Domestic Resource Mobilization and Economic Recovery in Africa

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Open Government Partnership

Contents

Executive Summary

After several years of progress, the onset of a global recession threatens African countries' economic growth, revenue streams, and democratization. To recover from the immediate crisis and restore progress toward the United Nations Sustainable Development Goals (SDGs) in the longer term, countries must look inward to their own fiscal policies that can help increase revenues. Further expansion of domestic resource mobilization is crucial to helping African countries finance their economic stimulus and renew progress toward the SDGs. Countries' ability to deliver on social protection programs and critical public services like healthcare, education, and infrastructure — as part of current economic stimulus packages and beyond — likely depends on levels of domestic resource mobilization in low- and lower-middle-income countries.

Countries must look inward to their own fiscal policies that can help increase revenues to both recover from the immediate crisis and restore progress toward the SDGs in the longer term. To achieve necessary increases in tax revenue, reformers should consider policies that increase efficiency and equity in revenue collection and expenditure. This paper highlights eight ways open government reforms can help countries advance their progress in **open budgets**, **revenue management**, and **public spending**. Specifically, the paper covers the following types of open government reforms:

- Extractive industries
- Beneficial ownership
- Tax policy and administration
- Land management
- Open contracting
- Audits
- Open budgets
- Social audits

It also includes examples from the following African governments about how they have used the Open Government Partnership as a platform to achieve these reforms:

- Burkina Faso
- Nigeria and Kaduna State, Nigeria
- Sierra Leone
- Liberia
- Kenya
- South Africa

The Open Government Partnership in Africa

What is OGP?

The Open Government Partnership (OGP) is a multilateral initiative — with 78 national and a growing number of local government members — that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. There are 18 African OGP members, including one of OGP's founding countries, South Africa. To become a member of OGP, participating countries must endorse a high-level Open Government Declaration, deliver an action plan developed with public consultation, and commit to independent reporting on their progress going forward. Working together, government and civil society co-create two-year action plans with concrete commitments across a broad range of issues, which are then monitored by OGP's Independent Reporting Mechanism (IRM). Together, OGP members have made over 4,000 commitments across various policy areas.

African participation in OGP to date

As in OGP as a whole, in African OGP locations, fiscal openness and anti-corruption are common areas of work. In addition, commitments focusing on extractive industries and land and spatial planning, while less popular in the rest of the world, are among the most popular areas of work in African countries. In each of these topic areas, African members have consistently put forward more ambitious commitments than other regions, according to the IRM. However, implementation remains a challenge, and commitment completion rates, as measured by the IRM, are lower than in other regions.

This is not to say that African members have not been successful in OGP. Since OGP's founding, innovative solutions and success stories have emerged across the continent in a variety of policy areas. In the following sections, we highlight effective reforms from African members in several key policy areas. We hope that reformers build on the strong work highlighted here as they continue to use OGP as a platform for making credible changes toward more open, participatory, and accountable government.

African OGP members

Burkina Faso

Cabo Verde

Côte d'Ivoire

Elgeyo Marakwet, Kenya

Ghana

Kaduna State, Nigeria

Kenya

Kigoma-Ujiji, Tanzania

Liberia

Malawi

Morocco

Nigeria

Sekondi-Takoradi, Ghana

Senegal

Seychelles

Sierra Leone

South Africa

Tunisia

Introduction

The threat of global recession

Growth reversed

In recent years, African economies grew tremendously.[1] As recently as January 2020, the African Development Bank predicted that Africa's gross domestic product (GDP) growth would surpass the global average of 3.4% in 2020.[2] However, the onset of the COVID-19 pandemic set off the continent's first recession in 25 years. The average economy is now predicted to contract by roughly 2.5% in 2020.[3]

Demand for increased revenue

Thanks to steady growth and modernizing revenue-raising systems established over the last several decades, African countries have become less dependent on foreign aid, which previously accounted for the majority of their revenue. In recent decades, aid contributions have fallen relative to GDP, while tax revenue has grown. Today, tax revenue in African countries represents double the value of aid.[4]

Still, African countries continue to rely on external financing, a reality that could worsen the economic effects of the pandemic.[5] The decline in global demand for raw materials — which make up more than 75% of Africa's exports — combined with lockdown measures in industries like mining has caused revenue to fall, while leaving large swathes of the workforce unemployed.[6]

