Summary

The post-2015 framework will contain the most ambitious set of development goals ever agreed and will require a significant increase in the effectiveness and efficiency of government spending. Bringing together available evidence and new quantitative analysis, this brief shows that budget transparency, expenditure monitoring and accountability can contribute to increases in spending towards, and better results related to, development goals. Whether or not this occurs crucially depends on data availability, space for civil society engagement, political will, and government capacity.

Ensuring positive outcomes in the post-2015 agenda requires a “data revolution” in tracking government spending, aid and results. This can be facilitated by:

- Promoting budget transparency and access to information on spending targeted to development goals, including an indicator in the post-2015 framework.
- Monitoring government spending on the goals as part of the “means of implementation”.
- Increasing support for strengthening government systems to publish detailed budget information.
- Increasing support for building the capacity of citizens, the media, parliaments, and government officials to strengthen budget accountability.
Introduction

This brief assesses the case for budget transparency, expenditure monitoring, and accountability being included in the post-2015 framework. It draws on a vast array of case studies, as well as quantitative analysis of new data sets, to examine the relationship between transparency, monitoring, spending and outcomes. In particular, it tests whether increased budget transparency allows for closer monitoring of public spending related to the Millennium Development Goals (MDGs), whether this leads to an increase in spending towards achieving development goals and, ultimately, to better development outcomes.

Budget transparency $\Rightarrow$ ↑ Transparency of MDG Spending $\Rightarrow$ ↑MDG Spending $\Rightarrow$ ↑MDG Results

Qualitative Evidence: Why and When Budget Accountability Works

Case studies show that increased transparency has often been a major factor in increased and improved MDG budget allocations. This includes studies on: agriculture in Ghana and Nigeria; education in Argentina, Burkina Faso, Dominican Republic, India, Korea, Malawi and Tanzania; health in Armenia, Korea, Sierra Leone, South Africa and Zambia; maternal health in Mexico; social protection in South Africa; water and sanitation in Sierra Leone; and marginalized tribal groups in Gujarat and Dalits across India (see Box 1 for examples). Transi

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Transparency has also often contributed to more effective and efficient spending, leading to improved outcomes. Examples include: participatory budgeting in Kerala, Kenya and Porto Alegre; Public Expenditure Tracking Surveys in more than 15 countries including Malawi (see Box 1) and Uganda; Quality of Service Delivery Surveys in more than 10 countries. 4 Other social accountability tools have also contributed to more effective and efficient spending, including: social audits in India and Kenya; citizen report cards in India and Tanzania; procurement tracking in the Philippines; and auditing of actual spending by civil society organizations (CSOs) in Mexico, the Philippines, Tanzania and South Africa. These cases show dramatic increases in the share of funds reaching schools, clinics and water points, as well as the delivery of services and results.

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These findings are supported by broader, multi-country studies on the impact of transparency and accountability. However, they also indicate that higher spending and better outcomes depend on a complex web of factors. Transparency is insufficient without accountability, which in turn depends on both supply and demand factors.

Demand factors include:

- “Civil society space”. This includes access to information on plans and budgets, media freedom, and laws mandating participatory planning and budgeting processes.

- Citizen willingness and capacity, related to the strength of citizen voice and action to hold government accountable. This depends on the maturity and capacity of civil society actors, including their technical and advocacy skills.

Supply factors include:

- Government will or “state responsiveness”. This includes democratization, political will to deliver spending and results, decentralization, and broader political accountability mechanisms.

- Government capacity. This includes the existence of strong parliaments, anti-corruption and public sector procurement and auditing agencies; and procedures and skills for planning, budgeting and delivering on the basis of performance goals.
In general, demand and supply need to go together. However, cases such as Rwanda, where government leadership, and high capacity to deliver reforms, have increased spending and results without major civil society action. In addition, although there have been few successful civil society activities in countries with very low civil society space (as measured by the CIVICUS Enabling Environment Index), accountability often produces results in countries with average-to-low space. This indicates that budget accountability may be a vital lever to broaden civil society space.

