

# **PUBLIC FINANCIAL MANAGEMENT TOPIC GUIDE**

COMPILED BY THE ANTI-CORRUPTION HELPDESK

Transparency International is a global movement with one vision: a world in which government, business, civil society and the daily lives of people are free of corruption. Through more than 100 chapters worldwide and an international secretariat in Berlin, we are leading the fight against corruption to turn this vision into reality.

Topic guides are a series of publications developed by the Anti-Corruption Helpdesk on key corruption and anti-corruption issues. They provide an overview of the current anti-corruption debate and a list of the most up to date and relevant studies and resources on a given topic.

**[www.transparency.org](http://www.transparency.org)**

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Each part of this topic guide provides an overview of major corruption risks and anti-corruption approaches, and a compilation of the most up to date and relevant studies and resources on the topic.

# CORRUPTION RISKS IN PUBLIC FINANCIAL MANAGEMENT: AN OVERVIEW

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## WHAT IS PUBLIC FINANCIAL MANAGEMENT?

Public financial management (PFM) is a central element of a functioning administration, underlying all government activities. It encompasses the mechanisms through which public resources are collected, allocated, spent and accounted for. As such, PFM processes comprise the whole budget cycle, public procurement, audit practices and revenue collection. Sound, transparent and accountable public financial management is a key pillar of governance reform and of vital importance to provide public services of good quality to citizens, as well as to create and maintain fair and sustainable economic and social conditions in a country.

## CORRUPTION RISKS IN PFM

PFM involves highly complex, technical tasks and processes, including macroeconomic forecasting, budget allocation, accounting and auditing. The complexity of such processes limits public scrutiny and provides many opportunities for corruption. The risk of corruption varies between and within the different stages of the budget process. Although corruption primarily manifests itself in forms that involve illegal money transfers at the budget execution level, other steps of the budget process may create opportunities for corruption at other stages of the PFM process<sup>1</sup>.

- **Budget formulation.** The government forecasts expected revenue and expenditure and plans the use of resources based on policy priorities. At this stage of the budget process, it is possible to prepare for future embezzlement by planning the allocation of resources according to biased criteria. Corruption can take the form of political corruption, using discretionary budgetary powers to give preferential treatment to certain groups or to allocate budget resources to projects or areas based on political affiliations or rent-seeking opportunities.
- **Budget approval.** The budget is debated and approved by the legislature. At this stage of the process, corrupt parliamentarians, backed by political parties or businesses, may deliberately amend the budget proposal to set funds aside for later misuse or to secure favourable treatment for their constituencies. Special interest groups may also unduly influence parliamentarians to overturn the proposed budget, or to safeguard an allocation or

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<sup>1</sup> The budget process and corruption. Isaksen, J., 2005. U4 Issue 2005:3. Bergen: Chr. Michelsen Institute. See more at: <http://www.u4.no/publications/the-budget-process-and-corruption/#sthash.Usd3tYMe.dpuf>

subsidies. The risk of lobbying growing beyond public control and leading up to state-capture is especially high in this stage of the PFM process.

- **Budget execution.** Resources approved at the budget formulation stage are disbursed to pay the salaries of public servants, running costs of the administration, provision of public goods and services to citizens, public works and infrastructure, debt management, and so on. Budget execution also covers the collection of taxes, duties, and fees. This stage of the process is the most vulnerable to corruption as the money becomes tangible and a large number of individuals are involved with monetary transactions in various ministries and public institutions and at various levels of the administration.

Corruption can manifest itself in various forms, including bribery, kickbacks, embezzlement and theft. In particular, public investment projects can be distorted, both in size and in composition, for rent-seeking purposes. Bribery and kickbacks in public procurement, bid-rigging and other forms of undue advantages to certain providers of services, goods and works are also common forms of corruption at this stage of the process. The tax and customs administrations may also be misused to pursue rent-seeking and corrupt practices. Money can be stolen or used for expenditures which benefit certain individuals and their business or political allies.

- **Accounting and reporting.** Together with disbursing or collecting money, spending agencies record and account for their expenditures or revenues collected. Financial reports are subject to internal audits to ensure that the rules and regulations at the department or ministerial level, in terms of procurement processes, contract management and other basic requirements, have been enforced. Financial reports from spending agencies are later centrally consolidated by the Ministry of Finance which issues a report to show how the budget has been implemented and which is subject to external oversight. Weak, flawed or opaque reporting and accounting practices are likely to increase the corruption risk at other stages of the execution process, by reducing the chances of corruption to be adequately prevented and detected. Turning a blind eye, or allowing for “creative accounting” to cover corruption schemes may also be done deliberately.
- **Extra-budgetary funds.** Extra-budgetary accounts for specific types of expenditure or revenue are common in many countries. While they may be set up for legitimate purposes (pension and social security funds, or stabilisation or reserve funds managing surplus revenue from, for example, the sale of natural resources), their implementation, control and oversight is often not subject to similar PFM standards and instruments than “on-budget” funds. Some off-budget funds may be set up to reduce the political and administrative controls that typically regulate budgetary spending. Extra-budgetary accounts can represent an important share of government expenditures and the relative lack of scrutiny over these funds may provide many opportunities for corruption.
- **External oversight.** External audits are typically undertaken by supreme audit institutions (SAIs) who have the mandate to ensure the accountability of public funds in general. Legislative oversight is normally ensured by the parliamentary public accounts committee. The budget execution of the executive is endorsed in a parliamentary debate and becomes the legal basis for the work of the government for the future period. Limited legislative scrutiny, lack of resources, capacity and leverage, and poor executive follow up are likely to

hamper external oversight of public accounts. However, in recent years, parliaments, civil society and donors have shown an increased commitment to participate in the process and strengthen external oversight.

## PFM REFORMS AND ANTI-CORRUPTION

PFM reforms have typically focused on achieving and securing overall economic and fiscal stability, allocative efficiency and operational efficiency<sup>2</sup>. To this end, PFM reforms mostly prioritise technical approaches to improve the performance of the PFM systems, including through the integration, modernisation and automation of PFM processes, revenue collection, public expenditure management and procurement systems. They traditionally include measures aimed at streamlining budget processes, supporting revenue administration, improving procurement processes and strengthening external oversight. While these reforms are not primarily aimed at curbing corruption, there is a broad consensus that they can help prevent and detect misuse of public resources through streamlined processes, increased transparency and stronger oversight.

Recent trends in PFM reforms call for moving beyond technical reforms and paying more attention to transparency, accountability and public participation in PFM. Global initiatives, such as the Open Government Partnership, the Global Initiative for Fiscal Transparency (GIFT) and the International Budget Partnership, are working for this purpose. Traditional PFM reform promoters like the World Bank, IMF, OECD, regional development banks and bilateral donors are also updating their standards, benchmarks and principles to put more emphasis on transparency, accountability and public participation in PFM. While not specifically focused on fighting corruption, such approaches may result in new forms of cooperation between government, the private sector and civil society and create new opportunities and tools to curb corruption in PFM.

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<sup>2</sup> Managing government expenditure: a reference book for transition countries. p.19-20. 2001. Richard Allen and Daniel Tommasi (eds.). Paris: OECD. SIGMA. [www1.worldbank.org/publicsector/pe/oecdpehandbook.pdf](http://www1.worldbank.org/publicsector/pe/oecdpehandbook.pdf)

# GENERAL RESOURCES ON PUBLIC FINANCE MANAGEMENT

## Background papers

### **Public financial management and its emerging architecture: a guide to public financial management literature: for practitioners in developing countries.**

Simson, R. Sharma, N. Aziz, I., Overseas Development Institute, 2011.

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7542.pdf>

This guide provides an easy access to relevant readings related to each stage of the PFM cycle. While its focus is more on PFM than specifically on anti-corruption, it offers a useful overview of the budget cycle architecture and recommends literature that describes what a sound PFM system looks like. It also highlights specific areas where there is disagreement about the best approach, or where implementation practices differ widely between countries. It sheds light on the gap between theory and practice, tackling the challenges low capacity and political and economic realities pose for the ideal PFM system. Links to country examples and case studies are also provided.

### **Evaluation of donor support to public financial management reforms in developing countries.**

de Renzio, P., Andrews, M. & Mills, Z., Overseas Development Institute, 2010.

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Evaluation-Reports/PFM%20Quant%20analysis.pdf>

This study evaluates the results of donor support to public financial management reforms. To this end, the study analyses quantitative evidence on the quality of PFM systems from a sample of 100 countries, and assesses factors that may have determined cross-country differences and variations in the quality of PFM systems over time. The study has aimed to answer two questions, namely: 1) where and why do PFM reform efforts succeed? 2) where and how does external support for PFM reform efforts contribute most effectively to their success? "PFM reform success" is thereby assessed mainly against the set of criteria used in the public expenditure and financial accountability programme (PEFA).

### **Managing government expenditure: a reference book for transition countries. 2001.**

Richard Allen and Daniel Tommasi (eds.). OECD - SIGMA

[www1.worldbank.org/publicsector/pe/oecdpehandbook.pdf](http://www1.worldbank.org/publicsector/pe/oecdpehandbook.pdf)

This book remains a highly relevant, comprehensive introductory textbook to public financial management. It covers all aspects of public expenditure management, from the preparation of the budget to the execution, control and audit stages. It is intended to be a practical, operational guide to help countries that are designing and implementing new laws and procedures relating to public expenditure management, and to improve the transparency of budgetary procedures and information.

### **Governance, corruption and public financial management. 1999.**

Salvatore Schiavo-Campo (ed.). Asian Development Bank

<http://www.adb.org/sites/default/files/pub/1999/governance-corruption-public-financial-management.pdf>

This book is an assembly of papers presented during a seminar on public financial management and accountability held in Manila in April and June 1999. Although no longer representing state-of-the-art anti-corruption approaches in PFM, it is still a useful supplementary reading to the general PFM literature in highlighting the corruption risks and disadvantages of many PFM systems, like individual discretion, principal-agent problems in PFM institutions, centralisation and monopolisation of information, and insufficient capacities of PFM officers and institutions. The book presents these aspects from a practitioner's viewpoint.

## Standards, principles and guidelines

### *International standards*

#### **United Nations Convention against Corruption (UNCAC). United Nations Office on Drugs and Crime, 2002.**

[https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026\\_E.pdf](https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf)

The convention introduces a comprehensive set of standards, measures and rules to strengthen countries' legal and regulatory regimes to fight corruption. It calls for preventive measures and the criminalisation of the most prevalent forms of corruption in both public and private sectors. Article 9 specifically addresses measures to PFM systems, including: a) procedures for the adoption of the national budget; b) timely reporting on revenue and expenditure; c) a system of accounting and auditing standards and related oversight; d) effective and efficient systems of risk management and internal control; and e) where appropriate, corrective action in the case of failure to comply with the requirements of the convention. State parties are also called to take measures to preserve the integrity of accounting books, records, financial statements or other documents related to public expenditure and revenue and to prevent the falsification of such documents.

#### **IMF fiscal transparency code (2014 version). International Monetary Fund, 2014.**

<http://www.imf.org/external/pubs/ft/survey/so/2014/pol080714a.htm>

The International Monetary Fund (IMF) recently released a revised version of the fiscal transparency code. Since they were first published in 1998 and last updated in 2007, the IMF's [Code of Good Practices on Fiscal Transparency](#) and accompanying [manual and guide](#) have been centrepieces of global fiscal transparency standards. The revised code includes a principle on public participation: "The government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations."

#### **OECD principles of budgetary governance. OECD Senior Budget Officials, 2014.**

[http://www.pempal.org/data/upload/files/2014/07/oecd\\_sbo\\_ho-session-4-updated-draft-principles-of-budgetary-governance-r.-downes-den-haag-2014.pdf](http://www.pempal.org/data/upload/files/2014/07/oecd_sbo_ho-session-4-updated-draft-principles-of-budgetary-governance-r.-downes-den-haag-2014.pdf)

The OECD has recently published a document outlining 10 principles of budgetary governance. These include, among others, that: "All budget reports should be published fully, promptly and routinely, and in a way that is accessible to citizens", requiring that budget documents be available online, and that all budget data be presented in open data formats which can be readily downloaded, analysed, used and represented by citizens, civil society organisations and other stakeholders. Principle 4 also stresses the importance of transparency, calling for budget documents and data to be open, transparent and accessible. The recent OECD principles of budgetary governance complement and update the 2002 [OECD best practices for budget transparency: integrity, control and accountability](#).



**GIFT high-level principles on fiscal transparency. Global Initiative for Fiscal Transparency (GIFT), 2012.**

<http://fiscaltransparency.net/2012/11/high-level-principles-on-fiscal-transparency/>

GIFT has developed high-level principles on fiscal transparency which were adopted by the UN General Assembly in December 2012. UN member states are encouraged to intensify efforts to enhance transparency, participation and accountability in fiscal policies. These principles state, inter alia, that "...access to high quality information, meaningful public participation and effective accountability mechanisms" is believed to "enhance the integrity, quality and implementation of fiscal policies; [and to] reduce corruption". To this end, principle 10 states that: "Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies".

*Regional standards*

**Inter-American convention against corruption (IACAC). Organisation of American States, 1996.**

<http://www.oas.org/juridico/english/treaties/b-58.html>

The main objectives of IACAC are: (a) to promote and strengthen the development of the mechanisms needed to prevent, detect, punish and eradicate corruption; and (b) to promote, facilitate and regulate cooperation among the member states to ensure the effectiveness of measures and actions in place to fight corruption. The IACAC includes relevant preventive measures to curb corruption in PFM systems. In particular, Article III refers to PFM areas such as: 1) internal controls and maintenance of books of account; 2) conservation and proper use of public resources; 3) procurement of goods and services and the execution of works; 4) revenue collection and control; and 5) participation of civil society.

**African Union convention on preventing and combating corruption (AUCPCC). African Union, 2003.**

<http://au.int/en/content/african-union-convention-preventing-and-combating-corruption>

The AU convention is a comprehensive regional treaty criminalising the multiple facets of corruption and requiring signatory states to prevent, detect, punish and eradicate corruption and related offences in the public and private sector. Moreover, it lays out a framework for international cooperation and mutual legal assistance to effectively combat corruption and recover stolen assets. Principles of the AU convention relevant to PFM include in Article 3: transparency and accountability in the management of public affairs. In Article 5: legislative and other measures. Signatory countries undertake to: adopt legislative and other measures to create, maintain and strengthen internal accounting, auditing and follow-up systems, in particular, in the public income, custom and tax receipts, expenditures and procedures for hiring, procurement and management of public goods and services.