Recovery requires the harnessing of domestic resources

Even without the added effects of the pandemic, countries still have work to do if they are to achieve stable, self-sustaining fiscal governance. The 2019 United Nations Economic Commission for African (UNECA) Economic Report on Africa emphasizes that countries' ability to achieve the Sustainable Development Goals (SDGs) by 2030 would depend on choices made now about fiscal policy and resource generation.[7] The recent public health crisis has only heightened the importance of such policies; the Bill & Melinda Gates Foundation 2020 Goalkeepers Report finds that the pandemic has halted or reversed years of progress toward the SDGs.[8]

Even more immediate is the need to fund economic stimulus and social protection programs that would limit the effects of the economic crisis on African lives and livelihoods. While economic stimulus packages in G-20 countries amount to about 22% of GDP, that figure stands at only 3% for African countries as of September 2020.[9] In March, in an effort to bolster stimulus funding, African finance ministers called for a US$100 billion stimulus package for the continent.[10] As of September 2020, the African Development Bank, the International Monetary Fund, and the World Bank had collectively disbursed about US$60 billion.[11] The G-20's Debt Service Suspension Initiative (DSSI) would provide an additional US$12 billion in 2020, if fully implemented. However, it has so far fallen short of expectations, having raised only US$4 billion to date.[12] Moreover, even if the DSSI is eventually fully implemented, additional funds will still be needed to meet the US$100 billion goal.

Where will African governments find the funds needed for recovery and continued growth? Further expansion of domestic resource mobilization (DRM) is needed to help African countries finance their economic stimulus packages and renew progress toward the SDGs. Countries' ability to deliver on social protection programs and critical public services like healthcare, education, and infrastructure — as part of current economic stimulus packages and beyond — likely depends on levels of DRM in low- and lower-middle-income countries.[13]

The international community has also recognized the key role of increased domestic resources in sustainable development. In 2015, the UN adopted the Addis Ababa Action Agenda, which provides a framework for development that focuses on aligning financial flows with economic, social, and environmental policies.[14] This, in turn, catalyzed the Addis Tax Initiative, which brings together governments, multilateral institutions, and the private sector to provide resources and technical assistance on DRM reforms.[15] Initiatives like this, along with Open Government Partnership (OGP) action plans, can provide an opportunity to plug the resource gap.

The resource gap: Challenges to prosperity

Countries must look inward to their own fiscal policies that can help increase revenues to both recover from the immediate crisis and restore progress toward the SDGs in the longer term. Efforts must go beyond existing proposals for relief, which call on the international community to increase lending to the continent and cancel debt payments, rather than merely suspending collection.[16]

To achieve increases in tax revenue, reformers should consider policies that increase efficiency and equity in revenue collection and expenditure. Open government reforms can contribute to these aims in a variety of ways.

Efficient and equitable revenue management

First, countries need to ensure efficiency in revenue collection. Every year, developing countries lose an estimated US$138 billion annually to tax breaks and incentives for multinational corporations.[17] Publicly accessible information about who benefits from countries' financial and natural resources allows citizens and nongovernmental organizations (NGOs) to identify unnecessary revenue losses. In the long run, analysis of this information can help governments save millions of dollars.

Governments also need to make taxation and revenue collection more equitable. In many African countries, the poor use a disproportionate share of their income to pay taxes due to consumption taxes and informal taxes — such as informal user fees and informal payments to state and non-state officials — and a lack of access to social programs to offset these losses. Only 3% of DRM reforms supported by international aid have a clear goal of making revenue systems more fair.[18]

Efficient and equitable spending

Countries also need to ensure that the resources generated through these reforms are spent efficiently; raising revenue alone cannot close the gap between what is needed and what is available. When governments make information about public spending available — for example, through public contracts and audit reports — they harness the power of journalists, NGOs, and citizens to verify that public funds are well spent. Governments should consider how increased public funding could reduce inequality by improving access to social programs and essential services, especially for poor and marginalized citizens.

This paper highlights eight ways open government reforms can help countries advance their progress in **open budgets**, **revenue management**, and **public spending**. It includes examples of how African governments have used OGP as a platform to achieve these reforms.

