalities other than Porto Alegre.

While one may dispute its origins, PB has inarguably become a wide-reaching, global phenomenon. Depending on how strictly one defines it, PB has expanded from about 12 cities mostly in Brazil to between 250 and 2,500 locales in Latin America alone.<sup>9</sup> As of 2005, 55 European municipalities were implementing PB initiatives.<sup>10</sup> It is worth noting, however, that the majority of scholarly research on PB focuses on Brazil and Latin America.<sup>11</sup>

In addition to PB, we may also consider smaller scale initiatives that encourage greater public participation in determining budget priorities. These include gender budgeting initiatives, children's budgets and other efforts by marginalised groups to develop 'alternative' budgets that highlight their priorities.<sup>12</sup> Decentralisation has also led to a range of opportunities for participation in local budget processes.<sup>13</sup>

Beyond participatory budgeting and related initiatives, the past two decades have seen tremendous growth in monitoring public expenditure by citizens or civil society organisations (CSOs) in order to promote the efficient delivery of stated government policies and priorities. Notably, such monitoring presupposes the availability of budget information. However, in many countries, budget information

is not forthcoming, which has led many groups to advocate for greater budget transparency as a first step. For instance, civil society researchers conducting research to inform the OBI have begun using the results of the transparency initiative to lobby for greater public availability of budget information. In addition, a number of groups have engaged in budget demystification activities, producing 'citizens' guides' to the budget, and other simplified, popular versions of government budget documents

Once they obtain access to budget information, groups have begun to analyse budget allocations and 'follow the money'<sup>14</sup> in a variety of ways. Groups around the world have produced independent analyses of national, state and local budgets; some also engage in sector budget analysis.

Expenditure monitoring activities have taken a variety of forms. Perhaps the most prominent is the social audit scheme developed by the Indian social movement Mazdoor Kisan Shakti Sangathan (MKSS). After a successful campaign for the statutory right to information, the MKSS launched a participatory process through which citizens could monitor the implementation of government programs in their communities. The social audit process culminates in 'dramatic but infrequent'<sup>15</sup> public hearings, at which the relevant details of questionable public works are read aloud to a largely illiterate assembly. Individual local residents are invited to give relevant testimony, and local officials are invited to attend. CCAGG in the Philippines and MUHURI in Kenya have also engaged in participatory audits, while groups in South Africa and Tanzania have monitored and publicised the results of official government audits.<sup>16</sup> Other groups have conducted their own public expenditure tracking surveys (PETS), inspired by the success of a government-led PETS in Uganda.<sup>17</sup>

Citizens have also begun engaging with the revenue side of the budget. While there are fewer examples of ATIs in this area, and they tend to be concentrated in higher-income countries, existing initiatives show the promise of this type of work. For instance, state-level groups in the United States have successfully pushed for progressive tax reforms and adequate revenue levels. Groups in some lower and middle-income countries have expanded public understanding of revenue issues and influenced government revenue policies. For instance, in Kenya the National Taxpayers' Association, an initiative of the Center for Governance and Development, is working to strengthen public understanding of existing tax burdens and of the connection between taxes and public spending.<sup>18</sup> International 'tax justice' efforts have been launched to ensure that multinational corporations pay their fair share of revenues, and that information on these payments is made public.<sup>19</sup>

<sup>9</sup> Goldfrank 2006, p.1

<sup>10</sup> See Sintomer *et al.* (2005) for a review of PB initiatives in Germany, Belgium, Finland, France, Great Britain, Italy, the Netherlands, Portugal, Spain, and Poland. Also, Participedia.net features case studies of PB initiatives in the UK and Germany.

<sup>11</sup> I have not yet reviewed it in detail but Shah (2007), *Participatory Budgeting*, a volume published by the World Bank features analyses of PB in Central and Eastern Europe, Asia, Sub-Saharan Africa, and the Middle East and North Africa.

<sup>12</sup> For more information on gender budgets, see Budlender and Hewitt (2003). IDASA in South Africa has also done a significant amount of work on children's budgets, and formerly the organisation included a Children's Budget Unit.

<sup>13</sup> See Devas and Grant (2003) for a useful review of initiatives in Uganda and Kenya.

<sup>14</sup> Sundet (2008), p. 8

<sup>15</sup> Goetz and Jenkins (2001)

<sup>16</sup> See the website of the International Budget Partnership (IBP) for more information on these initiatives: [www.internationalbudget.org](http://www.internationalbudget.org)

<sup>17</sup> See Sundet (2008) for more background information on government- and civil society led PETS, as well as a detailed discussion of the Uganda experience.

<sup>18</sup> Prichard (2010), p. 32

<sup>19</sup> For more details on these examples, see Ch. 6 in IBP's *Guide to Tax Work*.

## Expected impacts and assumptions

Assessments of budget-related ATIs involve multiple layers of impact. Namely, we can distinguish between the more immediate impact on budget processes (enhancing public access to information or participation) and the consequential impact on various outcomes, from shorter-term changes in spending priorities to longer-term impacts on service delivery and well-being.

While many budget-related ATIs lack a coherent theory of change, they tend to be motivated by the assumption that enhancing transparency and accountability in the budget process will lead to improved governance and development outcomes. This relates to the previous discussion about the widely documented ineffectiveness of government spending. Foster *et al.* (2002) claim that in order for public expenditure to reduce poverty it needs to be allied to more effective public expenditure management and appropriate incentives for government bureaucrats. They argue that transparency helps to keep government honest, and that wider publicity on the nature and extent of the problems faced by the poor will help to secure increased focus on policies that benefit them. They also claim that involving the poor, and advocates on their behalf, in policy dialogue, can reinforce poverty focus, the effect being strongest where the poor are given greatest influence over expenditures intended to benefit them. According to Rocha Menocal and Sharma (2008), most citizens' voice and accountability (CV&A) initiatives are guided by the assumption that broader development outcomes, such as poverty reduction and the achievement of the MDGs, will result from strengthened CV&A, either directly or indirectly.

