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PUBLIC FINANCIAL MANAGEMENT
A GUIDE FOR CIVIL SOCIETY ACTORS

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EXECUTIVE SUMMARY

A strong public financial management (PFM) system is key to safeguard public resources, ensure service provision and achieve developmental goals. PFM is integral to any functioning administration and encompasses revenue mobilisation, budget formulation, implementation, internal reporting, as well as external oversight. PFM significantly influences national development by aligning resources, service delivery and governmental policy objectives.

Yet, corruption remains a threat to PFM systems worldwide, resulting in the illicit diversion of public resources into private pockets. Embezzlement, misallocation, bribery, undue influence, conflicts of interest and clientelism may occur at various stages of the PFM cycle, undermining both the effectiveness of public investment and the state's capacity to provide essential services to its citizens. Weak PFM systems, characterised by poor record-keeping, lack of oversight and a high proportion of resources allocated discretionally allow corruption to thrive. States can address these challenges by implementing PFM reforms that go beyond functional macro-economic improvements and focus on deeper changes to enhance transparency, accountability, integrity and public participation at each stage of the PFM cycle. Evidence indicates a strong correlation between effective PFM and reduced levels of corruption. Strengthening PFM not only limits corruption opportunities but also enhances the chance of corrupt activities being detected and penalised.

More transparency, accountability and integrity in PFM processes can allow different stakeholders, including citizens and state institutions, to gain a clearer understanding and track how resources are managed, allocated and spent. A robust and effective PFM system is not solely the government's responsibility but a collective effort involving multiple stakeholders, with civil society organisations (CSOs) playing an important role.

Yet enhancing transparency, accountability and integrity in PFM processes can appear daunting for CSOs. Where are the entry points at each stage of the PFM process for their intervention? This guide is designed as a practical document to help CSOs gain a better understanding of the PFM cycle and enable them to integrate elements that strengthen PFM into their programmes and projects.

INTRODUCTION

A robust public financial management (PFM) system is essential to safeguard public resources, ensure the provision of services and achieve development goals. PFM refers to the laws, rules, systems and processes to manage public funds effectively (Lawson 2015). It is a key component of any functioning administration as it encompasses the cycle of revenue mobilisation, budget formulation, approval and implementation, internal accounting, and reporting, as well as external oversight.

A strong PFM system is instrumental to achieving national development goals as it is "the linchpin that ties together available resources, delivery of services, and achievement of government policy objectives" (PEFA Secretariat 2016:2). It is a cornerstone of economic stability and growth, playing an important role in ensuring that resources are efficiently collected, properly managed, and appropriately and sustainably used to the benefit of citizens (Duri 2021a). Evidence indicates that it also improves the delivery of public services, reduces poverty and increases public trust in government (Lawson 2015; Mishra and Attri 2020; UNDP Oslo Governance Centre 2021).

The key goals of PFM include:

- maintaining **fiscal discipline** by imposing expenditure limits at the overall and individual ministry levels, as well as ensuring sustainable levels of public borrowing
- ensuring **efficient fiscal allocation** based on established government policies and strategic priorities
- achieving **operational efficiency** by implementing programmes at the lowest cost per unit of output while upholding service quality standards
- reinforcing **accountability of government** to the public **and preventing resource loss** through clear checks and balances (USAID 2018)

However, these goals are not achieved in many countries as PFM systems are characterised by a lack of transparency and asymmetries in the access to budget information. This is further exacerbated by limited accountability and oversight, particularly when undue influence is exercised over budget allocation and spending, and when the distinction between the public and private spheres is blurred. These factors affect states' revenue administration, budget planning and allocation, public expenditure and auditing, leaving it vulnerable to corruption and further weakening the institutional capacity for public investment and service delivery (IMF 2020).

STRENGTHENING TRANSPARENCY, ACCOUNTABILITY AND INTEGRITY IN PFM

There is a symbiotic relationship between corruption and public financial management. On one hand, robust PFM systems can be an effective preventive measure to curb corruption. Where the collection, allocation and expenditure of public resources can be clearly accounted for, this is likely to inhibit the growth of discretionary funds over which only limited oversight is exercised. In turn, this reduces the chance that these resources are embezzled. Recent analysis of 99 countries by the ODI found that more robust PFM systems as measured by PEFA indicators are associated with lower perceived levels of corruption after other factors are controlled for (Kristensen, Bowen, Long, Mustapha, & Zrinski 2019). Other studies have likewise found a positive correlation between strong PFM systems and low perceptions of corruption (Dorotinsky and Pradhan 2007; Raappana et al. 2022).

On the other hand, corruption undercuts effective public expenditure management. As governments take on the responsibility of handling public funds, corruption at the policy-making level can lead to public resources being diverted to private pockets and allocated to special interests rather than according to need. Even where funds are allocated in a transparent and impartial manner during the budget formulation process, these resources can be misappropriated before their rightful use (Dorotinsky and Pradhan 2007). Corruption therefore results in leakage from public budgets and leads to inefficiencies in public procurement.

Corruption in the management of public resources broadly affects the state's capacity to achieve sustainable, inclusive development. At the macro level, new research from the IMF has demonstrated how corruption affects the quality of public spending by distorting budget processes, plaguing policy implementation, affecting procurement and public investment, inflating extra-budgetary funds and reducing the efficiency of state-owned enterprises (International Monetary Fund 2019).

Transparency International has also documented the consequences of corruption in PFM systems in different settings, including in Afghanistan (Morgner 2013), Bangladesh (Marín 2015), Benin and the Democratic Republic of Congo (Martini 2014). These national case studies make it clear that, by generating distortions in public budgeting and spending priorities, corruption deprives essential societal outputs (health, education, poverty eradication, climate change mitigation) of critical resources. Corruption in PFM processes has a particularly high toll on marginalised population groups. For instance, a study by a group of child-focused agencies working closely with the African Union highlighted that corruption in the health and education sectors in African countries deprives many children of their most basic rights (Kasirye 2019).

Thus, the nature and quality of a country's PFM system can have a direct impact on the opportunities for corruption to arise (Liang 2023). Weak regulatory and control environments offer incentives for public officials to engage in diverse forms of corruption, from bribery and extortion to embezzlement and misappropriation (Dorotinsky & Pradhan 2007).

For this reason, reforms focused on achieving and securing overall economic and fiscal stability, along with allocative and operational efficiency through technical approaches (such as the integration, modernisation and automation of PFM processes, revenue collection, public expenditure management and procurement systems) have been linked to positive developments in the control of corruption (Allen & Tommasi 2001). Long (2019: 95) suggests that there are two primary avenues by which PFM reforms can diminish corruption. First, PFM reforms can directly limit opportunities for corruption by curbing the discretion of politicians and bureaucrats in resource administration, budget planning and public expenditure. Second, they can indirectly heighten the likelihood of detecting and penalising corruption by enhancing transparency and having increased controls, audits and public and institutional oversight. Even in fragile settings, PFM reforms that enhance transparency and accountability can be more effective at curbing corruption than direct anti-corruption interventions (Jenkins et al. 2020; World Bank 2012).

More recent studies have also shown the potential of complementing technical PFM reforms with other interventions that promote transparency, accountability, public participation and integrity (Morgner & Chêne 2014).

- **Transparency** is the cornerstone of effective PFM. The public availability and accessibility of clear and up-to-date information about public finances is crucial to ensure that government activities adhere to the established fiscal policy framework and are governed by effective budget management and reporting procedures. It provides the parliament, civil society and citizens with the necessary information to hold the government accountable for budget policy decisions and the overall management of public resources. When financial processes and decisions are open to scrutiny, the opportunities for illicit activities or mismanagement are reduced. Hence, transparency acts as a deterrent against corruption and the misuse of public resources. Also, it enables citizens to participate meaningfully in decision-making processes. This inclusive approach not only holds governments accountable but also facilitates more effective policy-making as diverse perspectives and insights are considered in decision-making processes. Despite this, approximately 70 per cent of the countries assessed as part of the Open Budget Survey reportedly have inadequate levels of budget transparency and oversight (International Budget Partnership 2021).