Open Budgets

James Otto from Sustainable Development Institute (SDI) teaches members of the Jogbahn Clan about land rights. Countries can stimulate investments and prosperity through land ownership trasparency and enforcement. Photo: Morgana Wingard

Open Budgets

Every year, governments collect and spend billions of taxpayer funds to pay for services such as education and healthcare, and citizens have a right to know how that money is spent. Openness across the budget and fiscal cycles allows citizens to hold their governments accountable. In addition to this benefit, openness also has key economic and political advantages.

Why work on open budgets?

- **Open budgets are an intrinsic public good**. Over the last two decades, in Africa, as in the rest of the world, international institutions, credit rating agencies, and civil society organizations alike have taken up the call for increased fiscal openness. Fiscal transparency is an intrinsic public good: citizens have a right to know how their government collects and spends their money.
- **Transparent fiscal data reduces the cost of borrowing**. A recent World Bank study shows that with improved data transparency, sub-Saharan African countries could have reduced their total debt by US$405 million in 2018 alone.[19] Data transparency has even stronger effects when coupled with strong public institutions and lower public and external debt.
- **Participatory budgeting improves public service delivery**. Evidence shows that participatory budgeting at the local level leads to more effective government spending on public services. For example, after participatory budgeting processes in two Kenyan counties, governments invested more in wells and renovations to existing public facilities — which citizens directly demanded — rather than building new but unnecessary facilities, as they had in the past.[20]
- **Budget transparency can have electoral advantages**. A recent study of local government officials in South Africa finds that incumbents who published their governments' audits were more likely to be reelected, provided the audit records were clean.[21]
- **Participatory budgeting increases tax compliance**. Evidence from Brazil shows that municipalities that adopt participatory budgeting have higher rates of tax compliance, leading to greater government revenue.[22] Additionally, a survey of citizens from 50 countries finds that citizens are more likely to report a stronger commitment to tax compliance when they are given the opportunity to voice their opinions about government spending, for example, through participatory budgeting processes.[23]

Lessons from Reformers: South Africa

South Africa is already known internationally as a leader in budget transparency, after ranking first in the world in the 2017 Open Budget Survey.[24] However, government budgets are often complicated and technical, so simply publishing them does not necessarily make them accessible to most citizens. In South Africa, the data the government made public was static and unintegrated, and civil society actors observed that citizens were not using the data as extensively as they could.

To address this, the National Treasury partnered with the civil society coalition IMALI YETHU to create an online platform called Vulekamali. It houses national and provincial budgetary information, actual expenditures, and learning resources for citizens.[25] All of these resources are presented in a user-friendly format, which includes visualizations and interactive features. These representations are accompanied by frequent Civic Information Drives, events to teach citizens how to use the platform.

But South Africa is not just encouraging citizens to view the data. Through Data Quests, they also promote the use of the data by citizens to advance social change. Data Quests are held throughout the year in different provinces and engage civil society actors, software developers, economists, accountants, students, and others to use the budget data to solve policy challenges and make budget recommendations.[26] Most recently, at a Data Quest in Northern Cape, a team of participants created a program called BudgetBreakdown that monitors public spending to ensure it is used to empower women by investing in projects that reach them.

Revenue Management

This Nigereian tin mine gives an income to several hundred people. Proactive disclosure requirements, like the ones promoted by the Extractive Industries Transparency Initiative (EITI), can help reduce losses and allow countries to benefit more from their own resources. Photo: Dave Klassen / EITI

Extractive Industries

Collectively, 30% of the world's oil, gas, and mineral reserves are in African countries, and more than half the exports of many African countries come from natural resources.[27] Yet, many sub-Saharan African countries still struggle to reap the benefits of their vast resources.[28] Analysis by the Natural Resource Governance Institute shows that many African countries have already made significant legal reforms in this area.[29] Many of these laws have not been implemented, but they include potentially transformative reforms. Taking the next steps to implement these reforms could lead to many benefits for governments.

Why work on extractive industries governance?