## Practical insights: handbooks and toolkits

### **CleanGovBiz toolkit. OECD, 2012.**

<http://www.oecd.org/cleangovbiz/toolkit/>

The OECD initiative, CleanGovBiz, supports governments, business and civil society to build integrity and fight corruption. Under this initiative, individual toolkits have been put together for a range of sectors, including public procurement, tax transparency, tax administration, PFM and many more. These toolkits comprise existing anti-corruption tools, a priority checklist and an implementation guide which is illustrated by a number of country case studies.

Toolkit [public financial management](#)

Toolkit [tax administration](#)

Toolkit [tax transparency](#)

Toolkit [public procurement](#)

Toolkit [lobbying rules](#)

### **Good financial governance: good governance in public finance. Eckardt, U., Kogube, A. & Witt M., GTZ, 2006.**

<http://siteresources.worldbank.org/EXTFINANCIALMGMT/Resources/313217-1196229169083/4441154-1196275288288/4444688-1196378010797/GoodFinancialGovernanceGoodGovernanceinPublicFinance.pdf>

This paper outlines the approach of Germany's development assistance to support the development of PFM which incorporates the principles of good governance. The resulting good financial governance approach applies the principles of legitimacy, accountability, rule of law, performance and development orientation to the field of PFM. The paper starts by setting out the principles for good governance for public finance and outlines the good financial governance approach, highlighting the growing interest in public finance in developing countries, and describing the participating institutions and players. The implementation of the approach is also described, highlighting timing and content of reform processes, the major challenges and the need for reform on the revenue, expenditure and control sides of the system.

### **Preventing corruption in public finance management: a practical guide. GTZ, 2005.**

<http://siteresources.worldbank.org/EXTFINANCIALMGMT/Resources/313217-1196229169083/4441154-1196275288288/4444688-1196378010797/PreventingCorruptioninPublicFinanceManagement.pdf>

This practical guide is designed to support consultants, seconded experts and other development cooperation actors in their task of integrating corruption prevention into their advisory and monitoring work. It identifies specific signs, manifestations and weak points for corruption in taxation, customs, and budget and expenditure management, and presents possible corruption prevention measures. When doing so, it draws on good practices and lessons learned.

## Assessment tools and datasets

### **Public expenditure and financial accountability programme (PEFA).**

<http://www.pefa.org/en/dashboard>

The PEFA programme produces the most widely officially acknowledged assessments of countries' PFM systems. In its current version, the PEFA system of indicators does not contain dimensions to specifically assess anti-corruption provisions. Based on the traditional approach to assess the quality of PFM systems, PEFA comprises indicators to assess the effectiveness of, for example, internal control systems, taxpayer registration, tax collection, and so on. The PEFA assessment framework is currently undergoing a revision of its indicators. This revision will also take into account aspects of transparency and public participation tools. The updated PEFA framework is expected to be released in 2015.

### **OECD budget reviews.**

<http://www.oecd.org/gov/budgeting/seniorbudgetofficialcountryreviewsofbudgetingsystems.htm>

OECD's working party of senior budget officials undertakes country reviews of budgeting systems. The objective is to provide a comprehensive overview of the budget process in the country under examination, to evaluate national experiences in light of international best practice, to provide specific policy recommendations and to offer other countries an opportunity to comment on specific budgeting issues in the country under examination (peer review). The methodology does not specifically focus on the prevention of corruption. Similar to the PEFA assessments, it can be expected that effective PFM systems in a country will be less exposed to corruption risks, but clear conclusions in this regard cannot be drawn on the basis of an OECD budget review.

### **Collaborative Africa budget reform initiative (CABRI): supporting fiscal transparency and participation reforms in Africa project.**

<http://www.cabri-sbo.org/what-we-do/transparency/budget-transparency-promotion>

CABRI has recently launched its own programme to assess fiscal transparency and public participation in the PFM systems of African countries. Within the scope of this programme, an assessment framework has been developed which has been applied to a number of countries, including Democratic Republic of Congo or Kenya. More countries are currently participating in this programme. The CABRI project is implemented jointly with the Open Budget Partnership (OBP) and relies on the OBP's open budget index' data, along with PEFA assessment data. While building on the methodology of joint assessments by government officials of several countries, as in the OECD's peer reviews, the CABRI assessment methodology puts more emphasis on the role of civil society actors in PFM. It can therefore be expected to deliver assessments which will be relevant to anti-corruption policies, although this assessment is also not a specific corruption/anti-corruption index.

### **IMF fiscal transparency evaluation (FTE).**

<https://www.imf.org/external/np/fad/trans/index.htm>

The IMF produces, at the request of the country to be reviewed, an evaluation of a country's PFM system against the criteria of the fiscal transparency code. So far, four countries have been reviewed (Costa Rica, Ireland, Russia and Bolivia). The objective of the FTE is to provide countries with assessments of their PFM systems' capacity to deliver an accurate picture of the status of their public finances as a basis for economic policy decisions. Holding governments accountable is

another purpose of fiscal transparency. FTE do not only provide assessments, but also formulate recommendations for further reform.

**Assessing public financial management and accountability in the context of budget transparency in Africa. United Nations Economic Commission for Africa, 2005.**

<http://siteresources.worldbank.org/EXTFINANCIALMGMT/Resources/313217-1196229169083/4441154-1196229856871/4441195-1196266506713/AssessingPublicFinancialManagementandAccountability.pdf>

This survey assesses the fiscal transparency practices of 15 African countries. It relies on published reports including those of international financial institutions, theoretical literature, press reports, various websites to access laws, budget documents, reports, regional and international guidelines and case studies. The study looks at critical areas of transparency, namely: clarity of roles and responsibilities; public availability of information; open budget preparation, execution and reporting; independent assurances of integrity; and the extent to which these are practised in Africa. Until the CABRI-supporting fiscal transparency and participation reforms in Africa project have built up a substantial database, this study remains to be a relevant source for data and information about fiscal transparency in African countries.

## Resources from Transparency International's Anti-Corruption Helpdesk

**Curbing corruption in public financial management in francophone West African countries. Martini, M., 2014.**

[http://www.transparency.org/files/content/corruptionqas/Curbing\\_corruption\\_in\\_public\\_financial\\_management\\_in\\_Francophone\\_West\\_African\\_countries\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/Curbing_corruption_in_public_financial_management_in_Francophone_West_African_countries_2014.pdf)

This Helpdesk answer summarises examples of programmes, projects and initiatives in French-speaking countries in West Africa that had a significant impact in tackling corruption in public financial management. In francophone West Africa, a wide range of reforms and initiatives have been implemented to improve the budget process, ensure more responsible budget execution, better manage resources collected and ensure proper oversight. Results, however, are very mixed for many of these reforms. Positive results so far have been achieved in a few areas, such as the introduction of single treasury accounts and integrated public financial management frameworks, which have helped to enhance transparency and accountability. Other promising practices include the involvement and participation of civil society in both planning and oversight.

**Public financial management reforms in developing and post-conflict countries. Morgner, M., 2013.**

[http://www.transparency.org/files/content/corruptionqas/383\\_Public\\_financial\\_management\\_reforms\\_in\\_developing\\_and\\_postconflict.pdf](http://www.transparency.org/files/content/corruptionqas/383_Public_financial_management_reforms_in_developing_and_postconflict.pdf)

This Helpdesk answer summarises anti-corruption tools and approaches which have been applied in the scope of donor-supported PFM reform programmes in developing and post-conflict countries. While PFM reform is a central element of governance reforms in many developing and post-conflict countries, addressing corruption is rarely an explicit objective of such reforms. Countries that have seen substantial improvements in the performance of their PFM systems and have been able to reduce corruption, like Rwanda, Kosovo, Georgia, and the West Bank and Gaza, have achieved these positive results within the framework of broader governance reform which were backed by strong political commitment by the national governments.

## Useful websites

### **OECD Development Assistance Committee overview page on public financial management.**

<http://www.oecd.org/dac/effectiveness/pfm.htm>

This page provides access to a number of (mostly) OECD publications to assist PFM reform in aid-recipient countries, including: Practitioner's Guide to Using Country PFM Systems; Practitioner's Guide to Strengthening Country PFM Systems; Stocktaking Study on PFM Diagnostic Instruments; and a publication which examines budget support, sector-wide approaches and capacity development in public financial management in aid-recipient countries.

### **The Anti-Corruption Research Network thematic page on PFM**

<http://corruptionresearchnetwork.org/topics/publicfinancialmanagement>

The Anti-Corruption Research Network, set up and operated by Transparency International, provides an open global meeting point for researchers from a host of disciplines to present their latest findings and exchange ideas with peers and practitioners. Clustered into various topics, including public financial management, the portal provides access to the latest research articles, data sets and training courses.

## Actors and stakeholders

### **International Monetary Fund.**

[www.imf.org](http://www.imf.org)

The IMF supports its 188 member countries by providing: a) policy advice to governments and central banks; b) research, statistics, forecasts and analysis; c) loans to help countries overcome economic difficulties; and d) technical assistance and training. In the field of PFM, the IMF provides technical assistance to develop fiscal policy and management, tax and customs policies and administration, budget formulation, expenditure management, design of social safety nets, and management of domestic and foreign debt.

### **World Bank.**

[www.worldbank.org](http://www.worldbank.org)

The World Bank is one of the largest donors supporting PFM reform programmes worldwide. In addition to loan and grant funding, the World Bank and the [World Bank Institute](#) offer expertise, a global network of practitioners, and learning tools to support PFM and anti-corruption reform.

### **Organisation for Economic Cooperation and Development.**

[www.oecd.org](http://www.oecd.org)

The OECD supports PFM and anti-corruption reform in several formats. The work in the area [budgeting and public expenditures](#) provides reviews of country systems, standards and practice guidelines, and meeting and exchange platforms for the 34 OECD member states (with some outreach activities to also cover non-member states). The work in the area [development](#) delivers tools, analysis and databases, and assessments and methodologies to support donor agencies to foster good governance, including sound PFM and anti-corruption (along with other objectives) worldwide.

**Global Initiative for Fiscal Transparency.**

<http://fiscaltransparency.net/>

GIFT, initiated in July 2011, is a multi-stakeholder action network working to advance and institutionalise global norms and significant, continuous improvements on fiscal transparency, participation and accountability in countries around the world. GIFT involves the World Bank, IMF, governments (such as Brazil and the Philippines), and civil society organisations, like the Centre for Public Integrity (CIP)-Mozambique, FUNDAR-Mexico, Greenpeace International, ONE, and the International Budget Partnership. GIFT has developed high-level principles on fiscal transparency and, together with the International Budget Partnership and the governments of Brazil and of the Philippines, leads the fiscal openness working group of the Open Government Partnership.

**Open Government Partnership (OGP).**

<http://www.opengovpartnership.org/sites/default/files/attachments/FOWG%20Draft%20Workplan.pdf>

The OGP is a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption and harness new technologies to strengthen governance. It was launched in 2011 and, since then, has grown from 8 to 65 participating countries. In all of these countries, government and civil society are working together to develop and implement ambitious open government reforms. For several topics, the OGP has established dedicated working groups. These currently include: a fiscal openness working group, a legislative openness working group, an access to information working group, an open data working group, and an openness in natural resources working group.

**International Budget Partnership (IBP).**

[www.internationalbudget.org](http://www.internationalbudget.org)

The IBP works to fight poverty and improve governance by reforming government budget systems and influencing budget policies. It promotes efforts to make government budgeting more transparent and participatory, more responsive to national priorities, better able to resist corruption, and more efficient and effective. The IBP provides technical and financial assistance, comparative research opportunities, information exchange and peer networking. The IBP's website is a clearing house of information, resources and publications on government budget transparency and accountability. It shows how civil society and citizens can use budget analysis to influence budget policies and to monitor implementation to ensure that public funds are used effectively to meet the needs of the people, especially the poor. The website provides access to the open budget index (OBI), an index related to budget transparency which, in its 2012 issue, covered 100 countries.

# THE BUDGET PROCESS

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## BUDGET FORMULATION

The budget for the upcoming budget period is established by the executive. Government ministries, usually led by the Ministry of Finance, are responsible for formulating the budget plan in a process that involves several steps of negotiations among government agencies. Corruption risks increase when individual discretion to set aside funds for later misappropriation is high. Funding requests put forward by the spending agencies at “the bottom” of the government administration pyramid will normally exceed the funds available to be shared. The allocation of the funds depends on political priorities set and negotiations done at “the top” of the government. Political and executive decision-making power is, therefore, always also the power to control and direct the allocation of funds. Where systems of checks and balances are weak and policy making is strongly influenced by lobbying and state-capture, there is a higher risk for corruption in the budget formulation stage. The high level of complexity and technical nature of this process limit opportunities for public monitoring and oversight.

At this stage of the budget process, approaches for reducing corruption include:

- **Strengthening overall governance processes.** The chances for the budget being allocated to serve the interests of only a few top-level individuals can be reduced through clearly communicated budget “envelopes” (aggregated amounts for spending units), sufficient time and proper procedures for government negotiations, and a stable system of governance with clearly formulated and balanced powers for each involved actor.
- **Multi-year budgets and programme-based budgeting.** Multi-year budgets aim to ensure that the budget reflects political priorities and government strategies over a perspective of many years and also aim to avoid spending pressures at the end of a fiscal year. Programme-based budgets link allocated funds to measurable results. Both measures are assumed to make it easier to hold public officials accountable and reduce opportunities for corruption, wasteful spending and lax observation of spending approval rules. To be effective, this requires reliable control mechanisms to counterweight the greater levels of managerial discretion which are inherent for multi-year and programme-based budgeting.
- **Provisions for more transparency and public scrutiny.** The budget is a bulky document which often reduces public service deliverables and other government activity to a set of codes and numbers. This makes it difficult for the public (and in some case for parliamentarians) to understand to what extent the budget meets policy objectives. The preparation and publication of easy-to-understand presentations of the budget in “plain language” in so-called citizen’s budgets is a tool to enhance transparency and possibilities for public scrutiny, and is a measure that is gaining popularity and acceptance.
- **Participatory budgeting** has also been used as a tool to enhance transparency and accountability by providing citizens with an opportunity to participate in the budget

formulation stage. This approach has been successfully applied in a number of countries at the local level and has also shown positive results in the preparation of the national budget in countries like the Philippines, for example.

## Good practices: the Philippines example

The Philippines was granted the Gold Open Government Award for grassroots participatory budgeting (GPB) in the inaugural Open Government Partnership (OGP) Awards on 24 September 2014 at the United Nations headquarters in New York City. The Philippines was recognised for its outstanding efforts to deepen citizen engagement in the budget process.

GPB engages local communities, CSOs and other stakeholders to work with city and municipal governments in proposing projects to be included in the national budget. From its pilot implementation in 2012, GPB has now expanded to 1,590 cities and municipalities and has resulted in a larger allocation of 21 billion Philippine peso (US\$470 million) for 16,000 locally-identified projects to be included in the 2015 national budget.