On the other hand, some scholars have put forth arguments against transparency, particularly in the context of government budgets. For instance, Kolstadt and Wiig (2009) note that transparency has the potential to reveal to unscrupulous actors how to best direct their bribes. Prat (2005) presents a theoretical argument against transparency, which demonstrates how it can skew incentives. In the context of government budgets, for instance, fiscal transparency could create incentives for governments to falsify budget information.

We might also expect different outcomes from state-led and citizen-led initiatives. The latter category perhaps requires yet further distinction – between initiatives led by individual citizens vs. associations representing groups or collectives of citizens, or between social movements and initiatives led by civil society organisations. Furthermore, the concept of 'civil society' often blurs the lines between citizens and donors, since many non-governmental organisations in developing countries depend on donor funds – which often represent a significant source of government revenue as well.

In the context of participatory budgeting initiatives, Heimans (2002) notes that CSOs can feel conflicted about the extent to which they engage with government. He distinguishes between incrementalist groups, who attempt to build sustainable relationships with the administrative apparatuses of government, and those who pursue more radical methods and thus may find themselves at odds with the government. De Sousa Santos (2005) also highlights the risk of co-optation. In addition, Heimans (2002) notes that CSOs engaged in PB are not always representative of society at large. Making meaningful contributions to the budget process requires a certain amount of technical knowledge. De Sousa Santos explains how 'technical criteria' constitute one of the limits of participation in the Brazilian context and are sometimes the object of debate and conflict themselves. Furthermore, Goldfrank (2006) stresses that PB is not a neutral, technical instrument, contrary to what many development agencies seem to suggest by presenting PB as part of a 'toolkit' for development. He worries that the literature on PB either ignores the ideological and political battle surrounding it or fails to incorporate this battle into the analysis.

Rocha and Sharma (2008) echo a number of these concerns, noting that an important part of the reason for the limited results that CV&A interventions have been able to achieve lies in the unrealistically high donor expectations of what such work can achieve, based largely on some misguided assumptions. These include an assumed automatic relationship between enhanced citizens' voice and improved government accountability, and an assumption that citizens' voice represents the interests, needs and demands of a homogeneous 'people'.

Sundet (2008) highlights the potential benefits and limitations of government-led Public Expenditure Tracking Surveys (PETS). On the one hand, he notes that PETS can test how well a system of financial transfers work; by identifying weaknesses, provide valuable policy recommendations; and can also provide launching pad for a policy dialogue. However, most PETS are not being conducted in participatory ways and do not typically provide a process or strategy by which the technical recommendations provided can be implemented or trigger a public debate. This tends to limit their impact. Sundet argues that CSO-led efforts may be better suited to deal with political challenges than government-led processes.

Robinson (2006) cautions that the potential impact of citizen-led initiatives is somewhat constrained given structural and procedural limitations built into the budget process that may make it unrealistic to expect major changes in budget priorities. Advocacy efforts to revise budget allocations or introduce new budget lines will likely have limited traction outside electoral or budget cycles (p.

22). Heimans (2002) also cites institutional and capacity constraints affecting governments, citizens, and legislatures that can limit the scope of impact.

Olken (2007) highlights the limits of increasing monitoring to reduce corruption, noting that in practice, the very individuals tasked with monitoring and enforcing punishments may themselves be corruptible. He also notes that monitoring public projects is a public good, which can lead to free-rider problems. Grassroots monitoring may also be prone to capture by local elites.

Scholars have also voiced concern about the *efficiency* of enhanced participation and monitoring. For instance, Kaufman (in Ackerman 2004) argues, 'although some forms of inclusion, such as partnerships with non-governmental organisations (NGOs) may enhance capacity, others, such as popular assemblies, may be a step backward in terms of the efficiency, effectiveness, and even the accountability of state organisations.'<sup>20</sup> This tension highlights the lack of a coherent theory of change underlying many budget-related ATIs. Whereas Kaufman may see popular assemblies as inefficient, others would argue that their very existence represents a success, by opening up a previously closed process to popular participation.

This tension also manifests itself in the aims and claims made for initiatives like social audits. Whereas some favor constant monitoring, others support monitoring from an instrumental perspective that can help to spur reforms. Another way of framing this debate is whether ATIs should seek to strength vertical and horisontal accountability only, or build mechanisms of co-governance, which might represent public goods in and of themselves.

Finally, we ought to consider the expected impacts and assumptions behind efforts to enhance the transparency and accountability countries' tax systems. A number of scholars make a link between taxation and governance, arguing that governments that rely heavily on tax revenue are likely to be more accountable than those that rely on non-tax revenue. As Prichard (2009) explains, this claim rests on one of two logics. The first is that taxation requires 'quasi-voluntary compliance' on the part of citizens, and such a requirement may force governments to be more responsive to citizens' needs. The second logic holds that the experience of paying taxes may give rise to a feeling of ownership, leading citizens to make greater demands for public accountability (p. 7).

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<sup>20</sup> Cited in Ackerman (2004).



# Evidence of impact and effectiveness of budget-related ATIs

In order to assess the impact and effectiveness of budget-related ATIs, we ought to consider two principal strains of research. Firstly, a number of studies have documented correlations between greater budget transparency and various governance and development outcomes. A related set of studies looks at the relationship between countries' tax systems and their quality of governance. These studies typically do not address the primary research questions of this project, but they can help frame the *potential* impact of initiatives that aim to boost budget transparency. Secondly, a range of case studies and donor-led reviews demonstrates more explicitly the impact and effectiveness of budget-related ATIs to date. I will consider the tradeoffs of these different methodological approaches in further detail in the following section.

## Academic studies on the consequences of budget transparency

Islam (2003) finds that countries with better information flows have better quality governance. Kaufmann and Bellver (2005) find that transparency is associated with better socio-economic and human development indicators, higher competitiveness, and reduced corruption. They show that for countries with the same level of income, a country with a more transparent environment tends to have more effective government agencies, particularly when it comes to providing public services. Kaufman and Bellver also decompose their measure of transparency, and show that government effectiveness is influenced more by institutional transparency (which includes budget transparency) than by political transparency. Hameed (2005) analyses indices of fiscal transparency based on IMF fiscal Reports on Standards and Codes (ROSCs) and shows that more transparent countries tend to have better credit ratings, better fiscal discipline, and less corruption, after controlling for other socioeconomic variables.<sup>21</sup> Hameed is careful not to make causal claims, and also notes the very partial nature of his data. Significantly, the universe of countries he studies does not represent a random sample, since fiscal ROSCs are voluntary. In a forthcoming study, Hameed (2010) analyses the OBI and finds that more transparent countries tend to have higher credit ratings and lower spreads. Glennerster and Shin (2008) find that countries experience statistically significant declines in borrowing costs when they choose to become more transparent. Finally, Benito and Bastida (2009) find evidence of a positive relationship between political turnout and transparency.