- **Governments can fully recover benefits**. In 2018, UNECA estimated that illicit financial flows, to which the extractives sector is particularly vulnerable, amounted to US$100 billion in losses for African economies.[30] Proactive disclosure requirements — like the ones promoted by the Extractive Industries Transparency Initiative (EITI) — and improvements in coordination and collaboration among government agencies can help reduce these losses and allow countries to benefit more from their own resources.
- **Opening the extractive sector can reduce corruption**. The extractives sector often falls victim to corruption due to a lack of transparency in the governance and management of companies, especially state-owned companies.[31] Efforts to make these structures more transparent, ensure independent monitoring and oversight, and involve local communities in extractives decision-making all help reduce the risk of corruption along the extractive value chain.
- **Improved extractive industries governance can support environmental sustainability**. Oil, gas, and mining projects can result in unacceptable levels of environmental damage if they are not regulated and managed responsibly. Measures like requiring companies to publicly disclose information on social and environmental impact assessments can help countries detect and restrict harmful projects.[32]

Lessons from Reformers: Burkina Faso

While the mining sector has always been an important source of revenue in Burkina Faso, massive increases in gold production in recent years have led to a rapid expansion in the country's industrial mining sector. However, this growth also came with significant challenges, as tons of gold began leaving the country undeclared and undetected due to gaps in mining sector management. In the long term, these losses take money out of the hands of citizens, hundreds of thousands of whom work in the mining sector. By 2016, as the fourth largest producer of gold in sub-Saharan Africa, Burkina Faso needed to address these issues.

Since then, Burkina Faso has worked to strengthen mining sector governance through the EITI, a membership organization representing the global standard in promoting open and accountable management of oil, gas, and mineral revenue. Several recent reforms have brought Burkina Faso closer to achieving the EITI Standard. In 2015, the Parliament passed a new mining code that requires all contracts between mining companies and the government to be published in the country's official Gazette. The Parliament also passed reforms that would establish an environmental rehabilitation fund and improve security at mining sites.

Each of these reforms moved Burkina Faso closer to meeting the EITI Standard. Still, reformers believe that greater civil society organization engagement in enforcing the EITI Standard would make Burkina Faso's participation in EITI even stronger. To that end, Burkina Faso made a commitment in its 2019 OGP action plan to make information about the mining sector and its EITI involvement more accessible. In particular, EITI-Burkina Faso, in collaboration with the government, will publish mining sector information and data on the national EITI website. These parties also plan to publish simplified versions of their upcoming EITI report in several local languages.

Beneficial Ownership

Beneficial ownership transparency has emerged as an essential means of combating corruption, stemming illicit financial flows, and fighting tax evasion. Some estimate that the lost revenue leaving sub-Saharan Africa through anonymous shell companies may exceed the total amount of official development assistance to the region. Through publicly available registries, beneficial ownership measures would make public the actual owners receiving profits from these anonymous companies. Already, 24 African governments have made commitments to beneficial ownership transparency in oil, gas, and mining to comply with the EITI Standard.[33] African countries can use OGP as a platform to create and strengthen their beneficial ownership reforms.

Why work on beneficial ownership?

- **Governments can strengthen tax collection**. Beneficial ownership transparency helps strengthen tax collection by avoiding tax evasion. Based on some estimates, the Panama Papers — which revealed the true owners behind various shell companies — have helped authorities around the world collect more than US$500 million in unpaid taxes and penalties, and prosecute the guilty.[34] On the continent, both the UN and African Union have estimated that African countries could gain US$50 billion each year by stemming illicit financial outflows, which are facilitated by shell companies.[35]
- **Countries can save on costs**. A cost-benefit analysis commissioned by the UK Treasury Department in 2002 recommended implementing a public register. It estimated (conservatively) that a register would result in at least £30 million in gains across other areas of the government, far outweighing any additional costs.[36] By publishing information that can be used across borders, countries can use beneficial ownership information to save costs for investigators.
- **Governments can enable citizens to follow the money**. Journalists in South Africa and elsewhere have used access to information laws and open data to flag suspected wrongdoing, but their work can only go so far without access to clear evidence on who really owns companies.[37] For this reason, it is important that information on beneficial owners be accessible to everyone, not just law enforcement authorities.

Lessons from Reformers: Nigeria

Hidden company and property ownership is a big contributor to the nearly US$1 trillion that leaves developing countries illicitly each year.[38] Out of that US$1 trillion, an estimated US$15.7 billion of illicit financial flows pass through the Nigerian financial system annually.[39] Civil society leaders know that these losses could be drastically reduced if company ownership information were made public. Journalists and civil society actors would then be able to investigate companies and land holdings and link them to politically exposed persons. If the resulting losses were retained, they could go a long way in delivering crucial public services and improving life for Nigerian citizens.

