



Fiscal Transparency Sub-Strategy

MARCH 2018 | Joseph Asunka

GOAL

The goal of the fiscal transparency sub-strategy is twofold:

- To promote effective country-level implementation of international norms, standards, and processes, as well as national policies that foster greater government transparency and responsiveness; and increased citizen voice in decisions about how public resources are allocated and used.
- To create and reinforce an environment that minimizes the outflow of tax revenues and enhances integrity in public financial management.¹

LINK TO TPA STRATEGY AND SUB-STRATEGIES

TPA strategy

This sub-strategy contributes to the broader TPA objective to create and reinforce norms and standards that foster greater transparency and public participation. A large and growing number of countries are signatories to potentially impactful international norms and standards on fiscal governance, notably on transparency and public participation — e.g., the Extractive Industry Transparency Initiative, the Global Initiative for Fiscal Transparency, Open Contracting Data Standard, etc. However, there is no clear evidence (yet) on the contribution of these norms and standards to governance and service delivery outcomes.² Experience in

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1. The emphasis will be on closing opportunities for revenue leakage — tax evasion, tax avoidance, illicit financial flows using e.g., investigative journalism to uncover and deter corrupt practices in public financial management.

2. See this 2013 [Development Policy Review](#) article.

some countries and emerging research increasingly attribute this to weak implementation of norms and standards at the country level.³ We will therefore aim to support interventions to promote effective implementation of some of the fiscal governance norms and standards at the national and subnational level, including relevant national policies. Focusing on country-level implementation gives us the opportunity to test the theories and underlying assumptions of some of the existing norms and standards on fiscal governance; learn more about those that make a difference and those that do not; adjust our grantmaking decisions accordingly; and document and share some of these lessons with the TPA field.

Links to the governance channels and service delivery monitoring sub-strategies

The **governance channels** sub-strategy aims to support research, innovation, and advocacy to strengthen new and existing channels for citizens and civil society groups to engage with governments to improve public services. The **service delivery monitoring** sub-strategy also aims to contribute to more equitable and better quality public services by promoting accountability and effective implementation of service delivery policies, and enhancing the quality and accessibility of service delivery information to foster citizen participation. This sub-strategy contributes to both sub-strategies in at least two ways:

- Strengthening country-level implementation of international norms and standards, including relevant national policies that foster greater transparency and public participation would create the enabling environment for effective implementation of both sub-strategies. Take, for instance the Open Budget Surveys (OBS): two of the three components of a budget accountability system assessed in these surveys — *i.e., public availability of budget information and opportunities for public participation in budget processes* — are directly relevant to the two sub-strategies. Advocacy to improve open budget index scores would facilitate access to relevant budget information for service delivery monitoring; it also creates opportunities for participatory budgeting, one of the tactical approaches under the governance channels sub-strategy. We will seek to support implementation of norms, standards, and policies that would facilitate execution of the two sister sub-strategies.
- The potential for citizen-government engagement to drive improvements in service delivery outcomes is dependent on the amount of resources at the disposal of governments and how those resources are managed. We will therefore support efforts to reduce public resource leakage (e.g., closing tax loopholes to combat outflow of revenues from target countries) and strengthen the integrity of public financial management (e.g., through civil society advocacy and oversight and investigative journalism to uncover and deter corrupt practices).

3. E.g., Ivar and Arne's article in [World Development](#), and [this blog on the OGP process in the Netherlands](#) highlight this point.

GRANTMAKING FOCAL AREAS

The last decade or more has witnessed a rise in international initiatives aimed at promoting good fiscal governance and improving the availability and quality public services. The expectation is that these initiatives, if adopted and implemented well, would create the necessary conditions for improved fiscal governance and service delivery outcomes. Experience in some countries and some emerging research suggest that the quality of country-level implementation of these initiatives is important for delivering better outcomes.⁴

Our focus on country-level implementation is thus motivated in part by this emerging trend and we view this largely as a learning endeavor. We will support research, advocacy, and other interventions by civil society groups that seek to improve the quality of implementation of governments' commitments to international norms and standards, and related national policies on fiscal governance. Specific areas of grantmaking will include the following:

- **Budget transparency and participation:** We will support existing and new efforts to operationalize fiscal governance norms and standards such as the requirements to make budget information available and accessible to citizens in a timely manner, ensure public participation in budget processes, provide feedback on budget implementation to citizens, ensure that all public financial transactions have a basis in law, etc. We will also support organizations that leverage national policies, notably public financial management and procurement laws to promote accountability in fiscal governance.
- **Extractives transparency:** The Extractive Industry Transparency Initiative (EITI) standard has evolved considerably over time, with increasing focus on public participation, project-level payment disclosure, and beneficial ownership transparency. We will support organizations that seek to enhance quality implementation of the EITI standard as well as those that leverage this standard to push for improved governance of the extractives sector. We will also support research to better understand the contribution of international norms and standards such as the EITI to fiscal governance and service delivery outcomes within countries.
- **Aid transparency:** We will continue to support efforts to promote aid transparency such as the International Aid Transparency Initiative (IATI) but with greater attention to in-country use of aid data. We will support initiatives that seek to enhance the use of aid data by governments for planning and by civil society organizations and watchdog groups to hold governments accountable for aid spending. We will also support projects that seek to track the impact of declining foreign aid on aid-dependent countries, including sector-specific impacts.