Change is also heavily influenced by context and circumstance. Many case studies point to the importance of critical ‘trigger events’, such as corruption scandals (see Box 1), economic crises, elections or changes of political regime; or external influences, such as the MDGs, participatory Poverty Reduction Strategies, or donor inputs into social accountability. Producing results often takes several years of sustained activity, as seen in the Dominican Republic, India and Porto Alegre.

For sustained impact, participation and accountability need to be fostered across the whole planning, budgeting and delivery cycle to ensure that there are overall and sector development plans. These plans require costed spending to reach the goals; medium-term outcome/performance-based budgets with high allocations; in-year spending reports to track actual spending; participatory mechanisms to track spending and fight corruption; transparent procurement and value for money checking processes; and performance auditing and incidence analysis reports.

**Box 1: Transparency can Contribute to Improved Allocations and Results**

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<tr>
<th>Budget transparency = allocation to disadvantaged groups</th>
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<tr>
<td>Indian law requires that a percentage of spending should be targeted to support Dalits (“untouchables”). In practice, this has often been disregarded. The National Campaign for Dalit Human Rights (NCDHR) pushed government to introduce a specific budget code to track spending on programs targeted to Dalits. Using this code, NCDHR helped to uncover US$140m of funds being diverted to cover the costs of the 2010 Commonwealth Games. Following a public outcry the government returned the funds to Dalit programs.</td>
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<th>Revenue transparency = allocation to MDG spending</th>
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<td>After discovering oil, Ghana passed a law that requires oil revenues to be managed transparently. However, the US$2 billion of oil revenues subsequently raised did not translate into increased public investment. In 2013, CSOs launched the “Oil4Food” campaign which called on oil revenues to be invested in supporting smallholder farmers. The campaign convinced the government to commit 15 percent of oil revenues to smallholder agriculture.</td>
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<th>Transparency and accountability = allocation to health</th>
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<td>In Zambia, the ‘Vote Health’ campaign used a pre-election period to demand a dramatic increase in health spending. This was based on government data which showed it was falling way short of the agreed target (15 percent of spending). This generated significant media coverage, widespread public engagement and political commitments by most candidates. Following the elections, the new President raised spending by 45 percent, removed user fees, and employed 2,500 more health workers.</td>
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<th>Transparency and accountability = better allocations and results</th>
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<td>In Malawi, the Civil Society Coalition for Quality Basic Education has a long history of tracking education spending, including by administering questionnaires to teachers and officials at the community level. This has helped to increase funds to special education, reduce rural-urban spending disparities, accelerate disbursement of teachers’ salaries, and bring Malawi close to achieving MDG 2 on primary education.</td>
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**New Quantitative Evidence: Encouraging Results, Especially for “High Performers”**

Despite severe data limitations, past quantitative analyses have provided some preliminary evidence that transparency is associated with better health and water outcomes, and that higher spending can improve MDG outcomes. More systematic analysis is now possible, due to new or recently updated datasets on spending and transparency (see Box 2).
Box 2: New Data Sources Allow Improved Analysis

Since 2010, new or recently updated datasets have dramatically improved prospects for quantitative analysis of the relationship between budget transparency, MDG spending and MDG outcomes.

- **On budget transparency**, the International Budget Partnership updated and expanded the coverage of its *Open Budget Index* in 2012, to rank 100 countries based on the availability of 8 key budget documents.

- **On MDG spending data availability**, Development Finance International has developed rankings for 95 countries, based on the availability and level of detail of budget data in 2013.

- **On MDG-related spending**, the *Government Spending Watch* database, developed by DFI and Oxfam, brings together budget data for 70 countries for 2008-13, disaggregated by MDG sector. In addition, the IFPRI *Statistics of Public Expenditure for Economic Development (SPEED)* database has recently been updated to track expenditures through 2010 for 80 countries.

