

Discussion Paper

Creating Incentives for Budget Accountability and Good Financial Governance Through an Ecosystem Approach

What Can External Actors Do?

Paolo de Renzio with support of the Sector
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EXECUTIVE SUMMARY

Government budgets are increasingly recognized as a key policy tool that can have a strong impact on people's well-being. Public Financial Management (PFM) systems have therefore come to be seen as an important part of a country's governance system, and of a government's capacity to manage public resources and deliver quality services efficiently and effectively. In this sense, their quality constitutes an important prerequisite for implementing and achieving progress on the Sustainable Development Goals. While past efforts at promoting PFM reforms were mostly focused on strengthening basic systems and capacities in ministries of finance, there is a growing understanding of the need for a more comprehensive approach that recognizes the role played by different actors in the budget process – and the complementarities that exist among them – in holding the executive to account. GIZ (*Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH*), through its Sector Program on Good Financial Governance, and IBP have each been at the forefront of this holistic approach, working with a broad range of actors to promote Good Financial Governance and, in particular, budget transparency and accountability.

This paper brings together the findings from a joint research project aimed at gaining a better understanding of the role of different accountability actors play in promoting budget transparency and accountability. It explores how different accountability actors collaborate, and the ongoing and potential roles of external actors, such as development partners, implementing agencies and non-government organizations (NGOs), in providing support to reforms. The research builds on both organizations' current work in this area, and is based on country studies that were carried out in Burkina Faso, El Salvador, Georgia, Indonesia, Kenya, and South Africa.

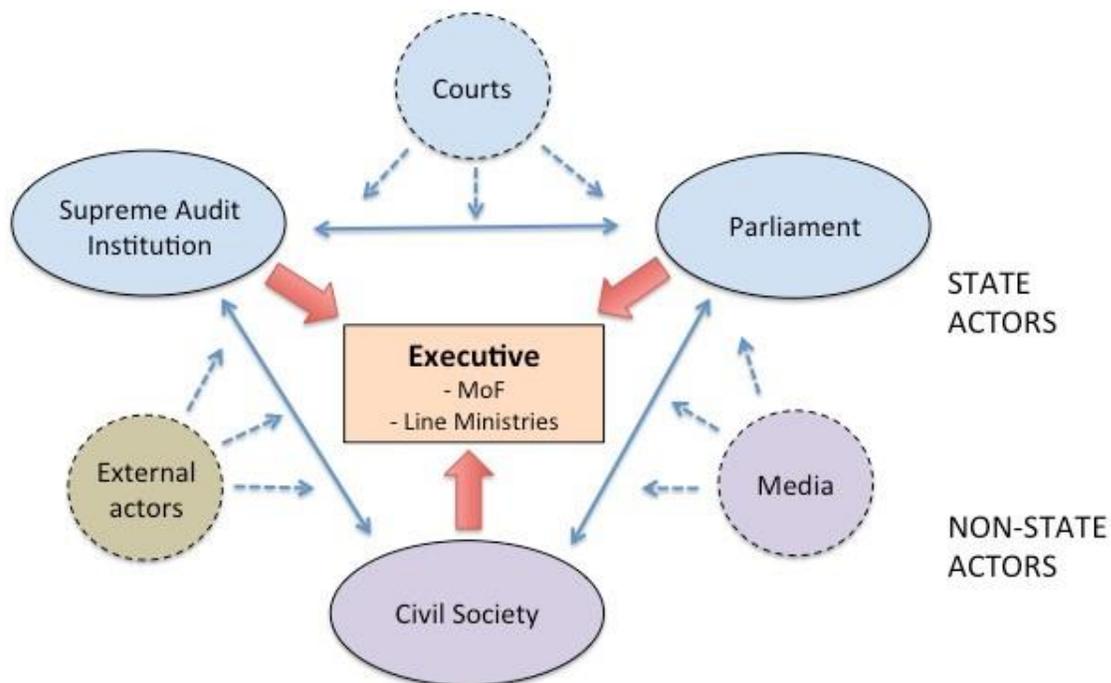
BUDGET ACCOUNTABILITY ECOSYSTEMS

Traditionally, government accountability for the use of public resources has taken two major forms: “vertical accountability” through periodic elections, and “horizontal accountability” through oversight by independent state bodies, typically parliaments and external audit agencies. This model has faced increasing challenges, however, especially in developing countries, as accountability mechanisms and institutions have been shown to be somewhat fragile and often ineffective. Citizens and CSOs – alongside other actors – have also started to play or claim a more active role in budget accountability, while, at the same time, state institutions are increasingly looking beyond their typical constitutional mandates in order to actively seek exchanges and synergies with other accountability stakeholders. The figure below depicts this growing number of actors and relationships as part of a more complex ecosystem that needs to be recognized and promoted so that it can best contribute to increased budget

transparency, participation, and accountability, and ultimately, in a broader sense, to Good Financial Governance.

Existing evidence already points to a number of positive experiences that relate to collaboration between and among different actors within the ecosystem, such as between civil society groups and parliaments, or external audit agencies and the courts. These highlight the potential that an ecosystem approach may hold. In Tanzania, for example, a local CSO helped establish an education caucus in Parliament, trained members of parliament on budget issues, and helped to introduce changes in how the education budget was formulated. External audit agencies in South Korea and Chile gathered inputs from citizens on areas in need of their attention, while in the Philippines, Colombia, and Argentina, citizen participate in actual audit processes. In South Africa, the Treatment Action Campaign (TAC) successfully sued the government to uphold the right of HIV-positive people to receive ARV treatment.

THE BUDGET ACCOUNTABILITY ECOSYSTEM



Source: Authors' conceptualization.

EVIDENCE FROM SIX COUNTRIES

In general, the evidence on budget accountability that emerges from the six country studies highlights persistent challenges despite some progress being made. In most of the countries, fiscal information is

quite widely available and key budget accountability institutions enjoy a good level of formal independence. Nevertheless, they often do not carry out their oversight functions very effectively, and the checks and balances to executive action in the raising and spending of public resources that they provide are limited. Even in countries where external audit agencies have a good reputation, like South Africa, the findings indicate that audit results are not effectively used and followed up on by parliament and the executive, leaving cases of corruption largely unpunished.

Three factors seem to underpin these findings:

1. *Formal constraints* often limit the reach and effectiveness of budget accountability mechanisms, giving them limited autonomy or teeth.
2. A lack of *technical capacity* is a serious constraint in parliaments, external audit agencies, and civil society organizations alike.
3. *Political economy issues*, linked to the predominance of party politics and of informal norms and practices, are widespread and prevent effective budget accountability.

Despite these problems, the country studies include some interesting examples of collaboration among different actors, including CSOs contributing to parliamentary work during the budget approval stage, external audit agencies setting up citizen consultation mechanisms, courts getting involved in budget-related litigation, and PFM reform coordination groups bringing together a broad set of stakeholders. Although encouraging, these examples of openness and collaboration remain exceptions rather than an indication of the emergence of a new standard of behavior. Existing relationships have not yet transformed into more genuine partnerships aimed at exploiting common interests and complementary strengths.

There are a number of external actors – including bilateral and multilateral donors and agencies, private foundations, and international NGOs – that are supporting improvements in budget transparency and accountability across the six countries studied. While in many cases these initiatives provided important inputs and incentives for governments to improve their practices, and in some of them they focused more specifically on promoting collaboration among various accountability actors, some shortcomings were noted, including: 1) an overly technical focus and a failure to adapt interventions to local context and to adequately take into account domestic political economy constraints; 2) supporting different actors through separate projects with limited built-in complementarities and collaboration; and 3) limited coordination among different external actors working in the same area.

RECOMMENDATIONS

Based on existing evidence, promoting an “ecosystem approach”, or similarly a Good Financial Governance approach, in the support that external actors provide to budget transparency and accountability has the potential to bring about important benefits.

The country studies highlight some areas for improvement at country level (see full list in Annex 2):

- 1.1 Introduce legal and institutional changes that improve the framework for budget accountability and provide better incentives for collaboration among different actors.
- 1.2 Promote more and better opportunities for dialogue and exchange between state and non-state actors.
- 1.3 Strengthen the capacities of all actors.

As far as external actors’ support is concerned, three areas for improvement can be identified:

- 2.1 Better understand context – for example through political economy analysis – and shape interventions accordingly, responding to local problems.
- 2.2 Improve coordination mechanisms, for example by promoting joint analyses, strengthening existing coordination mechanisms around PFM reforms, and ensuring that official and non-official external actors share information and work together where possible.
- 2.3 Step out of comfort zones, focusing more on brokering contacts, building trust, and highlighting the mutual benefits of collaboration, and increasingly look for ways to link up country-specific activities with regional and international ones.

Bringing together these findings from the country studies, we developed a basic scenario approach to guide external actors to better consider context and to determine to what extent the promotion of collaboration among national actors can happen. For IBP, this could mean for example working on building incentives for CSO coalitions and improving communication and trust between different state and non-state actors. Both issues have proved to be a challenge and have hampered closer cooperation among actors. For GIZ, as an implementing agency working with a broad range of national actors, this means promoting the Good Financial Governance approach in a more concerted manner, incentivizing and supporting partners in state institutions in particular to open up and enhance collaboration with other actors in the budget accountability ecosystem.