- **Accountability** plays a pivotal role in ensuring the responsible use of public resources. Accountability mechanisms, such as external audits, parliamentary oversight committees and civic monitoring, act as safeguards against fiscal irresponsibility by encouraging adherence to budgetary constraints and policy goals, as well as preventing overspending and misallocating funds. Scrutiny by the public, CSOs and oversight bodies ensure checks and balances that hold governments accountable for their decisions regarding the management of public resources.

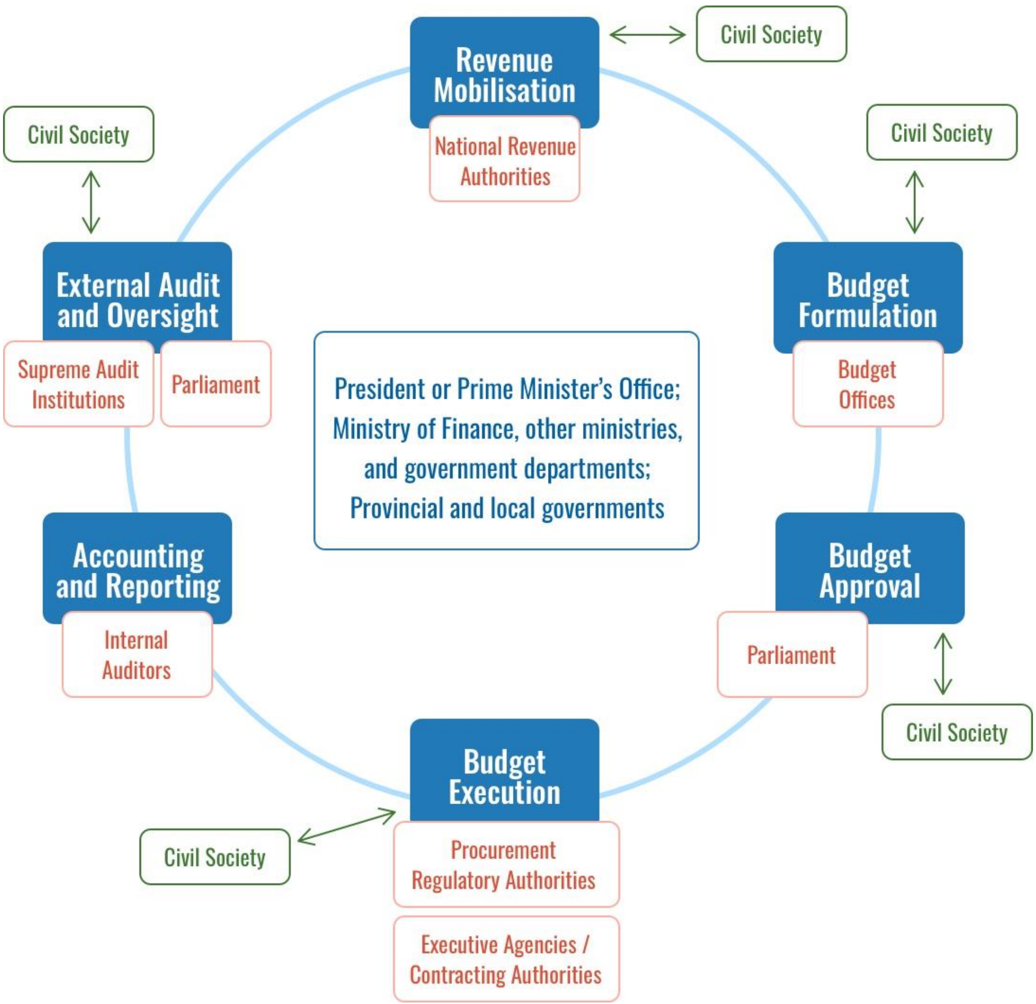
- **Integrity** refers to standards of ethical behaviour, ensuring that decision-making on the mobilisation, allocation or use of public funds is made in the public interest in line with the principles of openness, honesty and answerability. Upholding integrity in decision-making by government officials, parliamentarians and other key players not only safeguards against corruption and misuse of funds but also fosters confidence among citizens, investors and stakeholders by creating an environment where decisions are made based on rationale and considered grounds rather than personal gain or vested interests.

A strong and effective PFM system is not solely the responsibility of the government but a collective endeavour that involves multiple stakeholders. From state institutions to independent oversight actors, CSOs and political parties, each plays a pivotal role in shaping and improving the mechanisms that govern public resources. These actors actively participate at different stages of the PFM cycle to secure its effective and transparent operation while upholding accountability.

In addition to the domestic actors, traditional PFM reform promoters like the World Bank, IMF, OECD, regional development banks and bilateral donors have in recent years been updating their standards, benchmarks and principles to put more emphasis on transparency, accountability and public participation in PFM. While not specifically focused on curbing corruption, such approaches may result in new forms of cooperation between government, the private, sector and civil society. This can lead to the emergence of new opportunities and tools to curb corruption in PFM, as well as enhance monitoring and oversight on how public money is used.

The diagram below shows an overview of the main actors involved in the PFM cycle.

Diagram 1: The PFM cycle and main actors involved



As shown in diagram 1, CSOs play a key role at every stage of the PFM cycle, with the exception of the accounting and reporting phase. Acting as watchdogs, CSOs monitor the mobilisation, planning and expenditure of public resources. They provide platforms for citizens to raise their voices and to participate in decision-making, an especially important task to make sure that the interests of marginalised groups are heard.

In the following sections, this guide considers the various phases of the PFM cycle, identifying corruption risks and detailing the ways CSOs can strategically intervene, pinpointing specific entry points to elevate levels of transparency, accountability and integrity within each stage.

REVENUE MOBILISATION

Domestic revenue mobilisation (DRM) refers to the process by which a country internally raises funds to finance its operations and delivery of public services to citizens. It includes resources coming from direct or indirect taxes, domestic debt, asset management, licences and natural resource concessions (Runde & Savoy 2016). This guide will be centred on the revenue administration[1] side of DRM, which covers the collection and management of taxes and custom duties among other sources of revenue (Morgner & Chêne 2014).

Revenue administration is a key component of the PFM cycle; it is vital for taxes to be collected, managed and spent in the most efficient and effective manner, "without fear or favour" (Bird and de Jantscher 2015, p.28). Yet low-income countries in particular face serious challenges when it comes to broadening and deepening the tax base, including large informal sectors, poor accounting standards, weak administrative capacity and high levels of corruption (European Court of Auditors 2016). In fact, tax administration is often perceived as one of the most vulnerable sectors to corruption. On average, 32 per cent of citizens globally perceive tax and custom officials as the most prone to corruption, whereas in countries such as Yemen, Moldova, Liberia and Venezuela this number can rise to over 65 per cent (Transparency International 2017).

Tax administration is highly prone to corruption, rent seeking and political capture due to the substantial levels of monopoly and discretionary power, complex regulation and overlapping roles and responsibilities of multiple stakeholders, and a lack of adequate monitoring and supervision that leads to low detection and capture.

Corruption in revenue administration can occur at any stage of the process, from the collection of revenue and the registration and removal of taxpayers to the identification of tax exemptions and the inspection and sanction of alleged offences (Morgner & Chêne 2014). Corruption can be systemic, where tax administration processes are subject to undue influence or capture, or individual, where certain taxpayers and public officials collude to evade taxes (Child 2008). Corruption in tax administration can take various forms:

- **Tax evasion:** taxpayers can take advantage of the complex regulatory frameworks to evade or under-pay taxes, with or without the cooperation of tax officials, by deliberately committing fraud, falsifying tax receipts, under-reporting turnover or over-reporting expenses. Tax evasion represents a diversion or leakage of financial resources from the public budget for private gain. Tax evasion can occur either at a national scale or through transnational tax fraud and evasion schemes. The latter

[1] For the purpose of this handbook, revenue administration and tax administration will be used interchangeably.

involves the transfer of profits and assets to tax heavens, instead of paying domestic taxes on them. Often, these regulatory loopholes are used in collusion with public officials (Morgner & Chêne 2014).

