Accountable Governance in Pakistan: Pillars, Perils, and the Promise of Transparency

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The double pillars of public sector accountability are financial governance and transparency. This article combines theory with evidence from 142 countries to examine the links between good public finance and better development outcomes in a comparative analysis of case studies. At the core of the article are the results from the Open Budget Survey 2025, the Fiscal Monitor report of the IMF for 2025, the PEFA assessments conducted by the World Bank, and data from Transparency International, which illustrate critical transparency deficiencies, examine accountability mechanisms and processes at the institutional and digital levels, and provide a six-pillar roadmap to guide transparency reform. Indeed, the number of infrastructure completion rates had increased by 34% and the number of reports of procurement fraud decreased by 27% in countries that reported scores above 60 on the Open Budget Index, to illustrate a democratic principle of transparency.

Introduction

Ensuring the acceptance of the citizenry of the government's responsibility for public finances is the core of the social contract between citizens and the government. There is an underlying assumption of good stewardship in all the tax levies, money appropriated, and all the contracts that are issued. The impact of lost promises – caused by misallocation, corruption, or intentional opacity – is quantifiable in incomplete treatment facilities, ghost workers on payroll, and eroding public confidence.

The fiscal expense is astounding. The Fiscal Monitor (2025) by the IMF states that fiscal mismanagement or opacity directly costs government revenues 2-3% of GDP, or an entire health budget in the low-income countries. But the narrative of PFM reform is more complex globally: although the public finance landscape is the most transparent it has ever been, with digital governance tools and open budget platforms, as well as independent audit bodies, there is still a long way to go. Now the only thing that remains to be dealt with is data quality, political will, and citizen engagement.

The theoretical analysis and empirical evidence, together with policy prescriptions, presented here, discuss the question of financial governance in these terms: What makes the path of financial governance reforms to real accountability and good public outcomes?

Theoretical Foundations

Three theoretical traditions are relevant to the study of financial governance. Principal -agent theory (Jensen & Meckling, 1976) has two approaches: the citizen-government relationship is one of delegated authority, and there is information asymmetry. Financial reporting, auditing, and lawmaking are monitoring technologies that help fill these gaps. Public delegation on three levels (citizen, minister, and bureaucrat to contractor) exacerbates agency issues at each level.

Institutional economics (North, 1990) further asserts that complementing forms of PFM rules (such as fiscal responsibility laws, procurement, and audit laws) need informal norms and the enforcement capacity. Andrews et al. (2017) captured this point under the banner of 'isomorphic mimicry,' which denotes governments taking the 'forms' of 'best-practice' institutions, but without the 'functional substance'. This failure mode is present in the Fiscal Responsibility Act, which doesn't restrict spending, and in the Supreme Audit Institution, which never takes its recommended measures into action. These are questions Open Government Partnership (as there are 78 countries of origin as of 2025) is posing to the governments: what is needed to allow citizens to exercise meaningful oversight? By defining an agenda based on the Movement for Open Government, transcending the rules and regulations towards democratic participation. (OGP, 2025). Indeed, these frameworks emphasize a political and civil society basis and a demand necessary to achieve good performance of the PFM reform.

Transparency- Global Evidence

This is a polarized world in which a global survey – the Open Budget Survey (OBS) 2025 – was carried out in 125 countries. On average, the world rating for transparency is 47/100, which highlights that some capacity to allow the public to hold governments to account is limited in most governments. Only 22 countries (principally Nordic) have scores above 75, while 36% have scores below 31, considered as 'minimal or no' fiscal information (IBP, 2025).

There is a polarized world in the Open Budget Survey (OBS) 2025 in all 125 countries. The global average transparency score is 47/100, highlighting that in most governments, it is difficult to hold them accountable to the public due to a lack of transparency. The majority of the Nordic countries scored above 75 (good or excellent), while only 22 countries have scores higher than 75 (good or excellent), and 36% less than 31 (minimal or no fiscal information) (IBP, 2025).