Some open questions arise from the research project concerning the need for further evidence on the impact of multi-actor collaboration. What would this mean and how could it be better integrated in the program planning approaches and modalities of various external actors? How realistic is the holistic approach proposed, and how can it create synergies beyond simple practices like PFM coordination groups? What are the areas with most potential for actually realizing the benefits of cooperation?

Thus, we highly welcome and encourage comments and the sharing of experiences on the crucial matters of budget transparency and accountability, and the role of external actors in promoting them.

1. INTRODUCTION

Government budgets are not only one of the fundamental policy tools that governments have at their disposal, they are also a very important arena where key decisions are taken around the raising and spending of public resources which have a strong impact on people's livelihoods and well-being. The characteristics and the quality of public financial management (PFM) systems are increasingly seen as an important part of a country's governance system, and of a government's capacity to manage public resources in an efficient and effective manner, deliver quality services, and promote inclusive and equitable development. As such, a well-functioning PFM system should be seen as one of the most important prerequisites for achieving the Sustainable Development Goals. In the past, PFM reform efforts have mostly focused on strengthening core systems and competencies within the executive arm of government – for example by improving budget planning and execution functions in central and sector ministries. More recently, however, the importance of promoting a more comprehensive approach, one that takes into account the roles played by a more diverse array of actors, from parliaments to external audit agencies¹ to civil society and the wider public, has come to be recognized as an area in need of more work and focus, to ensure that governments are held accountable for how they manage public resources.

Two organizations have been at forefront of these efforts: GIZ (*Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH*), a German federal enterprise which works with partner countries and other public and private sector clients to improve capacities for sustainable development in a broad variety of areas; and the International Budget Partnership (IBP), an international NGO that supports civil society groups around the world who use budget analysis and advocacy to promote better governance and reduce poverty.

GIZ interventions in this area are guided by the German government's policy on "Good Financial Governance in German Development Cooperation."² This policy recognizes that PFM needs to be rooted in principles of democratic legitimacy, transparency, and participation. It also highlights the complementary of the roles civil society, parliaments, and external audit agencies play in ensuring adequate control and accountability, and the need for broad-based alliances that include all of these institutions for good financial governance reforms to succeed. Thus, GIZ's Good Financial Governance programs work with a broad range of actors in partner countries, providing technical assistance, analysis,

¹ The term "external audit agency" is used throughout this paper to refer to institutions that are also known as Supreme Audit Institutions, or SAIs.

² BMZ (2014) "Good Financial Governance in German Development Cooperation. Promoting Good Governance in Public Finance." *BMZ Strategy Paper 4/2014e*. Berlin: Federal Ministry for Economic Cooperation and Development (BMZ).

and training, while seeking synergies of interventions in the field of domestic resource mobilization, budgeting, and oversight.

BOX 1. WHAT IS GOOD FINANCIAL GOVERNANCE?

Good Financial Governance is defined as transparent, legitimate and development-oriented state action in the area of public finance on both the revenue and the expenditure side. Good Financial Governance implies that a country has effective and accountable state institutions and financial administrations that are based on the rule of law, and that it has efficient audit institutions and parliamentary and civil society control mechanisms and institutions.

Source: BMZ (2014) Good Financial Governance in German Development Cooperation. Promoting Good Governance in Public Finance. BMZ Strategy Paper 4/2014e. Berlin: Federal Ministry for Economic Cooperation and Development (BMZ).

IBP works with civil society groups across the world to promote transparency, participation, and accountability in budget processes. Its Open Budget Survey (OBS) assesses the public availability and comprehensiveness of budget information produced by governments, existing opportunities for public participation in the budget process, and the strength of official oversight bodies – parliaments and external audit agencies. Findings from a set of IBP case studies on the impact of civil society budget campaigns show that “effective budget accountability depends on a system of interaction and coordinated action within the oversight system writ large: involving the symbiotic engagement of the legislature, SAI, judiciary, media, civil society, donors, and sympathetic insiders in government institutions.”³ Based on these findings, IBP is reorienting its work so that it promotes such symbiotic engagement wherever the country context allows, working with different actors to support a sound budget accountability “ecosystem” – something quite akin to the Good Financial Governance approach.

³ IBP (2014) *Mind the Gap: Budgets and Service Delivery. 2013 Annual Report*. Washington, DC: International Budget Partnership.

BOX 2. THE ACCOUNTABILITY ECOSYSTEM

Efficient, effective, and accountable budget systems rest on three pillars: budget transparency, public participation in the budget process, and oversight by strong formal government institutions. The absence of any one of these three components weakens the entire system.

Source: IBP (2015) *The Open Budget Survey 2015: Global Report*. Washington, DC: International Budget Partnership.

This paper brings together the findings from a research project jointly conceived and carried out by IBP and the GIZ Sector program on Good Financial Governance in 2014 and 15. The project aimed at gaining a better understanding of the role different accountability actors play in promoting budget transparency and accountability, how they collaborate, and the potential for external actors to provide support to reforms in this area.

The research originates from, and builds on, GIZ and IBP's current work in this area across a number of countries. It is based on six country studies (Burkina Faso, El Salvador, Georgia, Indonesia, Kenya, and South Africa⁴) that were carried out by local researchers, many of which have a background in civil society work. The countries were chosen from among those where both GIZ and IBP have ongoing programs and reflect a variety of regions and country contexts in terms of income levels, political systems, etc. To avoid bias, the selection criteria purposely avoided choosing successful cases and examples of best practice. Results are therefore more likely to be representative of countries that receive external support promoting budget transparency and accountability.

The country studies mainly focus on accountability actors that are external to the executive arm of government. This partly distinguishes this project from other recent social accountability research, which have mostly focused on the interface between service delivery agencies, that are part of the executive, and citizens.⁵

⁴ The country studies are available upon request.

⁵ See, for example: Grandvoinet, H., Aslam, G., and Raha, S. (2015) *Opening the black box: The Contextual Drivers of Social Accountability*. Washington, DC: World Bank; UNDP (2013) *Reflections on Social Accountability. Catalyzing democratic governance to accelerate progress towards the Millennium Development Goals*. New York: UNDP; and Fox, J. (2015) "Social Accountability: What Does the Evidence Really Say?" *World Development*, 72: 346-361.

GIZ and IBP's efforts are part of a broader shift in thinking about PFM, accountability, and governance. Such thinking aims to better understand the roles both organizations play in promoting development and the roles of donors and other international actors in supporting country-led reforms in these areas. For example, a recent study by the Organisation for Economic Co-operation and Development (OECD) calls for taking a systems-wide approach to domestic accountability in developing countries.⁶ Rather than provide technical fixes to specific institutions (a typical PFM-related example would be the establishment of an IFMIS in the finance ministry) development actors should identify the specific problem that the fix is trying to address (such as the lack of adequate and timely reporting on expenditures). Doing so could help build the necessary linkages and relationships across accountability actors and institutions that can address the problem at its root, or at least identify where the real problem lies and who might be able do something about it, with what kind of support. This approach requires an in-depth understanding of the formal and informal structures and forces that shape the relevant part of a country's accountability system. This may include a map of relevant stakeholders and an assessment of political economy constraints. The approach also proposes a focus on promoting closer collaboration among different accountability actors, using the convening and catalyzing power that external actors sometimes have to highlight the complementarities that exist and the potential gains that could come from that collaboration.

Section 2 of this paper presents the framework and literature review for the research. Section 3 summarizes evidence from the six country studies. Section 4 critically reflects on the evidence, and concludes by presenting some recommendations that are mostly aimed at international development actors.

⁶ OECD (2014) "Accountability and Democratic Governance: Orientations and Principles for Development." *DAC Guidelines and Reference Series*. Paris: Organisation for Economic Co-operation and Development.

2. SETTING THE FRAMEWORK

The main responsibility for ensuring that public resources are managed efficiently and effectively rests with different agencies in the executive arm of government. This includes everything from fiscal policy and tax administration to borrowing, spending, and the delivery of quality public services. Accountability for how these agencies carried out these tasks has traditionally been considered to take two major forms (see Figure 1):

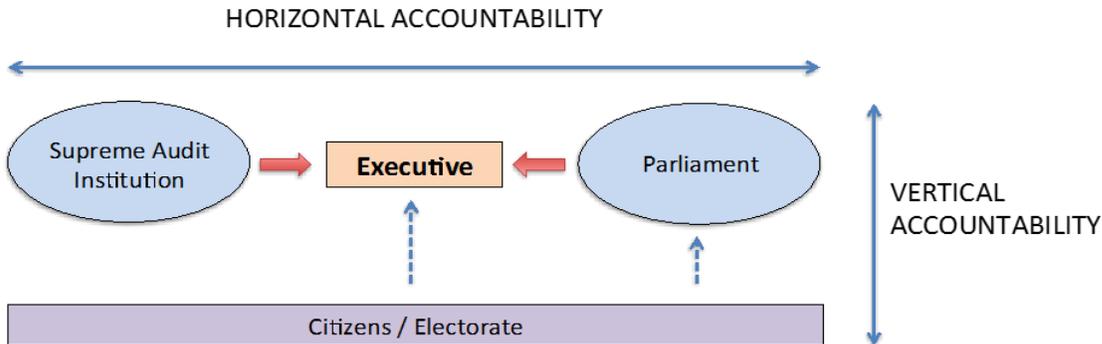
- “vertical accountability” through periodic elections, when citizens could reward or sanction the performance of the incumbent government; and
- ongoing “horizontal accountability” through oversight by independent state bodies, typically parliaments and external audit agencies.⁷

Despite the many legal and institutional differences that exist across countries, in most contemporary budget systems, parliaments play two major roles in budget accountability. First, reviewing and approving the annual budget proposal put forward by the executive, called ex-ante accountability. Second, debating and following up on the findings from external audits, or ex-post accountability.