In terms of evidence for the relationship between taxation and governance, Moore (2007) and other scholars cite a range of historical experiences to provide evidence that taxes create a 'fiscal social contract.'<sup>22</sup> Moore finds that all else being equal, the dependence of governments on general taxation has positive effects on the quality of governance. However, he cautions that this relationship is not automatic – *how* governments tax also matters. A recent Christian Aid study echoes these findings.<sup>23</sup> Other scholars have conducted statistical tests of the relationship between taxation and governance. Ross (2004) explores and tests the 'taxation leads to representation' argument using pooled time-series cross-national data from 113 countries between 1971 and 1997. While Ross does not find evidence to support the hypothesis that higher taxes *relative to income* lead to democratisation, he does find that higher taxes *relative to government services* tend to make states more democratic. Using data from approximately 90 countries, Timmons (2005) shows that the more a state taxes the rich as a percentage of GDP, the more it protects property rights; the more it taxes the poor, the more it provides basic public services. Prichard (2009) summarises a handful of additional studies, though he notes that 'much of the existing evidence does not engage explicitly with underlying theory' (p. 7).

## Case studies and donor-initiated reviews

### Impact of participatory budgeting

The Porto Alegre participatory budget process, and similarly structured PB initiatives provide the greatest evidence of impact – both in terms of more immediate, process-related impacts and longer term governance and development outcomes. For example, de Sousa Santos (2005) documents how PB in Porto Alegre led to greater access to public sanitation, paved roads; expanded granting of land titles (p. 16). Goldfrank (2006) cites evidence by a number of scholars of PB's success in redirecting public resources towards poor neighborhoods (Marquetti 2002; Serageldin, *et al.* 2003), extending service provision (Navarro 2004; Sousa Santos 1998), democratising existing and spurring the creation of new civic associations (Abers 2000; Baierle 1998; Baiocchi 2001a, 2001b; Wampler and Avritzer 2004), and increasing transparency and accountability (Ackerman 2004; Fedozzi 1997; Wampler 2004), while reducing clientelism (Abers 2000) and enhancing democratic representation for the formerly excluded (Nylen 2003; Souza 2001). However, he notes that these outcomes are by no means guaranteed by PB, and that even well-regarded cases show some contradictory results (Baierle 2003; Nylen 2003; Souza 2001; Wampler 2004).

<sup>21</sup> The IMF fiscal ROSCs are narrative reports, but they are organised in a standard way such that Hameed creates a comparable scoring metric and defines four sub-indices of fiscal transparency: data assurances, medium-term budgeting, budget execution reporting, fiscal risk disclosure.

<sup>22</sup> OECD (2008) extends this historical analysis, and provides a useful overview of some related arguments about the link between taxation and governance.

<sup>23</sup> McDonald and Jumu (2008).

Schneider and Goldfrank (2002) document successful scaling up of PB initiatives from the municipal to the state level. They show that the PB process did not hurt efficiency of public spending, and may have even improved it. They also find evidence that PB contributes to effective planning, enhanced participation and redistribution.

Gender budgeting initiatives (GBIs) appear to have been less successful. As Goetz and Jenkins (2005) note, the parallel gender-aware budgets produced by most GBIs are typically supplied to parliamentarians too late during the budget cycle to have an impact on spending allocations. As such, most of these initiatives are at best efforts to improve answerability of office-holders for gender equity. However, government responses to questions raised by gender budgets are rarely followed up. Furthermore, GBIs do not produce evidence that can be used for enforcement dimension of accountability. Norton and Elson (2002) note that successful GBIs are often facets of a broader popular political movement or project (p. 45).

## Impact of expenditure monitoring

The Uganda PETS has by far the most documented evidence of impact of initiatives to monitor expenditure. Once the initial survey findings became known, the Ugandan government responded forcefully, conducting a public information campaign and taking other measures to reduce leakages. These efforts proved successful, as a follow-up survey showed that leakages had been dramatically reduced from 74% to less than 20%. However, a more recent review of the Uganda PETS (Hubbard 2005) suggests that a number of other elements (concurrent reforms, etc.) played a greater role than the PETS in accounting for the reduction in leakages.<sup>24</sup>

Sundet (2008) further notes that the Uganda success is fairly unique. For instance, the impact of PETS in Tanzania has been much more limited. PETS conducted in 1999, 2001 and 2004 succeeded in revealing significant leakages and unnecessary complexities in the system of financial transfers. However, the government did not accept the findings and follow up to address the problems the PETS revealed.

A range of more targeted citizen-led expenditure monitoring initiatives and social audits can boast greater success. In a number of cases, the discovery of specific missing funds has led to recovery of funds and/or disciplinary action against officials found to be diverting funds. There is also evidence of formal co-operation between national audit authorities and citizens in audit processes, as well as legislative reform (i.e. the enactment of Freedom of Information Acts in India and a Procurement Law in the Philippines.) In one significant development, the government of the state of Andhra Pradesh has recognised the importance of social audits in curbing corruption in the implementation of National Rural Employment Guarantee Act (NREGA) programs. It is collaborating with a number of civil society groups to expand the use of the social audit methodology.<sup>25</sup>

## State-led vs. citizen-led initiatives

Ackerman (2003) assesses the impact of participation in the Mexican Municipal Funds Program, a World Bank-financed initiative, which included 'solidarity committees' in targeted communities to supervise government spending, decide which projects would be funded and contribute necessary labor power. He finds that communities with higher levels of participation had more effective development projects. However, he notes that the origins of this 'co-governance' scheme were entirely top-down (thought up and designed by the federal government in consultation with World Bank staff).