Source: <http://www.gov.ph/2014/09/25/ph-bags-gold-award-for-grassroots-participatory-budgeting/>

## BUDGET APPROVAL

After the budget has been formulated by the executive, the proposed budget is approved by parliament. Similar to the budget formulation stage, corrupted parliamentarians might amend the budget to the benefit of individuals or interest groups. There is also a risk that parliament does not object to corruption-motivated budget and (mis)allocations already included in the draft budget as developed by the executive. In either case, corruption risks at this stage are related to uncontrolled lobbying, political corruption and, in extreme cases, state-capture.

Tools and approaches for reducing corruption opportunities in the budget approval phase typically include:

- **Improvements to the budget calendar.** To allow for parliamentarians to scrutinise and debate the draft budget thoroughly, sufficient time is needed. The OECD recommends parliaments should have three months to review and debate the draft budget bill. This period is not always provided for, even in OECD countries.
- **Capacity building of parliament's experts and support structure.** Often, members of parliament will require support from experts and the parliament's apparatus to properly assess the draft budget in all its complexity. The capacities of the specialists in the apparatus of the parliament may need to be strengthened to improve the quality of the parliamentary debate of the draft budget bill and to properly identify corruption risks.
- **Regulating lobbying.** The introduction of credible lobby registers and transparency over the business interests of individual members of parliament may be an effective approach and provide an opportunity to increase civil society control over the adoption of the budget in parliament.



# BUDGET EXECUTION

Budget execution includes the collection of tax and other revenue, the processing of the various budget expenditures as well as the accounting and reporting of revenue collected and money spent. At this stage of the process, public procurement, tax and customs administration are considered the most vulnerable to corruption, due to the volume of cash transactions, large number of involved officers and the high level of individual discretion involved. Recognising their key importance, the donor community increasingly uses these issues as entry points for anti-corruption activities in developing countries. They will be developed in a separate section of this topic guide.

## Cash management and treasury account

Budget execution covers payments which are based on long-term commitments and contracts: salary payments to public employees, all forms of rent and utility bills for objects of public infrastructure, and repayment of debts. There are many opportunities for corrupt practices at this stage of the process, with corruption risks increasing with the degree of data fragmentation in individual accounts for disbursements and collection. Such fragmentation makes it easier to abuse public funds. For example, payrolls may contain 'ghost workers' or monthly allocations to a public school may never reach the school in the full amount. Anti-corruption approaches and tools may include a set of measures:

- **Consolidating data through the use of technology.** Single treasury accounts (STA) and IT-based integrated financial management information systems (IFMIS) are widely applied as a central component of PFM reform and they may positively impact on anti-corruption efforts if applied in the right context. The main features of STA and IFMIS are that they avoid information from being spread over a large number of individual bank accounts and reporting and accounting files by integrating all data into one system. Consolidation of data and real-time access to it reduce the possibilities for money being stolen or misused and this going unnoticed. For this to work, however, the huge amount of data involved requires introducing powerful IT-systems. The complexity of such a system may open new possibilities to circumventing it, thus contradicting the anti-corruption potential of such tools.
- **Public expenditure tracking systems (PETS).** PETS are often considered to be an effective tool to improve accountability in public finance and service delivery. They 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<sup>3</sup>. 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. The public, as the legitimate recipient of public services, can be involved in the process by monitoring the quality and quantity of services actually being delivered. This approach has been popular after initial model projects have been successful. However, the effectiveness of such approaches depends on a large number of factors, such as the methodology used for conducting the assessments, independence and capacity of the institutions involved in the exercise and the political will to accept the findings and recommendations for reforms, among others.

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<sup>3</sup> Following the money: do public expenditure tracking surveys matter? Sundet, G., 2008. <http://www.u4.no/publications/following-the-money-do-public-expenditure-tracking-surveys-matter/#sthash.Todh8qwY.dpuf>

## Accounting and reporting

Financial reporting, accounting and internal audit and controls refer to a system for recording, classifying, summarising and reporting financial transactions. Also, it is a prerequisite to prevent fraud, corruption and negligence related to financial transactions within the respective government organisation that spends the budget. Accounting contributes to ensuring that public funds are being used for their intended purposes in compliance with rules and regulations. As such, accounting and reporting practices are of crucial importance for the performance of a PFM system. Traditional PFM literature and international organisations promoting PFM reform, along with general anti-corruption agreements (like the UNCAC) unanimously refer to reliable and timely accounting, in accordance with international standards as a key requirement for better PFM as well as for combating corruption. The most relevant corruption risks at this stage are weak, negligent, or “creative” accounting and reporting which contribute to hiding corruption, fraud and theft.

Anti-corruption tools at this stage of the process aim to improve accounting and reporting standards and to strengthen the skills to implement them. This aspect of PFM is technically demanding and therefore not considered the most suitable entry point for public oversight and monitoring. A central aspect of the PFM reform debate focuses on the advantages and disadvantages of traditional cash-based accounting versus accrual accounting (which accounts for assets and liabilities in addition to cash). However, no clear assessment can be drawn on whether either of these types of accounting is more suitable for detecting and preventing corruption. While there is a consensus that accounting is an essential tool for PFM reform as well as for combating corruption, the impact of accounting and financial reporting alone must not be over-estimated.

## RESOURCES ON THE BUDGET PROCESS

### Background papers

**Following the money: do public expenditure tracking surveys matter? Sundet, G., U4, 2008.**

<http://www.u4.no/publications/following-the-money-do-public-expenditure-tracking-surveys-matter/downloadasset/116>

PETS is a tool to improve accountability in public finance and service delivery. A Ugandan success with PETS is one of the most cited anti-corruption success stories. Expenditure tracking has also become a popular activity among civil society organisations engaged in accountability issues at the local level. This U4 Issue paper takes a closer look at the experience of expenditure tracking and argues that its successes may have been overstated. It suggests that an uncritical acceptance of the effectiveness of expenditure tracking has hindered the development of a more nuanced approach that is better suited to the particular circumstances of each case. The paper proposes some principles of engagement on how to track expenditures more effectively.

**The budget process and corruption. Isaksen, J., U4, 2006.**

<http://www.u4.no/publications/the-budget-process-and-corruption/>

This publication focuses on key corruption risk areas in various stages in the budget process, from budget planning to control and oversight. The paper elaborates on how patronage works and how it may affect public financial management systems. It concentrates on the expenditure side of public budgets and does not cover corruption related to taxation and tax systems or the particular problems arising from budget support from donors, which are topics covered in other U4 Issue pages. The paper primarily addresses the issues from an empirical rather than a theoretical perspective. Reference is made primarily to central government issues and systems.

**Back from the sidelines? Redefining the contribution of legislatures to the budget cycle.**

**Wehner, J., World Bank, 2004.**

<http://www.agora-parl.org/sites/default/files/CONTRI~1.PDF>

This paper looks at the role of parliaments in the budget process, from the role of finance and budget committees, which scrutinise proposed government budgets prior to parliamentary approval, to the role of public accounts and departmental committees which ensure that actual government spending is in line with that approved by parliament. A comparative approach is taken whereby presidential and parliamentary systems are reviewed and where the differences between parliaments' constitutional power and current practices are highlighted. An additional focus is given to the research and information needs of parliaments as they deliberate the budget and the importance of parliamentary committees as the "engine room" for financial scrutiny.

**Integrated financial management system: an important but limited anti-corruption tool.**

**Dorotinsky, B., World Bank, January 2003.**

<http://siteresources.worldbank.org/INTEGOVERNMENT/Resources/702478-1129947625190/billTransparencyandIFMS.doc>

Based on the experience with World Bank-supported introduction of IFMIS in 27 countries since the 1980s, the author argues that IFMIS can be a powerful tool if it is properly designed and implemented. On the other hand, IFMIS is expensive, cannot by itself influence much and may not

be an optimal anti-corruption tool in certain cases. The high demands to master a complex technology-based tool may even have the adverse effect that access to data can be monopolised which, in turn, may result in new risks for corruption arising. The author concludes that anti-corruption is an ancillary benefit of IFMIS, rather than a primary reason for embarking on IFMIS.

## Standards, principles and guidelines

### **New fiscal transparency code to improve policies and accountability. IMF, 2014.**

<http://www.imf.org/external/pubs/ft/survey/so/2014/pol080714a.htm>

The International Monetary Fund recently released a revised version of the fiscal transparency code. Since they were first published in 1998 and last updated in 2007, the IMF's [Code of Good Practices on Fiscal Transparency](#) and accompanying [manual and guide](#) have been centrepieces of global fiscal transparency standards. The revised code includes a principle on public participation: "The government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations."

### **OECD principles of budgetary governance. OECD Senior Budget Officials, 2014.**

[http://www.pempal.org/data/upload/files/2014/07/ocedsbo\\_ho-session-4-updated-draft-principles-of-budgetary-governance-r.-downes-den-haag-2014.pdf](http://www.pempal.org/data/upload/files/2014/07/ocedsbo_ho-session-4-updated-draft-principles-of-budgetary-governance-r.-downes-den-haag-2014.pdf)

The OECD has recently published a document outlining 10 principles of budgetary governance. These include, among others, that: "All budget reports should be published fully, promptly and routinely, and in a way that is accessible to citizens", requiring that budget documents be available online, and that all budget data be presented in open data formats which can be readily downloaded, analysed, used and represented by citizens, civil society organisations and other stakeholders. The recent OECD principles of budgetary governance complement and update the 2002 [OECD best practices for budget transparency: integrity, control and accountability](#).

### **International public sector accounting standards (IPSAS).**

<http://www.ifac.org/publications-resources/2014-handbook-international-public-sector-accounting-pronouncements>

IPSAS are a set of accounting standards for use by public sector entities around the world in the preparation of financial statements. IPSAS are issued by the IPSAS Board. IPSAS strongly encourage and promote the use of accrual accounting. Since 1997, the IPSAS Board has developed and issued a suite of 32 accrual standards and one cash-basis standard.

## Practical insights: handbooks and toolkits

### **The power of making it simple: a government guide to developing citizens budgets. Blyberg,**

A., Guerrero, J.P., & Ramkumar, V., International Budget Partnership (IBP), 2012.

<http://internationalbudget.org/publications/the-power-of-making-it-simple-a-government-guide-to-developing-citizens-budgets/>

This guide targets governments seeking practical guidance on how to make their public finance systems more transparent. Together with the IBP's *Guide to Transparency in Government Budget Reports: Why Are Budget Reports Important and What Should They Include?* (2010) and the *Guide to Transparency in Public Finances: Looking Beyond the Core Budget* (2011) (referenced in the section quasi-fiscal operations and off-budget funds), it forms a series of publications which

complement each other. The Power of Making It Simple complements these two by focusing specifically on citizens budgets and offering useful tips to governments interested in developing one. (Also available in French and Spanish.)

**Producing a citizens' guide to the budget: why, what and how?**

Petrie M., Shields, J., OECD, 2010.

<http://www.oecd.org/gov/budgeting/48170438.pdf>

As part of the growing search for more transparency and accountability in government finance, this article suggests guidelines for the production and dissemination of a citizens' guide to the budget. Examples from a variety of countries help to illustrate why governments should publish an annual guide, what the contents and characteristics of a good guide should be, and how such a guide should be made accessible.

**Guide to transparency in government budget reports: why are budget reports important and what should they include? Ramkumar, V., Shapiro, I., IBP, 2010.**

<http://internationalbudget.org/wp-content/uploads/Guide-to-Transparency-in-Government-Budget-Reports-Why-are-Budget-Reports-Important-and-What-Should-They-Include-English.pdf>

This guide supports governments in their efforts to meet international good practice standards on budget transparency by providing guidance on what reports and documents they should be producing and making available throughout the budget process, and what information should be in those reports. Further, it links to model documents from other countries. The guide covers the pre-budget statement, executive's budget proposal, citizens budget, enacted budget, in-year reports, mid-year review, year-end report and audit report. (Also available in French, Portuguese and Spanish.)

**Our money, our responsibility: a citizens' guide to monitoring government expenditures.**

Ramkumar, V. IBP, 2008.

<http://internationalbudget.org/wp-content/uploads/Our-Money-Our-Responsibility-A-Citizens-Guide-to-Monitoring-Government-Expenditures-English.pdf>

This guide offers an overview of government budget implementation, including budget execution, procurement, impact measurement, and auditing and legislative oversight processes. It provides practical, tested tools that can be used by independent organisations interested in monitoring government expenditures. The guidebook is intended to help civil society groups monitor the overall budget process and to understand why there may be differences between the funding appropriated in budgets and how those funds actually get spent. (Also available in Bahasa Indonesian, Chinese, French, Russian and Spanish.)

**Guide to transparency in government budget reports: how civil society can use budget reports for research and advocacy.**

Vivek Ramkumar and Isaac Shapiro (eds.), IBP.

<http://internationalbudget.org/wp-content/uploads/Guide-to-Transparency-in-Government-Budget-Reports-How-Civil-Society-Can-Use-Budget-Reports-for-Research-and-Advocacy-English.pdf>

This guide provides essential information on how CSOs can use, and have used, the eight key budget reports that their government should be making available throughout the budget process – the pre-budget statement, executive's budget proposal, citizens budget, enacted budget, in-year

reports, mid-year review, year-end report and audit report – for research and advocacy purposes. (Also available in in French, Portuguese, Spanish and Arabic.)

## Assessment tools and datasets

**Open budget survey - producing the open budget index (OBI). IBP, bi-annually (most recently available: 2012).**

<http://internationalbudget.org/what-we-do/open-budget-survey/>

The Open Budget Survey measures the state of budget transparency, participation, and oversight in countries around the world. It consists of 125 questions and is completed by independent researchers in the countries assessed. The majority of the questions relates directly to the public availability and comprehensiveness of the eight key budget documents that governments should publish at various points of the budget cycle. In order to allow for comparisons across countries and over time, the IBP calculates the OBI, a simple average of the quantified responses for the 95 survey questions that are related to budget transparency. The OBI assigns each country a score that can range from 0 to 100. The 2012 OBI covered 100 countries.

## Resources from Transparency International's Anti-Corruption Helpdesk

**Curbing corruption in public financial management in francophone West African countries.**

Martini, M., 2014.