Nigeria has had legal provisions in place that partly address beneficial ownership transparency since 2004. However, the company register remained inaccessible to the public, and many of the names cited are not real owners. There is no mechanism to verify owners and no sanctions for falsifying information. The important information about the beneficial owner remains secret, unverified, or missing.

Nigeria announced efforts to change this at the UK-hosted Anti-Corruption Summit in 2016, where the country committed to joining OGP and to setting up a national public registry of the beneficial owners of companies.[40] Nigeria also included these actions as a commitment in its 2017 OGP action plan.[41]

Establishing the registry required legislative changes that, after stalling in 2019, passed in Parliament, thanks to the hard work of a coalition of advocacy organizations. The changes were signed into law in August 2020 as part of the Companies and Allied Matters Act.[42] Now, reformers in government, civil society, and the private sector must turn their attention to the next challenge: implementation.

Tax Policy and Administration

Taxation is one of governments' main sources of revenue, essential to achieving the SDGs, delivering key public services, and recovering from the pandemic. Whether taxation helps or hurts will depend on governments' ability to implement effective and equitable tax policy. However, while tax revenue in African countries has increased over several decades, it still lags behind that of other countries relative to GDP.[43] Improving governance around tax collection can help African countries close gaps in domestic resources and recover funds previously lost to tax evasion.

Why work on tax reform?

- **Governments can increse state capacity**. Research from the International Centre for Tax and Development indicates that increased taxation can lead to improved state-building and accountability.[44] With the stable source of increased revenue that taxation provides, governments can better finance activities and services that benefit citizens.[45] In turn, taxation helps governments increase their credibility; citizens will continue to reelect governments that they feel make effective use of public funds.
- **Taxation can create a culture of accountability for national officials**. For decades, loans from international institutions and overseas development assistance have provided significant support to African countries. However, as the future of overseas development assistance becomes less certain, tax reform provides an opportunity to mobilize funds domestically and become less reliant on foreign assistance.[46] In addition, countries with strong tax administration have a stronger "tax bond," in which citizens expect more from their elected officials.
- **Governments can reduce tax evasion and corruption**. African governments lose an estimated US$15 billion every year in unpaid taxes, in addition to the US$50 billion lost annually to illicit financial flows.[47] Improving tax enforcement through transparency regarding beneficial ownership, government budgets, and tax audits, and strengthening judicial and executive oversight can help governments retain these funds.
- **Governments can shrink inequality**. Without transparency about tax policy, collection, and evasion, it is difficult to evaluate the marginal effects of taxation on different parts of society. With transparency and public oversight, policy makers and interest groups can identify the distributional impacts of policies. Equitable taxation can help redistribute wealth, reduce poverty, and mitigate economic inequality worsened by the pandemic. In many African countries, the poor bear a significant fiscal burden due to consumption and informal taxes and fees to access essential services. To begin to address these concerns, governments can open up tax policymaking processes and oversight.[48]

Lessons from Reformers: Sierra Leone

For nearly a decade, revenue losses due to tax breaks in Sierra Leone have garnered international and domestic criticism. According to a widely cited 2014 study, the country lost US$240 million a year from tax incentives to corporations, primarily benefiting a handful of mining companies.[49] The same year, the National Revenue Authority in Sierra Leone reported that over US$1 billion was lost in concessions to countries operating in Sierra Leone during the previous two-year period.[50] The government could have used that lost revenue to invest in essential public services like healthcare and education.

Sierra Leone began to use its OGP action plans to attempt to address these losses through greater transparency and public accountability. In 2014, the country made a commitment to implement the Extractive Industry Revenue Bill, which would require the government to publish its tax expenditures, including all tax exemptions, the beneficiaries of those exemptions, and the amount of revenue lost.[51] The Ministry of Finance failed to table the bill but did successfully incorporate some elements of the proposed law in other pieces of legislation. However, this other legislation did not address tax concessions, the crux of the Extractive Industry Revenue Bill.[52]

Still, Sierra Leone remains committed to tackling tax transparency through OGP. In 2019, Sierra Leone committed to publishing all tax incentives on a government website as well as in the annual budget every six months.[53] While the commitment is still in progress, preliminary analysis by the Independent Reporting Mechanism suggests that, if fully implemented, the commitment could increase transparency in the tax system and help reduce corruption arising from opaque exemptions.[54]

Land Transparency

Conflict over who owns the world's land and natural resources often has detrimental effects on economic development, individual and community rights, and conservation and climate change. In parts of Africa, insecure or conflicting claims of land tenure have exacerbated poverty and violence. Instituting formalized, transparent, and accountable land governance can address these issues by ensuring that not only the wealthy and well connected have a right to prosper from their land.