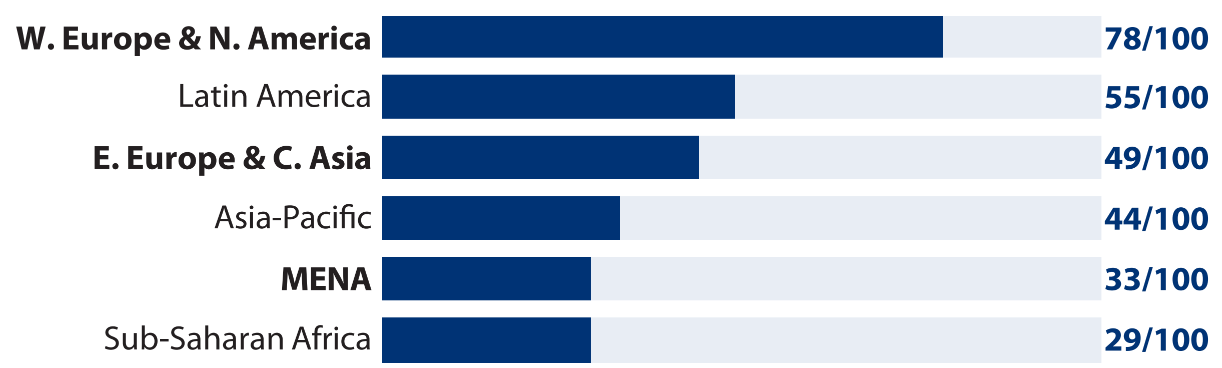
The last Fiscal Transparency Evaluation (FTE) 72 country assessment by the IMF shows repeatedly that fiscal risk disclosure suffers from weak performance. 68% of assessed countries achieve 'basic or below' in fiscal risk management: contingent liabilities of public-private partnerships, state enterprises, and climate obligations are not sufficiently reported. Each of Zambia's and Sri Lanka's fiscal crises in 2021 and 2022, respectively, was preceded by this same failure (IMF, 2025).

Institutional Accountability Mechanisms

1. Supreme Audit Institutions

The first line of defense against fiscal mismanagement is the Suppression Audit Institutions (SAIs). According to the global assessment of INTOSAI (2025), 97% of 194 SAIs have formal audit mandates, 41% have operational independence, and the tools necessary to carry out performance audits effectively. Most importantly, Nordic model countries with SAIs that are independent have 31% less irregularities in procurement and 44% more instances of audit recommendations being implemented, which supports the Nordic model of institutionalized audit accountability.

Figure 1: Average Open Budget Survey Score by Region (2025, out of 100)



Source: International Budget Partnership, Open Budget Survey 2025.

Key Empirical Finding

High-scoring countries on OBS have public infrastructure project completion rates that are 34% higher, a 27% decrease in the incidence of procurement fraud, and borrowing rates that are on average 47 basis points lower than those of countries with low transparency scores (World Bank, 2025; Bootsma et al., 2024; IBP, 2025).

2. Public Procurement

Public procurement encompasses the world's biggest and most at-risk public finance spending, representing USD 13 trillion or 15-20% of the world's GDP. (OECD 2024) TI's 2025 cost estimate in weak-governance environments is from 10% to 25% of the procurement budget. The returns of this are particularly striking due to the positive impact of Ukraine's Prozorro open contracting platform on reducing tender prices by 11% below benchmark prices; in 5 years of implementing transparency features, it has saved USD 1.5 billion in tender costs (EBRD, 2025).

3. Legislative Oversight

The percentage of countries surveyed by OBS whose legislatures have enough time and information to review budgets before they are adopted is 38% (IBP, 2025).

A key structural answer is the emergence of Independent Fiscal Institutions – IFIs (parliamentary budget offices that give independent forecasts and analyses of the fiscal situation) from 38 to 52 countries by 2025 (OECD, 2025).

Digital Transformation of Financial Governance

Fiscal accountability is being reconfigured, and the architecture is changing as digital tools are transforming it. Integrated Financial Management Information Systems (IFMIS) are now in place in 91 countries, and are used to automate the control of expenditures and to monitor them in real-time. Despite this, however, the quality of IFMIS is highly variable: 35% of IFMIS deployments in low-income countries from 2005 to 2020 were not functioning after five years as a result of a lack of training and political opposition to system-imposed controls (Andrews & Turkewitz, 2025).

Opening up fiscal data portals now, in 67 countries, to international standards of timeliness and machine-readability (GODI, 2026). They are documented to have powerful feedback loops between information provision and demand for accountability, with countries with high-quality portals having 23% more investigative reporting on public finance, 31% more citizen complaints about irregularities and 18% higher rates of follow-up by the SAI (Fox & Haight, 2024).