External audit agencies usually play a parallel and complementary role. In some countries they provide ex-ante approval for certain key government operations (procurement, personnel, etc.). In most, if not all, countries they provide an ex-post assessment of the degree to which the executive reports on resources raised and spent are reliable, whether such operations were carried out in compliance with existing laws and regulations, and if they performed well in achieving policy objectives. In countries where the external audit function is part of the judiciary, audit courts can sanction irregularities directly. In most cases, however, their findings are sent to the legislature for follow-up with the executive.

⁷ O'Donnell, G. (1994) “Delegative Democracy”, *Journal of Democracy*, 5(1): 55-69; Schedler, A., L. Diamond and M. Plattner (1999) *The Self-Restraining State: Power and Accountability in New Democracies*. London: Lynne Rienner.

FIGURE 1. THE BASIC MODEL OF BUDGET ACCOUNTABILITY



Source: Authors conceptualization.

Two issues characterize this basic model for ensuring budget accountability. The first issue is the centrality of the relationship between the legislature and the external audit agency, especially when it comes to ex-post accountability. Assuming that they possess the necessary capacities and competencies, it is only when there is significant collaboration between these two institutions, including through a transparent and comprehensive flow of information and effective follow-up mechanisms, that budget accountability can work as it should. The second issue is that the power of citizens to affect policy formulation and monitor implementation is very limited. This usually consists of the right to vote in general elections and the possibility to influence their elected representatives in the legislature in between elections.

In recent times, it has become more evident that the basic model faces increasing challenges, especially in low- and middle-income countries with weak state institutions. First, the many weaknesses that undermine the roles played by both parliaments and external audit agencies in budget accountability became more evident. These institutions have often been found to lack both capacity and teeth. According to data from the OBS 2015, only 19 out of 102 legislatures have adequate research capacity to carry out their budget oversight function, and only about half of the external audit agencies have access to sufficient financial resources to duly fulfill their mandate. Even more worryingly, however, the executive in 80 of these countries does not report publicly on the steps it has taken to address audit findings. Apart from these weaknesses, the incentives and motivations that provide the basis for a fruitful collaboration between the two main horizontal accountability institutions in the budget process are all too often undermined by existing political economy constraints.⁸

⁸ Santiso, C. (2015) "Why budget accountability fails? The elusive links between parliaments and audit agencies in the oversight of the budget", *Brazilian Journal of Political Economy*, 35(3): 601-621.

A second, more encouraging, development has been the increasing demand from civil society actors to play a more active role in budget accountability. A more engaged and active citizenry has started putting pressure on governments to address increasingly complex policy issues and to better respond to their needs and priorities. This has been articulated through a wide array of organizations representing their shared interests, from community groups to professional associations, trade unions, NGOs, and religious groups. On one hand, the increase in civil society interest and engagement with budget and policy issues has led to the promotion of social accountability mechanisms that attempt to get governments to respond directly to citizen demands, without having to wait for elections or for the intervention of other accountability actors. Social audits, citizen scorecards, and public forums are but a few examples from the evolving social accountability toolkit.⁹ On the other hand, CSOs have started reaching out to horizontal accountability actors, or have been approached by parliaments and external audit agencies, to explore potential synergies and collaborations that can advance the cause of transparency, participation, and accountability in budget processes and policies. While doing so, CSOs have also sought to involve other actors that have become increasingly relevant. These include the media, an important ally in civil society campaigns, as well as donor agencies, private foundations and international NGOs. In countries where citizen demands were backed up by legal claims, it also includes the courts.

BOX 3. HORIZONTAL ACCOUNTABILITY

The proper working of accountable government requires the articulation and collaboration of all mechanisms of accountability, horizontal and vertical, formal and informal. It is thus central to study accountability issues from a relational perspective that emphasizes the degree to which the entire web of accountability agents that exist in a democracy are willing and able to act in a 'convergent and coordinated' fashion.

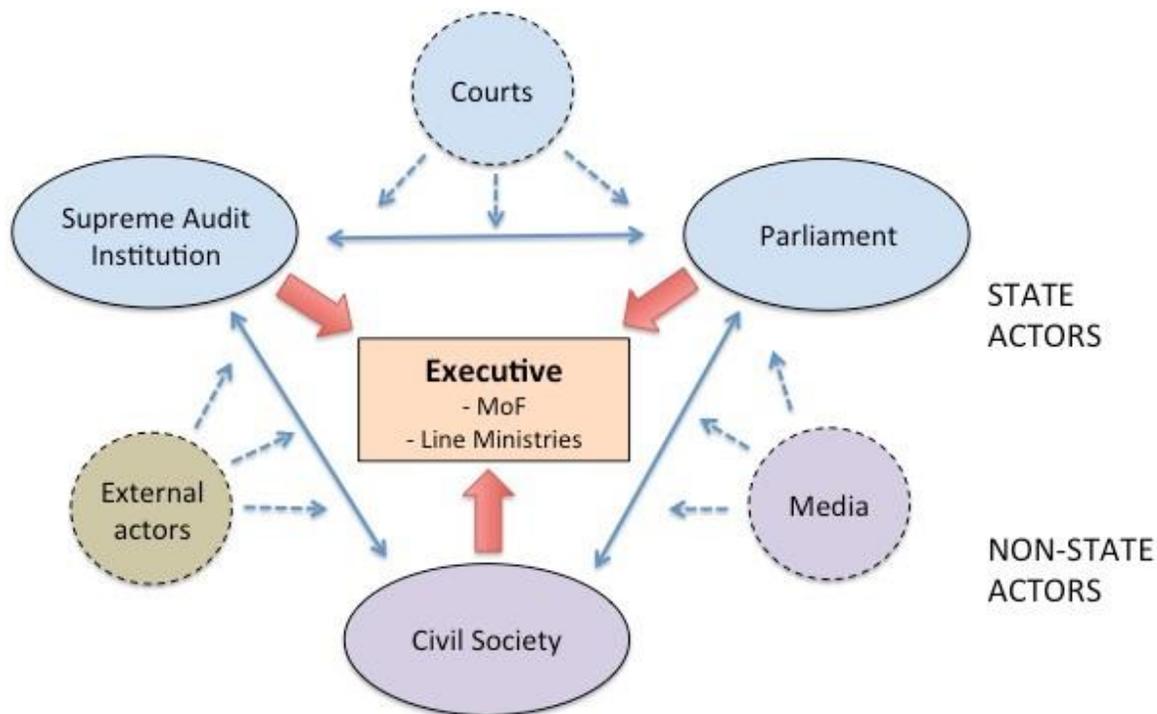
Source: Perruzzotti (2011) "The Societalization of Horizontal Accountability: Rights Advocacy and the Defensor del Pueblo de la Nación in Argentina", in Goodman, R. and T. Pegram, *Human Rights, State Compliance, and Social Change: Assessing National Human Rights Institutions*. Cambridge: Cambridge University Press.

These developments are altering the budget accountability landscape in many countries in many important ways. Building on the basic model described above, which relies mostly on horizontal accountability actors, citizens and governments have been developing new ways of enhancing non-

⁹ See http://www.worldbank.org/socialaccountability_sourcebook/Tools/toolsindex.html.

electoral vertical mechanisms through social accountability, while at the same time forging new partnerships that are gradually gaining influence and recognition. As depicted in Figure 2, the increasing numbers of actors and relationships – real or potential – greatly expands the possible configurations of alliances in this expanded ecosystem that might contribute to increased budget transparency, participation, and accountability. Incipient research in this area has labeled this emerging alternative model as “hybrid,”¹⁰ “diagonal accountability,”¹¹ or “articulated oversight.”¹² Exploring the extent to which these more complex interactions are really happening and making a difference, and understanding how they can be better supported, is the key objective of this paper.

FIGURE 2. THE BUDGET ACCOUNTABILITY ECOSYSTEM



Source: Authors conceptualization.

Before moving to the evidence gathered from the country cases, however, it is useful to reflect on the limited evidence that already exists.