Using these data (alongside the existing *World Development Indicators* for MDG outcomes), we examined three relationships: 1) whether greater budget transparency is associated with better production of MDG data; 2) whether this is associated with higher spending on MDG sectors; and 3) whether higher MDG spending is associated with better MDG outcomes.

The main findings are:

- **MDG expenditure tracking is more feasible in more transparent countries.** Countries with more transparent budgets on average also produce better quality data for MDG tracking, as shown by a strong correlation between the OBI and the DFI budget data availability index.

- **However, the link between transparency and MDG spending allocations is complex.** Across the whole sample, more transparent countries do not on average allocate a higher share of the budget to education, health or water. However, indicative results appear stronger for countries that have seen recent improvements in transparency levels (see Figure 1).

- **Countries with higher expenditure on the MDGs on average have better MDG outcomes.** There is a strong positive correlation between per capita spending on education and health and MDG outcomes for these sectors. This remains significant even after controlling for income levels. However, looking only at low- and middle-income countries, income overrides this association.

- **Countries that have seen a strong improvement in budget transparency in the past decade have also increased MDG spending faster and seen faster MDG progress.** As Figure 1 shows, OBI “high performers” since 2006 have seen faster growth in MDG spending and outcome improvements since 1990. Due to the small sample size, these results are only indicative. They suggest, however, an interesting avenue for further research.
These findings broadly support our starting premise. The fact that the transparency-spending link is not even stronger may reflect a number of underlying factors:

- MDG spending data are not granular enough to be directly linked to each of the MDGs, as most countries do not produce or publish sufficiently detailed budget information; nor sufficiently timely or detailed MDG outcome data.
- Data sets are not yet lengthy, comprehensive or detailed enough to examine change over a long time period or across a broad sample of countries.
- There is a need for more detailed research to incorporate other factors discussed in previous sections. This includes civil society space, public participation in the budget process, and government capacity and commitment.

Conclusions and Recommendations

There is a wide array of evidence – from case studies and multi-country reviews to new quantitative analysis – demonstrating the potential that the promotion of budget transparency, expenditure monitoring and accountability has in ensuring that the development goals in the post-2015 framework will be backed by adequate resources and result in improved outcomes.

Therefore, a major priority for the post-2015 framework should be to promote the availability of detailed information on government (and donor) spending related to the development goals. This will help to create the conditions for a “data revolution” to increase allocations and results.

Actions that governments should take in finalizing the post-2015 agenda are:

- A budget transparency indicator should be included in the post-2015 framework to encourage governments to publish timely and detailed information on their use of public resources to reach the development goals.
- A process for monitoring government spending targeted towards each of the development goals should be included as a part of the “means of implementation”.
- More support should be given to programs that build capacity and systems within government for making data on plans, budgets, delivery and results publically available.
More support should be given to programs that build the capacity of other stakeholders, including citizens, the media, and parliaments to ensure that available information is used for expenditure monitoring and budget accountability.

The research carried out as part of this brief has identified interesting avenues for further research, both qualitative and quantitative. IBP, DFI and Oxfam are committed to continuing to investigate this field to produce deeper analyses and more robust results.

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For more information on the Open Budget Survey: http://internationalbudget.org/what-we-do/open-budget-survey

For more information on the Government Spending Watch database: http://www.govspendingwatch.org

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1 More detail of this analysis will be available shortly at www.govspendingwatch.org.
8 See http://www.civicos.org/en for more details of the index and its results.
10 Khagram, Fung & de Renzio, op.cit.
11 African Development Bank (2009), op.cit.
12 Baiocchi et al, op.cit.
18 For more detail of this analysis will be available shortly in Simson, R. (forthcoming) "Transparency for Development: the relationship between budget transparency, MDG spending and results”, available at www.internationalbudget.org and www.govspendingwatch.org.