Reform is gaining steam with frontier technologies. A blockchain payroll verification system employed by Sierra Leone has cut its wage bill ghost-worker rate from 8.3% (saving USD 42 million annually), according to UNDP (2025). The UK National Audit Office (NAO) AI-powered tool for anomaly detection boosted the detection of odd transactions. A report from the National Audit Office (NAO) of the UK showed that its AI-powered anomaly detection tool helped to detect unusual transactions.by 47% compared to conventional audit sampling (NAO, 2025). Applications are indicative of ongoing fiscal assurance that is continuous and automated, but the democratization of these SAIs to lower capacity is still an unfulfilled agenda.

Transparency and Public Outcomes

It is now a well-established link between transparency and outcomes based on empirical research. According to the World Bank 2010-2024 study of 104 countries, each 10-point increase in the OBS is correlated with an increase of 4.2 percentage points in efficiency of public investments, a decrease of 6.1% in infrastructure cost overruns, and an increase of 2.3 percentage points in project completion rates (Dabla-Norris et al., 2025). The more civil society and the free media will be able to react to the disclosures, the more robust civil society will be.

The study on the impact of transparency reform over the last 50 years across 40 countries ratified the above findings (Grimmelikhuijsen et al., 2025) which showed that an average of 12.4 points more in the last 5 years increases trust in fiscal institutions, whereas transparency reforms that do not last over time decreases trust by 7.8 points on average. The bad news is that for fiscal openness, on average, if conditions move from the 25th percentile to the 75th percentile across the 25 fiscal transparency scores of the IMF, sovereign borrowing spreads decrease by 47 basis points (0.47%), which lowers the cost of public borrowing.

Persistent Challenges

The basic obstacle to transparency is a political one and not technical. Opacity favors incumbents, including resource rents, patronage procurement, and the financing of politically sensitive activities, through off-budget financing. The feature strategy is selective disclosure, which means the publication of positive information about the finances, but hiding liabilities and risks (Kolstad & Wiig, 2016; Kopits, 2024).

Technical barriers are added to political barriers in low-income contexts. Every three years, PEFA assessments (2022–2025) are conducted in 68 low-income countries, and the results reveal that annual budgets are issued on time by 74 percent of countries, while only 22 percent have issued year-end financial statements that have received a clean audit opinion within the 12-month delay allowed. The overall picture of a transparent landscape is still far from fair (PEFA Secretariat, 2025; IBP, 2025), due to the lack of data quality, citizens' accessibility, and citizen budget summaries in accessible language in most parts of the country.

Strategic Policy Framework

The evidence is adequate to advocate a 6-pillar strategy on how to improve financial governance. The pillars are ordered from the ground up, in preparation for the demands side; this is based on the experience of other countries that have successfully been reformed, such as the pillar of producing basic infrastructure first, followed by demands side matters later, such as in Rwanda, Indonesia, and Estonia.

Table 1 - Six-Pillar Strategic Framework

Pillar	Objective	Key Actions
1. Institutional Independence	Secure SAI and oversight independence	Constitutional mandates; merit appointments; multi-year funding
2. Comprehensive Disclosure	Publish complete, timely fiscal data	IPSAS adoption; open portals; citizen budgets
3. Digital Infrastructure	Deploy integrated systems with transparency controls	IFMIS; e-procurement with open contracting; AI audit tools
4. Legislative Capacity	Strengthen parliamentary financial scrutiny	Independent Fiscal Institutions; PAC capacity; pre-budget hearings
5. Civil Society Engagement	Create structured civic oversight spaces	OGP action plans; participatory budgeting; fiscal watchdog grants
6. International Coordination	Align with global standards; leverage peer learning	IMF FTE; PEFA; INTOSAI programs; OBS benchmarking

Source: Authors' synthesis; informed by IMF (2025), World Bank (2025), IBP (2025), OECD (2024)

Conclusion

Financial governance is not a lofty and formal term - it is an integral part of the 'DNA' of a competent and legitimate state. The empirical evidence reported here is instructive: Policies that are clear and good-governance policies result in investment outcomes and, eventually, reduced institutional trust, borrowing costs, and corruption. Poor and marginalized communities are increasingly impacted by an opaque issue. There are signs of development in this world, yet faltering.

The capacity to do independent auditing and open budget platforms has been greatly enhanced for digital governance since 2020. Without demand-side actors (a free press, a flourishing civil society, a Legislature that acts), transparency, however, is insignificant. The urgency to invest in financial governance has become greater, as public finances become more concentrated, the need for financial resources for climate action has been growing, and debts have been rising because of the pandemic. We can't afford to do without accountable public institutions. Can we afford to get them away or not?

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