¹⁰ Goetz, A.M. and R. Jenkins (2001) “Hybrid Forms of Accountability: Citizen engagement in institutions of public-sector oversight in India.” *Public Management Review*, 3(3): 363-383.

¹¹ Fox, J. (2015) “Social Accountability: What Does the Evidence Really Say?” *World Development*, 72: 346-361.

¹² Peruzzotti, E. (2012) “Broadening the Notion of Democratic Accountability: Participatory Innovation in Latin America”, *Polity*, 44(4): 625-642. In the words of Peruzzotti: “Experiences of “articulated oversight” entail the opening of horizontal agencies to incorporate participatory mechanisms that complement their monitoring activities” (pp 633).

The relationship between citizens – directly or through CSOs – and parliaments is one of obvious complementarity. In fact, members of parliament are elected in principle to represent citizen interests and demands, and so should stand to gain from exchanging and collaborating with citizens and citizen organizations in carrying out their functions. In budget matters, parliaments can function as an important channel for disseminating fiscal information and for receiving citizen inputs across the different stages of the budget process. Public hearings, testimonies, petitions, and consultations are some of the possible mechanisms that parliaments and parliamentary committees can adopt. Civil society groups, for their part, can put pressure on parliamentarians through the media, social mobilization, and direct advocacy. They can also provide important contributions in the form of research and analysis, especially where the capacity is lacking within the parliamentary system.¹³

Examples of such cooperative practices aimed at promoting issues of public interest are not hard to come by. For example, Fundar, a CSO based in Mexico, worked with the Parliament's Public Accounts Committee to improve the implementation of a health insurance scheme aimed at poor citizens.¹⁴ In Tanzania, members of parliament and a CSO called HakiElimu collaborated to establish an education caucus, train caucus members on budget issues, and help to introduce changes in how the education budget was formulated. Yet these practices are not very common across countries. The OBS 2015 finds, for example, that parliamentary hearings during which the public can testify on budget issues only happen in around one third of the 102 countries surveyed. Moreover, parliaments across a large number of countries are not seen as a strong accountability actor, but rather as an arena where party affiliation, narrow interests, pork barreling, and patronage politics play a larger role in shaping behavior than citizen participation.

The relationship between external audit agencies and citizens/CSOs may seem less obvious, but is a subject that has recently raised a lot of interest and generated some interesting debates.¹⁵ Again the potential synergies are not difficult to identify. Audit agencies can benefit from CSOs' interests in following up on their findings and recommendations, from their skills in monitoring public spending – for example through social audits – and from their “eyes and ears on the ground” that can help identify possible areas of mismanagement and corruption. CSOs can use audit findings for their advocacy – assuming the findings are publicly available – and take advantage of the oversight powers that external audit agencies

¹³ It is important to recognize, however, that some CSOs pursue particularistic interests that may not bring about collective benefits, and not all civil society organizations are fully accountable to their stated constituency.

¹⁴ Van Zyl, A. (2014) “How Civil Society Organizations Close the Gap between Transparency and Accountability”, *Governance*, 27(2): 347-356.

¹⁵ See, for example, an interesting discussion forum promoted by the Global Partnership for Social Accountability (GPSA): <http://gpsaknowledge.org/forums/topic/making-accountability-processes-work-engagement-between-civil-society-and-state-accountability-institutions/>

have in the budget accountability system, for example vis-à-vis the executive. A raft of recent studies have gathered interesting evidence on some of the emerging practices in this field.¹⁶ These range from punctual mechanisms, whereby external audit agencies in South Korea and Chile (among other countries) gather online inputs from citizens on areas that might need the auditor's attention, to more complex engagements, like citizen participation in actual audit processes, as in the Philippines, Colombia and Argentina.

Other actors in the budget accountability ecosystem have also become increasingly important. The media, for example, has proven to be a fundamental ally in a number of cases, especially when CSOs try to shape public opinion and put pressure on politicians and decision-makers, pushing them to give more space and attention to citizen demands.¹⁷ In the complex and technical field of government budgeting, the media's role in processing information and helping citizens to better understand how budgets work is a very important one, even though the search for an audience might sometimes mean that corruption scandals get more attention than thoughtful analyses and constructive engagement.

In a number of countries where budget accountability efforts had hit a blockage, recourse to the judiciary has provided civil society actors with a useful alternative channel of engagement. In Argentina, for example, a local CSO called ACIJ brought the city government of Buenos Aires to court to force it to expand the coverage of pre-school services.¹⁸ In South Africa, the Treatment Action Campaign sued the government to uphold the right of HIV-positive people to receive anti-retroviral treatment.¹⁹ In both cases, people's rights to services were enshrined in law and the courts helped hold governments accountable as duty bearers, forcing them to find and allocate the necessary resources. In many other cases, litigation is increasingly seen as a complementary strategy that CSOs can use to force governments to respond to their demands.

¹⁶ See, among others: UNDESA (2013) "Citizen Engagement Practices by Supreme Audit Institutions." *Compendium of Innovative Practices of Citizen Engagement by Supreme Audit Institutions for Public Accountability*. New York: UN Department of Economic and Social Affairs; Cornejo, C., A. Guillan and R. Lavin (2013) "When Supreme Audit Institutions engage with civil society: Exploring lessons from the Latin American Transparency Participation and Accountability Initiative." *U4 Practice Insight* 2013:5. Bergen: CMI/U4 Anti-Corruption Resource Centre; EIP (2014) *Supreme Audit Institutions and Stakeholder Engagement Practices. A Stocktaking Report*. Effective Institutions Platform www.effectiveinstitutions.org/media/Stocktake_Report_on_Supreme_Audit_Institutions_and_Citizen_Engagement_.pdf; Van Zyl, A., V. Ramkumar and P. de Renzio (2009) "Responding to challenges of Supreme Audit Institutions: Can legislatures and civil society help?" *U4 Issue* 2009:1. Bergen: CMI/U4 Anti-Corruption Resource Centre.

¹⁷ Van Zyl, A. (2014) "How Civil Society Organizations Close the Gap between Transparency and Accountability." *Governance*, 27(2): 347-356.

¹⁸ Basch, F. (2011) *Children's Right to Early Education in the City of Buenos Aires: A Case Study on ACIJ's Class Action*. Washington, D.C.: IBP <http://www.internationalbudget.org/publications/childrens-right-to-early-education-in-the-city-of-buenos-aires-a-case-study-on-acijs-class-action/>

¹⁹ Overy, N. (2011) *In the Face of Crisis: The Treatment Action Campaign Fights Government Inertia with Budget Advocacy and Litigation*. Washington, D.C.: IBP

Finally, in middle- and low-income countries that receive foreign assistance, external actors have become increasingly involved in budget transparency, participation, and accountability. Donor agencies have provided financing and technical assistance for PFM reforms, which increasingly include transparency components, targeting both executive agencies and horizontal accountability actors. Some have started tying selected financing operations to specific budget transparency benchmarks that recipient governments need to satisfy. Jointly with other external actors, like private foundations and international NGOs, they have also supported civil society budget work. The roles that these different external actors play are, or should ideally be, complementary to each other. Development agencies like GIZ work with multiple actors, but focus much of their support on state actors. GIZ sometimes faces difficulties in engaging directly with CSOs, given their role as advisors to public agencies, unless they gain previous approval from their main client. On the other side, international NGOs, like IBP, only provide assistance to civil society groups and have a hard time gaining access to state actors, especially in countries with no history of public participation and policy dialogue.

Ultimately, the role that external actors can play depends crucially on a number of domestic factors in the countries that they work in, which belong to the socio-political context that the budget accountability ecosystem is embedded in. As some of the examples above demonstrate, where collaboration among different actors in the accountability ecosystem exists, this often leads to positive results and impact. Yet it is important to better understand some of the conditions that allow for such success to materialize.²⁰ For this, the evidence from the six country studies that were commissioned as part of this project is a useful starting point.

²⁰ See also the discussion Halloran, B. (2015) *Strengthening Accountability Ecosystems: A Discussion Paper*. Transparency and Accountability Initiative <http://www.transparency-initiative.org/reports/strengthening-accountability-ecosystems>

3. EVIDENCE FROM THE SIX COUNTRIES

The six countries that were selected for in-depth analysis make up quite a varied sample. While the initial criterion for identifying candidate countries was based on the presence and relevance of both GIZ and IBP programs and activities, regional variation and differences across a set of other criteria then served as a guide for the final selection. As shown in Table 2, the six countries span four different regions (Sub-Saharan Africa, Central America, Central Asia, and South-East Asia) and vary substantially along a series of dimensions. Burkina Faso and Kenya stand out for having lower per-capita incomes and human development levels, weaker democratic institutions, and a higher dependency on foreign assistance. South Africa is the richest and most democratic of the sample, even though it still classifies as a “flawed democracy” in the EIU Democracy Index assessment, and is behind Georgia, Indonesia, and El Salvador on the Human Development Index. Indonesia has the lowest press freedom, ranking 138 among 180 countries assessed. El Salvador, Indonesia, and South Africa receive very limited overseas aid as a share of their national income. Even then, as will be shown later, they all still receive technical assistance in areas related to budget transparency and accountability.

