

The process of government accountability—an anecdote and an agenda

In a study of the effectiveness of education spending programs, the National Center for Economic Research (CIEN) in Guatemala looked at why increased school spending was not being converted into improved education results. Only half of school-age Guatemalan children complete primary school, and reading and math skills are at dismally low levels. Several problems immediately became clear as researchers surveyed parents and primary school students and teachers. Some 62 percent of head teachers reported that textbooks had not arrived in time for the start of the 2008 school year, disrupting student learning. And 73 percent of school boards surveyed reported that the school meals program did not provide enough food for students who needed it.

Rather than simply write a report, CIEN researchers decided to use their results to promote changes that would make school spending more effective. Armed with policy recommendations based on their interviews and findings, the team worked with leaders from the Ministry of Education, convincing them to shift the start of the school year from January to February so that it no longer coincided with the start of the fiscal year, a major cause of the delays in the delivery of resources. CIEN also worked with students, teachers, and parents to encourage them to monitor government performance using CIEN's findings as a baseline. While the full impact of the policy shift and community monitoring efforts will not become clear for several more years, the changes encouraged by CIEN are important steps toward improving the effectiveness of school spending—and ultimately education achievement—in Guatemala.

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This book addresses the challenge of achieving efficient and equitable use of public resources in developing countries in such sectors as education and health. The way stakeholders in the international arena think about economic and social development has changed considerably in recent years. Multilateral organizations and donors now have an array of tools for evaluating problems and introducing potential solutions in public expenditures. Improved transparency and understanding of public spending have accompanied the global trend toward democratization, which has also created space for traditionally voiceless groups—poor people, excluded ethnic and religious groups, women, and others—to become more involved in development. Civil society organizations have sprung up nearly everywhere to watch government and press for change.

Chapter 2 examines what we know about government expenditures and budget execution in a broad sample of low- and middle-income countries. Donors and multilateral organizations have encouraged governments to make their public spending programs more effective. Sometimes this support has yielded improvements. All too often the results have proved disappointing.

In asking why such efforts have frequently had limited impact, and what can be done to improve results, this book takes the view that the fundamental challenge is less technocratic than political: holding political officials and public employees accountable to the wider public (who pay the taxes and use the services) for the use they make of the public resources entrusted to them.

To explore the relationship between those who run the government and the people, the book uses the “principal-agent” model, as developed in chapter 3. In its original application the model was developed to analyze the conflicts of interest that can arise when the owner of a private firm engages a professional manager to run the firm. How can the owner feel confident that the manager is making decisions for the owner’s benefit rather than the manager’s? How can the owner monitor the manager’s actions and develop incentives that align the manager’s incentives with the owner’s?

When considering government accountability, it can be helpful to think of politicians and public officials as the “agents” of the general public and then to ask how effectively the public, as “principals,” use a country’s political system to align the agents’ actions with the public’s interest. Does a cabinet minister, for example, feel effective pressure and demands from (or on behalf of) the public—from an expected opponent in the next election, say, or from an active media with access to budget data, or from a parliamentary scrutiny committee—to allocate education spending fairly and effectively to primary schools across the country? Alternatively, does

the minister feel motivated—and at liberty—to concentrate resources on schools in certain politically favored districts or to divert funds into private pockets, because pressures for transparency and public accountability are weakly developed?

For the pathways of accountability described in chapter 3 to work requires that information on government budgets and financial management be readily available to citizens. Chapter 4 uses data from the Open Budget Initiative of the International Budget Partnership to show how to make budgets clear and transparent and how countries are falling short.

Because enforcing accountability on the government sector is a massive task, citizens cannot generally address it effectively as individuals. Interest has therefore grown in the role of intermediary civil society organizations that can act on behalf of the population to make governments more accountable. That role is a major focus of this book and is developed primarily in chapters 5 and 6. The focus is on independent monitoring organizations—civil society organizations whose mission is to monitor government policies and services and to demand more transparent and accountable performance in public expenditure management.