Why work on land governance?

- **Countries can stimulate investments and prosperity through land ownership trasparency and enforcement**. Many OGP countries are working to publish their cadastres of land, including those with ownership data, in open formats. There is strong evidence that doing so results in people, especially women, making improvements to their property and being able to seek employment outside of the house.[55] Studies show that when governments allow communities to access information and participate in decision-making processes about natural resources, those resources can become a source of significant economic benefit. For example, in Namibia, community-managed nature conservancies generated US$3.7 million and provided employment for 1,600 people.[56] Another study of rural communities in Tanzania finds that in households where women own land, women save 3.8 times more income than in other communities.[57] As a consequence, this increased prosperity increases the local tax base and grows the local economy. Of course, transparency does not function without adequate means of registering and enforcing land titles and contracts.
- **Countries can ensure companies pay their fair share for concessions and licenses**. Open access to information about concessions and licenses allows citizens, civil society, and government to monitor company activity and ensure that companies are operating legally and paying appropriate fees and taxes. Additionally, oversight mechanisms that allow affected communities and their advocates to monitor major land and other intensive activities can help these communities retain funds by enforcing revenue-sharing agreements. This is especially true in Africa's prominent extractives sector. By requiring information about the owners and users of land to be public, countries can create a network of accountable businesses and eliminate unnecessary losses.[58]
- **Countries can retain revenue through fair and transparent transactions**. Land grabs by big companies, governments, and individuals can harm community development and result in conflict. When transactions, including acts of eminent domain and degazettement, are transparent and subject to proper oversight mechanisms, countries can ensure that entities purchasing land pay a fair price or that the government fairly remunerates landowners and users for the seizure of non-state-owned lands.

Lessons from Reformers: Liberia

In Liberia, as in many African countries, land use issues are often highly contentious. For many years, Liberia had no constitutional or other legally mandated land rights. In practice, this meant that citizens had no means to assert their rights to use or occupy land they had called home for generations. In the 1990s and early 2000s, this led to and later exacerbated the country's civil wars, as insurgent groups fought to gain control of otherwise undocumented land and resources, destroying and often killing whole communities.[59] Even after the war, citizens still could not lay legal claim to their land, which in the worst cases, led to communities being displaced as they were overtaken by mining companies claiming to have permits to use the land. All of this left land issues as one of the biggest remaining risks for conflict, according to the UN.[60]

Since 2000, government and civil society actors have worked to improve the status quo for citizens. These actions have included creating the national Land Commission in 2009 to manage land registration and the passing of the Community Rights Law.

Beginning in 2015, Liberia also began using its OGP action plans to work on land issues.[61] With the leadership of grassroots organizations like the Sustainable Development Institute (SDI), Liberia worked to improve citizens' access to information about commercial land use in their communities and proposed reforms in the land and natural resources sector. SDI organized public consultations and town hall meetings where citizens were newly able to interact with local government officials and representatives from mining companies. Through these meetings, communities like the Jogbahn community in central Liberia were able to negotiate with mining companies and the government to ensure the autonomy and preservation of their rights to the land they have always occupied.[62]

Building on momentum from the combination of these reforms, Liberia passed the landmark Land Rights Act in 2018 and worked with the World Bank to post policies, laws, and government activities online.[63] At the time, SDI activists believed it would provide communities with even greater capacity to secure ancestral land rights and defend themselves against land grabs by foreign actors.