TABLE 1. BASIC COUNTRY CHARACTERISTICS

<i>Country</i>	<i>Human Development Index (2013)</i>	<i>Per capita income PPP \$ (2014)</i>	<i>EIU Democracy Index (2013)</i>	<i>Press Freedom Index (2014)</i>	<i>Aid Dependency ODA/GNI (2013)</i>
<i>Burkina Faso</i>	0.388	1660	4.15	23.79	9.4
<i>El Salvador</i>	0.662	7720	6.53	23.66	0.7
<i>Georgia</i>	0.744	7510	5.95	27.70	4.1
<i>Indonesia</i>	0.684	10250	6.82	40.75	0.0
<i>Kenya</i>	0.535	2890	5.13	32.07	5.9
<i>South Africa</i>	0.658	12700	7.90	22.06	0.4

Sources: Human Development Index <http://hdr.undp.org/en/data/>; Per capita income <http://data.worldbank.org/>; EIU Democracy Index http://www.eiu.com/public/topical_report.aspx?campaignid=Democracy0814; Press Freedom Index <https://index.rsf.org/#/>; ODA/GNI <http://data.worldbank.org/>

To measure budget transparency, participation, and accountability, some preliminary evidence can also be drawn from the OBS and PEFA (Public Expenditure and Financial Accountability) assessments. Table 3 reports on relevant data from the OBS 2015 and from the most recent publicly available PEFA assessment for each country. As can be seen, all sample countries have achieved at least a minimum level of budget transparency (as measured by the OBS) with the lowest score being Burkina Faso’s 43/100. All countries publish at least seven of the eight key budget documents considered by the Survey, with South Africa publishing all eight. This guarantees that basic budget information is publicly available,

and can be used to monitor public spending and hold government accountable. This is confirmed by the two PEFA indicators that focus on availability of budget information, where most countries score “A” or “B.”

TABLE 2. BUDGET TRANSPARENCY, PARTICIPATION, AND ACCOUNTABILITY IN THE SIX CAUSE STUDY COUNTRIES

Country	OBS 2015				PEFA				
	Transparency (OBI)	Participation	Oversight (Legislature)	Oversight (SAI)	PI-6	PI-10	PI-26	PI-27	PI-28
Burkina Faso	43	10	39	50	A (2014)	B	D+	C+	C+
El Salvador	53	17	79	92	B (2013)	B	D+	B+	D
Georgia	66	46	73	100	A (2013)	A	B+	A	D+
Indonesia	58	35	82	75	A (2012)	A	B+	B+	C+
Kenya	48	33	49	67	C (2012)	B	D+	C+	C+
South Africa	86	65	85	100	A (2008)	A	B+	A	B+

Sources: The Open Budget Survey 2015 <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>; PEFA http://pefa.org/en/assessment_search

The situation is quite similar when it comes to the formal strength of horizontal accountability institutions. The OBS has two sections devoted to budget oversight: the strength of legislatures; and the strength of SAIs. Again, Burkina Faso and Kenya stand out as having weaker institutions, while in all the other countries the powers of legislatures and SAIs are substantial, at least on paper. This means that parliaments can propose amendments to the budget proposal and must approve important changes during budget execution, and SAIs are independent and well-resourced, at least on average. PEFA indicators, which focus more on actual performance, show a somewhat different picture. While parliaments fare reasonably well when it comes to debating and approving budget laws – scores range between “A” and “C+” on PI-27 – scores linked to external audit and follow-up by legislatures are less encouraging. Three countries score “D+” on PI-26, which measures the nature and scope of external audit, with a similar picture for PI-28, which assesses what legislatures do with audit reports. South Africa is the only country that scores well on those indicators, where both the parliament and the Auditor-General make reasonably good use of their existing powers (even though the results date back to 2008). South Africa also scores highest on the citizen participation questions in the OBS. This is due to a number of consultation mechanisms set up by both the executive and the legislature. For example, the legislature holds public hearings on budgetary matters during which CSOs can make oral and written submissions. Each of the other sample countries lags behind South Africa on participation, providing only limited opportunities for citizens to engage with the budget process – Burkina Faso and El Salvador being the worst performers.

The findings from available international data are borne out by the evidence included in the country studies. Such evidence is presented below under three main headings: 1) how the budget accountability system works; 2) how accountability actors collaborate; and 3) external support for budget transparency, participation, and accountability.

3.1 HOW THE BUDGET ACCOUNTABILITY SYSTEM WORKS

All six sample countries can be considered as undergoing a political transition of some sort. The 1992 Peace Agreement in El Salvador, the end of the Suharto regime in 1998 in Indonesia, the end of apartheid in 1994 in South Africa, the fall of the Soviet Union in Georgia, the recent Constitutional reforms in Kenya, and the even more recent turmoil in Burkina Faso demonstrate that in all countries democracy – if not statehood – is still quite a recent phenomenon. As part of these transitions, institutions – including budget institutions – and related legislation, regulations, and practices are still in a phase of consolidation, and in some cases in constant redesign and reform. In Indonesia, for example, a Public Accounts Committee in Parliament was created in 2009 to analyze audit reports, but then dissolved in 2014. The new Kenyan Constitution of 2010 separated the functions of the Controller and the Auditor General, giving the external audit agency more autonomy and a focus on ex-post budget accountability. In other countries, budget accountability functions are increasingly being spread out to new institutions, such as Anti-Corruption Commissions. These examples show the generally volatile character of PFM reforms and of the broader political environment in which accountability actors often operate.

Overall, however, the budget accountability system looks remarkably similar across the six countries, at least as far as the core horizontal accountability institutions are concerned. All countries have legislatures with specialized budget committees, although only two have separate public accounts committees that scrutinize audit reports. All have independent external audit agencies that either follow the auditor-general model and report to parliaments, or take the form of courts of accounts with separate judicial powers, as in Burkina Faso and El Salvador. Despite these similarities, in some of the countries additional actors are considered as important parts of the budget accountability system (see Table 4). Many of them were set up with the specific goal of fighting corruption, but some have broader roles that provide opportunities for upholding the right to access information (e.g. El Salvador) or for defending citizen interests (e.g. Kenya and South Africa).

TABLE 3. KEY ACTORS IN THE BUDGET ACCOUNTABILITY SYSTEMS

Country	Core actors	Additional actors
<i>Burkina Faso</i>	- <i>Commission des Finances et du Budget (Finance and Budget Commission)</i> - <i>Court des Comptes (Court of Accounts)</i>	- <i>ASCE (Autorité Supérieure de Contrôle d'Etat) (Higher Authority for State Control)</i>
<i>El Salvador</i>	- <i>Comisión de Hacienda y Presupuesto (Economy and Budget Commission)</i> - <i>Corte de Cuentas de la República (Court of Accounts)</i>	- <i>Sala de lo Constitucional (Constitutional Court)</i> - <i>Secretaria de Participación Ciudadana, Transparencia y Anticorrupción (Secretariat for Citizen Participation, Transparency and Anti-Corruption)</i> - <i>Instituto de Acceso a la Información Pública (Institute for Access to Public Information)</i>
<i>Georgia</i>	- <i>Budget and Finance Committee</i> - <i>State Audit Office</i>	-
<i>Indonesia</i>	- <i>Budget Committee</i> - <i>Public Accounts Committee (dissolved)</i> - <i>Auditor General</i>	- <i>President's Delivery Unit (UKP4)(dissolved)</i>
<i>Kenya</i>	- <i>Budget Committee</i> - <i>Public Accounts Committee</i> - <i>Public Investment Committee</i> - <i>Auditor General</i>	- <i>Ethics and Anti Corruption Commission</i> - <i>Ombudsman</i>
<i>South Africa</i>	- <i>Finance Committee</i> - <i>Public Accounts Committee</i> - <i>Auditor General</i>	- <i>Courts</i> - <i>Public Protector</i> - <i>Human Rights Commission</i> - <i>Public Service Commission</i>

In general, the overall picture that emerges from the six countries with regard to how well budget accountability works is one of many persistent challenges, even despite some progress being made. Most countries have enacted laws that allow key budget accountability actors a good amount of independence when carrying out their oversight function. This has happened alongside PFM reforms within the executive that have improved the quantity and quality of available fiscal information. Nevertheless, actors often find that core horizontal accountability institutions do not carry out their functions very effectively, providing limited checks and balances to executive action in the raising and spending of public resources. Even in countries where external audit agencies have a good reputation, like South Africa, the findings indicate that audit information is not effectively used and followed up on by parliament and the executive. This can mean findings from even high-profile corruption cases involving the misuse of public funds go unpunished. The audit court in Burkina Faso has only used its powers to pursue wrongdoing once. In Georgia, the parliament itself has criticized the performance of the State Audit Office.