- **Misappropriation of funds:** public officials can make use of the lack of administrative controls, checks and balances in tax administration to misappropriate or embezzle tax funds, either individually or by colluding with corrupt inspectors and auditors. Public officials can misappropriate funds through smuggling, under-reporting the value of imports, falsifying records, misclassifying goods, selling goods in transit and committing fraud.

- **Extortion:** authorities can coerce taxpayers into paying bribes, taking advantage of their limited understanding of tax regulations. Officials can wield their influence to intimidate them to pay extra-official taxes or above rates. Tax-related extortion can also occur in customs administration, where officials possess significant levels of discretion, extorting taxpayers to make payments for the release of their merchandise.

- **Collusion:** collusion can happen between public officials and taxpayers, or between individual firms. In the former, officials can abuse their position by receiving bribes to issue tax exemptions, facilitate licences or clearances, speed up processes or hold back a competitors' business, ignore illegal activities (for example, drugs and weapons imports), alter or reduce tax rates and deregister individuals from tax registers. Individual firms collude by not complying with tax payments, misreporting business activities, maintaining informal negotiations on tax obligations and paying unofficial fees to collectors (Rahman 2009).

- **Patronage networks:** kinship and other informal social relationships of reciprocity can be used to mobilise ties for instrumental purposes in tax administration. Patronage networks in the revenue administration include patron-client networks to pay or collect favours as a way of increasing social capital. These favours may include the selection, transfer or promotion of staff on the basis of kinship, tribal and other social relationships regardless of merit. High-level officials can also use taxes to favour their constituencies or burden their opponents. A study from Tunisia found that firms owned by the former president and his family were more likely to evade customs taxes and import tariffs (Bajpai and Myers 2020).

- **Undue influence in tax administration:** Subtle forms of corruption such as policy capture may mean that special interests enjoy undue influence over the design of tax policies, resulting in generous tax exemptions for certain groups at the expense of the exchequer. Well-connected individuals and firms may use their power to unduly influence tax regulations and policies or access discretionary exemptions, allowances or relief. Undue influence can also be used to harass opponents through audits. A statement from the US Department of State in 2013 stated how many companies in Nigeria were reported to have negotiated "their own taxation levels by using personal connections and bribing officials" (Martini 2014).

Corruption's intrinsically particularistic nature can undermine the equitable enforcement of the tax code and the effectiveness of tax authorities, thereby facilitating tax evasion and reducing tax revenue, thus hindering domestic revenue mobilisation. A recent IMF paper concluded that corruption not only enhances tax evasion by compromising tax laws and administrations but also undermines the development of a culture of tax compliance (IMF 2019). Corruption in tax administration thus diminishes revenue collection capacity and fiscal space (tax to GDP ratio), leading to significant loss of revenues and resources available for public investment and service delivery. Moreover, corruption in tax administration generates indirect impacts that affect the long-term economic sustainability of the country, increase the size of the informal economy and hidden incomes used for furthering illicit activities, distorting the tax structure and eroding public trust (Purohit 2007).

Understanding the relationship between corruption and revenue administration, several initiatives, such as the Tax Justice Network[2] and the Global Alliance for Tax Justice[3] have been established to enhance transparency, accountability and strong anti-corruption mechanisms in tax administration. Moreover, the Public Expenditure and Financial Accountability (PEFA)[4] framework has included specific indicators to measure the transparency of taxpayer obligations and liabilities (PI-13), effectiveness of measures for taxpayer registration and tax assessment (PI-14), and effectiveness in the collection of tax payments (PI-15).

While these initiatives have successfully gathered evidence on the relationship between tax administration and corruption, as well as tools and guidelines to curb corruption in fiscal policy, high levels of undue influence, political capture, fraud and bribery are still prevalent in the sector. The following section builds on different approaches to increase CSO involvement in curbing corruption in revenue administration.

CIVIL SOCIETY INTERVENTIONS

Civil society organisations can make an important contribution to higher transparency, accountability and integrity in revenue administration. The 2025 Addis Tax Initiative (ATI) Declaration[5] highlights the importance of efficient, impactful and transparent tax administration, and pledges to bolster the opportunity and capability for various stakeholders in the accountability ecosystem to actively participate in tax and revenue affairs (Fischer et al. 2021).

There, are thus openings for CSOs to actively advocate for higher tax transparency, exercise oversight and engage citizens and journalists in their efforts to strengthen accountability throughout the administration, collection and management of tax revenues. Additionally, CSOs

[2] See for more information on the Tax Justice Network.
[3] See for more information on the Global Alliance for Tax Justice.
[4] See the Public Expenditure and Financial Accountability (PEFA) framework.
[5] The AITI Declaration was officially launched at the 2021 Forum on Financing for Development.

can contribute significantly to fostering the public's awareness of their tax rights and obligations (Guerrero 2020).

Advocacy for higher tax transparency

Transparency in revenue administration entails governments publicly disclosing all relevant information related to tax laws, regulations and procedures in a timely, accessible and user-friendly manner. Transparency is key to guarantee certainty in how taxpayers interact with public agencies and to track the consistent application of tax-related regulations (Morgner & Chêne 2014). CSOs do not solely advocate for tax transparency and test its boundaries but also aid governments in reaching tax transparency objectives (Guerrero 2020). CSOs can advocate for higher tax transparency by providing governments with recommendations on the type of information and data that should be published as well as the requirements for making information easily accessible and comprehensible to users.

CSOs could advocate for extensive transparency regarding all relevant tax information on (Guerrero 2020):

- assumptions and objectives
- revenue collection, including the amount of funds raised from each tax source (consumption, income tax, corporate tax, property and wealth)
- revenue projections
- tax policy decisions, including exemptions, tax rates and policy changes
- administrative practices

CSOs can also advocate for the implementation of asset declaration regulation and beneficial ownership transparency.[6] By requiring tax officials to publicly declare their assets and liabilities, as well as companies to publish their beneficial owners in a national register, the opportunities for illicit enrichment and tax evasion are reduced, improving accountability and tax collection.

[6] Information should be published in an open data format. For more information see the Beneficial Ownership Data Standard.

The CSO Action for Economic Reforms (AER) in the Philippines advocates for increased transparency in revenue administration. As part of its interventions, AER has identified legal restrictions impeding the flow of tax information on industries, at sector and company levels. Furthermore, the quality of information (when available) is generally inadequate, information is normally made available at an aggregated level, without the comprehensible disaggregated information (Guerrero 2020).

After identifying the restrictions and limitations of information related to tax administration, AER advocated for higher transparency and inclusion in the negotiations of the tax reform for acceleration and inclusion law. AER partnered with other organisations to push for special provisions in the implementation of the law and the accountability in monitoring of the revenues generated, using freedom of information requests and engaging with various agencies in charge of the reform.

As part of their Open Government Partnership plan for 2014–2016, the government of Guatemala jointly with CSOs in the country developed a national open government commitment to create a public database of information on companies' tax treatment, including their beneficial owners and taxes due, along with other information (Open Government Partnership 2015).

Advocacy for higher digitalisation in tax administration

Technology for tax filing and payments (e-taxation) has the potential to diminish corruption by limiting direct interactions between taxpayers and tax officials (Morgner & Chêne 2014). Technological advancements, like satellites and digital imaging software, play a significant role in collecting property taxes, fostering taxpayer accountability and establishing digital records of payments. Digitised tax services encompass online registration, filing and payment options, widely accessible across various population segments (Runde and Savoy 2016). Multiple communication channels, including emails and hotlines, are employed to effectively address queries and technical concerns. A World Bank policy paper analysing cross-country e-government data concluded that transactional e-filing diminishes the likelihood of bribes to tax officials by 5 per cent, improving governments' capacity to raise and allocate resources by reducing compliance costs and corruption (Kochanova, Hasnain, & Larson 2016).

CSOs can advocate for the uptake of digitalised approaches to reduce opportunities of corruption by reducing the interactions between taxpayers and public officials, and enhancing higher transparency in the collection, management and administration of revenues.