A critical focus—public expenditure management

Public spending in most low- and middle-income countries falls far short of being as effective or as equitably allocated as it needs to be. In the past donors and activists have focused on increasing the quantity of resources, including aid, for development-oriented programs. In recent years they have come to understand that improving the quality of public resource use can be at least as important.

World Bank research has found that the correlation between increased spending on public services and improved outcomes is often weak. Increased spending on education has not always resulted in higher primary school completion rates, and increased spending on health is only weakly associated with lower mortality rates in children under age 5. This suggests that increased public spending needs to be accompanied by more attention to the effective and efficient use of funds to achieve significant development impact.¹

It is often observed that politicians can claim to be following almost any strategy to appease stakeholders such as international donors, other government leaders, and the public. But a government or ministry's true strategy and priorities are revealed by how it actually spends public money. In this spirit, and without diminishing the importance of other aspects of good governance such as respect for individual rights, this book focuses on "following the money."

Day to day, no area of government activity more directly affects development than public spending and service delivery. The public sector is often the primary

provider of health and education services and the leading investor in infrastructure. The allocation of public spending may also be the key mechanism for income redistribution (whether progressive or regressive) across groups. Accordingly, budgets can determine how well or poorly scarce resources contribute to development goals. This book looks closely at how—and how far—the demand side, defined as pressures and demands coming from or on behalf of the public, can contribute to better public resource use and, ultimately, better development outcomes.

A growing literature explores the empirical relationship between government transparency and accountability for performance and the effectiveness of public expenditure management. These studies work from the hypothesis that increasing public knowledge of government processes and expanding opportunities for civil society to hold government accountable for its actions will increase administrators' incentives to allocate money and effort toward effective, pro-poor human and economic development programs. Box 1.1 highlights some of the most influential research in this area. While the research supports the notion that transparency can have a positive impact, more work is needed to define the mechanisms at play, including how demand-side agents, such as independent monitoring organizations, can improve development outcomes. The book focuses on independent monitoring organizations as a special breed of civil society organizations focused on public expenditures and service delivery performance.

Evolution of thinking on development and accountability

During the last 60 years mainstream thinking on the channels for achieving progress in economic and social development has evolved. The early post–World War II decades saw an emphasis on capital accumulation through increased savings and foreign aid, designed to move poor countries away from subsistence agriculture to more economically productive market-focused agriculture and manufacturing. By the 1980s emphasis was shifting to reforms in macroeconomic policies expected to improve economic performance, including fiscal stabilization, privatization, and trade liberalization. At the same time investment in people (through health, education, nutrition, and other programs) was being pursued more vigorously. By the late 20th century internationally supported programs for debt relief were adopting an explicit poverty-alleviation focus, conditioning debt relief on the development and implementation of national poverty reduction strategies.

Governance and the quality of public institutions

In parallel, a greater appreciation developed for the importance to successful development of country-level governance and the quality of public institutions—and

BOX 1.1

What do we know about the links between transparency, public expenditure, and human development?

Researchers have used micro-level country studies and cross-country studies to investigate links between transparency and the effectiveness of public spending. The micro studies focus on the role of the media in improving access to information, using media variables to proxy for transparency and measuring the effect on public spending. The cross-country studies use aggregated transparency indices to explain cross-country variation in human development indicators.

One of the first studies to use media to represent transparency employed a model of political transparency to show that government officials put more effort into proposing spending when the public has greater access to newspapers. Focusing on Federal Emergency Relief Act spending in the United States during the New Deal era, another study finds that an increase in the share of radio listeners was associated with an increase in funding, after controlling for differences in income levels across political units. A study on actual rather than allocated spending exploits a newspaper campaign in Uganda that allowed citizens to monitor a school grant program to test the hypothesis that districts with more access to the media have less corruption in the form of capture of public funds. The authors find that the public's and schools' access to information on education spending significantly reduced the capture of public school funds by local officials and politicians—from 80 percent in 1995 to less than 20 percent in 2001.

One of the few studies to explicitly investigate the link between transparency

and development outcomes takes a cross-country approach. Creating a transparency index for 194 countries, the study finds that transparency is highly significant in explaining variation in human development indicators (including life expectancy, female literacy, and child immunization) across countries.