There are three discreet factors that limit budget accountability. First, budget accountability institutions and actors face a number of formal constraints. In Burkina Faso, for example, the audit court cannot publish its report until it has been formally received by the President, which undermines the independence of the court's work. It also has limited autonomy when it comes to recruiting personnel. A number of countries do not have a specialized parliamentary committee to act on audit findings, which reduces the scope of ex-post legislative scrutiny, and lack the resources and time needed for such a

function, which is crucial to budget accountability. Many of the additional actors identified in Table 3 also have limited formal powers. This is often true of anti-corruption commissions, which are set up to respond to external pressure but have limited independence and teeth. Finally, very few countries have legal provisions in place that guarantee the right of citizens to participate in the budget process. Kenya might be the only country where citizen engagement in budget formulation is a legally sanctioned practice.

A second, often cited, factor that limits effective budget accountability is a lack of technical capacity across the various actors involved. Parliamentarians typically have a limited understanding of budget matters, an internal research body that helps parliamentarians carry out their oversight function is evident in only three of the six countries (El Salvador, Kenya and South Africa). In both Kenya and South Africa, such a body was only recently established. The high levels of turnover among parliamentarians also affect their capacity to oversee executive action. In Burkina Faso, the audit court has only 16 staff members working on the external audit of state accounts, which is clearly insufficient to cover the whole of the country and its many government agencies. In most other countries, external audit agencies focus on basic financial and compliance audits, lacking the necessary expertise to look into the actual performance of government spending programs.

The third and final factor that limits budget accountability is also the most important: political economy. In countries with limited levels of political competition, like South Africa and Burkina Faso – where the same political party has been in power for a long time and does not face any serious electoral threat – party allegiance prevents parliaments, audit agencies, and other oversight bodies from questioning what the executive does with any force. This is demonstrated by the lack of serious follow up that happens with audit findings or other cases of mismanagement, corruption, or bad performance. In many of the countries studied, the de facto independence of external audit agencies is often questioned. The El Salvador study found that political meddling in the nomination of judges on the audit court is rife. In Indonesia, political reasons led to considering an audit report which involved legislators from the ruling party as confidential, putting into question the effectiveness of the external audit function. In Georgia, relationships between parliament and the external audit agency have been at a stalemate since after the 2012 elections. Once the newly-elected party took office it started undermining the role of the head of the State Audit Office, who was appointed by the previous administration.

As far as civil society and the media are concerned, the situation varies a lot, even though the challenges faced are again quite similar. In South Africa, Indonesia, and Kenya there are many CSOs working on budget issues – more than 100 in Indonesia alone. In the other countries, civil society action and interest are more limited. Fewer, more specialized organizations have the harder task of putting pressure on governments, while at the same time convincing other civil society actors, and the wider public, of the

importance of focusing on budget issues. Weak capacity to analyze budgets, and limited formal opportunities to engage with the executive and with oversight institutions, are two of the main constraints that CSOs face. Whatever interaction CSOs are able to establish with formal horizontal accountability actors tends to be irregular, confrontational, and based on limited reciprocal trust. Sometimes these constraints are addressed by forming coalitions or teaming up with the media, but neither is an obvious and lasting solution. Effective coalitions take time and resources, and can be undermined by competition for funding. Moreover, in many countries, the media do not always play a constructive role in budget accountability, and are more interested in pursuing corruption scandals than promoting constructive dialogue and systemic reforms.

3.2 HOW ACCOUNTABILITY ACTORS COLLABORATE

Despite the weaknesses of individual actors highlighted above, and the limited effectiveness of the budget oversight role played by horizontal accountability institutions, the country studies include some interesting examples of collaboration among different actors.

Parliamentary hearings, especially during discussions before the annual budget is approved, are an important locus for interaction and collaboration between CSOs and parliaments. In some of the countries, like Indonesia and Kenya, CSOs provide budget analysis to parliament, using hearings where parliamentary committees discuss different aspects of the budget proposal submitted by the executive for approval. Given the weakness of parliaments' internal research capacity, CSO contributions can provide important inputs into parliamentary debates and deliberations. In Kenya, following the adoption of the 2010 Constitution, the first public hearings were held in 2011 in all provincial headquarters. These were organized by the Budget and Appropriation Committee, included testimonies from the public, and detailed reports of the hearings were published. This practice has not been kept up over the years, with only three hearings for the latest budget being held in the capital city. Much less seems to happen in terms of interaction between parliaments and civil society groups during the budget execution and audit stages. In fact, many of the country studies found that parliaments are much more heavily involved in discussing and approving the budget proposal than they are in monitoring budget implementation and following up on audit findings.

SAIs in a few countries have opened up consultation mechanisms to increase their interaction with citizens and CSOs. For example, the audit court in El Salvador set up a citizen participation unit to gather inputs and complaints from the public on the misuse of public funds. The unit launched a basic website to

collect complaints and is meant to keep a register which includes the results of the complaints.²¹ Similarly, the State Audit Office in Georgia is trying to increase its engagement with CSOs through a series of initiatives. This includes setting up two web portals. The first, called “Plan with Us,” allows civil society to engage with audit planning by offering suggestions, comments, and complaints. The second allows citizens to report allegations of fraud, abuse, waste, and mismanagement of public funds.²² The Indonesian external audit agency (called BPK) organized a forum called “Hearing BPK” to receive inputs from various stakeholders, and there have been cases of the agency acting on CSO suggestions for audit and investigating allegations of misuse of funds. In other countries, relations between the SAI and citizens are much less developed; country studies found audit reports to be highly technical in nature and contain difficult language, and SAIs to be unwilling to engage with civil society actors in order to maintain their independence. While this may be justified to a certain extent, given the SAI’s constitutional mandate, it can also prevent SAIs from reaping the benefits of closer collaboration with CSOs.

In South Africa and El Salvador, civil society groups used the courts to hold government accountable for the management of public resources. This approach moves beyond the engagement with “traditional” budget accountability actors, and can be seen as an extreme measure in cases where groups felt they had no other recourse or where their claims had a legal backing. In both cases, however, important victories were achieved. In El Salvador, the Constitutional Court delivered three sentences between 2010 and 2014. Based on civil society demands, the courts upheld the principle that the executive needs to fully justify the criteria for allowing transfers between different budget votes and for undertaking “emergency,” “priority,” and “unforeseen” expenditures, which were often used in a discretionary, non-transparent manner to modify the allocation of resources in the course of budget execution. In South Africa, a number of CSOs have used litigation to guarantee citizens’ rights to basic public services as stipulated in the Constitution. Two of the most prominent cases involve the Treatment Action Campaign efforts to force government to provide anti-retroviral treatment to HIV-positive individuals, and Equal Education’s campaign to improve the norms and standards for school infrastructure.

While some of the challenges that exist in the relationships between various horizontal accountability actors were noted in previous sections, some interesting efforts are under way to improve their coordination and collaboration. For example, a tripartite working group between Burkina Faso’s Ministry of Finance, Parliament, and Audit Court is being set up to improve coordination and follow-up of important recommendations. These actors also sometimes come together through coordination mechanisms around PFM reform programs. In both Burkina Faso and Georgia, despite the fact that these coordination

²¹ See <http://transparenciacr.gob.sv/denuncias/>.

²² EUROSAI (2015) “Sharing good practices among Supreme Audit Institutions.” *EUROSAI Innovations*. Volume III. Madrid: EUROSAI.

groups are set up and convened by the finance ministries, their membership comprises of both state and non-state actors, including CSOs.

Although encouraging, these examples of openness and collaboration remain exceptions and do not indicate the emergence of a new standard of behavior. They show that there are still many obstacles to effective collaboration between and among state and non-state actors in the budget accountability systems of the six countries studied. Formally speaking, the institutional mandates of horizontal accountability actors in most of the countries do not include any provisions for citizen engagement. This means that, in a narrow sense, they are not formally required to speak to CSOs. Yet various initiatives that foster cooperation have been set up by various actors across the state/society divide. This might indicate a growing interest and willingness to engage beyond legal and constitutional provisions, based on understanding that citizens and the electorate are a very important audience and target for the work of state actors and that reaching out to them can increase their legitimacy, effectiveness, and support. However, these budding relationships have not yet grown into genuine partnerships aimed at exploiting common interests and complementary strengths. Mistrust, bureaucratic culture, and lack of specialized skills often play a part in this, preventing more constructive engagement and limiting the ways in which transparency and the availability of budget information can be more effectively used to hold governments accountable.

3.3 EXTERNAL SUPPORT FOR BUDGET TRANSPARENCY, PARTICIPATION, AND ACCOUNTABILITY

International interest in promoting budget transparency and accountability in developing countries has grown steadily over the past two decades. This is reflected in the number of development actors that fund and support different interventions related to improving the capacities and effectiveness of various actors in the budget accountability system. Multilateral donors, including the World Bank, regional development banks, and the European Union (EU), working alongside a few bilateral agencies who provide budgetary support, have traditionally focused on supporting PFM reforms within the executive. These have aimed to improve internal management and control systems, and in some cases budget transparency. Other bilateral agencies, like GIZ, USAID, and SIDA, have a long history of engagement with horizontal accountability institutions like parliaments and external audit agencies. Their efforts have mainly focused on providing technical assistance, strengthening institutional capacity, and supporting reform processes. Some of these also have a history of working with civil society groups. Core support for civil society budget work, on the other hand, comes mostly from international NGOs, like IBP or Oxfam, and from private foundations.