Similarly, while Foster *et al.* (2002) find that sharing information and a proactive approach to participation have helped to improve the effectiveness of poverty policies, they find that these initiatives for the most part came from sympathetic governments (with donor encouragement), rather than being the result of countervailing pressures from civil society. They find that the habit of consultation and sharing of information still has shallow roots, and access could easily be removed or (more likely) decline if government leadership gives it less emphasis. Their case studies indicate that civil society engagement in activities aimed at influencing government remains weak, both in terms of the quality of analysis, and the extent to which governments have felt required to respond.

A recent evaluation of citizen engagement and local government fiscal processes in Uganda highlights potential synergies between citizens and tax collectors.<sup>26</sup> The Wakiso Local Government has introduced a bottom-up system of revenue mobilisation, through which designated citizens participate in tax assessments by providing information on community members' income and assets to the local tax authority. The scheme also includes opportunities for redress, through which citizens can protest perceived over-assessments and negotiate lower tax if appropriate. The scheme has been hailed by local authorities and some community members. For instance, one participant expressed satisfaction with there being less harassment of community members because tax collectors have more accurate data. However, many of the community members in the group discussions mentioned persistent problems of not clearly seeing where the money from this system is going.

## What type of impact?

In general, there are many more studies documenting more immediate process-related impacts than effects on longer-term outcomes. For instance, a 2005 DFID review of 87 initiatives that aim to strengthen domestic accountability on public expenditure found only a small number of instances where changes have occurred in the incidence of corruption and in financial management as a result of DFID interventions.<sup>27</sup> More frequently, intermediate changes are mentioned, for example the generation of methodologies and experiences to inform national debate, improvements in the quality of participation, the availability of information, or levels of awareness.

<sup>24</sup> Cited in Sundet (2008)

<sup>25</sup> IBP (2008)

<sup>26</sup> Ssewakiryanga (2004)

<sup>27</sup> Bosworth (2004)

Similarly, a 2008 review of DFID CV&A initiatives suggests that their impact on development outcomes is neither direct nor obvious.<sup>28</sup> The authors state that no evidence could be found within the sample of a direct contribution of CV&A interventions to poverty alleviation or the meeting of the MDGs.

That said, there is a growing body of evidence that suggests the potential impact of budget-related ATIs on development outcomes. While Robinson (2006) finds that the most significant impacts achieved by independent budget groups lie in improving budget transparency and budget awareness, he also finds evidence that groups have enhanced budgetary resources for existing programs and improved the efficiency of expenditure utilisation. Enhancing the resources for development and ensuring that funds are spent well is clearly an important step toward achieving various development outcomes.

Some recent IBP case studies point to evidence of successful civil society budget advocacy. For instance, the Omar Asghar Khan Development Foundation in Pakistan documented mismanagement of earthquake reconstruction funds and conducted a broad campaign that spurred improvement in the rate of reconstruction. The Foundation's campaign includes an element of co-governance: In addition to the analysis, outreach, and advocacy described below, the Foundation made a strategic decision to become an executing agency for the Earthquake Reconstruction and Rehabilitation Authority (ERRA) in one union council — the lowest tier of local government — which gave it insights into the government's implementation policies, greatly benefitting decisions about the campaign's strategies and tactics.

In South Africa a range of civil society organisations' and coalitions' persistent campaigning has contributed to expanded eligibility for the Child Support Grant through the doubling of the age range covered and increases in the income cut-off point for the grant, a six-fold increase in the budget for this grant between 2001-2008, increases in the monthly value of the grant to keep up with inflation, and a more flexible approach to the documentation required to access the grant. In addition, a successful information campaign has expanded the number of children who are eligible for the grant who are now receiving it. This case study also provides evidence of enhanced horizontal accountability. John Kruger, former Director of Social Services at the Department of Treasury, has noted that in recent years the Treasury has become better at commissioning the 'right research,' asking the right questions; and 'pressing the right research buttons,' partly the result of its interactions with civil society organisations.

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<sup>28</sup> Rocha and Sharma (2008)

## Which methods are used to assess and evince impact?

As noted in the previous section, a number of researchers have documented correlations between greater budget transparency and accountability. While these studies demonstrate the potential impact of budget-related transparency initiatives, they may mask a number of intervening or country-specific factors that are associated with both transparency and accountability (or other desirable outcomes). Furthermore, even if a causal relationship exists between transparency and accountability, the direction of causality is not immediately clear.

Glennerster and Shin (2008) attempt to address the omitted variable bias and potential for reverse causality that plagues much of the literature on transparency. They study data generated when the IMF introduced a series of reforms to promote transparency. This allows them to create an instrument for transparency, which is an interaction of when a country faced the chance of publishing (based on a preexisting IMF timetables) and measures that predict whether a country will take the opportunity when it arises.<sup>29</sup> It should be noted that this study is primarily concerned with transparency of governments to foreign investors, and thus may not shed light on our main research questions.

Indeed, many cross-country studies that use transparency as an explanatory variable are not necessarily picking up the (potential) impact of budget-related ATIs. For example, studies showing that countries with greater transparency (proxied by media freedom) experience better governance are not valid assessments of citizen-led efforts to increase public access to budget information.

Fortunately, there are a number of case studies that make a clearer attempt to isolate the impact of budget-related A&T initiatives. The most useful studies attempt to synthesize the findings of comparable cases, in order to identify the most important factors for determining success and pinpoint common challenges. For instance, Robinson (2006) employs a variety of methods to measure impact in his synthesis of six case studies of civil society budget groups. In order to investigate impact on budget policies, researchers analysed data provided by the groups on budget outturns as well as the groups' own physical verification of investments. For evidence on the influence of the groups on the budget process, researchers drew on qualitative interviews and focus group discussions. Finally, pairs of researchers conducted

10-15 day field visits. Robinson notes that it can be difficult to attribute observed changes in budget allocations, quality of implementation and outcomes to activities of budget groups independent of interventions of other state and non-state actors and broader economic trends.