While research on transparency and human development is limited largely to the studies discussed above, a growing number of cross-country studies investigate the relationships between transparency, accountability, and the quality of governance. Although the studies do not extend their empirical analyses to development outcomes, much of the research is motivated by the assumption that good governance leads to advances in human development. A study of cross-country governance trends finds that transparency is positively and significantly correlated with many aspects of governance, including effectiveness, control of corruption, accountability, rule of law, and bureaucratic efficiency. The addition of variables measuring the extent of government ownership of media outlets weakens the impact of access to media on governance, suggesting that increased transparency is strongly associated with higher quality governance only to the extent that information is presented by sources independent of government.

Source: Besley and Burgess 2002; Stromberg 2004; Reinikka and Svensson 2004; Bellver and Kaufman 2005; Islam 2003.

the damage that can be done by widespread corruption. Improving governance has become increasingly prominent in international development discourse. In March 2007, for example, following extensive consultation, the World Bank approved a new strategy for promoting good governance.² In 2006 the United Kingdom's Department for International Development released a new antipoverty strategy that placed governance at the center of the organization's work program.³ The U.S. Agency for International Development, the Inter-American Development Bank, and other leading development institutions have taken similar initiatives.⁴

Meanwhile, the increasing availability of comparable data on country-level governance standards has made it possible to study the empirical relationship between good governance and better development outcomes. The World Bank's Worldwide Governance Indicator, one of the most comprehensive governance indicators, accounts for six aspects of governance quality (voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption). The index covers the recent period of governance reform (1996–2006). The latest analysis of the Worldwide Governance Indicator shows that while some improvements in governance have occurred in the past decade, they have been inconsistent across countries and dimensions of governance quality.⁵ While indicators of integrity and corruption constructed by Global Integrity and Transparency International are not as telling on trends in governance, both provide additional evidence that governance quality varies greatly across regions and that poor governance continues to be an obstacle to poverty reduction and social development in many countries.⁶

Democratization and a new political landscape

As international development actors began focusing on improving governance and accountability, the political landscape in developing countries was shifting as well. There has been an unprecedented movement toward democratization since the 1980s, accelerated by the collapse of communism in Central and Eastern Europe and the discrediting of military rule in Latin America. The Polity Project of the University of Maryland defined 92 countries as democracies in 2007 and 30 as autocracies.⁷

Accompanying the trend toward political democracy has been a more general push for greater openness in society, greater adherence to the rule of law, more public participation in governance, and more emphasis on human rights. The Freedom in the World Index published annually by Freedom House seeks to capture these complementary trends. Its subcategories include electoral process, political pluralism, government functioning, freedom of expression, rule of law, and individual rights. According to its annual survey of political rights and civil liberties, the number of countries classified as “free” has risen from 43 to 89 in the past 30

years, while countries rated as “not free” have dropped by a third (from 39 percent of the total in 1981 to 24 percent of 194 countries in 2009). The same survey indicates that the number of electoral democracies rose from 66 in 1987 to 118 in 1996, although the total dropped to 116 by 2009. About 4.6 billion people lived under fully or partially democratic conditions in 2009, and 2.3 billion lived under “not free” conditions, with China alone accounting for about half that total. The trend toward democracy has been global, with every continent participating in the push for greater freedom and openness, although there have been setbacks and improvements year by year (with several serious setbacks just in the last few years).⁸

As this book argues, the potential for independent monitoring organizations to affect public spending varies, depending in large part on how much political space is available in which to operate. In newly democratic societies civil society is potentially well placed to improve accountability and governance. The stakes in holding governments accountable for their decisions are especially large in public expenditure management: public spending priorities and implementation affect daily life. The recent trend toward democratization means that civil society can develop the voice, power, and tools to influence government decisions and actions in developing countries, fundamentally altering the dynamic of policy reform by shifting the center of decisionmaking to domestic players.