Table 5 below identifies the main external actors involved in supporting improvements in budget transparency and accountability in the sample six countries. It may not include all relevant actors, but provides a snapshot of where the main assistance comes from and who receives it. As can be seen, GIZ, the EU, and USAID are among the most active international agencies. Each works with a range of budget accountability institutions, often across the state/society divide. In South Africa, for example, the GIZ Governance Support program provides technical support to actors at both the national and subnational levels, including the National Treasury, the Public Service Commission, local governments, and independent community media organizations. In Georgia, GIZ provides technical assistance to both the State Audit Office and to the parliament, through the Budget and Finance Committee and the Parliamentary Budget Office. In Indonesia, USAID works with parliament, the external audit agency, and CSOs through three different programs. The EU supports the executive in most countries, and in Kenya also has a large support program for CSOs to monitor the budget at county level. Independent donors, like IBP, Oxfam, private foundations, and a few others, focus their assistance exclusively on supporting civil society budget work. This is done through training, technical assistance, and financial support.

TABLE 4. MAIN EXTERNAL ACTORS SUPPORTING BUDGET TRANSPARENCY AND ACCOUNTABILITY

Country	Actors supporting horizontal accountability institutions	Actors supporting non-state budget accountability actors
<i>Burkina Faso</i>	<i>France, GIZ, European Union, UNICEF, African Development Bank</i>	<i>UNICEF, Oxfam, Diakonia, GIZ</i>
<i>El Salvador</i>	<i>World Bank, Inter-American Development Bank, European Union, GIZ, USAID</i>	<i>IBP, Open Society Foundations, Luxembourg, Oxfam, Friedrich Ebert Stiftung</i>
<i>Georgia</i>	<i>European Union, UNDP, USAID, GIZ, SIDA</i>	<i>USAID, Open Society Foundations, Eurasia Partnership Foundation, National Democratic Institute</i>
<i>Indonesia</i>	<i>Asian Development Bank, USAID, AusAID, GIZ</i>	<i>USAID, AusAID, GIZ, IBP, Ford Foundation, The Asia Foundation</i>
<i>Kenya</i>	<i>World Bank, Finland, SIDA, GIZ</i>	<i>IBP, European Union</i>
<i>South Africa</i>	<i>GIZ, European Union</i>	<i>IBP, Ford Foundation, Open Society Foundations, GIZ</i>

Note: Information may not be complete as it is based on country studies only.

It is well beyond the scope of this paper to reflect on the effectiveness and results of external actor interventions. However, the country studies provide some interesting reflections on the roles played by external actors in advancing budget transparency and accountability that are particularly relevant for the purpose of this study. For example:

- In some cases, such as in the Indonesian study, donor interventions were found to have an overly technical focus and do not seem designed to adequately take into account political economy

constraints and a lack of political commitment and support from recipient organizations. This could potentially undermine sustainability. This includes projects run by international finance institutions in Indonesia, and support for anti-corruption commissions in Kenya and across various countries. In some other cases, interventions are focused on recognized international good practices that may or may not address some of the key constraints and bottlenecks in a specific country. In Burkina Faso, for example, the country report argues that substantial benefits could be reaped from focusing on improving the transparency and accountability of ministries with large budgets rather than central finance and planning agencies. A large share of PFM reform efforts, however, focuses on the latter. This is mostly due to donor alignment to national reform priorities, including the introduction of program-based budgeting.

- Interventions aimed at strengthening different actors are very often carried out in parallel, through separate projects with limited built-in complementarities and collaboration. This can encourage the view that each actor can and should work in isolation from others, rather than as part of an ecosystem, and prevent interesting and positive synergies from surfacing. The above-mentioned USAID projects are a case in point: each project is managed by a different contractor, with limited collaboration and coordination. Some projects, on the other hand, focus more specifically on creating bridges among different actors. For example, the National Democratic Institute has supported budget consultations between parliament and civil society in Georgia.
- Finally, the country studies provide evidence that coordination among different donors is limited. In some countries, governments have an overall PFM reform strategy and set up coordination groups with supporting official donors (e.g. Georgia, Burkina Faso, and Kenya). Otherwise, there are very few cases of coordination among donors (a forum for this purpose is being created in South Africa) and no cases of dialogue and coordination between official and non-official external actors.
- In some cases, despite the lack of explicit coordination, parallel interventions can nevertheless lead to important synergies. In Burkina Faso, the local GIZ program shifted from exclusively supporting the Ministry of Finance to a more holistic GFG program. This was also thanks to the strengthening of CSOs through capacity building by IBP and others. This shift led to the inclusion of different components that aim to improve exchange and collaboration between the executive, external audit agencies, parliament, and a coalition of specialized budget CSOs.

4. THINKING ABOUT THE WAY FORWARD

This study set out to promote a better understanding of the roles that different actors play in promoting budget transparency and accountability. It examined if and how different actors collaborate, the results of such collaboration, and the ongoing and potential roles that external actors like GIZ and IBP can play in providing support to reforms in this area. It drew evidence from six comprehensive country studies carried out by local researchers, and from the limited but growing literature that is available on these issues.

The so-called budget accountability “ecosystem” looks remarkably similar across countries, and is formed by a set of state and non-state actors whose function is to keep the executive in check for how it collects and spends public resources. Publicly available budget information is the lifeblood of such system and all actors depend on each other in order to realize their individual function and their common accountability objective. State actors include parliaments, external audit agencies, and, in some cases, the courts. A number of countries have created additional institutions that play more specific roles in budget accountability, like anti-corruption or access to information bodies. Non-state actors include civil society – in its many forms and expressions – and the media. Finally, in low-income countries that depend heavily on foreign assistance, international actors (including donors, other development agencies, international NGOs, and private foundations) have become an additional important actor, both in trying to hold the executive accountable for how it uses aid funds and in providing support to various accountability actors.

In its most basic form, budget accountability relies upon parliaments and external audit agencies to provide both ex-ante and ex-post checks on executive action. In many countries, this is what legal frameworks provide for. The key factors for this basic model to work are a close collaboration between these two actors, and the existence of follow-up mechanisms that ensure executive response to their requests and recommendations. In recent years, many countries across the world – including the six included in this project – have made advances to put in place the building blocks of this basic model, in part thanks to international support and technical assistance. Yet the evidence on their performance and effectiveness in terms of accountability outcomes is at best uneven. While recognizing the progress made, and that processes of political and institutional transformation need time and resources, the six country studies point to a series of shortcomings in the functioning of this basic model. They show how formal constraints, capacity weaknesses, and political economy factors seriously undermine the results that parliaments and audit agencies are able to achieve in using budget information to hold the executive to account for the management of public resources.

These shortcomings highlight the need to promote a broader, more holistic approach to budget transparency and accountability, one that encompasses other actors that are part of the budget

accountability ecosystem and recognizes the complementary role that they play. For example, CSOs can provide data and analysis that parliaments can use during budget discussions; external audit agencies can use media outlets to disseminate the findings of their audits and put pressure on the executive to take remedial action where needed; courts can help citizens and CSOs claim their rights to basic public services; and external actors can find ways to better support an ecosystem approach to budget accountability. An emerging literature is starting to provide interesting examples of these types of interactions, and evidence of the positive impact that they can bring about.

While the six country studies found limited evidence of collaboration among different actors, these initial efforts could provide the basis for future initiatives and improved joint efforts by both domestic and external actors, leading state actors to collaborate and move beyond a strict interpretation of their constitutional and legal mandates. CSOs and the media are in dire need of improving their analytical and advocacy skills, promoting strategic thinking about who to engage with and when, and learning how to coordinate better and jointly mobilize in pursuit of their objectives. Addressing the weaknesses of each actor could help address the limited collaboration among different actors, and lead to a gradual improvement in the overall effectiveness of the budget accountability system.

4.1 RECOMMENDATIONS FROM COUNTRY STUDIES

What are some of the things that could be done across the six countries to improve budget transparency and accountability, promote an ecosystem approach, and foster Good Financial Governance? The summary below presents some of the common areas that were identified from the country reports. (A summary list of country-specific recommendations can be found in Annex 1.)

Recommendation 1.1: Introduce legal and institutional changes that improve budget accountability.

The six country studies identify a number of areas that are in need of legal or institutional reform. The most often cited one relates to the importance of ensuring that external audit agencies are independent from political interference, can act with full autonomy, and have adequate resources. Another one focused on the need to establish adequate follow-up mechanisms for the executive to respond to findings and recommendations issued by parliaments, external audit agencies, and others, for example by strengthening the role played by ad hoc parliamentary committees. This is often seen as a weak link in the accountability system and requires special attention.

Recommendation 1.2: Promote more and better opportunities for dialogue and exchange between state and non-state actors.