Collaboration with tax administrations

CSOs can collaborate actively with tax administrations or national revenue authorities to produce and disseminate research. CSOs can conduct independent research and assess the revenue authorities' performance by scrutinising information on annual reports and revenue collection statistics.[7] These assessments help to identify gaps and areas of intervention to increase tax compliance by, for example, carrying out targeted audits and demanding stronger accountability (Levine, Fischer, & Kumar 2021).

Awareness raising

The lack of a taxpaying culture is one of the largest obstacles to building sustainable fiscal revenue in several countries (Fjeldstad 2005). Increasing the legitimacy and transparency of revenue authorities, through the wide dissemination of information that allows citizens to monitor revenue collection and public expenditures, thus has a potentially positive effect on popular attitudes and behaviour towards taxation.

CSOs can act as intermediaries between revenue administration agencies and citizens, ensuring that information on tax administration is comprehensible and proactively disseminated. CSOs can raise awareness by generating knowledge on revenue administration, the rights and obligations of taxpayers, as well as key procedures, rules, costs and charges for services. CSOs can also provide advice to citizens through channels of communication, such as hotlines and website chat functions, and help to coordinate appeal procedures where there are complaints (Child 2008).

The Budget Advocacy Network in Sierra Leone is raising awareness and making revenue information accessible in different local languages through short videos shared on social media (Van den Boogaard, Prichard, Beach, & Mohiuddin 2020).

In Ghana, the IncluCity programme has developed training courses targeting citizens and governments on tax revenue administration. These capacity building initiatives have strengthened the effectiveness of the town hall forums, supporting the engagement and participation of citizens, who became better able to contribute to budget planning processes (Van den Boogaard, Prichard, Beach, & Mohiuddin 2020).

[7] Tools such as the Tax Administration Diagnostic Assessment Tool (TADAT) assess the performance of revenue authorities across multiple components, such as revenue collection, transparency, digitalisation, accountability and taxpayer services. CSOs can use these evaluations, when available, to identify opportunities in tax administration performance and advocate for increased accountability.

In Oxfam's Mobilising Progressive Domestic Resources for Quality Public Services project in Kenya, it was seen that CSOs played an instrumental role in facilitating interactions between citizens and revenue authorities. By raising awareness among citizens of equitable taxation, allocation of resources and public service delivery, citizens were aware of the formal spaces for participation (such as consultations and public participation spaces) and were better equipped to actively engage with officials. As stated in the project's evaluation report, "the decision to work through legally mandated participatory governance structures such as the HFMC [health facilities management committees] proved to be particularly effective in terms of facilitating regular interactions between community representatives and duty bearers". (Delgado et al. 2018, p.36).

Monitoring of tax funds

Stronger provisions of revenue administration are unlikely to have an impact unless they are accompanied by effective monitoring systems and the enforcement of sanctions, increasing the likelihood of detection and effective punishment for wrongdoing. Social audits are a powerful social accountability tool used by CSOs to evaluate or audit the government's actions, policy decisions and performance (Farag 2018). Although social audits are generally carried out to supervise the implementation of public projects, CSOs have used this monitoring methodology to audit and monitor the collection and administration of revenue resources to identify gaps and possible mismanagement of funds (Delgado et al. 2018).

Safeguards to the independence of revenue authorities

CSOs can monitor and advocate for increased independence of national revenue authorities from political interference, undue influence and capture. A widely discussed approach to tax administration reform has been the establishment of (semi-)autonomous revenue authorities (ARAs) (Martini 2014).

CSOs can monitor ARAs' independence by identifying de jure and de facto threats and political interference to the establishment of their management boards, exercise of their operations and the provision of their operational budget. Several countries experience challenges to safeguard the de facto autonomy of ARAs (Martini 2014), with high levels of political influence from the executive branch and clientelist networks. CSOs can advocate for stronger legal provisions and raise these issues to other relevant authorities (including parliament and the general prosecutor) in the country to guarantee their independence.

BUDGET FORMULATION

Budget formulation refers to the stage in which the government plans and develops the financial plan to finance its various programmes and operations. It involves translating broad policy goals into financial targets (Andrews et al. 2014). Government departments, typically led by the Ministry of Finance, are responsible for creating the budget through a series of negotiation stages involving various governmental departments and bodies.

The risks of corruption are high in budget formulation, given the executive's high discretionary powers which could be abused, particularly where adequate oversight is lacking. Opaque decision-making processes, lack of comprehensiveness of resources included in the budget, as well as a lack of transparency regarding budgetary information all limit accountability opportunities and create an environment in which corruption can thrive (Dorotinsky and Pradhan 2007). Some of the corruption risks at this stage include the following:

- **Budget padding:** this entails the deliberate inflation of proposed budget so that it is higher than the actual need. It involves the diversion of public funds through adding "frivolous expenditures, exaggerated figures, fake, fraudulent and repeated items in the budget" (U4 Anti-Corruption Resource Centre, no date). In 2016, the then president of Nigeria reportedly accused a "budget mafia" of padding out the budget with billions of naira, which reportedly led to the dismissal of the budget office director (Premium Times 2016; BBC 2016).

- **Favouritism in allocation of funds**: budget formulation involves determining where funds are allocated. As funding requests submitted by various departments and levels of government usually exceed the available funds, the allocation of resources is based on political priorities and negotiations at the highest level of government. When discretion in budget allocation is high and unchecked, corruption can occur as funds are directed to projects or areas that benefit certain individuals or groups rather than serving the public interest (U4 Anti-Corruption Resource Centre, no date). Decision-makers involved in budget formulation might have personal interests that lead to the biased allocation of budgets to benefit those vendors or communities that form part of their network.

- **Undue influence**: lobbying and influence from special interest groups or powerful individuals can sway budget decisions, leading to allocations that benefit those groups at the expense of others (Morgner and Chêne 2015). For instance, officials may be unduly influenced by politicians or interest groups to provide subsidies or loan schemes to specific groups based on political affiliations. As pointed out by Dorotinsky and Pradhan (2007: 270), "political corruption during budget formulation influences resource allocations for public investments, including their choice, location, and design".

Corruption during budget formulation results in higher costs in public investment, lower quality public infrastructure and reduced delivery of public services. Preventing these risks and costs of corruption often involves establishing robust transparency measures in the way budget decisions are being taken, implementing checks and balances, conducting regular audits, promoting accountability and ensuring that there is oversight from civil society and multiple entities or branches of government.

CIVIL SOCIETY INTERVENTIONS

Civil society can help mitigate corruption risks during the budget formulation stage by fostering greater transparency, accountability and fairness in the allocation of public resources.

Lobby for budget transparency

Budget transparency entails "the full disclosure of all relevant fiscal information in a timely and systematic manner" (OECD 2019a: 112). CSOs play an important role in pushing for governments to release budget plans and proposals in a timely fashion to the public. This includes advocating for laws and policies that ensure citizens have access to budgetary information held by the state. Such budget transparency allows for CSOs, citizens, parliaments and other stakeholders to understand governments' financial plans and monitor their alignment with policies, as well as verify that public resources are allocated in a fair, effective and efficient manner.

One entry point for CSOs is through monitoring countries' Open Government Partnership (OGP) commitments on fiscal openness. According to the OGP (no date), fiscal openness commitments tend to be more popular and have stronger early results than other OGP commitments. CSOs can wield influence through the independent reporting mechanism (IRM), which is an independent, evidence-based and objective reporting means to track progress and OGP's impact within participating countries. At an international level, if a country consistently receives negative reports for three years, fails to implement recommendations, undermines OGP values or regresses on eligibility criteria, its membership might face review or termination. At the national level, CSOs can use the IRM to monitor fiscal commitments by their governments and as an advocacy tool for governments to fulfil their commitments.[8]

In addition to OGP commitments, CSOs can also use the International Budget Partnership's Open Budget Survey as an example of data points that should be published by governments in relation to budget transparency. One of the three essential aspects assessed by the survey is budget transparency, particularly whether the government provides comprehensive budget information to the public in a useful and timely manner. Evidence from the survey can be used to inform CSOs' advocacy actions to close the gaps identified and enhance budget transparency. CSOs can also campaign for the better accuracy, usefulness and timeliness of

[8] For more details, see the OGP monitoring mechanisms.

budget information. This may include advocating for the release of standardised and integrated data that is machine readable (such as CSV files) to allow for different types of analysis.