4. E.g., Ivar and Arne's article in [World Development](#), and [this blog on the OGP process in the Netherlands](#) highlight this point.

We will also support international and national initiatives aimed at deepening open and accountable fiscal management and fostering an institutional architecture that minimizes revenue losses. This will include research and advocacy to reduce or stop outflows of revenues from developing countries, promote fair international tax systems and practices and responsible private business practices, and build capacity of researchers and journalists to investigate, document, and report on illicit financial flows and other practices that facilitate public resource leakage and undermine the integrity of public financial management. Specific areas of grantmaking will include the following:

- **Open public contracting:** Public procurement accounts for a significant share in the GDP of most countries, reaching as high as 33 percent in some low-income countries.⁵ We will support research, advocacy, and other interventions by civil society groups to promote open contracting across all levels of government. In addition to increasing government transparency in fiscal management, open public contracting has the potential to minimize if not eliminate public resource leakage that is characteristic of opaque public contracting.
- **Beneficial ownership transparency:** The Panama Papers saga has revealed how anonymous companies facilitate tax evasion and the looting of public resources by officials. We will support research, advocacy, and related efforts to promote effective country-level implementation of beneficial ownership transparency initiatives, notably public registers of beneficial owners of companies.
- **Addis Tax Initiative:** About 45 countries and organizations subscribed to the Addis Tax Initiative (ATI) in 2015, declaring their commitment to *enhance the mobilization and effective use of domestic revenues and to improve the fairness, transparency, efficiency, and effectiveness of their tax systems.*⁶ We will support organizations that seek to facilitate in-country implementation of the ATI and to hold all signatories accountable for their commitments. We are particularly interested in supporting and learning more about how to promote citizen engagement in tax policy design and implementation under this initiative.

WHAT WE WILL NOT SUPPORT

We are keen on experimenting with existing international norms and standards that foster an enabling environment for fiscal transparency and greater public participation in fiscal matters. We will therefore not support the following:

- Initiatives seeking to create NEW international norms and standards on transparency, participation, and accountability.

5. See [this report](#) from the Peterson Institute for International Economics.

6. See the [Addis Tax Initiative](#) website.

- Investigative journalism that is not clearly linked to advocacy to address any challenges uncovered.
- Initiatives that seek to expand the adoption of international norms and standards on fiscal governance without relevant evidence of their impact on governance and service delivery outcomes at the country level.

LEARNING QUESTIONS

Learning will be an integral part of this sub-strategy. We will seek to deepen our understanding of the contributions of international norms and standards to fiscal governance — transparency, participation, and accountability — and service delivery outcomes. We will also explore the role of taxation as a mechanism for strengthening citizen-government engagement. This will include questions around the relationship between budget transparency and citizen participation in fiscal matters and whether and how this varies with context; whether and how government transparency and citizen participation in budget processes impact citizen behavior: e.g., willingness to pay taxes and trust in public institutions; and government behavior: e.g., accountability and responsiveness. Some specific questions include the following:

- To what extent and how do international norms and standards — e.g., EITI, the Open Contracting Data Standard — influence the quality of fiscal governance and service delivery outcomes?
- Under what conditions does public participation in the budget process lead to improved service delivery outcomes — availability, quality, and alignment with citizen priorities?
- Are citizens more likely to pay taxes when government is open and transparent about how public resources are allocated and spent?
- Does budget transparency affect citizen trust in government/public institutions?
- What is the relationship between taxation and government accountability? Are citizens more likely to hold public officials to account when they honor their tax obligations?
- What are some of the (unintended) consequences of taxation as a tool for redistribution?
- Does knowledge about the relationship between taxation and improved quality of public services contribute to attitudes and behaviors that increase compliance and revenue collection?

We will also leverage the learning portfolio and the ongoing TPA strategy evaluation to answer broader questions around tax avoidance and illicit financial flows among others. As the implementation proceeds, we will continue to adapt this learning agenda to reflect what matters most for our grantmaking and for our grantee engagements/interventions.

WHAT WILL ALL THIS LOOK LIKE IN FIVE YEARS?

In the next four to five years, we expect to see progress along important dimensions of fiscal transparency and public participation in target countries, including at the subnational level. Among others, we expect to see progress in the following areas in target countries:

- Increased adoption of institutions and practices that guarantee space for civic engagement and mandate public participation in governance and budget processes.
- National and local governments proactively and consistently publishing budget information in accessible formats to the public.
- More governments commit to open public contracting.
- Civil society organizations, including our service delivery monitoring and governance channels grantees, leveraging governments' commitments to international norms and standards to reinforce the quality of citizen-government engagement and delivery of public services.
- Citizens and civil society organizations using budget information to monitor budget implementation and to hold governments accountable for service delivery.
- Robust public discourse in the media and other platforms on budgets and public resource management.
- A reduction in revenue losses from tax avoidance and other types of revenue outflows from target countries.

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