Wampler (2007) is even more systematic in his comparison of eight cases to generate explanations for PB's origins, internal processes, and outcomes. He explicitly selects cases to allow for variation in political history, economic development and civil society. This method of case study selection helps him avoid potential bias, which can manifest itself when researchers select their cases according to a variable of interest.<sup>30</sup> Wampler employs surveys of PB participants, interviews with government officials and PB participants, budget analysis, focus groups, legal analysis and participant observation in more than 100 meetings over a 10-year period.

Olken (2007)'s seminal study on monitoring corruption in Indonesia represents a more rigorous attempt to document the effect of enhanced grassroots participation in budget monitoring. He conducts a randomised field experiment on reducing corruption in over 600 Indonesian village road projects, examining the effects of two different participation 'treatments' (invitations to attend 'accountability meetings' and distribution of anonymous comment forms) that sought to increase grassroots monitoring as well as increasing probability of audit. His study shows that increasing government audits from 4 percent of projects to 100 percent reduced missing expenditures by eight percentage points. By contrast, increasing grassroots participation in monitoring had little average impact, reducing missing expenditures only in situations with limited free-rider problems and limited elite capture.

Although not a randomised study, Schneider and Goldfrank (2002) employ methods of statistical control in their study that exploits variation across municipalities in one Brazilian state (Rio Grande do Sul) to test their hypotheses about what accounts for participation in PB, as well as the impact of PB. In order to test their participation hypothesis, they run regressions with participation (measured as the percentage of the electorate that participated in the PB process) as the dependent variable and a range of explanatory variables that represent factors expected to influence participation. To measure the impact of PB, they run regressions with invested amounts per capita in each municipality as the dependent variable.

<sup>29</sup> Instrumental variable analysis involves the use of new variables to proxy for the explanatory variables of interest, if there is a concern that the explanatory variable of interest is correlated with the dependent variable through channels other than the one being studied. (This phenomenon is also called feedback.) Instrumental variables should be chosen such that they are correlated only with the explanatory variable of interest and not the dependent variable through any other channel than the relationship being studied.

<sup>30</sup> Case selection on the dependent variable is particularly pernicious. This phenomenon occurs when researchers examine cases with similar outcomes (e.g. successful PB experiences) and then attempt to identify the common factors across various cases, which account for their success. However, if researchers fail to examine unsuccessful cases, they may risk identifying spurious factors – if indeed the same factors were present in the unsuccessful cases. Furthermore, any selection rule correlated with the dependent variable tends to attenuate estimates of causal effects on average.

Donor-led reviews of interventions expand the universe of cases studied, which allows for more general conclusions. For instance, a 2005 review of DFID Support for initiatives meant to strengthen domestic accountability on public expenditure (Bosworth 2005) covered 87 initiatives in Africa, Asia, Latin America, Europe and the Middle East. These initiatives comprised both national and sub-national interventions, as well as a small number of initiatives that addressed accountability in particular sectors. The World Bank Institute's 2005 *Stocktaking of Social Accountability Initiatives in the Asia and Pacific Region* covered 54 social accountability initiatives conducted by civil society groups and official state bodies. Beyond representing a wider array of cases, such reviews have the benefit of drawing on internal documentation from donor agencies, which can contain a wealth of useful information. However, there is a risk that published evaluations by donors or implementing organizations might exhibit a bias in the direction of positive impact.

In addition, the IBP conducts (or is planning to conduct) a range of activities to assess the OBI's impact. These include: (i) reporting on project structures, processes, activities, and outputs on an annual basis; (ii) researcher feedback surveys; (iii) project reporting by implementing partners (financial reports as well as reports on their advocacy activities and impact; and (iv) external evaluation conducted by an independent consultant.<sup>31</sup>

In addition, IBP is planning to publish a volume in 2011 that will highlight the institutional, policy and practical changes that could promote improvements in budget transparency and participation in different settings. The volume will include statistical and multi-country comparative analyses as well as case studies of Brazil, Mexico, Peru, India, South Korea, Vietnam, Uganda, Senegal and South Africa. These countries were selected to enable comparisons between pairs of good and bad OBI performers sharing other characteristics, in an attempt to isolate the factors that lead to greater budget transparency.<sup>32</sup>

Finally, publication of OBI findings every two years (since 2006) offer a reasonably objective measure of how different countries are progressing with transparency reforms.

<sup>31</sup> DFID GTF Project Proposal #334, 'The Open Budget Initiative,' p. 20, internal document

<sup>32</sup> IBP forthcoming, 'Accountable Budgets: Overview of Volume and Guidance Document for Case Study Authors,' draft

## Which factors contribute to impact?

The factors that contribute to impact depend in part on the type of initiative, and so different types will be discussed in turn below, before highlighting some cross-cutting factors.

### Factors contributing to successful PB initiatives

The factors contributing to successful participatory budgeting reflect the importance of a confluence between 'supply' and 'demand' for accountability. Indeed the well-known Porto Alegre PB process was a combined product of community associations and the Workers' Party municipal administration. More generally, the following pre-conditions seem important in accounting for the success of PB initiatives: (i) political will (i.e. supportive local officials) (ii) social capital, (iii) bureaucratic competence, (iv) small size, (v) sufficient resources, (vi) legal foundation and (vii) political decentralisation.<sup>33</sup> Heimans (2002) emphasises similar factors, and also notes it may be important that the government can implement PB without alienating middle class or other key constituencies. He also suggests that legislatures must be open to PB and that successful implementation of PB may also correlate with a country's degree of economic development.

Goldfrank further notes that there is less consensus about which features of institutional design are most important, with debates centering around the following features: (i) immediate needs focus vs. long-term planning, (ii) informal vs. formal structures for participation, (iii) deliberation, (iv) centralised supervision and (v) accessible rules and information.