Public Spending

OGP subnational workshop in Elgeyo-Marakwet. Kenya began using its OGP action plans to address corruption in public contracting in 2016.
Photo: Panthea Lee of Reboot

Open Contracting

Worldwide, governments spend about US$9.5 trillion — or 15% of global GDP — on contracts with companies to procure goods and services. In low- and middle-income countries, public contracts account for roughly 50% of government expenditures. Yet, according to the UN Office on Drugs and Crime, corruption reduces the value of a public contract by 10-25%, making public procurement the largest risk of corruption to governments.[64] Open contracting helps reduce this risk but also has significant effects on government efficiency and fair competition, ensuring that people get value for their money in major spending.

Why work on open contracting?

- **These measures can enable effective monitoring and delivery of public services**. Open contracting data can enable effective oversight of government services by revealing who is getting paid how much to deliver what, as well as how they were selected and whether they delivered on time and with quality. For example, in Peru and Afghanistan, public monitoring of contracts for infrastructure projects decreased spending and improved the quality of construction.[65]
- **These measures can make government more efficient**. A World Bank survey of 34,000 companies in 88 countries finds that competition was higher and kickbacks were fewer and smaller in places where transparent procurement, independent complaint procedures, and external auditing were in place.[66] For example, it is estimated that publishing five more pieces of information about each contract in Europe would add up to €3.6 billion in savings.[67]
- **These measures can level the playing field**. When announcements and the awarding of tender are transparent, it can encourage new, often smaller, companies to participate in public procurement, and it can clarify demographic differences in who is applying. For example, in Colombia, half of all contractors that won government bids under the new, more open procurement system in 2015 had never participated in public contracting before.[68]

Lessons from Reformers: Kenya

For decades, Kenya has struggled to overcome its systemic corruption. According to Global Finance Integrity's report, US$13.5 billion flowed out of Kenya illegally between 2002 and 2010, costing Kenyan taxpayers nearly US$4 billion.[69] By 2016, Kenya's Ethics and Anti-Corruption Commission found that 74% of Kenyans believed that Kenya was rife with corruption and that the situation was rapidly worsening. Improved oversight of public contracts could have helped reduce these losses; however, at the time, Kenyans had little ability to monitor spending and report inefficient or corrupt uses of public money.[70]

Kenya began using its OGP action plans to address these problems in 2016, with a commitment to bring procurement data disclosure in line with the Open Contracting Data Standard, ensuring that procurement data is open and accessible. Since the reform, civil society organizations such as the Institute of Economic Affairs (IEA) have begun to collaborate with the Auditor General's Office to track losses of public funds and identify the areas of the procurement process where Kenya is at risk for future losses.[71] The IEA believes that continuing collaborative exercises like these will help empower citizens and civil society organizations to work with the government to begin to address the problem.

Moreover, these results have encouraged further momentum to open the procurement process. After a 2018 executive order by President Uhuru Kenyatta, Kenya made an OGP commitment to open up procurement bids themselves by requiring that 30% of public procurement opportunities be awarded to women, youth, or people with disabilities — groups that are often left out of these processes.[72]

Audits

Publicly available, independent auditing is foundational to good public sector governance. By providing objective, accurate analyses of whether government resources are effectively and responsibly managed, independent auditors help ensure that governments are efficient and accountable to their citizens. However, according to a 2018 analysis of sub-Saharan African countries by the Institute of Internal Auditors, in many African countries, internal auditing offices and processes are not yet institutionalized, independent, or sustainable.[73]

Why work on auditing?

- **Governments can detect and deter corruption**. Empowered, well-resourced, and institutionalized audit offices can identify illegal, abusive, or fraudulent acts and provide evidence for disciplinary actions or other remedies.[74] These offices can also deter corruption — both with their presence and through the identification of the conditions that allow corruption to occur.
- **Governments can secure future funding**. For governments that are dependent on international donors for significant parts of their revenue, annual financial statements and trusted audit reports enable donors to monitor progress and adherence to agreed policies. Additionally, in the long run, such audits can increase donors' willingness to contribute funding.[75]
- **Governments can build the capacity of audit institutions**. The Institute of Internal Auditors reports that audit institutions in Africa face shortages of auditing professionals, a lack of access to training, and limited access to computers and digital tools that make auditing more efficient.[76] OGP offers countries a platform to make commitments toward improving auditing capacity and to engage in peer learning opportunities with other members who have worked on similar issues.
- **Transparency increases trust and secure electoral advantage**. Publishing audits can indicate to citizens that the government is transparent and trustworthy. For example, a recent study of local government officials in South Africa finds that incumbents who published their government's audits were more likely to be reelected, provided the audit records were clean.[77]

Lessons from Reformers: Sierra Leone

Civil war and the Ebola outbreak in Sierra Leone laid bare the need to reduce corruption in planning and spending.[78] Recognizing that public sector transparency can illuminate instances of corrupt spending, Sierra Leone has made efforts to open the budget and financial management. However, the weak capacity of oversight institutions and limited compliance with their recommendations continued to limit Sierra Leone from rooting out corruption and making service delivery to its citizens more effective and efficient.

