

TRANSPARENCY & ACCOUNTABILITY: INTEGRAL TO FINANCING FOR DEVELOPMENT

Rationale

Transparency, accountability and participation (TAP) must be at the heart of the post-2015 financing strategy. Each element is dependent on the others to create change. Advancing only one of these – transparency, accountability or participation - will not yield results.

TAP is essential for tracking and monitoring resources and results. Without the full picture of resources dedicated to meeting the post-2015 agenda and data disaggregated (by disability, gender and age), it is impossible to know whether the commitments to leave no one behind are being adequately funded, and in turn, are able to be achieved.

Transparency of the different flows for development financing – domestic and international, public and private – allow for the full picture of available resources and where they are going and how they are used.

TAP allows for better coordination and real-time information to support strategic decision making and to make resources the most effective for development outcomes.

Transparent, accessible data are a prerequisite for citizens to participate meaningfully in the design, implementation, and monitoring of decisions about where tax and aid monies are going.¹

Setting TAP as the fundamental principles for financing development will help to create a fit-for-purpose system to track resources and which supports monitoring the post-2015 commitments.

TAP will ensure a pro-poor focus for financing and a transformative development agenda.

Challenges

While past Financing for Development (FfD) agreements and the recent report by the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) have recognised TAP as critical for the agenda, these commitments have not been operationalised.

There is also a general challenge of information that is routinely disclosed, accessible, standardised and comparable on financing for development flows.

Domestic financing

Government spending per person is less than PPP\$1,500 per person in 58 developing countries, home to 83% of people living in extreme poverty. This compares with an average PPP\$17,485 per person in DAC countries.²

Country progress in growing tax revenues is mixed at best. Kenya, Rwanda, Tanzania and Uganda alone are losing up to US\$2.8 billion annually in taxes as a result of incentives adopted to lure investors.³

Not all governments release transparent, disaggregated budget information in a timely manner or in an appropriate format, which limits public and parliamentary oversight.

International financing

Financing from aid, estimated at US\$ 200 billion per year by some,⁴ is needed to get 'to zero' on the proposed goals. Tracking whether these monies are delivered- and where to- is key. Currently, the biggest

¹This will contribute to the adoption of a "multi-stakeholder, people-centred and inclusive approach to achieve tangible results on the ground", which is precept number 8 of the "Strategic Approach" presented in the report of the ICESDF (Para 61).

² See: <http://devinit.org/factsheet/domestic-public-resources/>.

³ See: http://www.actionaid.org/sites/files/actionaid/eac_report.pdf.

⁴ See: <http://www.brookings.edu/research/opinions/2014/02/05-basic-aid-needs-mcarthur>.

bilateral and multilateral development providers publish information to the International Aid Transparency Initiative (IATI) standard. However, progress is still uneven for the quality and quantity of information.⁵

While investments by the private sector are being called on to complement these flows, these monies are 30 per cent lower than before the financial crisis. Moreover, foreign direct investment has become more concentrated in a few countries and away from the poorest.⁶ When money does flow, there is no way to ensure private investments will positively and not negatively impact poor people and their livelihoods

Solutions

The United Nations needs to own this agenda and make FfD transparent and accountable:

- Set out agreed timelines from governments and the private sector to provide funding.
- Establish an information platform to serve as a “finance tracker”, including information from governments, private sector and international financial institutions.
- Promote a common standard for reporting sustainable development flows, drawing on existing frameworks such as the International Aid Transparency Initiative (IATI).
 - Example: A wide range of development providers publish information to IATI. These include: governments, international financial institutions, private-public partnerships (e.g. GAVI), Climate Finance Funds, foundations and NGOs.
 - Example: Donors, NGOs and partner countries are piloting how to integrate IATI data to partner country budgets (DRC, Nepal, Senegal and Tanzania).

Governments need to commit on TAP and must:

- Prioritise spending on programmes and in sectors that make the largest contributions to poverty reduction to ensure that no one is left behind.
- Commit to systematically publish – in acceptable and accessible open data formats – accurate, timely and (as far as possible) standardised and comparable revenue and expenditure data, including publication of at least five key budget documents.⁷
- Link disaggregated financial data to performance data so that citizens can track resources to results.
- Promote citizen and parliamentary oversight of development funding decisions.
 - To track this, an indicator would be to see whether legislatures are conducting public budget hearings open to citizen testimony.
 - To enable this, the capacity of rights-holders in the area of financing needs to be strengthened to ensure their meaningful and informed participation.
 - Example: In New Zealand, Parliament’s Finance and Expenditure Committee publicly called for submissions (via media advertisements). Oral evidence from public submitters, who wished to be heard, was presented in Parliament.
 - Example: In Botswana, there is a formal obligation to engage the public during the budget formulation process, in particular through Budget Pitso. Both budget and policy issues are discussed in public forums at the village level.⁸
- Make transparent budgeting the standard, not the exception. This information helps to show whether development priorities are funded and whether the most marginalized groups are reached.
- Ensure a strong progressive tax base to help meet citizen demands for services and the state’s activities.
 - Curbing trade mis-invoicing and making transparent the beneficial owners of companies will help mobilise taxes and assist efforts to fight illicit flows.
 - Country-by-country reporting, currently adopted for extractive industry companies in the EU and US, should be extended to all sectors. Along with the automatic exchange of tax information, it is a way to improve corporate reporting and accountability, mobilise revenues from progressive taxation and achieve post-2015 commitments.
- Find better ways to improve the effectiveness of the moneys spent and how they procure goods, such as by implementing the Open Contracting Principles and Data Standard.

⁵ Aid Transparency Index 2014 Report: <http://ati.publishwhatyoufund.org/>

⁶ See: <http://www.oecd.org/daf/inv/FDI-in-Figures-April-2014.pdf>.

⁷ These include: the Executive’s Budget Proposal, the Enacted Budget, Year-End Report, the Audit Report and the Citizens Budget.

⁸ See: <http://www.finance.gov.bw/templates/mfdp/file/File/Opening%20Remarks%20Budget%20Pitso.pdf>.