Transparency, Accountability and Participation (TAP): Catalyzing inclusive and transformative Financing for Development

Transparency, Accountability and Participation (TAP) must be at the heart of the Financing for Development (FfD) outcome document. The Sustainable Development Goals (SDGs) and the FfD process have both set out ambitious agendas - those in which transparent and accountable institutions and citizen participation in governance serve as linchpins for sustainable development progress at all levels.

As cross-cutting elements, the TAP Principles are critical for ensuring effective and accountable governance that will catalyze a transformative financing and Post-2015 sustainable development agenda, at all levels. This brief highlights why the TAP Principles of transparency, accountability and citizen participation are critical to maximizing effective financing and helping achieve the Sustainable Development Goals, ensuring that no one is left behind.

What's at stake?

The ambition reflected in the SDGs, and the resources required to achieve them are immense. The cost of eradicating extreme poverty is currently estimated at $66 billion a year, while global annual investments needed to improve infrastructure, including water, agriculture, power and transport, are currently upwards of $7 trillion. [1] These financial resources, if and when they become available, cannot be wasted and must be used in ways that foster greater transparency, accountability and citizen participation.

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[1] http://www.un.org/ga/search/view_doc.asp?symbol=A/69/315&Lang=E

While increasing available resources for development is fundamental for a transformative post-2015 agenda, even more important is that available resources are utilized in the most effective and efficient ways possible. Evidence shows that fiscal transparency, rule of law, expenditure monitoring and accountability can contribute to more efficient spending that achieves better development results.[2]

Curbing global illicit financial flows must be a priority in the FfD agenda. It is estimated that these illicit financial flows, resulting from a lack of transparent and accountable governance, have cost developing and emerging economies $6.6 trillion USD over the past decade alone.[3] These illicit financial flows are now rising twice as fast as global GDP,[4] depriving countries and their people of resources that could be put towards achieving transformative sustainable development gains. Additionally, the EU estimates that up to one trillion Euros are lost to tax evasion and avoidance in the EU every year[5].

While financial flows and investments from governments will be central to achieving the SDGs, we must re-think traditional approaches to financing sustainable development if we are to collectively achieve the goals set out by this new agenda. While investments by the private sector are being called on to complement public financial flows, substantial foreign direct investment has become more concentrated in a few middle-income and emerging economies, and away from the poorest. When money does flow, there is no way to ensure private investments will positively impact the world's poorest people, particularly where they need it most. Therefore, it is critical for the Addis outcome to provide a framework for enhancing transparent and accountable private sector financial flows at all levels, and to ensure that these efforts are responsive to the needs of the world's poorest and most marginalized.

As we have learned from the MDGs, without a comprehensive picture of all the resources dedicated to achieving the post-2015 agenda, and related disaggregated data[6], it will be impossible to know whether commitments to leave no one behind are being adequately reflected in policy formulation, implementation and results. Similarly, without adequate spaces for citizens of all ages and gender to engage, and without a centralized platform for accessing information and data, it is difficult to know if resources are allocated efficiently, or according to the needs of the people.

TAP Network Recommendations:

In order to link resources with people-centered SDG progress, it is critical to align the Means of Implementation and Financing for Development in ways that can catalyze transformative and sustainable development at all levels. In this context, the TAP Network propose the following recommendations for inclusion in the Addis Outcome Document for FfD3:

1. **Full transparency of revenues[7], allocation, spending, contracting and results data and statistics, at all levels.**
   - Governments at all levels should provide information in a timely, accurate, comprehensive and accessible manner.[8] All development actors should commit to publishing timely, comprehensive and forward–looking information on their activities in a common, open, electronic format, based

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[2] For example, see http://internationalbudget.org/wp-content/uploads/Budget-Brief-From-Numbers-to-Nurses.pdf

[3] http://www.gfintegrity.org/wp-content/uploads/2014/12/Illicit-Financial-Flows-from-Developing-Countries-2003-2012.pdf

[4] http://www.gfintegrity.org/wp-content/uploads/2014/12/Illicit-Financial-Flows-from-Developing-Countries-2003-2012.pdf