The role of external agents

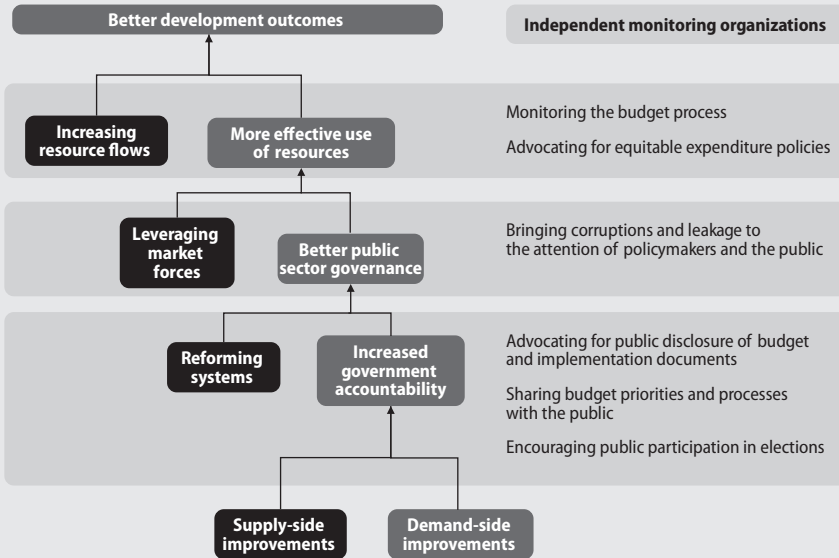
Not yet well understood is how outside organizations—donors, capacity-building organizations, and others—can contribute to greater domestic demand for good governance. The idea itself, at least on the surface, is somewhat paradoxical. Can outsiders really create domestic demand for good governance? Should they even try? For more than 50 years the democracy-building community—largely centered in the U.S. State Department but including organizations such as the National Democratic Institute, the International Republican Institute, and International IDEA—has worked on issues related to this goal. Their experience may provide some useful models and strategies for increasing and broadening citizen control of governments, but that experience also offers warnings about the difficulty of achieving success. This book investigates a range of strategies for outside organizations to support civil society’s demand for greater accountability for results in public spending.

A simple model

Figure 1.1 offers a framework for thinking about the key relationships explored in this book. At the top the goal is to achieve *better development outcomes*. From the bottom a combination of *supply-side improvements*, such as enforcing anticorruption

FIGURE 1.1

A model of governance, public expenditure management, and the role of independent monitoring organizations



Source: Authors.

laws, and *demand-side improvements*, such as developing independent monitoring organizations, is probably necessary to create enduring *improvements in government accountability*, the next step up the chain. Greater accountability creates an environment where another supply-side intervention, *reforming systems*, is likely to have a tangible impact. For example, improving government accountability in procurement by making it transparent, standardizing and simplifying procedures, and creating an arbitration process to settle problems quickly gives citizens and bidders the ability to demand that the system perform better. The government may then begin forcefully prosecuting criminal behavior, upgrading information systems, and removing layers of bureaucrats built up over time whose job was to enforce accountability through processes. This combination leads to *better public sector governance*, with the result that public procurement becomes faster and more trustworthy. More trustworthy procurement opens possibilities to develop contracts and competitive processes for service delivery, thus *leveraging market forces* to make *more effective use of resources*. Now *increased resource flows* can be expected to actually have an impact. To the far right of the figure are some of the actions that independent monitoring organizations could take at each stage to improve accountability.

The balance of this chapter explores in greater detail the stages outlined in figure 1.1.

Achieving better development outcomes requires change

Figure 1.1 starts from the proposition that the objective of government efforts should be the pursuit of better development outcomes—the rationale behind the urgency to reform governance in many countries (see box 1.2 on Peru). But what does “better outcomes” mean?

Some analysts give primacy to a country’s overall rate of economic growth, while others emphasize measures that reflect distributional aspects—such as poverty incidence or measures of inequality such as the Gini coefficient. Most reviews extend beyond purely economic indicators to take in physical measures of welfare, such as literacy rates or life expectancy.