Budget analysis

Budget documents typically include codes and figures that make it challenging for the public and sometimes even parliamentarians to grasp how well the budget aligns with policy goals. Hence, CSOs can use their expertise to break down and analyse the proposed budget in a way that is understandable to citizens. They can develop short summaries of important budget details in easy-to-understand language and share this information through different means like radio shows, community gatherings or informational pamphlets (Pekkonen and Malena, no date). Digitals tools can also be used to analyse and simplify budget information for citizens and other stakeholders.

Concrete analysis of the budget, broken down by budget lines and policy priorities, allows CSOs to articulate clear and detailed requests for improvements to budget allocations for specific sectors, such as health, education, and water and sanitation. It also allows for the development of "budget champions" in communities who gain expertise on the budget in the sector and can become community advocates for equitable, efficient and effective budget allocation.

The Lebanese Ministry of Finance's Institute of Finance Basil Fuleihan collaborated with CSOs to launch the Lebanon Citizen Budget Dashboard in 2020. This dashboard collects detailed budget information by extracting data from Lebanon's Ministry of Finance, including official budgets and monthly reports. Using available technology, this data is converted into user-friendly figures, graphs and visuals that researchers can easily use and manipulate. Additionally, the dashboard offers general insights into the budget calendar to aid citizens in understanding the data, and includes a feedback section for user comments and information needs.

In a short time, the budget dashboard has become a key source for accessing budget data, witnessing a surge in demand for fiscal information. This is evident through numerous inquiries via social media and other channels, as well as requests for awareness sessions, particularly from youth groups, emerging political entities and media outlets. To promote understanding, live demonstrations and hands-on training to use the data were conducted for over 26 civil society organisations, youth groups, prominent thinktanks and local partners in Lebanon (Bissat 2023).

In Kenya, the Centre for Social Planning and Administrative Development (CESPAD), through the project Enhancing Transparency and Accountability in Public Finance Management in the Water Sector in Kajiado County, brought together budget champions comprising of CSOs, water users and community members, and provided training on budget processes and analysis related to the water sector. The project enhanced fiscal transparency in the sector by empowering CSOs and citizens to have a better understanding of the allocation of resources, thereby creating community champions who can voice issues related to the budget (Bakker and Baraza 2020).

Participatory budgeting

Participatory budgeting is widely defined as a process or system in which citizens engage in decision-making related to how public resources should be allocated (Shah 2007). Although participatory mechanisms can be implemented at various PFM stages, participatory budgeting is primarily prevalent during the budget formulation process (OECD 2019b). Public participation in budgeting processes promotes democracy, transparency and accountability by providing a platform for citizens to voice their needs and priorities and be better informed of government plans and decisions on financial matters that affect them. In addition, it enhances inclusivity by providing space for under-represented communities. It can also improve service delivery outcomes and fiscal efficiency as well as more efficient, and impactful, allocation of resources (De Soysa 2022). Civil society is widely considered as the most powerful vehicle for ensuring meaningful public participation in budget processes (Shapiro 2001). CSOs can play an important role in enabling public participation in the following ways:

- **Advocacy**: CSOs can engage in campaigns advocating for laws that mandate the integration of public participation in budgeting process. They can push governments for more transparency during planning and advocate for opportunities for broader participation in decision-making processes, as well as raising awareness about opportunities and spaces for participation. In addition, given the nature of their work, CSOs have a great potential to provide platforms for marginalised voices to be heard and feed these perspectives into budget processes (De Soysa 2022).

- **Accessibility:** CSOs can improve public understanding and accessibility of budget information particularly through budget literacy initiatives. This may include a range of activities such as citizen education programmes as well as simplifying technical budget proposal documents and processes to enable participation of a wider range of stakeholders (De Soysa 2022).

- **Assistance:** CSOs may also offer technical expertise and support to governments or international entities interested in implementing or supporting public participation in budget preparation processes. The ability of CSOs to conduct independent research is crucial in identifying both local and global best practices, which can be tailored to improve public involvement in budget processes, ultimately shaping better budget policies (De Soysa 2022).

Transparency International has advocated for meaningful and inclusive public participation in decision-making processes. It recently developed a tool to assess public participation in budget processes in two dimensions: i) the readiness of any public institution to introduce or facilitate a participatory process (the enabling conditions); and ii) the nature, depth and quality of participation at an institution in practice. The assessment tool, available as open access, can be used by civil society and other independent stakeholders to gather credible evidence on the strength of public participation in budget processes at any public institution that deals with public finances.

In Madagascar, for example, the assessment was recently implemented in 10 rural municipalities by the TI national chapter, Transparency International Madagascar. The results of the assessment were then used by the chapter to support and advocate for structured reforms to strengthen the readiness of the municipalities to introduce participatory processes and implement participatory mechanisms in practice. As a result of these engagements, public officials at the municipalities have already started to introduce reforms including, for instance, taking measures to publish budget and fiscal information on notice boards and thus increasing budget transparency – an essential precondition to meaningful participation.

BUDGET APPROVAL

Once the budget has been formulated, it is typically presented to parliament for approval. The budget proposal is scrutinised by parliamentary committees during plenary debates before it is approved. Parliamentary oversight is important to ensure that the proposal adheres to PFM principles and fiscal policy targets, ensuring that public resources are used equitably, efficiently, effectively and accountably. This process is essential to detect unusual budget allocations as well as to prevent abuses of funds by the executive.

However, this stage is also prone to corruption risks, particularly integrity concerns involving parliamentarians who have a duty to approve the budget in the national interest. Politicians may exploit their positions to favour specific interests or elite groups, leading to “tragedy of the commons”, exemplified by parliamentarians pushing - even through illegitimate means - to claim for a proportion of the budget for private interests (Dorotinsky and Pradhan 2007). Risks may include the following:

- **Abuse of power:** parliamentarians may deliberately amend the budget and set funds to benefit themselves, their political groups, elites or other private interests to the detriment of the public interest (Morgner and Chêne 2015). For instance, in 2020, the National Assembly in the Gambia reportedly amended the budget proposal submitted by the government to include a loan scheme for parliamentarians to build their houses. The loan was later ruled unconstitutional by the Supreme Court, as the court pointed that parliamentarians had misused their budget scrutiny powers for their own benefit (see the case study below under "preventing abuse of powers by MPs”) (Gambia Participates 2023).

- **Undue influence**: unregulated lobbying of parliamentarians by interest groups may also compromise their objectivity in the budget approval process. Lobbying may result in budget approval being influenced by private interests rather than the actual needs of the population. The risk of undue lobbying resulting in state capture is especially high at this stage (Morgner and Chêne 2015). Undue influence by interest groups could allow them to control key institutions such as parliaments and influence their processes, diverting them from performing their key role in the PFM process to serve the groups’ own interests instead.

CSOs can monitor parliamentarians to ascertain whether they take informed and balanced decisions during budget approval that are in line with the interests of citizens. The interventions at this stage are aimed at promoting transparency, accountability, citizen representation and a fair distribution of resources, contributing to a more inclusive and responsive governance system.

CIVIL SOCIETY INTERVENTIONS

Lobby for improvements to the budget approval calendar

For parliamentarians to thoroughly examine and discuss the preliminary budget, it is essential to allocate sufficient time for scrutiny and debate. International standards such as the IMF's code of good practices on fiscal transparency, IMF's code on fiscal transparency and the OECD best practices for budget transparency recommend that, as best practice, parliaments have three months to review and debate the budget proposal before the start of the financial year. However, this is not the case in many countries. CSOs have an opportunity to advocate for legal reforms to ensure that parliamentarians are provided with ample opportunity to scrutinise the budget.