[http://www.transparency.org/files/content/corruptionqas/Curbing\\_corruption\\_in\\_public\\_financial\\_management\\_in\\_Francophone\\_West\\_African\\_countries\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/Curbing_corruption_in_public_financial_management_in_Francophone_West_African_countries_2014.pdf)

The paper analyses how in francophone West Africa, a wide range of reforms and initiatives have been implemented to improve the budget process, ensure more responsible budget execution, better manage resources collected and ensure proper oversight. Results, however, are very mixed for many of these reforms, some of which are long-term endeavours so it is still to be seen whether they will have the intended impact on corruption. Positive results so far have been achieved in a few areas, such as the introduction of single treasury accounts and integrated public financial management frameworks, which have helped to enhance transparency and accountability and consequently reduce the opportunities for corruption. Other promising practices include the involvement and participation of civil society in both planning and oversight.

**Transparency in budget execution.**

Martini, M., 2014.

[http://www.transparency.org/files/content/corruptionqas/Transparency\\_in\\_budget\\_execution\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/Transparency_in_budget_execution_2014.pdf)

The paper lists country case studies showing that transparency in the execution of a budget can significantly improve efficiency, prevent fraud and corruption, and help to identify potential wrongdoing and leaks. Evidence shows that the publication of budget execution data online has proven instrumental to uncovering corruption schemes and punishing those involved. This is the case in Brazil, where the Transparency Portal enables civil society organisations, the media, public officials and citizens to monitor and verify how the budget is being executed. The portal, which required relatively low investment to be developed, contains information on government revenues and expenditures, procurement processes, and federal transfers to municipalities and states, and more.

### **Influence of interest groups on policy making.**

Martini, M., 2012.

[http://www.transparency.org/whatwedo/answer/influence\\_of\\_interest\\_groups\\_on\\_policy\\_making](http://www.transparency.org/whatwedo/answer/influence_of_interest_groups_on_policy_making)

While not focusing on PFM, or the budget adoption process in particular, the paper provides an insight into corruption risks related to lobbying and decision-making processes in parliament. While interest groups' influence on policy making is not a corrupt or illegitimate activity per se, disproportionate and opaque interest group influence may lead to administrative corruption, undue influence and state-capture, favouring particular interest groups at the expense of public interest. This answer thus provides examples on measures taken by East and South-East Asian countries to increase transparency and accountability and avoid undue influence and other forms of corruption, and best examples on regulating lobbying, focusing on the United States, Canada, and the European Union.

### **The implementation of integrated financial information management systems (IFMIS).**

Chêne, M., Helpdesk Answer, U4 Anti-Corruption Resource Centre, 2009.

<http://www.u4.no/publications/the-implementation-of-integrated-financial-management-systems-ifmis/downloadasset/393>

Emerging information and communication technology (ICT) can play an important role in fighting corruption in public finance systems by promoting greater comprehensiveness and transparency of information across government institutions. Yet, experience shows that IFMIS projects tend to stall in developing countries as they face major institutional, political, technical and operational challenges. Case studies of more successful countries indicate that factors supporting successful implementation include clear commitment of the relevant authorities to financial reform objectives, ICT readiness, sound project design, a phased approach to implementation, project management capability, as well as adequate resources and human resource capacity allocated to the project.

## Actors and stakeholders

### **International Public Sector Accounting Standards Board (IPSASB).**

[www.ipsasb.org](http://www.ipsasb.org)

The IPSAS Board develops the international public sector accounting standards (IPSAS). It does so on a consultative process involving auditors, finance ministries, standard setters and individuals. The IPSAS Board comprises of 19 individuals nominated by member bodies of the International Federation of Accountants, accounting firms, international organisations, government institutions and the general public. The meetings to discuss the development and to approve the IPSAS are open to the public and accessible from the IPSASB's website.

### **The Global Organization of Parliamentarians Against Corruption (GOPAC).**

<http://gopacnetwork.org/>

GOPAC is an international network of parliamentarians dedicated to good governance and combating corruption throughout the world. GOPAC facilitates an exchange of information and analysis, works towards establishing international benchmarks, and to improve public awareness through a combination of global pressure and national action. GOPAC operates a task force on parliamentary oversight which includes issues of PFM. This parliamentary oversight global task force (GTF-PO) focuses on financial and operational integrity which includes: review of government

revenue and expenditures; and legislation and other parliamentary rules establishing government financial control practices, procedures to account for and report revenues and expenditures, as well as procedures and authorities for parliamentary oversight of financial administration. It also includes legislation and other rules which guide and enable parliament to oversee the implementation of the UN Convention against Corruption (UNCAC).

**The Chartered Institute of Public Finance and Accountancy (CIPFA).**

<http://www.cipfa.org>

CIPFA is the world's only professional accountancy body to specialise in public finance and public service. CIPFA's 14,000 members work in public services, national audit agencies, major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. CIPFA provides its members with a recognised qualification, and provides guidance and expertise, acts as a community of practice and a global network of public sector accountants.

**International Budget Partnership (IBP)**

[www.internationalbudget.org](http://www.internationalbudget.org)

The IBP works to fight poverty and improve governance by reforming government budget systems and influencing budget policies. Formally, the IBP was a project of the Center on Budget and Policy Priorities, a Washington, DC based think tank. The activities of the IBP have grown to reach a scope and a quality that result in the IBP probably being perceived as an organisation on its own by many. It promotes efforts to make government budgeting more transparent and participatory, more responsive to national priorities, better able to resist corruption, and more efficient and effective. The IBP provides technical and financial assistance, comparative research opportunities, information exchange and peer networking.

IBP's [Who Does Budget Work Database](#) provides access to civil society organisations and academic institutes and think tanks working on issues related to budget transparency in the countries included in the open budget index (2012: 100 countries).



# TAX ADMINISTRATION

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## OVERVIEW OF KEY ISSUES

Revenue administration covers the collection and management of domestic revenues such as taxes, customs duties, revenues earned from state-owned enterprises and other forms of revenues. Tax administration in particular is often perceived as one of the sectors most vulnerable to corruption due to complexity of tax laws, the high discretionary powers of tax officials and the low cost of punishment. Corruption undermines a country's tax structure and its revenue collection capacity, resulting in significant loss of revenues and funding available for public service provision. Not only does it lower the tax to GDP ratio, but also causes long-term damage to the economy by increasing the size of the underground economy, distorting the tax structure, corroding the tax morality of taxpayers as well as eroding public trust in government institutions<sup>4</sup>.

## OPPORTUNITIES FOR CORRUPTION

Corruption can affect all processes conducted by a state's tax administration, from the registration and removal of taxpayers from the national registry, the collection of tax dues, the identification of tax liabilities and the inspection and prosecution of alleged tax offences. Corruption in tax administration can be either collusive, where tax officials strike deals with taxpayers to allow the latter to underpay taxes in exchange for a share of the money "saved", or abusive, where tax officials use their discretionary powers to extort bribes from honest taxpayers and can take various forms<sup>5</sup>:

- **Tax evasion committed by taxpayers.** Taxpayers can abuse the complexity of tax laws to evade taxes by, for example, under-reporting turnover or over-reporting expenditure, with or without the involvement of tax officials. Rich and well connected groups and individuals can also use political corruption to exercise undue influence on the tax regulations, lower and circumvent tax rates as they have both incentives and resources to buy influence, both legally and illegally.
- **Collusion between tax officers and taxpayers.** Tax officials can abuse their position to issue tax exemptions, apply lower tax rates, un-register individuals from the tax registers in exchange for lower "private" tax, among others.
- **Corruption by the tax officers themselves, without any direct taxpayer interaction.** Tax officials can extort bribes from taxpayers by threatening them to pay above rates. They can also simply steal the tax revenues collected, sometimes with the complicity of bank officials or auditors. Internal auditing may also be inefficient or corrupt, reducing the likelihood of detection and punishment.

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<sup>4</sup> Exploring the relationships between corruption and tax revenue. Nawaz, F., January 2010.

<sup>5</sup> Revenue administration and corruption. Odd-Helge Fjeldstad, OH. Bergen: Chr. Michelsen Institute, 2005. (U4 Issue, 2005:2). <http://www.cmi.no/publications/publication/?2558=revenue-administration-and-corruption>

- **Patronage networks.** Corrupt officials often operate in informal networks of patronage composed of internal and external actors. This is particularly common in developing countries, where patronage networks based on ties of kinship or community often permeate the operations of tax administration. Politicians can also use taxes to either favour their constituencies or burden their opponents.
- **International tax fraud and evasion schemes.** Tax fraud and evasion schemes often are built on legal loopholes providing for profits and assets being transferred to tax havens instead of being reported to domestic authorities. While such schemes make use of imperfect legislation in many cases, this implies a risk for corruption to influence law making and the judiciary to invent and utilise such legal loopholes and grey areas.

## ANTI-CORRUPTION MEASURES AND APPROACHES

A wide range of measures at various levels of the administration can be envisaged to address corruption in tax administration<sup>6</sup>:

- **Simplification of tax regulations.** Clear and easy-to-follow tax legislation reduces the individual discretion of tax officers and asymmetry of information between the taxpayer and the tax officer.
- **Strong, independent and well placed management,** including the degree of autonomy of the revenue collection service in the government administration and the performance criteria applied. A clear separation between the tax administration that manages taxpayer datasets and revenue bases and the Ministry of Finance, which develops tax policies, is recommended.
- **Staff management.** Transparent and merit-based recruitment, training and career opportunities are important to prevent nepotism or people buying what is considered a lucrative position. Staff also needs to be paid wages they can live on to reduce incentives for corruption. Ethical standards can be raised through the adoption and enforcement of codes of ethics for tax revenue administration. Staff rotation where tax collectors remain only for short periods of time may prevent the constitution of corrupt networks and reduce patronage.
- **Internal audits, monitoring and investigations.** Wage-based policies are unlikely to have an impact on corruption without effective monitoring systems as well as enforcement of sanctions. It is important to conduct regular audits and have effective and skilled internal investigation teams, with effective links to other law enforcement agencies.
- **The use of technology** for filing and paying tax declarations and bills (e-taxation) can reduce corruption by limiting opportunities for direct interaction between taxpayer and tax official.
- **Transparency** of tax administration is essential to ensure taxpayers have certainty in their dealings with tax agencies and consistent application of tax regulations. Tax laws, regulations and procedures should be made publicly accessible in a user-friendly manner to raise taxpayers awareness and knowledge of their rights and obligations.

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<sup>6</sup> Revenue administration and corruption: what works? Fjeldstad, O.H., U4, 2005; Key steps to address corruption in tax and customs. Child D., U4, 2008.

- [International cooperation](#), exchange of information and harmonisation of legislation will reduce tax evasion, fraud and illicit enrichment with an international, cross-border dimension.

## THE ROLE OF DONORS

Donors have supported tax administration in many developing countries by providing technical assistance, supporting tax administration modernisation programmes, contributing to the revision of tax legislation and supporting human resource management reforms. One of the major lessons learned is that beyond technical approaches, reforms of revenue administrations are highly political by nature and need to be tailored to the social and political circumstances of the country and backed by a strong political will at the highest level of government.

## RESOURCES ON TAX ADMINISTRATION

### Background papers

#### **Corruption in tax administration. Purohit, M.C., World Bank, 2007.**

in Anwar Shah (ed.), Performance Accountability and Combating Corruption

<http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/CorruptioninTaxAdministration.pdf>

Although not recent, this paper remains a good summary of key issues related to corruption in tax administration and of the tools and approaches to address them. The paper focuses on the broad range of developing and emerging economies in the world. After explaining causes of corruption in tax administration and discussing the impact of corruption on the economy, it presents policy measures for combating corruption in tax administration, with a comprehensive summary of applicable tools to implement them.

#### **Revenue administration and corruption.**

Fjeldstad, O.H., U4, 2005.

<http://www.cmi.no/publications/file/2558-revenue-administration-and-corruption.pdf>

The aim of this U4 Issue paper is to identify and discuss major challenges, appropriate responses, and relevant tools for addressing corruption in revenue administrations. How does corruption affect revenue collection, and what are the consequences for development indicators such as growth and poverty? This paper explores the driving forces behind fiscal corruption, emphasising the economic, social and political dimensions of anti-corruption reforms and limitations of some technical approaches. The paper argues that reforming tax administration requires looking beyond formal institutional structures and functions to take into account the politics of how revenue administration works in practice.

### Standards, principles and guidelines

#### **Declaration on the promotion of ethics in tax administration.**

Inter-American Center of Tax Administrations (CIAT), 2007.

[http://www.ciat.org/biblioteca/opac\\_css/doc\\_num.php?explnum\\_id=1968](http://www.ciat.org/biblioteca/opac_css/doc_num.php?explnum_id=1968)

CIAT supports the efforts of national governments by promoting the evolution, social acceptance and institutional strengthening of tax administrations, encouraging international cooperation and the exchange of experiences and best practices. CIAT member countries endorsed the CIAT Promotion of Ethics Tool Kit that includes this declaration. The declaration states that tax administrations must have an integrity programme addressing the following key elements: leadership and commitment; legal framework; fairness; automation; management autonomy; efficient accountability mechanisms; codes of conduct; and human resource management practices.

#### **Standard for automatic exchange of financial account information in tax matters.**

OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, 2014.

<http://www.oecd.org/ctp/exchange-of-tax-information/standard-for-automatic-exchange-of-financial-information-in-tax-matters.htm>

This standard, approved by the OECD Council on 15 July 2014, calls on jurisdictions (states and territories) to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions. The standard does not specifically refer to prevention of corruption. It will, however, contribute to curbing corruption by reducing possibilities for tax evasion, tax avoidance, money laundering and other forms of benefiting from collusion between taxpayers and authorities.

## Practical insights: handbooks and toolkits

**Bribery and corruption awareness handbook for tax examiners and tax auditors. OECD, 2013.**  
<http://www.oecd.org/tax/crime/bribery-corruption-awareness-handbook.htm>

This handbook is targeted at tax inspectors, with the view of providing them with tools and indicators to detect possible bribery or other forms of corruption in the course of regular tax examinations and audits. Tax examiners and auditors can contribute to reducing corruption by identifying bribery and denying tax deduction for such illegal payments and by referring suspected other forms of corruption and economic crime to law enforcement agencies. The 2013 book is an update of a 2009 edition which is available in many languages.

**CleanGovBiz toolkit on tax administration. OECD, July 2012.**  
<http://www.oecd.org/cleangovbiz/toolkit/taxadministration.htm>

The OECD initiative, CleanGovBiz, supports governments, business and civil society to build integrity and fight corruption. It draws together existing anti-corruption tools, reinforces their implementation, improves coordination among relevant players and monitors progress towards integrity. CleanGovBiz does so for a range of sectors, including tax transparency, tax administration, PFM and many more. The full range of topics can be accessed [here](#). The toolkit for tax administrations comprises of a priority checklist and an implementation guidance which is illustrated by a number of country case studies.