One measure of success is the Millennium Development Goals, which provide a scorecard, officially recognized by governments and development institutions, of countries’ effectiveness in meeting the needs of their people.⁹ Anyone interested in development progress in specific countries or on specific issues now has ready access to annually updated performance data.¹⁰ The United Nations produces a flagship annual report assessing progress and the remaining challenges,¹¹ and other development institutions publish complementary publications.

The picture is uneven. There has been considerable progress in some areas. Most notably, the proportion of people living in extreme poverty fell from nearly a

BOX 1.2

Introducing results-based budgeting in Peru

Responding to the Peruvian government’s interest in results-based budgeting, the Research Center at the Universidad del Pacífico (CIUP) conducted a study of the country’s record of public spending and outcomes in health and education. The study would provide a baseline against which to measure the success of the new initiative and recommendations for moving forward with performance-based budgeting. Using subnational indicators such as maternal health, infant mortality, and school performance, CIUP found that past budget allocations reflected neither the needs nor the

relative development outcomes of different regions. In presenting these findings to key government officials, CIUP emphasized the importance of results-based budgeting in a country that needs to improve its measures of social development. At the same time, CIUP questioned how much impact results-based budgeting would have if it were adopted without complementary strengthening of incentives for public employees to improve performance and to deliver against the results-based expenditure system.

Source: Alvarado and Morón 2007.

third to less than a fifth between 1990 and 2004.¹² Progress has also been made in boosting primary enrollment, improving gender equality, reducing child mortality, and controlling certain diseases, including malaria and tuberculosis.¹³ At the same time, however, the number of women who die from treatable and preventable complications of pregnancy and childbirth, the number of malnourished children, and the number of people without basic sanitation all remain far from target levels. Progress has been uneven across countries and regions, with some areas showing little or no progress against many of the goals.

Despite the bright spots, then, many countries have not yet met the Millennium Development Goal targets. According to *World Development Indicators 2009*, an estimated 1.4 billion people still live in extreme poverty (on less than \$1.25 a day) and 2.6 billion people live in poverty (less than \$2 a day).¹⁴ We cannot rely on time alone to change this: too many lives hang in the balance. That is why the issues discussed in this book matter.

Focusing on effective use of resources

The second theme in figure 1.1 is the importance of more effective use of resources (see box 1.3 for Kenya's experience with education grants). Self-evidently, waste, inefficiency, and the diversion of resources from their intended goals impede the pursuit of development goals.

The debate on whether developing countries need more resources or need to use existing resources better misses the real issue. The two are not always alternatives—many countries, especially the poorest, could no doubt benefit from both. Current levels of aid are well below the target of 0.7 percent of donor countries' GDP set by the United Nations in 1970.¹⁵ In 2006 overall official development assistance, at \$103.9 billion, was 5.1 percent below the total in 2005 and just 0.30 percent of Development Assistance Committee member countries' combined gross national income—less than half the UN target.¹⁶ If these countries provided aid at the 0.7 percent level, the total would be about \$242.4 billion. It seems reasonable to expect that many development challenges could be addressed more effectively with an additional \$140 billion a year.

Aid levels ultimately reflect the outcome of domestic political processes within donor countries. These countries face many competing demands on their resources. The case for a larger overseas aid program is undermined if donor country voters believe that waste, inefficiency, fraud, and corruption are widespread in the public sectors of aid-recipient countries. But if developing country aid recipients can achieve more efficient use of existing resources, this can strengthen the case for additional resources.

BOX 1.3

Improving the effectiveness of education spending in Kenya

The government of Kenya sought to improve education opportunities for the poorest and most vulnerable groups through the Secondary Education Bursary Scheme, which provides grants to students for secondary school tuition and fees. The Institute for Policy Analysis and Research in Nairobi wanted to determine whether the program was being targeted in ways that effectively increased the number of poor Kenyans completing secondary education. The researchers discovered that the officials allocating the grants were opting for quantity over quality, providing a large number of students with the minimum award level—an amount that

did not cover the cost of a single full year of school. Interviews indicated that many students were unable to cover fees, even with the help of a program grant, and thus were forced to drop out of school. The researchers recommended that the total funding level of the program be increased and, in a recommendation that policymakers might find easier to adopt, that students receiving a grant in their first year of secondary school be given a commitment of funding that would allow them to complete all four years, subject to adequate performance.