[5] European Commission, Taxation and Customs Union,
http://ec.europa.eu/taxation_customs/taxation/tax_fraud_evasion/a_huge_problem/index_en.htm

[6] At least disaggregated by disability, gender and age. See target 17.18 https://sustainabledevelopment.un.org/focussdgs.html

[7] Including natural resource payments and foreign aid

[8] This includes the publication of at least the five following budget documents: Executive's Budget Proposal, the Enacted Budget, Year-End Report, the Audit Report and the Citizens Budget

on existing open data standards. In line with international human right standards of access to information, all data on public matters and/or publicly funded, including those produced by the private sector, should be made public and "open by default". This means that data needs to be transparent and be made available to citizens in accessible formats, free of charge, in machine-readable formats and without restrictions on their use and re-use in a timely manner, so that citizens can track resources to results, and consequently hold governments accountable.

> **CASE STUDY: Open Data for Development**
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> *According to a recent report, 8 % of 86 countries surveyed publish open data on government spending, 6 % publish open data on government contracts, and a mere 3 per cent publish open data on the ownership of companies. Citizens have a similarly difficult time accessing data on the performance of key public services — just 7% of countries release open data on the performance of health services, and 12% provide corresponding figures on education. Accessing this data is critical for understanding where a large share of public spending is going, which are necessary for citizens to hold their governments accountable.* (http://opendatabarometer.org/report/summary/)

2. **Ensure inclusive and meaningful public participation at all stages of financing and governance processes.**

   - The Addis outcomes need to ensure that development finance is ultimately informed by, responsive to, and accountable to the needs and priorities of all citizens, particularly poor and marginalized people. Inclusive and unrestricted civic space at all levels, and provision of timely, quality data and information are critical to enable all citizens and constituencies to engage meaningfully in budgetary discussions that directly impact their livelihoods. Accountability on this front depends on transparency and broad, inclusive participation, which Member States must commit explicitly to in the Addis outcome document. Finally, governments must guarantee the rights to access information, freedom of expression, association and peaceful assembly in law and practice for all, in line with international standards, as a necessary precondition for public participation.

> **CASE STUDY: Participatory budgeting improving development outcomes**
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> *Participatory budgeting is a popular form of citizen engagement in the budget process. Since it emerged in Porto Alegre, Brazil in 1989, it has spread to more than 1,500 municipalities in Africa, Asia, Europe, Latin America, and North America. Enabling citizens to propose and decide spending priorities has contributed to greater government accountability, citizen involvement, trust and tax collection, increased social spending, and improved infrastructure and service delivery, including in health, education, water and sanitation.*
> (https://openknowledge.worldbank.org/bitstream/handle/10986/8042/401440v10ER0P01sclosed0March0302008.pdf?sequence=1)

3. **Promote a common standard for reporting sustainable development resource flows at all levels, and establish a global and national tracking system to report spending and results achieved towards each of the SDGs.**

   - To avoid data silos and allow data from different sources to be joined up and compared, governments should ensure that open data standards are interoperable and support existing transparency initiatives, such as the Global Initiative for Fiscal Transparency (GIFT), International Aid Transparency Initiative (IATI), Open Contracting and the Extractives Industries Transparency Initiative (EITI) in these efforts. All development partners must agree to transparent and timely

reporting of all financial flows into, within, and out of all countries – developed and developing. Linking disaggregated financial data to performance data allows tracking resources to results. Additionally, a set of sustainable development criteria should be applied to all public funds used for development finance, including those used to leverage private sector investment.