**Key steps to address corruption in tax and customs. Child, D., U4, 2008.**  
<http://www.u4.no/publications/key-steps-to-address-corruption-in-tax-and-customs/>

Based on experiences from a wide range of countries, this U4 Brief gives some examples of corrupt activities and outlines practical steps to minimise the problem. For staff of tax administrations and customs, opportunities for corruption and temptation to engage in it are numerous, including speeding up services, undervaluing cargo and helping with tax evasion. Mitigation measures proposed include appropriate staff management, training, operational procedures and internal investigations.

**CIAT promotion of ethics tool kit.**  
[http://www.ciat.org/biblioteca/opac\\_css/index.php?lvl=notice\\_display&id=2123](http://www.ciat.org/biblioteca/opac_css/index.php?lvl=notice_display&id=2123)

CIAT works, among other objectives, to promote mutual cooperation programmes between the tax administrations of its member states to prevent and combat all forms of fraud, tax evasion and facilitate voluntary compliance. To this end, CIAT provides a toolkit to promote ethics and integrity in tax administration. The toolkit consists of a declaration on the promotion of ethics in tax

administration, the CIAT model code of conduct, a self-assessment guide for tax administration, and guidelines for the self-assessment of an ethics programme workshop in a tax administration.

## Assessment tools and datasets

### **Tax Administration Diagnostic Assessment Tool (TADAT). IMF, forthcoming.**

<http://www.tadat.org>

Hosted by the IMF, and currently in the pilot and testing phase, TADAT is expected to be fully launched by mid-2015 and will complement the [PEFA programme](#) by applying a detailed methodology to produce objective, evidence-based assessments and baselines of a tax administration's performance. The objective is to inform stakeholder dialogue on reform priorities. A TADAT assessment will focus on tax administration outcomes rather than inputs or processes. Nine high-level performance outcome areas will drill down to 27 indicators, including: external oversight of the tax administration; level of internal controls; public perception of integrity of the tax administration; and publication of activities, results and plans.

## Resources from Transparency International's Anti-Corruption Helpdesk

### **Approaches to curbing corruption in tax administration in Africa.**

Martini, M., 2014.

[http://www.transparency.org/whatwedo/answer/approaches\\_to\\_curbing\\_corruption\\_in\\_tax\\_administration\\_in\\_africa](http://www.transparency.org/whatwedo/answer/approaches_to_curbing_corruption_in_tax_administration_in_africa)

Corruption in tax administration in Africa remains a fundamental barrier to effective and fair taxation and to building trust between government and citizens. There are very few recent studies assessing the extent to which and how corruption affects tax administration in Africa, but surveys on citizen experience and perceptions of corruption within tax administrations paint a worrying picture. Studies and anecdotal examples also demonstrate that corruption in tax administration takes different forms, from bribery to patronage, to revolving doors and regulatory capture. Approaches to fighting corruption in tax administration include measures to enhance the autonomy and capacity of tax agencies, for example, through the establishment of semi-autonomous tax agencies, higher salaries, measures to improve tax services and reduce taxpayers' interactions with tax officials by, for instance, investing in technology and taxpayer education, as well as measures to improve internal control and oversight and encourage informants to report corruption.

### **Corruption in tax administration.**

Bridi, A., 2010.

<http://www.u4.no/publications/corruption-in-tax-administration/downloadasset/422>

A state's revenue processes involves several major stakeholders and make the opportunities for and motivations to engage in corruption both numerous and widespread. These stakeholders include the tax officials, politicians, patrimonial networks and the taxpayers themselves. Drawing from experience from Mexico and Bolivia, Bulgaria and Tanzania, this Helpdesk answer presents various approaches to combat fiscal corruption, including value added tax refunds, semi-autonomous revenue authorities, increasing transparency and citizen participation and employment practices, and strengthening management, performance objectives and taxpayer participation, among others.

## **Exploring the relationships between corruption and tax revenue.**

Nawaz, F., 2010.

<http://www.u4.no/publications/exploring-the-relationships-between-corruption-and-tax-revenue/downloadasset/421>

Corruption has a significant negative impact on the levels of tax revenue collected in a country. The current understanding of the correlation between corruption and tax revenue, however, is incomplete since there is insufficient information available on the impact of taxation on corruption. Corruption not only lowers the tax to GDP ratio, but also causes long-term damage to the economy by detaching investment, increasing the size of the shadow economy, distorting tax structures and corroding the tax morality of taxpayers. All of these in turn further reduce the long-term revenue generating potential of the economy. The impact of taxation on corruption is less explored in the existing research literature. A limited body of research data indicates that higher tax rates can induce more corruption in an economy by incentivising tax evasion.

## **Actors and stakeholders**

### **African Tax Administration Forum (ATAF)**

<http://www.ataftax.net/>

Founded in 2008, ATAF strives to provide a platform to improve the performance of tax administration in Africa. Better tax administration will enhance economic growth, increase accountability of the state to its citizens and more effectively mobilise domestic resources. To this end, ATAF will work towards improving the capacity of African tax administrations to achieve their revenue objectives: advancing the role of taxation in African governance and state building; providing a voice for African tax administrations; and developing and supporting partnerships between African countries and development partners.

### **Inter-American Center of Tax Administrations (CIAT)**

<http://www.ciat.org>

CIAT supports the efforts of national governments by promoting the evolution, social acceptance and institutional strengthening of tax administrations, encouraging international cooperation and the exchange of experiences and best practices. CIAT provides specialised technical assistance for the modernisation and strengthening of tax administrations. Founded in 1967, CIAT currently has 38 member countries and associate member countries from 4 continents: 31 countries of the Americas, 5 European countries, 1 African country and 1 Asian country.

### **International Centre for Tax and Development (ICTD)**

<http://www.ictd.ac/>

ICTD is a global policy research network focusing on the political economy of taxation policies and practices in poorer parts of the world. It was established in 2010. Among its partners are academic institutes (including the Chr. Michelsen Institute in Bergen, Norway, the Institute of Development Studies, University of Sussex, UK, along with tax practitioners such as ATAF and the Zambia Revenue Authority. ICTD research areas include tax administration and reform, international tax and evasion, informal sector taxation, and taxpayer compliance and perceptions.

**International Tax Compact (ITC)**

<http://www.taxcompact.net>

ITC is an informal platform supporting the establishment of better tax systems that allow partner countries to increase domestic revenues and fight tax evasion and inappropriate tax practices more effectively. ITC works to promote national tax reforms and enhance donor coordination (for example in Ghana, Uganda, Nigeria, Zambia, Guatemala, El Salvador and Indonesia) to promote South-South sharing and exchanging best practices in the field of development and taxation (for example, by promoting the exchange of knowledge between CIAT and ATAF). ITC also supports member countries in implementing the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

**International Tax Dialogue (ITD)**

<http://www.itdweb.org/>

ITD is a joint initiative of the European Commission, Inter-American Development Bank, IMF, OECD, World Bank Group and CIAT. ITD aims to encourage and facilitate discussion of tax matters among national tax officials, regional tax organisations, international organisations and other key stakeholders. Among the objectives of the ITD are the promotion of an effective international dialogue and networking between international organisations, governments, and their officials on tax policy and administration matters, and to identify and share good practices in taxation. ITD operates an [online library](#).

**Tax Justice Network (TJN)**

<http://www.taxjustice.net/topics/inequality-democracy/corruption/>

TJN is an independent international network launched in 2003, dedicated to high-level research, analysis and advocacy in the field of international tax and the international aspects of financial regulation. TJN maps, analyses and explains the role of tax and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens. The world of offshore tax havens is a particular focus of TJN's work.



# PUBLIC PROCUREMENT

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A large percentage of public money is spent on procurement to buy goods and services for public projects amounting to an estimated average of US\$9.5 trillion every year<sup>7</sup>. In OECD countries, public procurement makes up for between 19 and 45 per cent (OECD average 29 per cent) of total government expenditures<sup>8</sup>. With such vast amounts of money at stake, public procurement arguably poses the greatest risk for corruption in PFM. The size, the number and complexity of the transactions involved, combined with the high level of discretion of procurement officials, provide many incentives and opportunities for corruption. It is estimated that on average 10 to 25 per cent of a public contract's value may be lost to corruption<sup>9</sup>.

## CORRUPTION RISKS IN PUBLIC PROCUREMENT

Corruption in public procurement can affect all stages of the procurement process and take many forms. Yet, corruption is hard to detect due to the complexity of the procedures involved which often require a high level of technical expertise at all stages of the process.

### Project selection phase

At the project selection phase, needs assessments can be manipulated, inflated or artificially induced to select projects with higher contract value. Projects can also be identified to serve the interests of particular bidders or the private interests of procurement officials. In such cases, collusion and/or political corruption may influence the public procurement.

### Bidding process

During the tendering phase, opportunities for corruption are abound. While it is generally assumed that corruption risks are especially high during the evaluation of bids, the specification phase can be designed to limit competition and favour particular bidders. Some bidders may be given an unfair advantage (for example, exclusive access to information) as a result of officials having a private interest in these companies, or in exchange for a bribe. A government official may demand a bribe or a kickback in exchange for a contract award, and the bribe payer may inflate the price of the contract to cover the bribe and preserve his profits. Bidders may also conspire to fix the outcome of a bid and inflate contract prices which are then shared between companies, sometimes with the complicity of the procurement official who may be offered a kickback for turning a blind eye to such practices. Procurement officials or his/her friends and relatives may also have an economic interest in one of the bidding companies. Other corrupt practices may involve abusing confidentiality, limiting advertisement and publicity, and manipulating the submission and evaluation of bids.

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7 Open contracting: factivists fighting procureaucrats. Spruill, C., 9 December 2013. [www.open-contracting.org/open\\_contracting\\_factivists\\_fighting\\_procureaucrats](http://www.open-contracting.org/open_contracting_factivists_fighting_procureaucrats)

8 Government at a glance. OECD, 2013. [http://www.oecd-ilibrary.org/governance/government-at-a-glance-2013/general-government-procurement-as-share-of-total-general-government-expenditures-2011\\_gov\\_glance-2013-graph99-en](http://www.oecd-ilibrary.org/governance/government-at-a-glance-2013/general-government-procurement-as-share-of-total-general-government-expenditures-2011_gov_glance-2013-graph99-en)

9 Guidebook on anti-corruption in public procurement and the management of public finances. UNODC.

## Contract implementation

While less attention is often paid to contract implementation, there are many opportunities for abuse at this stage of the process, including false invoicing, overbilling, underperforming and failure to meet specification standards, among others. It is typically at this stage of the process that corrupt payments made in the earlier stages of the process can be recovered by means of performing less than the contractually agreed services, or by altering the contract through successive re-negotiations.

## ANTI-CORRUPTION TOOLS AND APPROACHES

Public procurement is an entry point of anti-corruption initiatives, and there are a number of practical tools, international standards and best practices available to curb corruption in procurement. Major approaches to curb corruption in public procurement include<sup>10</sup>:

- **Strong legislative framework.** The legal framework in which procurement takes place is defined by the national and international legislation binding the country. In recent years, a variety of regional and international anti-corruption treaties, such as the UNCAC, have set internationally agreed standards that can be used as a benchmark.
- **Transparency.** All parties need to be ensured easy access to information throughout the procurement process, especially with regard to tender opportunities, selection criteria, evaluation processes, awarding processes and justification of the decision, terms of the contract and subsequent amendments, implementation of the contract, and the role of intermediaries, among others.
- **The use of technology** is instrumental to increase transparency and limit the level of an individual officer's discretion in the process. In particular, e-procurement can contribute to improve market access and competition and mitigate corruption risks by facilitating easier access to information through online publication, standardising and streamlining processes, and facilitating control and oversight over the procurement cycle.
- **Good management of procurement staff and processes.** Procurement officials need to meet high professional standards of knowledge, skills and integrity. Adequate remunerations, merit-based recruitment processes and regular training of procurement officials can contribute to promote high standards of professionalism. Procurement processes should also be managed professionally, in a way to ensure that public funds are used in procurement according to the intended purposes. This can be achieved through long-term project and resource planning, public consultations on major procurement projects, separation of key functions, transparent and comprehensive book-keeping and sound reporting systems at all stages of the recruitment process, among others.
- **Prevention of misconduct.** The integrity of procurement officials can be promoted by raising ethical standards through the adoption and enforcement of codes of conduct and conflict of interest regulations.
- **Integrity pacts.** Bidding companies and procurement officials can commit to abstain from bribery and to prevent corruption by signing an integrity pact as a tool to establish a level playing field in a procurement process.

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<sup>10</sup> The basics of integrity in procurement. Heggstad, K.K., Frøystad, M., Chr. Michelsen Institute, 2011. U4 Issue 2011:10. P.45. <http://www.u4.no/publications/the-basics-of-integrity-in-procurement/>

- **Monitoring of the contracting process.** International standards emphasise the importance of monitoring all stages of the procurement cycle, from the preparation of the tender by public officials to the implementation of the contract. In addition to internal monitoring by independent government agencies and external audits, external monitoring by citizens and civil society groups has proved a powerful tool to help detect and deter corruption. A number of organisations have developed red flags, checklists and indicators to assess adherence to the agency's procurement rules and regulations.
- **Accountability and controls.** Independent internal control systems and external audits and oversight are instrumental to ensure that government officials are held accountable for their decisions throughout the procurement cycle. This includes establishing effective mechanisms to uncover and investigate corruption, systematic and credible enforcement of the rules and the use of proportionate and dissuasive sanctions, proportional to the price of the contract. Sanctions can include exclusion from the procurement process, confiscation of illegal gains, liability for damage, cancellation of contracts and debarment. Strongest standards require the systematic blacklisting of companies involved in wrongdoings.

# RESOURCES ON PUBLIC PROCUREMENT

## Background studies

### **A new role for citizens in public procurement. 2012.**

Eduardo Bohorquez and Deniz Devrim (eds.), Citizens & Markets (c/o Transparencia Mexicana)  
<http://www.tm.org.mx/a-new-role-for-citizens-in-public-procurement-2/>  
<http://corruptionresearchnetwork.org/marketplace/resources/C-M%20SERIES%20-%20A%20new%20Role%20for%20Citizens%20in%20Public%20Procurement.pdf/>

This book explores the transformations that can take place when citizens enter the public procurement processes. In three chapters, the book focuses on trends of citizens' participation in public procurement around the globe. This is supported by case studies from different sectors and countries, including Brazil, Mexico, Kenya, the Slovak Republic, Timor-Leste and Cameroon.

