

Long WORKSHOP REPORT FORM

Number and title of workshop: Picking the lock: aid transparency, budget transparency and the MDGs (Workshop 5.5; Stream: Reaching the Millennium Development Goals)

Coordinator: Rachel Rank, Publish What You Fund

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Moderator Greg Adams, Oxfam America

Rapporteur Craig Fagan, Transparency International

Panellists (Name, institution, title)

Karin Christiansen, Director, Publish What You Fund
Vivek Ramkumar, Manager of the Open Budget Initiative, International Budget Partnership
Eleanor Nichol, Campaigner, Global Witness
Samuel Rotta, Head of Corruption Prevention, Proética

Summary

There exists an implicit compact between effective government and citizens who hold it accountable. The compact rests on the simple idea that if donors and governments do not develop in how they do things, everyday people who are to be the beneficiaries of policies will not develop themselves.

The promotion of aid and budget transparency helps to strengthen this partnership between citizens and government. While transparency is not an end point in itself for more effective governance and development, it is one of the key means and tools for achieving both outcomes.

When this is framed within the context of the Millennium Development Goals (MDGs), the relevance of transparency and its potential for seeking better impacts is clear given the urgency to meet the 2015 timeline. The case from Peru of participatory budgeting at the district level and the resulting positive changes in services shows how greater information on budgets can help to produce better outcomes for needy communities. The example of the government's failure to provide full information on company payments made in a resource-rich country like Cambodia (for forests, oil and mining) demonstrates how opaqueness breeds corruption, poverty and stalled development.

Both country cases show how corruption and the lack of transparency – on aid and budgets – can undermine not only the compact between citizens and governments, but also a country's ability to achieve the MDGs and meet the demands of its citizens.

Summary of presentations

Karin Christiansen:

Donors are not doing work systematically because of lack of information on aid. Without such transparency of flows and where they are going, it is hard to do effective development programming. The consequences are fragmentation, the undermining of governance and the ability to make good policies to achieve the Millennium Development Goals.

The rationale for aid transparency is set along four principles:

1. information should be published proactively (whole project and programme cycle).
2. information should be comprehensive, timely, accessible and comparable.
3. everyone can request and receive information on aid.
4. the right of access to information should be promoted.

As with budget transparency, a lot of information exists, however, it is either hard to find or it is not made public. Moreover, it is impossible to hold anyone to account for what should be there if you do not know how much was spent or on what services. Finally, you cannot calculate the 'value for money' on what aid is being delivered if you do not know what other people are spending or what went in.

The link between aid transparency and recipient budgets is the comparability of the data. If the two systems do not match up at the country level, then a large part of the financing picture is missing, undermining the positive political and economic impacts that it could bring. It can be compared to looking at any transportation map, such as in London. If you only have information on part of the system (i.e. buses or the subway), then you do not see how to best and most effectively use the resources available.

Having a transparent and participatory budget is the cornerstone of having an effective and accountable government. Budget transparency is beneficial both economically and politically to governments and the donors that support them because:

- To achieve MDG targets, need money to be invested effectively – and the effectiveness of investments depends on information.
- More transparent budgets are connected with governments having greater access to funding from international markets.

Vivek Ramkumar:

Transparency and participation are the cornerstones of an effective and accountable government. Without transparency, it is not possible to effectively participate in decision and the process of policy-making. In the case of the Millennium Development Goals, the lack of transparency can lead to unpopular and inappropriate policy decisions, undermining the programmes that are being targeted.

To achieve MDG targets, money needs to be invested, and the effectiveness of investments depends on information. Unless you have this information, you will not understand why MDG targets are not being achieved.

This is where budget transparency enters. We need to understand what happens once money, either provided by donors or through domestic resources, is received by ministries.

The Open Budget Survey, an index produced by the International Budget Partnership, is an attempt to assess budget transparency, looking at three dimensions: budget plans, execution reports and audit reports. In 2010, 94 countries were assessed. The average transparency score was 42 out of 100 possible points.

Low transparency is partly a result of some budget documents not being produced at all by the government – let alone being made public. But the other main problem has been that in

many cases, countries are producing the documents for internal use and simply not making them publicly available.



There is one important message from the Open Budget Survey results: nothing predetermines budget transparency. For example, Mexico and Colombia do relatively well on the index and South Africa tops it.

Samuel Rotta Castillo:

The point that any country can improve budget transparency was demonstrated through the case of Peru. The country ranks well in the Open Budget Survey. After the government of former president Alberto Fujimori fell in 2000, 'transparency fever' took place in the country. A freedom of information act was approved in 2002 and a number of online e-government platforms were launched (including for procurement and all public spending by the ministry of the economy). Journalists discovered that this information could be used to monitor how money is being spent and helped to expose some cases of corruption by navigating through the data.

These laws have also helped to promote greater local knowledge and control over budgets. The government has sponsored participatory budgeting. There are around 2000 processes each year in 25 regions, 195 provinces and 1.831 districts.

There are large differences in the results of these processes. The differences seem to be when: there is a history of participation by civil society; they are done at the district level rather than larger jurisdictions; there is political will on the part of the leaders.

The question that Proética assesses was whether this increased transparency improves local citizens' quality of life. The case of Paruro, in the province of Cusco, was studied by the organisation. Here, the population has used the participatory budgeting process to organise itself. After seven years of participatory budgeting, one can see that changes are really happening in terms of the community's development.