Wampler (2007) also emphasises the necessary complementarity between the 'supply' and 'demand' side for accountability, noting that to produce a strong PB program, it is necessary to have high levels of mayoral support, civil society that can engage in both cooperation and contestation, and rules that delegate specific types of direct authority to citizens. He further notes that mayoral administrations' incentives to choose to delegate authority depend on whether they perceive it is in their electoral, party, government, and ideological interests. In addition, mayoral-legislative relations and available investment spending are necessary but not sufficient to produce

positive PB outcomes. While these factors often help limit PB's impact, and PB can be undermined if enough legislators oppose it, these conditions are insufficient to produce positive outcome

Schneider and Goldfrank (2002) account for success in scaling up PB from the city to the state as a result of institutional knowledge and experience stemming from previous success in Porto Alegre. The existence of powerful social movement allies at the state level also played a role. In addition, using statistical analysis, they find participation is inversely related to the size of the municipal population, but positively correlated with the percentage of the electorate registered with the Workers' Party. This supports their hypothesis that participation depends on the support of the group seeking to implement an alternative vision of participatory democracy.

To assess the impact of PB, they examine invested amounts per capita in each municipality and find that the PB process generated expenditures that were likely to encourage supporters, incorporate potential opponents and promote redistribution. That is, municipalities with a greater percentage of Workers' Party members received more investment money, though demonstrated electoral support for the party reduced investment.

In Brautigam's 2004 review of participatory budgeting and pro-poor policy-making in Brazil, Ireland, Chile, Mauritius, and Costa Rica, she notes that several institutional features seem to have been shared by the cases of pro-poor spending, whether or not they involved participatory budgeting. Namely, pro-poor spending tends to be initiated by strong, democratic, and ideologically left-of-centre political parties. These governments had strong and independent auditing arms, and institutions (media, internet, pamphlets, public meetings) that enabled information about spending to be shared with the public and problems to be aired.

<sup>33</sup> Goldfrank 2006.

## Factors contributing to successful civil society budget analysis and advocacy

Robinson (2006) identifies a number of explanatory factors that shape the positive impact of independent budget groups, related to groups' organisation strategies, as well as the nature and structure of the budget process. In terms of the first dimension, he cites the legitimacy acquired from quality analysis and timely and effective dissemination, the strength and flexibility of broader alliances in civil society, and the quality of relationships established with government and the legislature. Regarding the second dimension, he cites the depth and extent of legislative engagement in budget deliberation and review, and the openness and flexibility of the budget process. The more recent IBP case studies highlight the importance of sound evidence-based research and building broad coalitions.

According to Pollard and Court (2005), the key issues regarding whether CSOs are successful in influencing participatory monitoring seems to be around process (issues of civil society capacity to engage in certain processes) and timing (e.g. groups tend to have more success engaging at formulation stage, whereas the audit stage is often too late to make a difference.)

## Factors contributing to successful expenditure monitoring

Sundet (2008) highlights the importance of political will to follow up on findings and recommendations of government-led PETS. He suggests PETS are more likely to succeed when there is a strategy in place to act on the findings of the PETS, before the actual PETS is conducted. The Uganda PETS also revealed the critical role of access to information: leakage was reduced significantly more in schools that were closer to the nearest newspaper vendor.

Factors accounting for successful CSO-led efforts include the involvement of local officials, to secure access to official data and facilitate direct communication between communities and authorities. In addition, successes in translating tracking into action seem more likely where tracking is case-specific, where specific cases are documented and followed up, rather than broader statistical analysis.

## Factors contributing to successful 'co-governance'

Goetz and Jenkins (2001) suggest five necessary conditions for effective state-citizen co-operation for improved accountability: legal standing for non-government participants, regular presence of these outsiders, clear procedures for meetings, the right to information and the right for outsiders to issue a dissenting report to legislative bodies. According to their analysis, the MKSS social audit satisfies the first four conditions.

Regarding successful 'co-governance' in the Mexican Municipal Funds Program, Ackerman (2003) highlights three important factors: (i) the direct involvement of social actors and practices from the design stage; (ii) the importance of the formal, legal empowerment of participatory bodies; and (iii) government transparency and institutional design. He further notes, 'Reformers should not wait for civil society to start trusting government nor should they wait to involve society until after the government has already designed a new participatory mechanism "from above"... The best "entry points" are therefore those issues and locations where there are previously existing social demands and practices surrounding a specific accountability issue' (p. 459).

He also argues that the best way to assure the sustainability of a participatory framework is through its full institutionalisation. The ODI case studies also find some evidence that information and analysis are more influential when undertaken as part of a national process. The participatory poverty assessment in Uganda, and the study of health inequalities in Ghana, had greater influence on poverty because, in the former case, the Ministry of Finance was fully involved and, in the latter case, because the work was commissioned by the Government-donor health partners, and taken forward within the discussions of the sector programme. However, it is worth noting, as the critical reviews of PB do, that institutionalisation can also lead to a risk of co-optation.

Foster *et al.* (2002) cite the importance of civil society capacity in determining the impact of participation in budget processes, since 'it is easier to extend rights in principle than to help an illiterate population exercise them in opposition to officials and politicians who have far greater resources of skills, status, wealth and power.' The LogoLink case study echoes this point, noting that 'it is those who have learnt the language 'in vogue' that get a hearing' (Ssewakiryanga, p. 42).

## State-led vs. citizen-led initiatives

The various studies of participatory budgeting highlight the relative successes of state-led (or rather, local government-led) initiatives and suggest that political will is a necessary – if not always sufficient – condition for success. However, it is not necessarily justifiable to judge state- and citizen-led initiatives by the same criteria. Furthermore, there are some prominent examples of successful citizen-led initiatives, such as MKSS' social audit initiative.<sup>34</sup> Much like PB in Porto Alegre, the initiative has been held up as a model and successfully replicated elsewhere. For example, MUHURI in Kenya has adopted a similar approach to monitor expenditures made under the Constituency Development Fund (CDF).

## Cross-cutting issues

Broadly speaking, we may group the factors that seem to consistently account for success into internal factors (related to implementing organisations' strategies and activities) and external factors (related to the environment in which they operate). The most widely cited internal factors include social capital, capacity and legitimacy, and the timing at which they stage their interventions. Important external factors include political will, formal/legal empowerment, access to information, and international support.

The importance of social capital is evidenced by the success of groups that have formed alliances and broad-based coalitions. This is not surprising, since governments are often concerned with losing popular support. If advocacy groups can make the case that they represent a significant portion of society, governments are likely to take their demands more seriously. Furthermore, broad bases of support can help mobilise resources and strengthen capacity.