## Standards, principles and guidelines

### **Principles for enhancing integrity in public procurement of 2008. OECD**

[http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-principles-for-integrity-in-public-procurement\\_9789264056527-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-principles-for-integrity-in-public-procurement_9789264056527-en#page1)

These principles were approved as a recommendation by the highest body of the OECD, the Council, in October 2008. OECD recommendations reflect a consensus by member countries on good practice guidance. The principles are based around the following topics; transparency, good management, prevention of misconduct, compliance and monitoring, accountability and control. The principles support the implementation of legal instruments developed within the framework of the OECD, as well as other organisations, such as the United Nations, the World Trade Organisation and the European Union. The 2008 recommendation is currently being revised and a [new OECD Recommendation on Public Procurement has been proposed for 2014](#). The new recommendation will aim to provide decision makers with a holistic approach on how to ensure the strategic function of public procurement systems, improve the procurement process and provide sources of growth. In this, the OECD takes a holistic view of the public procurement cycle: from needs assessment, bid evaluation and contract award, as well as contract management and payment.

### **Open Contracting global principles.**

[http://www.open-contracting.org/global\\_principles](http://www.open-contracting.org/global_principles)

The Open Contracting Partnership has facilitated a global consultation process to create a set of global principles that can serve as a guide for all of those seeking to advance open contracting around the world. The principles reflect norms and best practices from around the world related to disclosure and participation in public contracting. They have been created with the inputs and feedback of nearly 200 members the open contracting community from government, private sector, civil society, donor organisations and international financial institutions. These collaborators contributed inputs from various sector-specific perspectives (such as service delivery, infrastructure, extractive industries and land).

**Directives on public procurement. EU, 2014.**

[http://ec.europa.eu/internal\\_market/publicprocurement/rules/current/index\\_en.htm](http://ec.europa.eu/internal_market/publicprocurement/rules/current/index_en.htm)

Following a two-year consultation process, the 2014 EU procurement directives were adopted by EU institutions in late 2013 and were published in the Official Journal of the EU on 28 March 2014. They came into force on 17 April 2014. EU member states now have two years to implement them in national legislation. Until that date, the current version of the EU procurement directives apply. Compared to the current version, the new directives introduce, inter alia, a definition of conflict of interest in public procurement, improves the requirements for publishing post-contract information and provides for the use of modern technology for e-procurement. It also introduces amended thresholds for applicability and encourages the use of quality-based evaluation methods. Despite the comments submitted by civil society organisations, including Transparency International, the directive will not provide for whistleblower protection.

**Agreement on government procurement. World Trade Organisation (WTO). 2014.**

[http://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_gpa\\_e.htm](http://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm)

Another international agreement related to public procurement is the government procurement agreement (GPA) of the WTO. The GPA is a plurilateral agreement within the framework of the WTO, which means that not all WTO members are parties to the agreement. Following a review of the 1994 version, the revised WTO GPA entered into force on 6 April 2014. The text of the agreement establishes rules requiring that open, fair and transparent conditions of competition be ensured in government procurement. The agreement establishes general principles and detailed procedural requirements that the GPA parties are obliged to apply in the covered procurement activities. Which procurement activities are subject to the agreement depends on various criteria, including the procuring entities, the goods, services and construction services procured, and the threshold values above which procurement activities are covered by the agreement. For procurements meeting these criteria, the GPA is a legally binding requirement.

**Model law on public procurement. United Nations Commission on International Trade Law (UNCITRAL). 2011.**

[http://www.uncitral.org/uncitral/en/uncitral\\_texts/procurement\\_infrastructure/2011Model.html](http://www.uncitral.org/uncitral/en/uncitral_texts/procurement_infrastructure/2011Model.html)

The Model Law on Public Procurement contains procedures and principles aimed at achieving value for money and avoiding abuses in the procurement process. The text promotes objectivity, fairness, participation, competition and integrity towards these goals. Transparency is also a key principle, allowing visible compliance with the procedures and principles to be confirmed. The Model Law is aimed at assisting states in formulating a modern procurement law. It is designed to be appropriate for all states.

## Practical insights: handbooks and toolkits

**Curbing corruption in public procurement: a practical guide. Kühn, S., Sherman, L.B., Transparency International, 2014.**

[http://www.transparency.org/whatwedo/pub/curbing\\_corruption\\_in\\_public\\_procurement\\_a\\_practical\\_guide](http://www.transparency.org/whatwedo/pub/curbing_corruption_in_public_procurement_a_practical_guide)

This guide provides a basic introduction to corruption risks in public procurement. Civil society can use the enumerated principles and minimum standards to be adopted by governments to ensure full integrity of the public contracting process to advocate for steps to reduce corruption and waste in

public contracting. The guide also emphasises the important role that civil society organisations can play in the procurement process as monitors and watchdogs acting against corruption. Further, the guide identifies some critical issues in procurement processes that are often overlooked, and details steps that public officials, the private sector and civil society can take, acting separately and together, to significantly curb corruption in public procurement. This is followed by a detailed presentation of available tools to reduce corruption in public procurement. Additionally, it provides an outline of the current status of the international regulatory framework, guidelines and standards that are applicable to public procurement.

**Fraud and corruption awareness handbook: a handbook for civil servants involved in public procurement. World Bank, 2014.**

<http://documents.worldbank.org/curated/en/2014/02/19437783/fraud-corruption-awareness-handbook-handbook-civil-servants-involved-public-procurement>

This handbook is intended for government employees involved in public procurement. It provides some insights into how fraud and corruption schemes work in public investments. The handbook identifies a range of fraud and corruption indicators, or red flags, and relevant schemes that may become apparent during the life of an investment, from design to implementation. It is based on the experience of Poland's Central Anti-Corruption Bureau and the World Bank's Integrity Vice Presidency, and it presents examples referring both to public investments implemented under Polish public procurement law and international competitive bidding. This handbook aims to provide support to the managers of procuring entities in conducting public procurement by identifying frequently occurring irregularities and suggesting methods of preventing them.

**Integrity pacts in public procurement: an implementation guide. Transparency International, 2013.**

[http://www.transparency.org/whatwedo/publication/integrity\\_pacts\\_in\\_public\\_procurement\\_an\\_implementation\\_guide](http://www.transparency.org/whatwedo/publication/integrity_pacts_in_public_procurement_an_implementation_guide)

This manual is a hands-on practical guide to familiarise government officials in charge of procurement processes with the integrity pact (IP) and to provide them with tools and ideas for its application. The IP is a tool developed by Transparency International to help governments, businesses and civil society to fight corruption in public contracting. It consists of an agreement between a government or government agency (the authority) and all bidders for a public sector contract, setting out rights and obligations to the effect that neither side will pay, offer, demand or accept bribes; nor will bidders collude with competitors to obtain the contract, or bribe representatives of the authority while carrying it out. An independent monitor who oversees implementation and ensures all parties uphold their commitments under the pact brings transparency and invaluable oversight to all stakeholders in a contracting process, from the authority to the public.

**Guidebook on anti-corruption in public procurement and the management of public finances. Good practices in ensuring compliance with Article 9 of the United Nations Convention against Corruption. United Nations Office on Drugs and Crime (UNODC), 2013.**

[http://www.unodc.org/documents/corruption/Publications/2013/Guidebook\\_on\\_anti-corruption\\_in\\_public\\_procurement\\_and\\_the\\_management\\_of\\_public\\_finances.pdf](http://www.unodc.org/documents/corruption/Publications/2013/Guidebook_on_anti-corruption_in_public_procurement_and_the_management_of_public_finances.pdf)

This guidebook looks at corruption in public procurement from the perspective of Article 9 of the UNCAC. The book helps policy makers to work towards corruption-free public procurement as part

of a country's obligations under UNCAC. In the second part, the UNODC guidebook provides a clear and comprehensive summary of corruption risks and related integrity measures in the various phases of public procurement and recommends specific preventive measures for each phase. The guide contains as an annex a Checklist for Meeting Minimum Requirements set out by Article 9 of UNCAC. This checklist of minimum requirements, clearly relevant for policy makers, can also double as a due diligence checklist for bidders (and their lawyers) seeking to assess corruption risks related to public procurement rules. Further, the book provides a model questionnaire which is aimed at verifying the level to which national legislation incorporates the principles described in the report.

**The basics of integrity in procurement. Heggstad, K.K., Frøystad, M. Chr. Michelsen Institute, 2011.**

<http://www.u4.no/publications/the-basics-of-integrity-in-procurement/>

This guide provides tools and guidance to help assess risk levels and support appropriate safeguards against corruption in procurement using country systems in the context of donor-financed projects. As procurement is part of almost all projects, programmes and sector work, this paper is intended not only for procurement officers but for all development practitioners and government officials affected by procurement processes.

**Checklist for enhancing integrity in public procurement. OECD, 2008.**

[www.oecd.org/gov/41760991.pdf](http://www.oecd.org/gov/41760991.pdf)

The checklist is designed to guide policy makers at central government level to instil a culture of integrity in the entire procurement cycle, from needs assessment to contract management and payment. The first part of the checklist provides guidance for policy makers – in the form of ten key recommendations – on developing an adequate policy framework for enhancing integrity in public procurement; the second part provides guidance on how to implement this framework at each stage, from needs assessment to contract management. This part could be complemented in the next months by examples of practical tools used in various countries to support the implementation of the policy framework. The checklist draws upon policies and practices that have proved effective for enhancing integrity in public procurement. These reflect various legal and administrative systems. Elements of good practice were identified not only in OECD countries, but also in Brazil, Chile, Dubai, India, Pakistan, Romania, Slovenia and South Africa.

**OECD Procurement Toolbox. OECD, 2008.**

<http://www.oecd.org/governance/procurement/toolbox/>

The toolbox is an online resource that captures emerging good practices to enhance corruption prevention and good management in public procurement in OECD and non-OECD countries. The tools contained in this website have been compiled from practices which have been successfully tested in a number of countries. Tools apply to the phases: pre-tendering phase; tendering phase; post-award phase; and some tools which apply to the entire procurement cycle. These tools help to ensure transparency, good management, prevention of misconduct, accountability and control.

## Assessment tools and datasets

### **Key performance indicators for public procurement. OECD, forthcoming.**

<http://www.oecd.org/corruption/ethics/procurement-key-performance-indicators.htm>

The OECD's experience in working with public procurement shows that a sound procurement system includes: a) procurement rules and procedures that are simple, clear and ensure access to procurement opportunities; b) effective institutions to conduct procurement procedures and conclude, manage and monitor public contracts; c) appropriate electronic tools; d) suitable, in numbers and skills, human resources to plan and carry out procurement processes; and e) competent contract management. In 2013, the OECD commenced a process to develop a set of indicators to measure the performance of public procurement systems and their evolution over time. Four areas for the development of indicators were identified: 1) efficiency of the public procurement cycle; 2) openness and transparency of the public procurement cycle; 3) professionalism of the public procurement workforce; and 4) contract performance management.

### **New ways to measure institutionalised grand corruption in public procurement. Fazekas, M., Tóth, I.J., U4, 2014.**

<http://www.u4.no/publications/new-ways-to-measure-institutionalised-grand-corruption-in-public-procurement/downloadasset/3631>

While there have been many qualitative accounts of high-level corruption in public contracting, it is only recently that quantitative indicators have become available. By making use of big data generated by governments on contracts, companies and individuals, this publication outlines a new approach to develop quantitative indicators which can be used to guide policy intervention and support control of corruption.

### **Methodology for assessing procurement systems (MAPS). OECD DAC, 2010.**

<http://www.oecd.org/development/effectiveness/45181522.pdf>

MAPS is a tool which developing countries and donors can use to assess the quality and effectiveness of procurement systems. Two types of indicators are used for the assessment: base-line indicators, looking at the legal framework; and compliance/performance indicators, assessing procurement in practice. As of 2011, MAPS has been applied to more than 60 developing countries and has proven to be a useful tool to identify weaknesses and to agree on a strategy for reforming the public procurement systems of a country.

### **Civil society procurement monitoring (CSPM) tool. Transparency International-USA (TI-USA).**

<http://monitoring.transparency-usa.org>

CSPM is a web-based tool that is meant to support CSOs or individuals who want to monitor public procurement for red flags for corruption in their respective countries. The tool was designed by TI-USA in cooperation with CSOs in Indonesia and the Philippines, support from procurement and IT consultants and funding from the Governance Partnership Facility, administered by the World Bank. The CSPM tool, and particularly the monitoring assistant, its main component, adopt a forensic approach to procurement monitoring, by focusing specifically on the red flags of corruption that can be detected by CSOs, considering the information to which they normally have access.



## Resources from Transparency International's Anti-Corruption Helpdesk

### **Public procurement law and corruption. Martini, M. Transparency International, 2015.**

[http://www.transparency.org/files/content/corruptionqas/Public\\_procurement\\_law\\_and\\_corruption\\_2015.pdf](http://www.transparency.org/files/content/corruptionqas/Public_procurement_law_and_corruption_2015.pdf)

This Helpdesk answer goes into detail about best practice for public procurement laws, and how this can help to limit corruption in public procurement. Whilst acknowledging that procurement laws should be designed in accordance with each specific country's context and legal tradition, the paper highlights some general issues that should be covered by all procurement regulations. These include clear and objective rules regarding the procurement methods available and the grounds under which each method should be used, transparent rules on the bidding process, including time limits, tender documents and contractor qualifications, and the evaluation criteria of bids and bidders. Moreover, it finds that procurement laws should include provisions for complaint mechanisms and the protection of whistleblowers, sanctions for non-compliance, measures to ensure the integrity of procurement officials, and provide for effective monitoring of awarded contracts.

### **Public procurement planning and corruption. Wheatland, B. Transparency International, 2015.**

[http://www.transparency.org/files/content/corruptionqas/Public\\_procurement\\_planning\\_and\\_corruption\\_2015.pdf](http://www.transparency.org/files/content/corruptionqas/Public_procurement_planning_and_corruption_2015.pdf)

This answer provides an overview of the corruption risks that are present in the planning stage of public procurement, and outlines the ways by which corruption risks can be reduced. The answer focusses on needs assessments, bidding plans, defining technical specifications of items being procured, and bidding documentation as these areas are most at risk of corruption. Common methods to reduce corruption risk include an adequate legal framework, transparency and public oversight, and adequately trained staff. A directive from the European Union has also recently come into effect, and EU member states must ensure that their national legislation is in line with these regulations which include specific regulations to reduce corruption risk.

### **The role of technology in reducing corruption in public procurement. Luijken, T., Martini, M., Transparency International, 2014.**

[http://www.transparency.org/files/content/corruptionqas/The\\_role\\_of\\_technology\\_in\\_reducing\\_corruption\\_in\\_public\\_procurement\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/The_role_of_technology_in_reducing_corruption_in_public_procurement_2014.pdf)

This Helpdesk answer provides examples of good practice/case studies from various regions and countries on the role technology and e-procurement can play in reducing corruption in public procurement. The paper provides country examples of successful introduction of e-procurement in Albania, Georgia and South Korea. It concludes that e-procurement has the potential to prevent and reduce the opportunities for corruption at the different stages of public procurement. Nevertheless, the establishment of e-procurement as a standalone reform is unlikely to bring about positive transformational results. Countries have to invest in coherent legal frameworks, training and oversight capacity to ensure that the potential benefits of e-procurement, in terms of reducing corruption, are exploited to their maximum. (This Helpdesk answer is also available in [French](#) and [Spanish](#).)