In the Gambia, section 152 of the 1997 constitution required the government to table the budget proposal before the national assembly 30 days before the beginning of the financial year, granting the assembly only 14 days to approve the budget. As a result, the assembly was not afforded enough time to effectively scrutinise the budget. Gambia Participates, a CSO in the country, successfully advocated for the parliament, through a sponsored private bill, to amend section 152, requiring the executive to table the budget proposal 60 days before the beginning of the financial year, and to give the assembly 30 days for approval of the budget.

Advocacy for transparency and integrity in budget approval by parliamentarians

a. **Regulation of lobbying in parliament:** CSOs can advocate for reliable lobbying registers and higher transparency regarding the business interests of each parliamentarian. This step offers a chance to enhance civil society oversight in the budget approval process within parliament (Morgner and Chêne 2015).

Transparency International has developed an **Integrity Watch** tool, which is a central hub for citizens, journalists and civil society to monitor lobbying, conflicts of interests, assets, incomes and revolving doors by politicians in 16 European countries. Through the database, CSOs can keep an eye on lobby registers by parliamentarians as a way to track any potential undue influence and better hold them to account. More information on the Integrity Watch tool is available in: [Integrity watch 3.0: Generating value from data to... - Transparency.org]

b. **Preventing MPs' abuse of power:** parliamentarians can abuse their powers to insert budget lines in the draft budget for self-enrichment instead of for the public benefit, in contravention of ethical standards (Duri 2021b). CSOs can ensure that budget alterations made by parliament prioritise the welfare of citizens rather than serving the individual interests of MPs. The example of the Gambia below describes how CSOs can challenge MPs' abuse of power at the budget approval stage.

In 2021, Gambia Participates and the Centre for Research and Policy Development, two CSOs in the Gambia, contested the legality of parliamentarians granting themselves a loan scheme from the national budget provided by the executive. The Gambia's Supreme Court sided with the CSOs, declaring the actions of the parliamentarians unconstitutional as they had no powers to create a new budget line (Gambia Participates 2021).

Facilitate parliamentary budget consultations

Prior to the formal presentation and approval of the budget in parliament, parliamentarians as the people's representatives, can proactively consult citizens to understand their priorities and needs, and use these to inform their decision-making during budget scrutiny and approval (Duri 2021). CSOs can facilitate public engagement by establishing platforms where citizens and MPs can convene to discuss budget related matters before it undergoes submission and approval in parliament (Brenner and Fazekas 2022).

Uganda's 2012 health budget was shaped through a collaborative effort between CSOs and MPs. Young opposition MPs joined forces with the largest organised group in parliament, the caucus of female MPs, to engage with CSOs during the annual Inter-Parliamentary Union meeting held in the Ugandan parliament. At this gathering, CSOs offered analyses to MPs and played a pivotal role in drafting a resolution. This resolution was subsequently used in parliamentary committees to amend the health budget, eventually gaining approval in the plenary, despite significant opposition from the government (Loozekoot 2021).

Capacity building of parliamentarians and support staff

Parliamentarians and support staff need assistance from experts to adequately analyse the draft budget before approval. CSOs can provide technical knowledge to parliamentarians, aiding them in comprehending budget related matters more effectively and making more informed decisions.

The Centre for Budget and Governance Accountability (CBGA) in India annually releases an in-depth analysis of the national budget within 24 hours of it being presented to parliament. This helps influence the course of the budget debate and decision-making by parliament.

In South Africa, the budget information service of the Institute for Democracy (IDASA) in South Africa collaborated with a multinational accounting firm to offer training and technical assistance to provincial legislatures in the country throughout their budgetary process. This initiative aimed to establish a group of proficient analysts from both entities, enabling them to provide comprehensive training and specialised support to committee chairs during the extensive month-long period of legislature deliberations (Krafchik 2003).

BUDGET EXECUTION

Budget execution refers to the implementation of the government's planned budget through public spending. It includes the payment of public sector wages and salaries, the day-to-day operations of the public administration, and the implementation of public policies and investment programmes to enhance the overall well-being of its citizens and stimulate economic growth. This includes through the public contracting and procurement of infrastructure projects to provide public goods and services (for example, transport, energy, water, communications and so on).

Most of the spending for the implementation of public policies and investment programmes is carried out through public procurement, which covers the acquisition of goods, services, and works by public organisations. Worldwide, public procurement is worth around US$13 trillion a year (Open Contracting Partnership 2020), representing an average of 13-20 per cent of GDP per country (World Bank, no date). This makes it an important function for the achievement of a country's social and economic goals (Nordic Council of Ministers 2021).

Budget execution is the stage of the PFM cycle that is the most vulnerable to corruption and fraud as public resources are disbursed to a large number of entities. Many private and public actors are involved with complex monetary transactions in ministries and public institutions and at various levels of the administration. Fragmentation of data on disbursement among public agencies may exacerbate those risks. For example, public sector payrolls may contain "ghost workers", and the full disbursement of funds for public policies or services may never reach their destination. Corruption risks may materialise in the different steps of budget execution:

- **Project selection:** in the early stages of large-scale public projects, decision-makers might push for the selection and financing of weakly prepared or unfeasible projects based on political interests. Powerful private actors or potential contractors may also bribe, collude with, or exert undue influence on decision-makers to approve projects for which they would have an advantage to be selected over competitors (IMF 2020).

- **Tendering phase:** public officials might incorrectly implement or avoid, regulations designed to ensure a fair process. They might also extort or be offered bribes from bidders to obtain confidential information, manipulate tender documents or to award the contract to companies managed by their friends or family members. Bidders could also collude among themselves to favour a specific contractor and share the profits afterwards.

- **Contract execution**: similar techniques could result in the acceptance of sub-standard goods, works and services (IMF 2020).

Corruption and mismanagement of public funds in public procurement can result in significant costs for the government's finances and for society. In OECD countries, it has been estimated that bribery increases contract costs by 10-30 per cent, suggesting at least US$400 billion are lost yearly (OECD, no date). Furthermore, corruption can completely undermine the value and sustainability of public investments through the distorted allocation of public resources, unnecessary costs and delays, inflated prices, failed government plans and suboptimal quality of public services, and through human rights abuses.

CIVIL SOCIETY INTERVENTIONS

PUBLIC PROCUREMENT

Given the sums involved, the set-up of the public procurement system plays a central role in determining the operational efficiency and effectiveness of budget execution. Its relevance has long been recognised by the international community through several agreements, including the UNCAC, as well as through technical and financial assistance. Moreover, various reforms have been promoted to ensure that public procurement spending is well-governed, justified as part of welfare-improving public policies and investments, and safeguarded by strong anti-corruption policies as well as credible penalties (UNODC 2013).

Civil society organisations can advocate for measures to embed the principles of transparency, accountability and integrity in the procurement system of a country. Some of the most prominent ones include fostering the adoption of open contracting data standards, promoting collective action and integrity pacts, and carrying out real time audits, either independently or in collaboration with oversight institutions.

Open contracting data

CSOs can advocate for and assist governments in the timely publication of procurement information in a structured, machine readable and reusable format, using global open data guidelines such as the Open Contracting Data Standard (OCDS)[9] and the Infrastructure Data Standard (IDS).[10] Empirical evidence demonstrates how these types of reforms have brought multiple benefits, including cost savings, better insights on procurement systems' performance, increased control on decision-makers and enhanced public scrutiny (McDevitt 2022).

When relevant procurement information is available in an open data format, CSOs can use it to monitor the execution of projects in real time, identify red flags pointing to potential mismanagement or corruption, and report detected cases to oversight authorities. CSOs can act as "infomediaries" for social accountability by translating complex procurement data into actionable information for citizens and local communities, facilitating their involvement in

[9] See the Open Contracting Data Standard for more information.
[10] See the Infrastructure Data Standard for more information.

projects that affect their daily lives and ensuring that their feedback and concerns are duly considered by decision-makers.

In early 2015, Ukraine's government, in partnership with civil society and the private sector, launched the procurement system ProZorro, one of the most advanced worldwide. Less than two years after its introduction, it had reportedly saved the taxpayer an estimated US$233 million (Open Contracting Partnership 2016). Later research showed it led to a 15 per cent increase in the average number of bids per tender and a 45 per cent increase in the average number of unique suppliers (Frauscher, Granickas and Manasco 2017). The system works in tandem with the oversight tool DoZorro, which as of 2020, had allowed CSOs to report violations in more than 30,014 tenders with an estimated value of US$4 billion (Nestulia 2020).