There are some caveats to the experience being replicated. You need to have political will in the first place; citizens need to be aware of rights to services; and there is a need for some support from NGOs (brokers of information between municipalities and communities).

Eleanor Nichol:

Cambodia is a "bad case" example of what happens when there are not adequate levels of budget transparency. Global Witness has worked in the country for the past 15 years and has tried to address the high level of corruption seen in natural resource management. First the problem was in forests; now it has spread to the recent oil and mining finds in the country.

In terms of forests, between 1994 and 2000, the government collected US\$ 92 million in revenue (and lost 10 per cent of forests in the process). Yet Global Witness found that most of the money that was being generated was captured by a syndicate of political and economic elite. They published the results in a 2007 report and used this to advocate for change.

When oil and mining arrived in Cambodia in the 2000s, fears were raised that the same opaque practices would continue. And they have.

In mining, millions have been paid to the government as signing bonuses for exploration concessions. Thirty companies have paid these and it is estimate that these were about US\$ 1 million each. Yet the government was telling those who asked (Global Witness) that the payments made were not much more than US\$ 400,000.

Global Witness has used these findings to pressure companies to change their practices with the Cambodian government. It has been effective on some fronts

Main Outputs

There was a common consensus that change can happen.

For example, IBP has been conducting the survey for three years and the average score has increased by 20 per cent. Now, citizens have increased access to reports and/or more comprehensive reports.

IBP also commissioned separate research to better understand some of the factors for greater transparency. Commonalities that emerged were:

- 1.) Change of governments after elections
- 2.) Internal pressure for more info (from parliaments and CSOs)
- 3.) External pressure from donors that provide incentives and global organisations and movements.

What is most interesting about transparency, whether for budgets or aid, is how it becomes a tool for other activities. In Peru, it was used to link up with participatory budgeting. In the province of Paruro, an area made up mostly of poor Quechua speaking peasants, there were changes seen at the district level through participatory budgeting. Now in one district, there is a road, irrigation projects and a reservoir, improved agricultural and livestock production, and a rise in expenditure by families on related costs for key public services.

Change can also happen through providing information on how un-transparent aid or budgets are for a country.

Global Witness has collected information to pressure governments and companies to open up their books. As a result of work done in Cambodia on its oil and mining sectors, the extractive industries conglomerate BHP Billiton came forward and said it had paid US\$ 2 million for social funds and US\$ 1 million as a signing bonus to the Cambodian government. The company reviewed its own records and had to report to the Foreign Corrupt Practices Act because the money was not reported in the Cambodian budget. The French oil and gas company Total had made a US\$ 28 million signature payment to access Cambodia's market and disclosed this. It was reported by the Cambodian government (and later it appeared in the budget).

Recommendations, Follow-up Actions

The overarching theme both for aid and budget transparency was the need to create incentives and disincentives for greater openness to the public. While formal laws and frameworks are a start, they are not enough. The international aid transparency and extractive industries transparency initiatives (IATI and EITI, respectively) are a start in setting norms and standards but it is implementation that counts.

Even where there are access to information laws and open budgets, that does not mean that good policy-making and decisions will necessarily follow. This is dependent on political will and the ability of civil society (and citizens) to understand the information and use it (i.e. to use their vote when leaders are not delivering on what was promised). More generally, it is also tied to greater accountability channels, such as the presence of supreme audit institutions that are able to effectively do their job and have an impact on practices.

On the issue of aid transparency, the biggest fears about being more transparent is related to the cost of doing it, whether it is possible and a fear of scandal. To get it right and implemented, one needs to target the "if" at the political level and the "how" at the technical level. It is also a question about whether the recipient government wants to have increased aid transparency, since they may not want more information available and in the public domain.

To improve budget transparency, three recommendations were put forward by the panellist from IBP:

- 1.) Need to do better and more quickly and at no cost. If already producing reports can simply publish them.
- 2.) Need for a global norm on budget transparency. A universal norm will help local CSOs to hold governments to account against these norms.

- 3.) Donors need to do more on budget transparency. They need to i) be more transparent in their operations; ii) report in a format that allows for compatibility to recipient country information; iii) support oversight systems, such as legislators and supreme audit institutions and CSOs; iv) avoid doing harm by not undermining domestic accountability systems.

Highlights

Karin Christiansen of Publish What You Fund noted that aid transparency is not going to cause better aid but it “hard to hold someone to account if you don’t know what is happening”.

Moreover, one cannot benchmark experience if you don’t what others were doing and delivering, making it “hard to own process of development”, as she explained.

When it comes to budget transparency, Vivek Ramkumar of IBP underscored that one “cannot effectively participate in decision-making” without transparency. The absence of transparency can leave to unpopular and inappropriate policy decisions and hurt programmes that the MDGS are targeting.

This problem was demonstrated in Turkmenistan, where Global Witness found US\$ 3 billion off budget and in a Deutsche Bank account in Frankfurt.

Increasing transparency can begin with laws and the creation of common standards

However, as Samuel Rotta explained, “laws themselves do not have enough teeth to work properly.” From his experience in Peru, a key catalyst was the presence of political will to implement increased transparency and use it as a lever for opening a more inclusive dialogue with citizens on public policy and service delivery decisions.

Also accountability channels and citizen engagement are keys for success. Who promotes these is less clear.

As Ramkumar noted, in an ideal world, we would “want donors to give money and leave”. But the “reality is that donors won’t do this in any kind of a hurry and that they do not want to give up this power”. Therefore, civil society needs to leverage this to pressure governments into greater transparency of budgets and on aid.