Source: Kibua and others 2008.

However compelling the arguments for increased levels of aid, developing countries cannot afford to wait for some hoped-for windfall of additional financing to assist them in fulfilling their development goals. They must make more out of the resources already available. And more robust systems for expenditure management will make additional aid feasible by allowing donors to channel funds through government systems with greater confidence. More money is needed and will help, but better performance is essential for deriving greater impact from existing resources, particularly from developing countries' own funds. The role of aid is often overemphasized. Even the poorest countries use domestic resources to finance high proportions of education and health budgets—two areas of special interest to donors.

Improving public sector governance

The next element in the logical chain in figure 1.1 is the need to improve the quality of public sector governance to achieve systematic improvement in the use of resources. The findings of the Bandung Institute in Indonesia suggest that better public sector governance can have a significant impact on the quality of social sector services (box 1.4).

It is not necessary to become embroiled in a debate about public or private provision of services to make the point that both require better governance. *World Development Report 2004: Making Services Work for Poor People* characterized

BOX 1.4

Better outcomes with better governance in Indonesia

The results of a study of public expenditure allocations in the Indonesian health and education systems by the Bandung Institute of Governance Studies showed that national, provincial, and municipal governments fell far short of allocating the legally required minimums of 20 percent of the budget to education and 15 percent to health. More detailed analysis of public expenditures at the local level showed great variation in the quality of budget management. Some subnational government officials had developed innovative solutions to public health and education

problems, including free services at community health centers and schools. The study found evidence that the innovations in public spending could be attributed to strong policymakers and better quality governance. The availability of funds to pay for these innovations was directly related to localities' ability to hold down the share of salary costs in their budgets. The variability in spending, approaches, and apparent effectiveness in a small geographic area shows the impact reformers can have.

Source: BIGS 2008.

traditional government provision as requiring the “long route of accountability,” whereas competitive forces allow for a “short route of accountability,” meaning accountability to citizens and users of services.¹⁷

There are many examples of successful private sector involvement in service provision around the world. Some public services lend themselves well to competitive market provision. The transformation of worldwide telecommunications sectors, once dominated by public monopolies, into competitive, privately operated businesses is one example. In many parts of the developing world religious organizations have long worked alongside the public sector in providing primary, secondary, and sometimes tertiary education. In South Asia well more than 80 percent of health spending is out-of-pocket spending by patients in private markets. Nongovernment schools are common everywhere, usually serving elites.

But such examples do not obviate the need for strong public sector governance. Government officials occupy a key level in any chain of service provision, whether civil servants are acting as frontline service providers, policymakers are selecting private contractors to fulfill these roles, or the executive is deciding how much to allocate to education and health (and for whom). In fact, greater use of the “short route of accountability” places demands on governments in areas where they have often performed poorly—procurement, contract management, and monitoring and evaluation. Without constant improvements in governance, service provision is likely to continue to fail especially those groups that depend most on the government to pay for or deliver services.

Increasing government accountability is an essential complement to reforming systems

The next stage of the argument in figure 1.1 is that the key requirement for achieving improved standards of public sector governance is more accountability for those working in the public sector. (The nature and sources of accountability are explored in greater detail in chapter 3.) There are multiple routes to achieving accountability (see box 1.5 for an example from Paraguay). In a hierarchical bureaucracy the performance of individual civil servants depends on the success of their supervisors in enforcing internal “vertical” accountability for performance. Military performance depends heavily on discipline in following orders, for example. But what about the accountability of those at the top of the hierarchy, whether senior civil servants or politicians? Who can hold them accountable for acting in the public interest? One of the thrusts of this book is that, at some stage, effective public sector accountability needs to include accountability to the public, enforced by a variety of mechanisms—such as elections, checks and balances, and the functioning of civil society intermediaries.