Civil society capacity ensures that groups produce quality analysis and engage in a timely manner, which helps to establish their legitimacy. Robinson (2006) cites legitimacy – stemming from quality analysis disseminated in a timely and effective manner – as key factor accounting for successful civil society budget analysis and advocacy.

Timing also seems to matter. For instance, involving citizens in the design and implementation of T&A initiatives can help to ensure their sustainability (as in the case of successful PB initiatives or social audits). Timing

also matters in terms of when to intervene. Pollard and Court (2005) present evidence that groups seem to have more success engaging at the formulation stage; Sundet (2008) suggests that PETS are more likely to be successful when there is a strategy in place to act on the findings of the PETS, before the actual PETS is conducted.

In terms of external factors, a number of reviews highlight the importance of political will. However, this concept is often left as a black box. It may refer to efforts by particular sympathetic local governments to establish or embrace T&A initiatives, a history of support for democratic institutions and social institutions,<sup>35</sup> as well as various factors that lead local officials to cooperate with civil society groups and generally create a more conducive environment for citizen-led initiatives. Given the lack of clarity around political will, it is perhaps more important to understand how it gets made, broken or changed – that is, what makes governments more receptive and responsive to citizen-led efforts to boost transparency and accountability in the budget process.<sup>36</sup> (I will discuss this in further detail in the Gaps section below.)

Another factor that seems important is formal or legal empowerment, which can protect groups taking unpopular stances, as well as help to institutionalise participation and guarantee access to relevant information.

The significance of access to information is fairly self-evident: in order for citizens to analyse and monitor budgets, they need budget information. A number of case studies also suggest that the impact of budget-related ATIs is strengthened when the right to information has been codified into law.

International support also seems to play a role, both in terms of providing groups with the resources they need to conduct successful initiatives, as well as to enhance political will. Indeed, Gillies' (2010) discussion of reputational norms suggests that the support of the international community has made a number of countries at least wish to appear more transparent.

<sup>34</sup> For more details, see Ch. 4 in *Our Money, Our Responsibility* (IBP 2006)

<sup>35</sup> For instance, MKSS' success might be traced to sympathetic governments as well as India's history of democratic institutions and social activism. See Drèze, J. & A. Sen. 2010. 'Democratic Practice and Social Inequality in India,' *Journal of Asian and African Studies* 37: 6 for a more detailed discussion of India's history of democratic institutions. In his review of A&T initiatives in Latin America, Spink (2010) also cites historical and institutional factors that account for the way such initiatives have evolved and the type of impact they have had.

<sup>36</sup> Gaventa and McGee (2010) provide a useful definition of 'political opportunities' and 'policy spaces' as well as the factors that allow such space to arise. In the developing country context these include: a history of democratic opening, the existence of functioning state institutions, and a history of civil society action (p.13).



## What gaps exist?

Given the emerging nature of this field of study, it is not surprising that there are a number of gaps in the literature. Below I discuss some of the gaps I have identified in my preliminary analysis, along with suggestions about how to fill them.

As noted above, the link between transparency, accountability, and longer-term development outcomes has yet to be clearly established. There are a variety of ways in which we might proceed to fill this gap. First of all, additional case studies could show exactly how citizens make use of budget information once it becomes available. There is also a need for more studies comparing successful and unsuccessful cases that share many common characteristics in order to isolate what led to success in some cases and failure in others.<sup>37</sup> IBP will contribute to this gap with the forthcoming volume on budget transparency mentioned above, as well as a planned series of case studies of four IBP partners in South Africa, Mexico, Tanzania and Brazil. IBP's plans for these forthcoming studies explicitly recognises the weaknesses of previous studies, which were retrospective, included only successful cases, and focused on organisations as the unit of analysis. In light of this, the forthcoming round of case studies will be prospective and long-term, with clear, ex-ante hypotheses; will focus on interventions that could fail; and will examine specific initiatives and campaigns, rather than organisations. IBP has consulted with a number of experts in order to improve their case study methodology, and has devised a rigorous framework to assess impact.<sup>38</sup> Twaweza, a new citizen-centered initiative, focusing on large-scale change in East Africa, is taking a similarly prospective approach, making a concerted effort to document its successes and failures and learn from them.

The lack of time series data on accountability and transparency further constrains our ability to make meaningful comparisons across countries. The variation in accountability and transparency performance across countries may be driven largely by country-specific factors or omitted variables, which are hard to control for without time-series data. The Open Budget Index will begin to address this issue, since it now provides observations for three years. In addition, Hameed's methodology for creating a transparency index based on fiscal ROSCs can be replicated as more of these reports become available.

Beyond case studies and developing time series data, we might also seek instruments for accountability and transparency, in order to address omitted variable bias or endogeneity problems. We might also look for 'natural experiments' that have led to in-country variation in accountability and transparency performance, from which we might draw meaningful conclusions. For example, if state or municipal boundaries arise in a way that has nothing to do with whether transparency or accountability reforms are enacted within those boundaries, we could then look at the resulting impact of transparency reforms in 'treatment' areas and compare them with the 'control group' where the 'treatment' has not been applied. Some analyses of the impact of school reform have taken such an approach.<sup>39</sup>

Goldfrank (2006) identifies three main gaps in the PB literature: lack of rigorous, cross-national testing of which design features and pre-conditions are most important for producing desired outcomes; lack of theoretical link between the design of PB and the conditions under which it is introduced; and the lack of a thorough examination of the 'non-neutral' aspect of PB (role of opposition parties, e.g.) Wampler (2007) also notes two recurring shortcomings in the PB literature: (i) the absence of data to demonstrate effect of PB on spending/policy outcomes, and (ii) reliance on government-produced data that has not been independently verified

Sundet (2008) highlights important gaps in the literature on the impact of PETS and related initiatives. As he notes: 'A general lack of documentation and critical investigation of tracking activities, both large-scale, 'official' PETS and tracking exercises by CSOs, indicates a significant missed opportunity to learn from what works and what doesn't. Learning requires active sharing of information and critical analysis of results. The incentives are not in place for this to be realised.'