### **Blacklisting in public procurement. Martini, M., Transparency International, 2013.**

[http://www.transparency.org/files/content/corruptionqas/Blacklisting\\_in\\_public\\_procurement.pdf](http://www.transparency.org/files/content/corruptionqas/Blacklisting_in_public_procurement.pdf)

Blacklisting, or debarment, typically refers to the procedure that excludes companies and individuals involved in wrongdoings from participating in tendering projects. A blacklisting register is often consolidated in one place, and can either be made available to the wider public or only to contracting authorities. In order to have an efficient and fair system in place, blacklisting should be based on clear rules and on the principles of fairness and accountability, transparency, good judicial practice and uniformity. Many countries and international organisations have introduced blacklisting systems due to corruption, but only a few, such as Bangladesh, Brazil, Pakistan and Uganda, have established a public and central register or database of all companies and individuals that have been debarred. Despite the use of blacklists, there is very limited evidence of the impact of such lists in reducing corruption.

**Conflict of interest in public procurement. Martini, M., Transparency International, 2013.**

[http://www.transparency.org/files/content/corruptionqas/Conflict\\_of\\_interest\\_in\\_public\\_procurement.pdf](http://www.transparency.org/files/content/corruptionqas/Conflict_of_interest_in_public_procurement.pdf)

This answer provides an overview of how to prevent and avoid conflict of interest in public procurement. In particular, countries should enact guidelines with a clear definition of conflict of interest, as well as put forth requirements for officials involved in the procurement process to disclose information on their private interests and assets, in addition to excusing themselves from certain decision-making processes and prohibiting them from performing certain functions if the opportunities for conflict of interest exist. In addition, access to information, stakeholder participation in key stages of the procurement cycle and clear review mechanisms are essential to transparency and accountability in public procurement and, therefore, are essential in preventing conflict of interest and other forms of corruption. Moreover, effective implementation and enforcement of the law are key to create a deterrent effect and ensure integrity during the process.

**Overview of principles for monitoring and challenging public procurement contracts. Agator, M., Transparency International, 2013.**

[http://www.transparency.org/files/content/corruptionqas/Overview\\_of\\_principles\\_for\\_monitoring\\_and\\_challenging\\_public\\_procurement\\_contracts.pdf](http://www.transparency.org/files/content/corruptionqas/Overview_of_principles_for_monitoring_and_challenging_public_procurement_contracts.pdf)

The paper provides an overview of the most widely used instruments and principles related to monitoring public procurement and awarded contracts, including information on sanctions (for example, administrative sanctions and cancellation of contracts) and means to challenge procurement processes and concessions. Common elements include the need for internal controls and external audits, as well as autonomy of oversight units. The strongest instruments also require the involvement of civil society and the systematic blacklisting of companies involved in wrongdoings. In addition, international standards require states to implement effective redress mechanisms to any person having or having had an interest in obtaining a particular public procurement contract.

**The benefits of open contracting. Chêne, M., U4/Transparency International, 2012.**

<http://www.u4.no/publications/the-benefits-of-open-contracting/downloadasset/2898>

This Helpdesk answer provides an overview of the benefits of open contracting and highlights the evidence base and research gaps in this area. It also provides an overview of open contracting approaches and lessons learned, with a special focus on extractive industries, infrastructure and

forestry. The paper found that good practice in this area involves mandated or non-mandated proactive disclosure of contract information in user-friendly formats, from the awarding process to the monitoring and evaluation of contract implementation, with open access to the public, ideally through online platforms. However, more consultation with key stakeholders is needed to ensure maximum levels of transparency

**Examples of procurement compliance checklists. Chêne, M., U4/Transparency International, 2010.**

[http://www.transparency.org/files/content/corruptionqas/236\\_Examples\\_of\\_procurement\\_compliance\\_checklists.pdf](http://www.transparency.org/files/content/corruptionqas/236_Examples_of_procurement_compliance_checklists.pdf)

Procurement compliance checklists constitute an important element of corruption risk management strategies in procurement processes, both in terms of prevention and detection of fraud and corruption. They can guide procurement staff through the process of transparent and effective procurement and help detect and report irregularities. Compliance checklists reflect good practice in procurement processes by providing a set of indicators to assess adherence to the agency's procurement rules and regulations. They are often structured around the major phases of the procurement cycle and typically cover the various risks associated with each phase of the contracting process, using red flags and "blinking" indicators. The paper also outlines details for successful implementation of such compliance checklists.

## Actors and stakeholders

### **Open Contracting Partnership**

<http://www.open-contracting.org>

The Open Contracting Partnership brings together a broad range of stakeholders which also includes civil society. The Open Contracting platform operates a so-called community of practice which offers a social media-based space where interested stakeholders from civil society, government, private sector, media, academia and others to share, learn, connect and collaborate around experiences in open contracting. Apart from the community of practice, the Open Contracting portal offers access to the global principles (listed in the standards, principles and guidelines section above), and an Open Contracting data standard. The latter will ensure that partners across the world can gain access to joined-up data, supported by an ecosystem of tools and services, rather than facing many silos of disjointed contracting data. Tools for implementing open contracting standards, as well as research and measurement tools are not yet readily available for online access and download. It is understood that this is planned to be made available in the nearer future.

## Useful websites

### **OECD: Fighting corruption in the public sector**

<http://www.oecd.org/corruption/ethics/integrityinpublicprocurement.htm>

This portal offers access to OECD work on integrity in public procurement. In addition to the principles and the checklist (listed in the respective sections) this portal offers access to the Network of Leading Practitioners on Public Procurement which provides a global view of leading procurement practice through knowledge sharing on effective approaches to strengthening public procurement systems and transforming procurement into a strategic function. This is complemented by specific information for public procurement in the sectors energy, healthcare, and for green procurement.

**Transparency International: Curbing corruption in public procurement topic page**

[http://www.transparency.org/whatwedo/activity/curbing\\_corruption\\_in\\_public\\_procurement](http://www.transparency.org/whatwedo/activity/curbing_corruption_in_public_procurement)

This portal is the entry point for tools and other publications by Transparency International related to public procurement. It offers, for instance access to the CSPM, developed by TI-USA. This is a “red-flag tool” which can be used by independent, civil society monitors (for external monitoring) as well as by respective compliance officers within the procuring agency (internal monitoring). Also, the portal provides access to the integrity pacts overview, and, soon, to the Integrity Pacts in Public Procurement Implementation Guide.

# QUASI-FISCAL OPERATIONS AND OFF-BUDGET FUNDS

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A number of operations involving public money occur beyond the core elements of the PFM system. Such extra-budgetary activities are not included in the annual budget and are therefore not subject to the same standards of reporting, regulation, or audit as other on-budget items. Yet, off-budget funds can amount to a sizable share of government activities, accounting for an average of nearly 40 per cent of central government expenditure in transitional and developing countries<sup>11</sup>. Extra-budgetary funds typically include pension or social security funds, funds held by state-owned enterprises, natural resources funds, funds set up to manage aid and other discretionary or secret funds, among others.

## OVERVIEW OF CORRUPTION RISKS

Such off-budget funds may be set up for legitimate purposes and make sense in some cases to ensure effective management of specific government activities. In many countries, for instance, social security systems (pensions, health insurance, unemployment benefits, and so) operate an insurance-like model of managing their funds. On the revenue side, resource-rich countries have often established stabilisation, or reserve funds to accumulate surplus revenue for future generations. The state also fully or partly owns a number of public enterprises, which ideally earn a profit for the benefit of their owner (the government). However, such funds can also be set up for keeping certain budget items away from public scrutiny and escape the political and administrative controls that typically regulate budgetary spending.

As they are not recorded in the core PFM statistics and reports, off-budget activities pose problems in reporting and consolidating fiscal data and constitute a major transparency challenge. In terms of accountability, they are often submitted to less stringent requirements for reporting and public oversight. In many countries, for example, supreme audit institutions do not release public reports of extra-budgetary funds, limiting opportunities for public scrutiny, have a longer time frame for auditing or do not audit such funds at all. Similarly, for example, state-owned enterprises may have their own (less stringent) financial and auditing regulations and may not be subject to regular controls and oversight of other public bodies.

As off-budget transactions are not subject to the same standards of financial discipline and oversight, they are likely to be at greater risk of fraud, irregularity, or be used for unauthorised purposes. Corruption risks in these “hidden corners” may take the form of embezzlement, theft,

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<sup>11</sup> Looking beyond the budget: extra-budgetary funds. IBP. <http://internationalbudget.org/wp-content/uploads/Looking-Beyond-the-Budget-1-Extrabudgetary-Funds.pdf>

bribery and collusion. Some studies also regard such arrangements as a potential source of political and administrative corruption, in particular where these funds are used to finance political parties<sup>12</sup>.

## ANTI-CORRUPTION TOOLS AND APPROACHES

The prerequisite to address corruption risks in extra-budgetary funds is to make information on extra-budgetary funds publicly available to provide opportunities for public scrutiny. A number of initiatives have emerged to improve the level of transparency and accountability of extra-budgetary funds, in particular, in the natural resources sector with the Extractive Industry Transparency Initiative. Adequate governance arrangements should also be put in place to manage extra-budgetary funds in a way that guarantee sufficient transparency and accountability. More generally, the use of such funds should be limited to cases where there is a valid rationale for off-budget arrangements.

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<sup>12</sup> Extra-budgetary funds. Allen R., Radev, D., IMF, 2010. [www.imf.org/external/pubs/ft/tnm/2010/tnm1009.pdf](http://www.imf.org/external/pubs/ft/tnm/2010/tnm1009.pdf)

## RESOURCES ON EXTRA-BUDGETARY FUNDS

### Background studies

**The hidden corners of public finance: a synthesis of country case studies that look beyond the core budget. Petrie, M., de Renzio, P., & Moon, S., IBP, 2014.**

<http://internationalbudget.org/wp-content/uploads/The-Hidden-Corners-of-Public-Finance-Synthesis-Paper.pdf>

This report analyses and describes off-budget activities in more detail. Drawing on eight case studies (state-owned enterprises in Brazil, South Africa, South Korea; quasi-fiscal activities in Croatia and South Africa; extra-budgetary funds in France and Russia; tax expenditures in Germany and Mexico) this report analyses the legal requirements to disclose information, the information actually available and oversight mechanisms in place, and gives recommendations for civil society groups and other actors interested in monitoring government activities and operations in these areas. The case studies have been selected from among those countries that have good levels of overall budget transparency so that some innovative practices that exist around the world can be learned from them.

**Natural resource funds - managing the public trust: how to make natural resource funds work for citizens. Revenue Watch Institute, Vale Columbia Center, 2014.**

Andrew Bauer (ed.)

[http://www.resourcegovernance.org/sites/default/files/NRF\\_RWI\\_Complete\\_Report\\_EN.pdf](http://www.resourcegovernance.org/sites/default/files/NRF_RWI_Complete_Report_EN.pdf)

Published by the National Resource Governance Institute (NRGI), this study analyses the current state of governance of natural resource funds around the world. Based on an in-depth analysis of 22 funds (Chile, Norway, some Persian Gulf countries and several US states, Botswana, Equatorial Guinea, Iran, Kuwait, Mexico, Russia, Qatar, Azerbaijan, Kazakhstan, Trinidad and Tobago and Venezuela) the report puts forward policy options to “enhance the likelihood that funds will serve their stated objectives and the public interest”. These recommendations include to “require regular and extensive disclosures of key information (for example, a list of specific investments and names of fund managers) and audits, and to establish strong independent oversight bodies to monitor fund behaviour and enforce the rules” (recommendations 5 and 6 out of 6).

**Extra-budgetary funds. Allen, R., Radev, D., IMF Fiscal Affairs Department, 2010.**

<http://www.imf.org/external/pubs/ft/tnm/2010/tnm1009.pdf>

This technical note addresses the following main questions: what are the definitions, classifications and typology of extra-budgetary funds (EBFs)? Why do EBFs exist? What are the problems created by EBFs? What are the criteria for evaluating and reforming EBFs? What are the implications for analysis of fiscal policies and for PFM?

**Off-budget and tax expenditures. Kraan, D-J., OECD, 2004.**

<http://www.oecd.org/gov/budgeting/39515114.pdf>

This paper reports the work that has been done by the OECD Secretariat on the off-budget and tax expenditures project. The paper examines how off-budget expenditure affects the universality principle (all expenditures and all revenues collected should be in the budget), the unity principle (all expenditures in the budget and all revenues to be collected should be presented to the budgetary

authorities for the purpose of decision making in a single document) and the specificity principle (expenditures and revenues should be specified individually in the budget) in OECD countries.

## Standards, principles and guidelines

### *State-owned enterprises*

#### **Guidelines on corporate governance of state-owned enterprises. OECD.**

<http://www.oecd.org/daf/ca/SOE-guidelines-update-draft-text-May-2014.pdf>

Published in 2005, the OECD's Guidelines on Corporate Governance of State-Owned Enterprises are regarded as the international benchmark to help governments improve the corporate governance of state-owned enterprises (SOEs). The guidelines are currently subject to a review; approval of the new guidelines by the OECD Corporate Governance Committee is expected in November 2014. The draft of the revised guidelines remains rather vague on issues like public access to information, and does not contain any reference to anti-corruption requirements to be implemented by SOEs. Given the fact that these guidelines are perceived as a benchmark, also by many non-OECD member countries (and that in these countries, the share of SOEs in the economy is often even bigger than in OECD countries), leaves more monitoring and oversight efforts by civil society organisations to be hoped for.

### *Sovereign wealth funds (SWF)*

A separate body of resources has evolved for the management of so-called sovereign wealth funds (SWF), these are funds which resource-rich countries have established to manage their excessive revenues for future "bad times".

#### **Generally accepted principles and practices (GAPP).**

<http://www.iwg-swf.org/pubs/gapplist.htm>

In 2008, SWF and government representatives of 23 countries, assisted by the IMF, agreed a set of 24 generally accepted principles and practices (GAPP), known as the Santiago principles, to guide transparency and governance arrangements of SWF. The EU Commission (DG Internal Market and Services) is an active stakeholder in this initiative. These principles comprise, for instance, to report on an annual basis, in accordance with recognised international or national accounting and auditing standards and to publicly disclose "relevant financial information". An analysis of the latest progress report of the implementation of the Santiago principles shows, however, a rather mixed picture.