As used by the international development community, the term *governance reform* covers a wide and diverse range of interventions. If governance is viewed simply as how governments manage their administrative systems and exercise their power, almost any governmental reform can be described as a governance reform. Donors fund governance reforms that range from installing new computer

BOX 1.5

Increasing budgetary transparency in Paraguay

With Paraguay’s recent democratization, the Center for Economic Analysis and Dissemination in Paraguay (CADEP) set out to investigate how efficiently the government was spending money on primary school students in the capital city of Asunción. It found that a lack of transparency and accountability in social sector spending remained despite the fall of the dictatorship. Because of the lack of data, CADEP had to rely on interviews and qualitative evidence of corruption rather than track funds from source to facility as it had planned to do. Researchers concluded that budgeting is too opaque to

be monitored by civil society. However, as CADEP began disseminating the evidence that it was able to collect, it found an active and enthusiastic audience for the work—parent associations. Developing a creative poster project and targeted participatory action plans with parent associations and school officials, CADEP has paved a way forward for increasing the transparency of budgeting in education and making it feasible for civil society to monitor at least certain aspects of government performance in this sector.

Source: Brizuela Speratti 2008.

systems to sending judges to observe the judiciary in other countries and building new courts, as well as technical assistance to streamline procurement procedures and much more. Improving and professionalizing a country's system for selecting, incentivizing, controlling, and replacing civil servants is an important reform that has a narrow mechanical focus.

Such governance reforms go only part of the way and are probably not sufficient to spur fundamental improvements. Such reforms often do not address the root problem of managing and monitoring policymakers and the government unit in which they function. Unless politicians and civil servants believe that they will be held accountable for their decisions and actions, government reforms cannot change the incentives that policymakers face and thus will have a limited impact on the effectiveness and equity of public spending.

The goal of increasing government accountability serves as an obvious focus for civil society, in particular for independent monitoring organizations. Members of civil society benefit or suffer from the expenditure decisions and actions of the government. Further, the public is well placed to monitor the public expenditure chain and to make its opinions heard (particularly during elections) on how public resources are used.

A core theme of this book is that institutional reforms, competition among countries to improve government systems and the regulatory environment, outside help from international organizations and bilateral donors, and other mechanisms may all be useful in public sector reform. They are, however, generally insufficient for gaining lasting improvements, which requires active domestic voices that demand change.

Supporting and motivating demand-side interventions

Budget management reforms initiated by international development institutions have often not been completed, not gone far enough, or been reversed at the first opportunity. Indeed, despite extensive reform efforts, public expenditure management remains weak in much of the developing world. (Chapter 2 takes a more in-depth look at public expenditure management systems and institutions around the world.)

What seems clear is that a new dynamism is needed to catalyze further progress on public sector reform. That dynamism is most readily available in the potential of independent monitoring organizations to become champions of change in the public expenditure arena (see box 1.6 for an example in Ghana). Chapter 3 presents a conceptual framework for considering how demand-side agents can improve government accountability, public sector governance, and resource allocation.

BOX 1.6

Shaping the dialogue on education spending in Ghana

Recognizing that one of the biggest causes of waste in education spending is teacher absenteeism, the Center for Democratic Development (CDD) in Ghana sought to estimate the incidence of absenteeism among primary school teachers. CDD researchers identified long-distance travel by teachers to education courses as a common cause of absenteeism. They also proposed a feasible solution: move teacher training courses from Friday afternoon to Saturday. More broadly, the CDD's positive reputation with the media, and the

fact that the researchers were on the ground for the full run-up to the 2008 presidential and parliamentary elections, meant that CDD was able to help shape dialogue and debate on how to make Ghanaian education spending more efficient and less wasteful. As a result of the CDD's work, the Ghana Education Service is working on making concrete policy changes to remove common causes of teacher absenteeism.

Source: CDD 2008.

Chapter 4 then looks at what transparency and accountability mean for budgets and expenditure management and at the weak mechanisms for monitoring and evaluating outcomes. Chapters 3 and 4 lay out the theory and the challenges, then chapter 5 provides examples of the impact that independent monitoring organizations can have on public expenditure practices and of specific interventions that demand-side agents can take to affect each stage of the process shown in figure 1.1.