In 2020, Indonesia's public procurement agency, LKPP, teamed up with the CSO Indonesia Corruption Watch (ICW) to create the online risk monitoring tool Opentender.net, and trained more than 1,000 transparency advocates, researchers, journalists and auditors to use it to detect suspicious contracting processes. Public complaints that used evidence gathered from the platform have led to prosecutions and convictions in at least five high-profile corruption cases, covering at least US$18 million (Brown 2022).

A legal requirement to publish public contracts online in Slovakia in 2014 resulted in a 16 per cent drop in the share of tenders with a single bidder. In 2015, the system was complemented with a beneficial ownership register for suppliers. In 2019, as a result of the register, Transparency International Czech Republic uncovered a conflict of interest involving the then prime minister, who had a controlling share in a large agriculture conglomerate receiving millions of euros in EU subsidies yearly (Open Ownership 2021).

Integrity pacts

CSOs can promote multi-stakeholder collaboration in procurement projects through so-called integrity pacts (IP). An IP is a public agreement between contracting authorities and bidders, in which they commit to apply certain transparency, accountability and integrity standards in one or more procurement projects. As part of the agreement, a CSO independently monitors the process, reviewing the procurement procedures, verifying compliance with the law, assisting parties in implementing their commitments and opening-up the project to affected communities and the broader public.

The IP is a flexible tool developed by Transparency International in the 1990s, and since then it has been applied in over 30 countries, bringing added value to hundreds of procurement projects. Some of the most recurrent benefits include the early detection and resolution of irregularities, better coordination among different stakeholders, improved quality of tender documentation, cost savings, enhanced transparency and more effective involvement of affected communities and project beneficiaries.

From 2015 to 2022, the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO), Transparency International and 15 national civil society organisations partnered in a large project to pilot integrity pacts in 18 EU funded public contracting projects across eleven member states. The monitored contracting projects had a combined value of €920 million and covered a wide range of sectors, including transport infrastructure, education, cultural heritage, water management, administrative capacity, energy, land administration and urban development (Aceves 2022).

By 2021, CSOs had monitored a total of 52 public contracting procedures, provided 768 recommendations and produced around 90 monitoring reports. In most cases, the monitoring activities improved the procurement process's governance, resulting in better contracting strategies, higher quality tender documentation, increased transparency, as well as the early identification and resolution of irregularities. In some cases, IPs also contributed to better public outreach and increased attention to business integrity by suppliers. In 2019, the project received the EU ombudsman award for good administration (European Commission 2019).

PUBLIC SECTOR PAYROLL AND CASH MANAGEMENT

CSOs can prevent corruption, embezzlement, and fraud in public sector payroll and cash management by advocating for and/or supporting governments in the implementation of automated payroll systems and public expenditure tracking systems (PETS).

Improvement of payroll systems

CSOs can advocate for the establishment of better links between personnel systems, social welfare systems and payment systems, which often necessitates data sharing across government entities. They can also advocate for the adoption of automated payroll systems, which directly deposit money into civil servants' individual bank accounts, thereby reducing the risk of ghost workers and increasing opportunities for corruption and fraud detection due to controls and digital traceability.

In the Dominican Republic, the introduction of an automated payroll system helped the government save US$62.5 million by identifying ghost workers. In the Democratic Republic of Congo, an integrated human resources information system led to the identification of a significant number of ghost workers on the government payroll (27 per cent) and an even larger number (42 per cent) receiving a risk allowance (Duri 2021a).

Public expenditure tracking systems (PETS)

PETS measure the amount of funds received at each point of the public service delivery chain from a nation's treasury down to the service delivery unit. This approach has been useful in detecting irregularities in budget execution in the form of money allocated but "disappearing" on its way to the actual service delivery. Citizens, as the legitimate recipients of public services, can be involved in the process by monitoring the quality and quantity of services being delivered.

A partnership between the Philippines' department of education and CSOs to monitor the department's bidding process, inspect the quality of textbooks and track deliveries between 2002 to 2005 resulted in a 50 per cent reduction in textbook prices; volunteer observers also reported 95 per cent error-free deliveries. The quality of books also improved, as demonstrated by an increase in the average shelf life of textbooks from two to four or five years by 2007. The time for a complete textbook cycle, from bidding to delivery, had shrunk by 50 per cent to 12 months (Majeed 2013).

Real-time audits for emergency expenditure

Supreme audit institutions (SAIs) can carry out real-time audits of public expenditures to verify compliance with laws, identify corruption risks and red flags, and report potential wrongdoing. A real-time audit can be conducted during the implementation of the different stages of the procurement process to proactively prevent, detect and report wrongdoing. These types of audits enable immediate action against potential risks, fraud and unnecessary waste (Memmott 2020). Real-time audits have proven to be particularly useful in the monitoring of the expenditure of funds during emergencies and crises, in which controls in the procurement and expenditure of resources are lowered. CSOs can also collaborate with SAIs to jointly develop real-time audits and indicate risky procurements to be reviewed, building their capacity in using data-driven tools and making sure that governments follow up on recommendations to improve the system.

During the pandemic, the supreme audit institution of Sierra Leone implemented real-time audits to monitor the management and disbursement of emergency funds. CSOs who formed part of a public financial management consortium extensively participated in the COVID-19 audit. These groups actively monitored the real-time audit, intervened through media channels at different stages and responded when the attorney general modified the financial management framework in May 2020. At that time, they collectively issued a press release to oppose the corona virus disease emergency fund regulations, asserting that a public emergency should not serve as a pretext to disregard laws aimed at ensuring accountability (Mills 2022).

In 2020, Transparency International Honduras was invited by the Honduran government management organisation (INVEST-H), to audit its US$80 million-worth emergency purchases during the COVID-19 global pandemic. The audit was carried out by four teams to evaluate prices, quality, delivery and the selection process behind the purchases. The results of the audit, which were shared with the country's attorney general, documented several cases of overvalued purchases, failure to consult medical experts and late delivery of goods. This led to the resignation and arrest of the INVEST-H director (World Justice Project 2021).

EXTERNAL OVERSIGHT

External oversight in PFM refers to the mechanisms and bodies responsible for monitoring, reviewing and ensuring accountability and transparency in the management of public resources. External oversight plays a crucial role in ensuring the proper use of public funds by holding government agencies accountable for their financial decisions and actions. It helps prevent corruption, mismanagement and misuse of public resources by providing checks and balances through independent scrutiny and evaluation. By promoting transparency and accountability, external oversight can enhance public trust in the government's financial processes, which is essential for effective governance and sustainable development.

The two main external oversight actors are:

a. **Supreme audit institutions (SAIs):** these are independent public institutions responsible for the audit of government revenue and expenditure. They are important for providing credible and timely information on financial activities by public institutions to legislatures, government, civil society and the public. Though SAIs are not regarded as anti-corruption bodies as they are not explicitly charged with detecting or investigating corruption, their oversight and scrutiny of public resource management is very relevant to the fight against corruption (Chêne 2018). While their traditional responsibility is the oversight of public expenditure, “SAIs are increasingly taking a more comprehensive view of the effectiveness, efficiency, and overall performance of government policies and programs” (World Bank 2021: 10).

b. **Parliaments**: the legislative branch has an inherent mandate to monitor and scrutinise the government’s financial activities. Financial oversight by parliament and its committees, such as committees on public accounts, can help detect corruption and mismanagement of public resources. In addition, most parliaments also receive and scrutinise audit reports and follow-up on the SAI’s recommendations.

However, SAI and parliamentary financial oversight of government is often inadequately executed in many countries. This deficiency can be attributed to insufficient resources, capacity, lack of responsiveness from the executive, as well as a lack of independence from the SAIs and parliamentary committees. Due to the partisan nature of parliamentary oversight, in most systems, these committees are controlled by the ruling party (Morgner and Chêne 2015), further limiting its independence and autonomy to exercise financial oversight.