Additionally, much less attention has been paid to the revenue side of the budget process than to the expenditure side. As Brautigam (2004) notes, 'participation focused on the social expenditure side of the budget may neglect the revenue side; this might miss opportunities to strengthen the sustainability of pro-poor spending as well as accountability' (p. 654).<sup>40</sup> The Institute for Development Studies is helping to fill this gap with a three-country study of the political economy of taxation and its relationship to political accountability. Prichard (2009) examines Ghana's

<sup>37</sup> For more detailed guidance on case study selection and avoiding selection bias in research design, readers may wish to consult the following classic references from comparative politics: Geddes, B. 1990. 'How the Cases You Choose Affect the Answers You get: Selection Bias in Comparative Politics,' and King, G., R. O. Keohane, and S. Verba. 1994. *Designing Social Inquiry*, p. 128-139.

<sup>38</sup> IBP 2009. 'Proposed Methodology for IBP Case Studies', draft

<sup>39</sup> See, for instance, Hoxby (2000). The author uses instrumental variables based on topographics (specifically, streams) to

identify natural differences in areas' propensity to have numerous school districts. This allows her to examine the effects of competition among public schools.

<sup>40</sup> Chapter 6 of IBP's 2006 *Guide to Tax Work for NGOs* examines the tax work of groups in the United States that work at the state level. The chapter also reviews how tax work is being adapted in developing and transitional countries. It examines the efforts of civil society groups in Croatia, Ghana, and South Africa, as well as a growing international movement around monitoring the extractive industries and fighting tax evasion.

recent experience and finds that conflicts over taxation helped fuel the movement for political liberalisation. He also documents a connection between political openness and a greater willingness of citizens to accept new taxes. Another recent IDS publication<sup>41</sup> attempts to translate the findings of existing research into a practical agenda for action, focusing on how governments could strengthen the state building role of taxation. As evidenced by campaigns like Publish What You Pay and the Extractive Industries Transparency Initiative, there are clear links between A&T in the budget process and improved natural resource governance. Given the relative lack of attention to revenue in most A&T budget-related initiatives, this might represent a particularly interesting synergy, since the campaigns mentioned above focus on natural resource revenues.

Other potential synergies to explore include the nexus between budget-related ATIs and the Freedom of Information (FOI) and Open Data movements. To date there has been limited work on whether and how these initiatives facilitate budget monitoring and advocacy. IBP (2008) has documented how groups in Argentina, India, Mexico and have used FOI laws to conduct budget monitoring, but I am not aware of any more systematic efforts to document this link.<sup>42</sup> Preliminary analyses of Open Data initiatives (which advocate for government data to be made available online in such a way that it can be freely copied, shared, combined with other material or republished) suggest that end-user take-up has not been a key driver of these initiatives' design and implementation.<sup>43</sup> They also highlight the need to stimulate use of the data once it has been made available.<sup>44</sup>

Finally, there is a need to move beyond analyses that attempt to isolate particular factors accounting for the success or failure of budget-related ATIs and look more broadly at 'what works' beyond targeted interventions. Rather, researchers should be encouraged to conduct meta-analyses and employ outcome-mapping methodologies to tease out the interactions between various factors that create an enabling environment for successful budget-related ATIs. Such efforts would also help to open the black box of 'political will'. They could also provide insights into the politics of the budget process, which may vary dramatically from country to country, based on various historical and institutional factors.<sup>45</sup>

<sup>41</sup> Prichard, W. 2010 'Taxation and State Building: Towards a Governance Focused Tax Reform Agenda,' IDS Working Paper 341

<sup>42</sup> One thought might be to examine data from the IBP's 'Ask Your Government' campaign, which documents government responses to citizens' requests for budget information in 80 countries. Many of these requests were made using FOI legislation, so it might be possible to see whether countries with FOI laws make it easier for people to access budget information or not.

<sup>43</sup> Hogge 2010.

<sup>44</sup> Access Info Europe and the Open Knowledge Foundation (2010). This report cites the example of 'Where Does My Money Go?', created by the Open Knowledge Foundation, which gives the UK public an interactive overview of how their taxes are spent through use analysis and visualisation techniques.

In the U.S., the Obama Administration created Recovery.gov to allow easy access to data related to Recovery Act (the U.S. government's stimulus package passed in 2009 in response to the recession) spending and allows for the reporting of potential fraud, waste, and abuse. Given the recent vintage of these initiatives, there have been limited efforts to document their impact.

<sup>45</sup> For instance, some scholars have examined the tradeoffs between 'hierarchical' and 'collegial' budgetary institutions. More hierarchical budget institutions delegate more decision-making power to the executive, which may facilitate greater fiscal discipline, but perhaps less direct accountability to the needs of citizens. On the other hand, more collegial institutions devolve decision-making authority to multiple players (e.g. cabinet ministers), and thus may be more accountable.

## References and sources

The following studies represent those consulted most extensively in preparing this chapter. These also represent my 'top ten list' of resources on the impact and effectiveness of budget related ATIs. A more comprehensive list of works cited follows.

### Top 10 resources on impact/effectiveness of budget-related ATIs

Bosworth, J. 2005. 'Citizens, Accountability and Public Expenditure: A Rapid Review of DFID Support.' DFID Working Paper 17, July 2005.

\*Introduction to this report says it represents a preliminary mapping that will feed into a major evaluation of DFID's work on Voice and Accountability to be conducted during 2006. I have reviewed DFID's November 2008 *Citizens' Voice and Accountability: Synthesis Report* but it does not address budget-related ATIs as systematically as this preliminary review. However, we may wish to summarise the synthesis report's key findings instead since it is more recent.

Foster, M., Adrian F., Felix N. and Tim C. 2002. 'How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Five African Countries,' ODI Working Paper 168, Overseas Development Institute.

Goetz, A. and Rob J. 2001. 'Hybrid Forms Of Accountability: Citizen engagement in institutions of public-sector oversight in India.' *Public Management Review*, Volume 3, Issue 3, p. 363 – 383

\* Also note summary of key findings about MKSS in authors' 2005 book *Rethinking Accountability* (p. 86-90). First chapter of book also provides extremely useful framework for thinking about accountability.

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