The final piece of the puzzle is how the international donor community can support development of this capability. Chapter 6 outlines ways in which multi-lateral organizations, bilateral aid agencies, private donors, and civil society organizations can nurture the development of independent monitoring organizations. Money and other types of support matter, of course, but many other things can be done to help mainstream independent monitoring organizations by engaging them as partners and extending the supply-side agenda on governance with a view to opening up the books of government spending—a necessary condition for the development and effectiveness of independent monitoring organizations. Chapter 7 then looks at what all the key players—donors, governments, and independent monitoring organizations—can do to strengthen independent monitoring organizations and increase their impact.

A word of caution on a promising agenda

This book presents some evidence of the strides made by civil society in improving development outcomes and recommendations for supporting these organizations

moving forward. However, demand-side interventions in governance and public expenditure management are only one piece of the solution and not a panacea for achieving development goals.

Although the recent democratization trend has touched all regions of the world, many countries continue to be governed by authoritarian regimes with no formal avenues for civil society to influence policymaking. Governance systems and the extent of political freedom largely determine the scope that independent monitoring organizations have to hold policymakers accountable for their decisions. Consider Peru, a country that qualifies as free based on Freedom House rankings (and, indeed, ranks above developed countries such as Sweden in budget openness, according to the International Budget Project's Open Budget Index¹⁸). Peru has shown great innovation in its public expenditure practices, implementing results-based budgeting in recent years, and has created many entry points for organizations such as the Research Center at the Universidad del Pacífico (CIUP) to enter the policy debate and influence stakeholders (see box 1.2). But the success of organizations like CIUP depends on a degree of transparency so that independent monitoring organizations can have access to information on public expenditures. Countries lacking some minimal degree of transparency may not offer such obvious scope for a civil society role in the budget dialogue. Timely and inexpensive access to understandable information is a necessary precondition for bottom-up accountability.

Even in countries where civil society is well placed to analyze public spending decisions and advocate for improvements in public expenditures and services, independent monitoring organizations can face other obstacles, particularly problems of capabilities and absorption. Problems of capabilities include challenges that result from a lack of resources or abilities within the organization, such as inadequate technical expertise to conduct budget analyses, difficulty retaining skilled team members, and lack of an appropriate communications strategy. Problems of absorption reflect inadequate support by external forces in assisting independent monitoring organizations in their work or a lack of receptiveness to the dissemination and advocacy efforts of civil society. Challenges of this type include governments withholding public expenditure information from citizens or being unwilling to meet with independent monitoring organization representatives to discuss their results and policy recommendations.

Finally, success depends on a combination of complementary elements. For example, strong think tanks might be able to uncover evidence of fraud or waste, but without an effective and independent news media, they may not be able to communicate their findings. And if the information is successfully disseminated,

are there mechanisms through which citizens can act to achieve change? Often analytical organizations have little interest in lobbying to fix problems, and advocacy organizations have little use for careful analysis. An independent monitoring organization needs to be a hybrid of both.

Notes

1. World Bank (2003c) provides an extensive review of the weak relationship between public spending and development outcomes.
2. World Bank 2006b.
3. DFID 2006.
4. USAID 2005; IDB 2004.
5. Kaufmann, Kraay, and Mastruzzi 2007.
6. Global Integrity 2008; Transparency International 2009.
7. See Polity IV Database (www.systemicpeace.org/polity/polity4.htm). The Polity Project is one of the activities of the Center for International Development and Conflict Management. The database contains information on regime and authority characteristics for all countries with populations of more than 500,000 and covers the period 1800–2007.
8. Freedom House 2010.
9. United Nations General Assembly 2000.
10. www.mdgmonitor.org
11. United Nations 2007, p. 1.
12. United Nations 2007, p. 4
13. United Nations 2007, p. 4.
14. World Bank 2009b.
15. www.oecd.org/document/17/0,2340,en_2649_33721_38341265_1_1_1_1,00.html.
16. Sachs 2005.
17. World Bank 2003d, p. 6.
18. IBP/OBI 2009.