CIVIL SOCIETY INTERVENTIONS

Social audits

Social audits are a social accountability tool citizens use to assess and review the government's actions, policy choices and overall performance. It is based on the premise that citizens have the right to understand the government's actions, their reasons and the resulting impact on them. The primary goal of a social audit is to monitor, analyse and assess the government's performance, thereby holding public officials accountable for their decisions and actions (Berthin 2011). This tool can enhance transparency and accountability in government, improve service delivery through feedback from citizens as service users and may lead to more effective allocation of resources in the future (Saeed et al. 2023).

> Acción Ciudadana (Transparency International Guatemala) in partnership with the Political Science School of the University of San Carlos de Guatemala has developed a certified social audit programme. The 50-hour programme aims to train citizens and CSOs in the monitoring of resources in key sectors such as health, education and human rights. After three years (2021, 2022 and 2023), 510 new social auditors have been trained, with a high participation of underrepresented groups targeted by the project which include women, youth, Indigenous, LGTBQA+ and rural populations.
>
> Transparency International Maldives and the Anti-Corruption Commission of the Maldives collaborated to conduct social audits and train citizens and CSOs from four atolls in the Maldives to carry them out. Some of the key findings from the social audits include the lack of feasibility assessments in infrastructure projects, poor public participation in decision-making processes and weak monitoring of projects by councils (Saeed et al. 2023). The initiative was innovative as it involved a collaboration between CSOs and the anti-corruption commission as a formal oversight institution.

Community score cards

Community score cards serve as participatory tools for community-based monitoring and evaluation. They empower citizens to evaluate the quality of public service like healthcare, education, public transport, water or waste disposal systems, as well as assessing government administrative units and projects. Score cards serve multiple purposes: they educate community members about available services and consumer rights while also gathering prompt feedback regarding the accessibility and quality of these services. Moreover, the process involves meetings between service providers, the community and local government to address concerns and improve service delivery.

Collaborating with SAIs

In some countries, SAIs have taken steps to involve the public in oversight processes by inviting CSOs and citizens to participate in selecting audits and disseminating digestible information about audit findings. SAIs that actively collaborate with CSOs stand to benefit from more comprehensive and informed audits (Cornejo, Guillan & Lavin 2013).

CSOs can support the work of SAIs in different ways:

- **Participatory audits**: CSOs can submit evidence that supports audits, helping to identify potential mismanagement, inefficiency and corruption in the use of public resources. An example is Transparency International Kenya, which engages closely with the office of the auditor general to implement the citizen accountability audit (CAA). This initiative involves citizen participation and engagement in the formal audit process by providing insights and voices of citizens in the audit of programmes and projects that directly affect their lives.

In 2022, the office of the auditor general in Kenya published the country's first ever citizen accountability audit report entitled Special Audit on the Public Participation in the County Budget Making Process for The Financial Year 2021/2022, which was submitted to parliament. The report led to a notable change in policy and actions by both the auditor general and parliament. They actively sought to ensure substantial public participation in oversight processes. Moreover, they embraced social accountability approaches and tools recommended by the public, incorporating them into the auditor general's practices.

In the Philippines, the Commission on Audit (COA) and ANSA-EAP implemented a community score card tool in collaboration with parent leaders from Marikina and providers from barangay health centres. This involved an inventory check, allowing beneficiaries and service providers to evaluate the health centre's performance based on department of health quality standards. The outcomes of the community scorecard evaluation were combined with the results from COA's inventory activity to develop an audit report (see Iniciativa TPA 2014a).

- **Public education programmes**: CSOs and SAIs can collaborate on programmes aimed at enhancing citizens' understanding of public financial management and oversight. These programmes can be arranged per thematic focus, encouraging the participation of citizens and CSOs interested in specific topics such as health, education, climate, environment or extractive industries. These programmes are encouraged to include a gender and social inclusion approach.

- **Mutual learning**: CSOs can benefit from collaboration with SAIs as they can gain insights into public auditing, while SAIs benefit from CSOs' technical knowledge of specific policy areas (climate, health, education and so on) and methodologies related to monitoring the use of public funds, such as public expenditure tracking surveys and social audits.

The Opentender.net procurement monitoring platform in Indonesia, developed by the Indonesia's procurement agency and LKPP and the CSO Indonesia Corruption Watch (ICW) has boosted considerably the work of government auditors as it allows them to easily track suppliers' history and sift through contracts from different local governments. For example, one auditor saw a 200 per cent increase in administrative issues identified and a reduction of review time from 2 days to 30 minutes per case. In 2021, ICW trained 111 local government auditors from 12 provinces (Brown 2022).

- **Simplifying and disseminating audit findings**: CSOs can assist in simplifying and widely disseminating audit findings to the public for better understanding and uptake.

- **Sharing relevant information in public resource management**: CSOs can help SAI's identify red flags and areas for future audits. Acting as interlocutors between citizens and SAIs, CSOs can act as a unique source of information for the SAIs to identify possible malpractices and other issues in the access to services that were not previously detected.

In Colombia, as part of a joint auditing initiative by the Contraloría General de la República (the SAI), CSOs facilitated citizen engagement in the post-audit phase. Once the SAI report was published, audited entities were required to create a plan for how they would improve based on the findings and recommendations. This plan was presented during a public hearing where CSOs involved in the audit also gave input. The CSOs played a role in determining how the improvement plan would be supervised and contributed to defining the scope of future audits (see Iniciativa TPA 2014b).

- **Safeguarding the independence of the SAI:** SAI independence is crucial for the effective oversight of public resources. Threats to SAI independence not only hamper its ability to ensure accountability and fulfil its responsibilities but, in extreme cases, can lead to the SAI becoming part of the very problem it was established to addressed. Globally, SAIs are facing challenges to their independence, including the executive branch's control over the appointment or dismissal of the head of the SAI, political interference in the SAI's work, influence over the selection and scope of its audits, interference in the SAI's budget and human resources, restrictions in access to information and restrictions on the dissemination of audit reports (INTOSAI Development Initiative and Transparency International 2022; World Bank 2021; INTOSAI Development Initiative 2020).

  CSOs are well placed to safeguard the independence of SAIs whenever a threat arises. Transparency International and INTOSAI Development Initiative have developed a resource kit with a practice guide and tools for CSOs to safeguard the independence of SAIs.

An example of CSOs defending SAI independence is from 2016 when Transparency International Kenya filed a legal petition challenging the constitutional compliance of certain sections of the public audit act (2015), which granted the executive, via the public service commission, some control over the staff of the auditor general's office. Additionally, the act established an audit advisory board empowered to advise the auditor general on their duties. Transparency International Kenya argued that these provisions encroached upon the constitutional autonomy and independence of the auditor general. The court ruled in favour of Transparency International Kenya, affirming that the office of the auditor general ought to have control over its human resources, including staff appointments. It also ruled that the establishment of an advisory board impinged upon both the institutional and individual independence of the SAI since the board's role was to advise the auditor general on constitutional duties. As a result, the court declared the provisions that undermined the auditor general's independence as unconstitutional (see Transparency International Kenya v Attorney General & 2 others 2018).

Follow up with parliament on financial reports and audit findings

Parliament plays an important role in overseeing government financial activities, including receiving and scrutinising financial reports from the government and audit reports from the SAI. Once financial and audit reports are received, they are sent to relevant parliamentary committees, especially those on finance, for review before reporting back to parliament. However, sometimes reports are “shelved” by committees, leading to inaction by parliament on the reports and findings.

CSOs can play an important role in following up with parliament and parliamentary committees on the financial and audit reports. They can make presentations to the relevant parliamentary committees, analysing key issues arising from the audit reports and emphasising key points and recommendations for action. Additionally, they can facilitate public forums or meetings with parliamentarians to discuss the significance of the audit findings and their implications for governance and public accountability. CSOs can also leverage media channels to amplify their message, ensuring that the public and policymakers alike are aware of the audit findings and the importance of addressing any identified issues. Ultimately, sustaining pressure through continued engagement, both behind the scenes and in public forums, is essential to ensure that audit findings translate into concrete actions and policy reforms.

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