Sierra Leone has worked through several channels, including OGP, to strengthen auditing bodies. In 2014, Sierra Leone used its action plan to commit to improve compliance with audit reports.[79] The goal was to ensure that government agencies implemented at least 50% of the recommendations in the national audit report. If achieved, reformers believed this would allow the national auditing body to champion the fight to reduce public waste and promote value for money across the government. According to OGP's Independent Reporting Mechanism, it would also strengthen government systems and eliminate loopholes where money may be lost to corruption.[80]

At the end of the action plan cycle, Sierra Leone fell short of its goal; only about a quarter of the recommendations from the audit report were implemented by government ministries. Still, the commitment contributed to growing levels of momentum around auditing reform in Sierra Leone. In its 2016 action plan, and more recently in reforms outside of OGP, Sierra Leone worked to make audit reports more accessible to citizens and organized public hearings on report findings, which were to be aired on national television and radio.

Social Audits

Citizens have a right to know what projects their government takes up, how it executes these projects, and how they will affect citizens' lives. However, African citizens — especially those who are rural, poor, or otherwise vulnerable — often struggle to access this information and the channels through which they can hold their government accountable for its spending. Social audits — community-led processes that facilitate public participation in the monitoring of government service delivery and expenditure — have proven successful in several African countries at bridging this divide.[81] This work is doubly effective when bottom-up social audits are able to trigger more formal inspections and audits by independent agencies.

Why work on social audits?

- **They improve public service delivery**. Evidence shows that meaningful community participation through projects like social audits that allow citizens to deliberate on aspects of service delivery can significantly improve the services themselves.[82] For example, a social audit of school sanitation by the South African citizen coalition Equal Education exposed the dire conditions of school toilets across Gauteng province.[83] In response, the Department of Education committed R200 million to upgrade sanitation at 578 schools.
- **They strengthen collaboration and trust between citizens and government**. Frequent feedback from civil society and citizens through social audits enhances policy makers' understanding of their needs and concerns, and encourages them to take action accordingly.[84] Having the support of citizens can, in turn, provide government officials with the leverage and justification to undertake and secure resources for their projects.
- **The empower communities and allow vulnerable and marginalized voices to be heard**. It is often difficult for governments — at the national or even local level — to create mechanisms for the poor, women, youth, and other marginalized groups to participate in the governance of their communities. Social audits provide productive channels for this type of interaction in a collaborative rather than adversarial format.[85] Over time, this process can build community power and a culture of participation and deliberation.

Lessons from Reformers: Kaduna, Nigeria

With roughly 3,000 projects in its infrastructure portfolio in 2015, the Kaduna State government struggled to collect information quickly enough to successfully monitor all projects. The government often lacked awareness of unstarted or unfinished projects due to discrepancies between the status of a project on paper and its status in reality. [86]

Local residents, however, could observe changes in the status of projects every day. Delays in government projects affected their daily lives. Yet, they had few opportunities to communicate these concerns to the governments. This changed in 2017, when the government empowered community members to track progress on major projects — such as the construction of schools, hospitals, and roads — through the State Eyes and Ears Project.[87] Using a mobile app, citizens submit information and pictures concerning the status of projects in their communities, which in turn helps the government plan and allocate funding to projects more efficiently.

Even with this new app, some citizens — for example, those without access to a smartphone — were still unable to provide feedback. To address this, Kaduna State used its first OGP action plan to expand opportunities to provide feedback on government projects.[88] In partnership with civil society organizations, the government committed to creating new channels for citizen feedback, including town hall meetings and roundtable discussions with media outlets. These parties will also hold focus group discussions with women's groups, traditional leaders, people with disabilities, and others whose voices are at risk of being overpowered.

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