> **CASE STUDY: Transparency of data as an enabler of inclusive financing frameworks**
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> *In the Democratic Republic of Congo, Nepal, Senegal and Tanzania, transparency and data standards are providing a clearer picture of resource flows. Governments, development partners and NGOs are piloting the integration of IATI data to country budgets, helping governments plan and spend according to country priorities. By enabling governments to access this type of information, efficiency and effectiveness of governance, planning and budgeting processes. It also helps civil society stakeholders align their work more closely with public partners, and enables them to hold their governments accountable.* (http://www.aidtransparency.net/wp-content/uploads/2012/11/IATI-Country-Pilots.pdf)

4. **Ensure effective and accountable institutions and enhance delivery of public goods and services through progressive tax measures and commitments to end illicit financial flows.**
   - The FfD process must explicitly include a SMART target that would commit developed and developing countries to work together to reduce illicit financial flows related to trade mis-invoicing by 50% by 2030. To do this, Governments must strengthen the capacity of their customs departments to help curb trade mis-invoicing. They must also implement a public register of beneficial ownership information of companies and other legal entities will help mobilize taxes and assist efforts to fight illicit flows. Requiring companies to disclose their beneficial owners when bidding for public contracts helps reduce the risk that taxpayers' funds are siphoned off via corruption, cronyism and collusion. Public country-by-country reporting for multinational companies, 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.

> **Case Study: Tracking Illicit Financial Flows through web-based databases**
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> *The work of tracking illicit financial flows is not unprecedented. Trade databases are currently available that would enable governments to identify when trade-based illicit flows have occurred. These web-based databases can, in close to real time, provide the ability to detect trade mis-invoicing using globally recognized harmonized codes for tens of thousands of products. Developed countries and/or multilateral institutions should provide funding and training to developing countries' customs departments for the acquisition and use of this technology. This capacity building measure could serve as a pragmatic and low-cost approach to empower developing nations to identify, investigate and interdict trade-based illicit flows before they leave the port.*

5. **Substantially reduce corruption and bribery in all its forms and support accountable institutions at all levels.**
   - Governments must come together to help ensure that domestic oversight institutions, such as Parliaments, Supreme Audit Institutions and Independent Human Rights Institutions have the human and financial resources to provide oversight and ensure accountability for commitments made. The international community must also strengthen implementation and enforcement of the UN Convention against Corruption and the OECD Anti-Bribery Convention and accelerating stolen asset recovery.

> **Case study: Strengthening third-party, objective review processes**
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> *In South Korea, the Board of Audit and Inspection (BAI) introduced the national citizen audit request system under the Anti-Corruption Act of 2001. In the past decade, the BAI has undertaken hundreds of such special audits on programs and agencies requested by citizens thereby expanding the relevance of the audit function for citizens and strengthening state responsiveness and performance.*
> (http://unpan1.un.org/intradoc/groups/public/documents/un/unpan026308.pdf)

6. **Invest in equipping citizens, legislators, public servants, entrepreneurs, and civil society to understand and use financial and development data effectively.**
   - Capacity building must be strengthened for empowering all relevant stakeholders to demand, understand and utilize high-quality and open data. Translating and presenting data that is accessible to all is a significant barrier to the actual use of relevant data and information, and access to such information serves as a stimulus to continued demand from citizens for release of these kinds of data sets. Additionally, Addis must commit governments to invest more in the capacity of national development agencies' and civil society organizations' data collection, management, accessibility and ability to analyze this data.

> **Case study: Shining the light on leakages and improving efficiency in public expenditures**
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> *In India, the National Campaign for Dalit Human Rights used budget tracking and analysis to expose how the government had diverted funds for programs for Dalit communities — one of the poorest and marginalized groups in India — to finance the 2010 Commonwealth Games. As a result of their work, the government has returned almost US$100 million of diverted funds, which are now supporting services and programs for approximately 2.4 million Dalits.* (http://internationalbudget.org/wp-content/uploads/Budget-Transparency-Participation-in-Sustainable-Development.pdf)

As indispensable implementation and accountability partners, civil society and the TAP Network stand ready to galvanize support and help deliver on the Post-2015 Financing for Development agenda, and we look forward to working with Member States in finalizing an ambitious Financing for Development outcome document, based on the principles outlined in this paper.

*For more information about the work of the **TAP Network** or this position paper, please contact John Romano, Coordinator of the TAP Network at romano@wfuna.org or +1 609 721 3316*