Most of the country studies highlighted the need for parliaments and external audit agencies to develop improved frameworks for dialogue with civil society and other actors, setting up regular opportunities for exchanging information and providing inputs into the various stages of the budget process. Some suggested that such frameworks should be enshrined in legislation. Some authors stressed the need for CSOs to better coordinate among themselves to render the dialogue with state actors more fluid and constructive. Finally, there was a call for setting up sectoral dialogues. This entails improving linkages between parliamentary sector committees and CSOs with sectoral expertise and engagement.

Recommendation 1.3: Strengthen the capacities of all actors.

Capacity and skills were recognized as an important gap across many actors and issues, with a particular emphasis on media organizations, state and non-state actors at local government level, and issues related to audit findings and recommendations.

Putting all of the above recommendations into practice will not be easy. There are some very good reasons why budget accountability and collaboration among different actors have so far not been more successful. These are often deeply connected to the local context and the entrenched features of the political economy. In some cases, an important rebalancing of power dynamics, and quite radical shifts in mindsets, may need to happen before more collaboration can occur and accountability actors develop the complementarities and interdependencies that are typical of an ecosystem.

4.2 RECOMMENDATIONS FOR EXTERNAL ACTORS

How can external support encourage and support change in these areas? To what extent is it possible? And what can be learned from the six country studies about what external actors should do differently? Three areas of intervention can be identified.

Recommendation 2.1: Better understand context and shape interventions accordingly.

Any intervention aimed at supporting improvements in the budget accountability ecosystem and fostering Good Financial Governance needs to be based on a thorough understanding of the different actors involved, the way in which they interact (both formally and informally), and the characteristics of the socio-political environment in which they are embedded (again made up of both formal and informal institutions,

norms and practices). Even if the support provided is targeted at only one of the actors, such an understanding is necessary for ensuring that interventions support broader change and improvements, rather than just the targeted actor. Recent years have seen numerous efforts to provide the necessary tools and methods for this type of exercise – often falling under the broad umbrella of “political economy analysis.” There are seven key questions that will need to be asked:

1. What are the powers and constitutional mandates of the various actors?
2. What are their capacities and skills?
3. What is their level of commitment to budget transparency and accountability – both rhetorical and real?
4. What formal and informal linkages exist between the different actors? What are the levels of reciprocal knowledge and trust?
5. Where is resistance to change most likely to come from?
6. What are the main characteristics of the civil society sector?
7. What does the broader political and governance landscape look like? Does it afford interesting opportunities for reform?

In very broad terms, understanding the characteristics of the context in which an external actor is intervening can and should shape the scope and content of that intervention. It is possible to think, for example, of three stereotypical (though possibly oversimplified) scenarios where budget accountability interventions may take place.

Scenario 1: A difficult context that is characterized by an entrenched executive politics controlling official budget oversight institutions, mutual distrust between state and non-state actors, limited CSO capacity, and little or no institutionalized space for public engagement or participation. In this kind of context, external actors will have limited space and might only be able to provide limited assistance to specific actors, possibly having to choose between state and non-state actors, given reciprocal mistrust. Some available options include focusing on building internal capacity, supporting basic transparency practices, and promoting at least some informal contacts and exchanges, for example through training courses, study visits, and international events.

Scenario 2: An intermediate context, characterized by a certain level of capacity and power in both state and non-state actors, some history of dialogue and interaction, the presence of reform-minded individuals in some key positions, and some media engagement with budget issues. Here external actors can play a more constructive role, promoting some joint activities (e.g. joint audits), encouraging more substantive exchanges, and supporting necessary reforms that can set the stage for further improvements.

Scenario 3: A more positive and conducive context, with interest and commitment by political leadership and official oversight bodies, examples of incipient collaboration and a capable civil society sector whose opinion is taken seriously in government circles. Here external actors can play a more varied and exciting role, actively engaging with a range of actors, incentivizing and supporting innovative practices, and pushing for follow-up by the executive.

Recommendation 2.2: Coordinate, coordinate, coordinate...

As highlighted above and in the country studies, there is a lot of scope and need for external actors to coordinate their activities and interventions in a better and more proactive way. This should have the aim of promoting better harmonized and complementary interventions that can help develop and strengthen the budget accountability ecosystem and foster Good Financial Governance. Some examples of ways in which coordination could be improved include:

- Promote joint analyses and appraisals to develop a common and shared understanding of the accountability ecosystem and the context in which it is embedded, as outlined above. This would ensure that different interventions have a joint starting point and address commonly identified challenges and bottlenecks.
- Ensure that government-led coordination mechanisms (e.g. around PFM reforms) function well and, where appropriate, provide opportunities for both state and non-state actors to engage, even those (like CSOs) who do not have a legally defined mandate or role. Where these do not exist, create complementary ones that bring together all external actors supporting budget transparency and accountability interventions.
- Create forums for dialogue and exchange between official and non-official external actors to ensure that information and analysis is shared, and that possible synergies are fully exploited.

Recommendation 2.3: Step out of comfort zones.

Shifting to a different approach in the promotion of budget transparency and accountability will require external actors to look beyond their usual practices and adopt new ones. This might imply a break with existing practices, as some of the recommendations above already indicate. For external actors like GIZ, this might mean promoting the Good Financial Governance agenda in a more concerted way, helping different accountability institutions to push the boundaries of their existing constitutional roles and mandates, and looking for innovative ways of exploring and exploiting potential synergies and complementarities. For actors like IBP, this means always emphasizing the need for its CSO partners to pursue a plurality of strategies and of alliances; reaching out to, and trying to influence, various actors

through various means. For both types of actors, it will mean focusing more on brokering contacts, building trust, and highlighting the mutual benefits of collaboration. Increasingly, it means looking for ways to link country-specific activities to regional and international initiatives – like the Open Government Partnership or the Extractive Industries Transparency Initiative (EITI) – that might provide additional entry points for promoting the kind of multi-stakeholder approach that budget accountability systems need and should be based on.

ANNEX 1: CASE STUDIES AND READING LIST

COUNTRY STUDIES

Burkina Faso: CGD (*Centre pour la Gouvernance Démocratique*)

El Salvador: FUSADES (*Fundación Salvadoreña para el Desarrollo Económico y Social*) (

Georgia: PMCG (Policy and Management Consulting Group)

Indonesia: Yuna Farhan

Kenya: John Mutua, with Dominic Mutuku

South Africa: Alta Fölscher

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ANNEX 2: SUMMARY OF COUNTRY-SPECIFIC RECOMMENDATIONS FROM COUNTRY STUDIES

BURKINA FASO

- Parliament could solicit qualified CSOs to submit analyses of the budget proposal, looking at both strategic priorities and fiscal convergence criteria under WAEMU, and ask them to present their work to the Budget Committee;
- During the budget evaluation stage, some “listening days” (*journées d’écoute*) could be instituted to promote dialogue between Parliament and CSOs on budget issues;
- CSOs should engage more with audit findings and recommendations, and demand follow-up;
- The Audit Court could develop a framework for dialogue with civil society;
- Some of the opportunities that could be used to discuss and advance the previous points are the implementation of the 11th European Development Fund, the joining of the Extractive Industries Transparency Initiative (EITI), and the follow-up to PEFA assessments and recommendations.

EL SALVADOR

- Reforming the Audit Court to promote its independence from party politics;
- Improve the services rendered by the Parliamentary Budget Office (*Unidad de Análisis y Seguimiento del Presupuesto*) and make them available to the whole of the Budget Committee and other MPs;
- Provide training for media actors on budget issues;
- Strengthen links between civil society (think-tanks, NGOs, academics) and Parliament for sharing information, analyses, etc.;
- Promote more opportunities for dialogue between state and non-state actors on issues related to budget transparency and accountability.

GEORGIA

- Establish a separate parliamentary committee to conduct regular public hearings on State Audit Office reports, providing opportunities for CSOs to ask questions and express opinions, and publishing recommendations online;

- Introduce regular consultations between parliamentary committees and citizens/CSOs, through public hearings and mandatory stakeholder consultations for new legislation;
- Improve civic consultation mechanisms at the State Audit Office, and include CSO opinions in audit findings;
- Establish an Accountability Office within government, to follow up on recommendations issued by Parliament, State Audit Office and other actors, and report back to relevant stakeholders.

INDONESIA

- Strengthen the role of sectoral parliamentary committees in reviewing and following up on audit reports;
- Increase independence of external audit agency by regulating board members' engagement in political activity;
- Encourage provision of space for civil society engagement with BPK;
- Improve use of social networks for budget transparency and accountability.

KENYA

- Support capacity building for CSOs and oversight institutions;
- Approve regulations of the Public Financial Management Act that have a bearing on promoting participation in the budget process;
- CSOs should better coordinate and create networks to reduce duplication and competition;
- Ensure the financial and technical autonomy of the Office of the Auditor General by embedding it in the Public Audit Bill;
- Undertake necessary steps to insulate formal oversight institutions and anti-corruption agencies from executive capture.

SOUTH AFRICA

- Strengthen capacity and participation opportunities at sub-national level;
- Put in place systems to provide more disaggregated budget information to relevant users and stakeholders;

- Improve linkages between legislative sector committees and CSOs with sectoral expertise and engagement.

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