#### **Extractive Industries Transparency Initiative (EITI) standard.**

<https://eiti.org/document/standard>

The EITI standard is the authoritative source on how countries can implement EITI. It is the global transparency standard for improving governance of natural resources. As of October 2014, 29 countries are fully compliant with the EITI standard, and another 17 countries are implementing the requirements towards full compliance. Similar to other initiatives, the EITI standard covers a range of requirements to ensure timely, comprehensive, and publicly accessible reporting and communication which is believed to also contribute to reduced corruption. The multi-stakeholder approach of the EITI is manifested in a separate protocol that clearly sets out rules and procedures to ensure a "free, full, independent, active and effective participation of civil society" in EITI activities.



## Practical insights: handbooks and toolkits

**Reforming national oil companies: nine recommendations. Heller, P.R.P., Mahdavi P., & Schreuder, J., NRG, 2014.**

<http://www.resourcegovernance.org/publications/reforming-national-oil-companies-nine-recommendations>

For this publication, NRG surveyed 12 state-owned oil companies, or national oil companies (NOC) from diverse geographical and operational contexts to distil practical steps that policy makers can take to make their countries' NOCs more effective and more accountable, to governments and to citizens. The nine recommendations for companies and the authorities who oversee them, include investing in NOC staff integrity and capacity and maximising public reporting of key data.

**A guide to transparency in public finances: looking beyond the budget. IBP, 2011.**

<http://internationalbudget.org/wp-content/uploads/Looking-Beyond-the-Budget.pdf>

This is a compendium of five briefs that examine, beyond budget reports, other areas of public finance that are less well understood and especially vulnerable to efforts to shield them from public scrutiny. These briefs are based on existing guidance and practices related to these areas of public finance gathered from various sources. The briefs cover key areas, including [extra-budgetary funds](#) and [quasi-fiscal activities](#).

**Accountability and transparency: a guide for state ownership. OECD, 2010.**

<http://www.oecd.org/daf/ca/accountabilityandtransparencyaguideforstateownership.htm>

This guide facilitates the practical implementation of the OECD guidelines on corporate governance of state-owned enterprises in the areas of transparency and accountability. It shows that improvement is politically feasible when taking into account the complex challenges that governments have to face. The guide provides a catalogue of viable policy options, including a step-by-step road map pointing out typical difficulties, risks and hurdles and concrete examples of good practices.

## Assessments and databases

**State-owned enterprise governance reform: an inventory of recent change. OECD, 2011.**

<http://www.oecd.org/daf/ca/corporategovernanceofstate-ownedenterprises/48455108.pdf>

This publication updates the OECD survey of 2005, taking stock of the significant changes in the SOE landscape in OECD countries since then. It includes information about SOE governance practices in the four new OECD countries – Chile, Estonia, Israel and Slovenia – and pays special attention to Poland which has embarked on an ambitious programme of SOE reform. The country surveys are organised according to the main sections of the OECD Guidelines on corporate governance of state-owned enterprises, and cover: the legal and regulatory framework for SOEs; the state acting as an owner; equitable treatment of shareholders; relations with stakeholders; transparency and disclosure; and the responsibilities of the boards of SOEs.

**Corporate governance of state-owned enterprises: a survey of OECD countries. OECD, 2005.**  
<http://www.oecd.org/daf/ca/corporategovernanceofstate-ownedenterprises/corporategovernanceofstate-ownedenterprisesasurveyofocdcountries.htm>

This survey provides a broad comparative overview of SOE governance in OECD countries. It provides a wealth of information, including examples of successes and failures of past reform efforts. It highlights the key challenges to be addressed by the state as a corporate owner and provides a framework to help governments assess and improve the way they exercise their ownership function and ensure a level playing field for private and state-owned enterprises. It also shows the importance of making progress in transparency and disclosure by SOEs and strengthening SOE governing boards. The analytical part of the report examines the scale of these enterprises in OECD countries, organisation of the ownership function, relationships with non-state shareholders, the role of stakeholders in corporate governance, transparency and disclosure, and the board of directors. Tables in the annex compare legal status, transparency and disclosure, and board composition and functions, and CEO appointment and remuneration policies of SOEs across countries.

#### **Resource governance index**

<http://www.resourcegovernance.org/rji>

The resource governance index (RGI) measures the quality of governance in the oil, gas and mining sectors of 58 countries. The RGI scores and ranks the countries, relying on a detailed questionnaire completed by researchers with expertise in the extractive industries. The index assesses the quality of four key governance components: institutional and legal setting; reporting practices; safeguards and quality controls; and enabling environment. It also includes information on three special mechanisms commonly used to govern oil, gas and minerals, state-owned companies, natural resource funds and subnational revenue transfers. The RGI is published every two years. The current RGI is from 2013; the next version will be available in late 2015.

### Resources from Transparency International's Anti-Corruption Helpdesk

#### **Proactive disclosure of information and state-owned enterprises. Martini, M., 2014.**

[http://www.transparency.org/files/content/corruptionqas/Proactive\\_disclosure\\_of\\_information\\_and\\_SOEs\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/Proactive_disclosure_of_information_and_SOEs_2014.pdf)

This Helpdesk answer analyses the extent to which SOEs are subject to national access to information legislation. The findings of this study present a rather ambiguous picture with a trend, however, towards increasing the scope of the entities covered as well as increasing the amount of information to be disclosed proactively by these entities. This paper also contains some country examples for proactive access to information legislation covering SOEs.

#### **Good practice in mitigating corruption risks in the extractives sector. Lindner, S., 2014.**

[http://www.transparency.org/files/content/corruptionqas/Good\\_practice\\_in\\_mitigating\\_corruption\\_risks\\_in\\_the\\_extractives\\_sector\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/Good_practice_in_mitigating_corruption_risks_in_the_extractives_sector_2014.pdf)

This Helpdesk answer examines examples of good practice in mitigating the risk of corruption in the extractives sector (oil, gas and mining) in resource-rich developed and emerging economies. It finds that corruption risks can occur at every step of the value chain, from the awarding of contracts and licenses to determining how to spend revenues. Many governments and companies in resource-rich developed and emerging economies have therefore taken steps to combat corruption and ensure

revenues are adequately used. Practices include (a) ensuring fair awarding procedures through the criminalisation of bribery, clear and transparent awarding procedures, and contract transparency; (b) mechanisms for monitoring operations (also at SEOs) that include audits, parliamentary oversight, civil society and media monitoring, as well as corporate transparency and monitoring; (c) systems for collecting revenues in a transparent and accountable manner through sound fiscal regimes and transparent reporting; and (d) determining accountable ways to manage, invest and spend revenues such as through sovereign wealth funds and strategic planning processes.

**Transparency of state-owned enterprises. Wickberg, S., 2013.**

[http://www.transparency.org/whatwedo/answer/transparency\\_of\\_state\\_owned\\_enterprises](http://www.transparency.org/whatwedo/answer/transparency_of_state_owned_enterprises)

This paper recommends the anti-corruption recommendations which Transparency International has put forward for the business sector to also apply to SOE. These recommendations including having companies: disclose detailed information about their anti-corruption programmes; publish complete lists of their affiliates, subsidiaries, joint ventures and other related entities; publish individual financial accounts for each country where they operate; have a corporate website that centralises all disclosed information and is available in at least one international language. Further, the paper presents promising examples and approaches from many countries across the globe.

## Actors and organisations

**Extractive Industries Transparency Initiative (EITI)**

[www.eiti.org](http://www.eiti.org)

The EITI is a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources. EITI has issued the EITI standard (referenced above). Currently, 31 countries are fully compliant with the EITI principles, with another 17 countries are working towards them.

**National Resource Governance Institute (NRGI)**

formerly known as the Revenue Watch Institute (RWI)

[www.resourcegovernance.org](http://www.resourcegovernance.org)

The NRGI works to promote accountable and effective governance in the extractive industries. To this end, the organisation provides and facilitates technical advice, advocacy, applied research, policy analysis and capacity development. NRGI partners with innovative agents of change within government ministries, civil society, the media, legislatures, the private sector and international institutions.

# EXTERNAL AUDIT AND OVERSIGHT

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In addition to internal control and internal audit bodies, external oversight institutions such as supreme audit institutions or parliamentary committees play an increasing role in curbing corruption. The external audit of the budget is the stage where corruption should be detected and perpetrators held to account for their misuse of public funding. While corruption can affect the auditing process, the anti-corruption potential is arguably higher than corruption risks at this stage of the process.

## SUPREME AUDIT INSTITUTIONS

### The role of supreme audit institutions in fighting corruption

As a key element of the formal accountability system, supreme audit institutions (SAIs) have the mandate to scrutinise government transactions to ensure the accountability of public funds. They are in charge of conducting the external audit of public institutions across the public sector to ensure that the government's financial statement accurately reflects revenue collected and expenditures made, and that public funds are used according to the laws and regulations in place. Increasingly, SAIs also undertake value for money and performance audits to assess the agency's performance against its stated goal rather than just its compliance with rules and regulations.

As the last step of the audit cycle, the SAI prepares a report which is examined by the legislature to validate the work of the executive and follow up on problems identified by the SAI. Furthermore, audit reports provide the public with the information they need to hold their governments to account. As such, SAIs are playing a growing role in improving public financial management and accountability and strengthening good governance.

However, in practice, in many countries of the world, the external audit process faces challenges of independence, transparency, resources, capacity and political will of the executive and the legislature to implement the auditor general's report. This can significantly undermine the effectiveness of subsequent legislative scrutiny. In many countries, SAIs also face major capacity challenges, as the introduction of integrated financial management information systems (IFMIS), performance audits, and a multiplication of the number of institutions to be audited which add to the workload of SAIs that are often already strained by a lack of financial autonomy, human and financial resources and capacity. SAIs are also often subject to limited oversight and not immune to risks of undue influence or corruption in their operations.

## ANTI-CORRUPTION TOOLS AND APPROACHES

Strengthening the external audit and oversight process is instrumental to allow SAIs to effectively play their role in detecting corruption and holding corrupt officials to account. In particular, they can contribute to identify and publicise areas of corruption risk, working more closely with other institutions, such as parliament, and publicise the recommendations of audit reports more widely.

- **Transparency.** Transparency is a prerequisite for strengthening external oversight and the role of civil society in the process. However, in many countries of the world, not all audit reports are made public and citizens do not have access to the auditor's report, which limits opportunities for public scrutiny. There are some good practice examples of SAIs involving civil society, particularly in audit planning, to better identify and better addresses corruption risks in the audit process.
- **Focussing audit planning on areas highly vulnerable to corruption.** SAIs have a key role to play in proactively identifying and monitoring emerging corruption risks. They can prioritise and focus their audit work on areas especially vulnerable to corruption, often as part of the audit planning process.
- **Working closely with other national institutions.** A strong and supportive institutional environment is critical, especially to ensure that effective mechanisms exist for implementing the recommendations of audit reports.
- **Institutional reforms.** It is also instrumental that SAIs have the independence, human, technical and financial resources and capacity to effectively fulfil their mandate.
- **The role of INTOSAI.** SAIs typically belong to a representative body – the International Organisation of Supreme Audit Institutions (INTOSAI) – which has established basic standards to guide SAIs' work and provides an international architecture for reform. INTOSAI is currently developing a guideline for the audit of corruption prevention in government agencies<sup>13</sup>. By adopting this guideline, SAIs would become the first institutions in the PFM system to explicitly address corruption as part of their work.

## LEGISLATIVE OVERSIGHT

### The role of parliaments in external oversight

In most countries, parliaments have the mandate to approve the annual budget and oversee government expenditures throughout the budget cycle. In particular, parliaments have a key oversight role, normally ensured by the parliamentary public accounts committee, in scrutinising the final audit report after the budget has been executed and following up on the SAI's

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<sup>13</sup> INTOSAI Draft Guideline 5700 for the audit of corruption prevention in government agencies: <http://www.issai.org/4-auditing-guidelines/guidelines-on-specific-subjects/>

recommendations. As an elected body, parliaments can facilitate public engagement with the budget process through consultations with their constituents.

However, oversight of government finances and operations is performed poorly by parliaments in many countries of the world, especially in developing countries, due to lack of resources, capacity and leverage, inadequate time scales and a non-responsive executive. Parliaments are also often unable to ensure that their recommendations are acted on, and the lack of enforcement mechanisms and incentives to impose sanctions has been identified as a major weakness of the external audit process.

## ANTI-CORRUPTION TOOLS AND APPROACHES

To be fully effective in detecting corruption, legislative oversight requires appropriate parliamentary powers, resources and procedures, good executive accounting, reporting and transparency, skilled parliamentarians, and an independent and vibrant civil society. Initiatives aiming to strengthen the oversight role of parliaments often focus on institutional and technical capacity building. In addition, they can involve a number of measures:

- **Citizens' participation.** As already mentioned, civil society has an important role to play in supporting and contributing to audit and oversight work and increasingly shows commitment to the oversight process through various social audits and budget monitoring tools. This implies that all budget and audit documents are made publicly available.
- **Strengthening the capacity of public account committees (PACs).** Members of parliament often lack the technical capacity to fully play their oversight role due to the complexity of budget processes. PACs can meaningfully contribute to budget oversight, provided they are given appropriate technical, human and financial resources, as well as adequate powers and independence from the executive.
- **Strengthening the relationship between parliament and SAIs** is of decisive importance to ensure effective oversight of government financial operations, for example, with regards to the exchange of information, access to audit reports and follow ups on recommendations.
- **The role of international parliamentary associations.** Parliamentarians also work together to develop and exchange approaches to strengthen their role in curbing corruption in platforms like the Parliamentary Oversight Global Task Force of the Global Organisation of Parliamentarians against Corruption (GOPAC), or the Parliamentarians against Corruption platform of the Council of Europe's Parliamentary Assembly.

# RESOURCES ON EXTERNAL AUDIT AND OVERSIGHT

## Background studies

### **Supreme audit institutions and stakeholder engagement practices: a stocktaking report. Effective Institutions Platform, 2014.**

[http://www.effectiveinstitutions.org/documentupload/Stock take report on SAIs and citizen engagement.pdf](http://www.effectiveinstitutions.org/documentupload/Stock%20take%20report%20on%20SAIs%20and%20citizen%20engagement.pdf)

This study summarises the potential for, and the benefits of civil society engagement in external auditing. It also elaborates on the conditions which will influence the possible format and scope of engagement between SAIs and CSOs. This includes: political culture and tradition of social accountability in the country, which may influence the legitimacy and acknowledgment of the need to engage citizens and their willingness to cooperate with SAIs; the individual role and mandate of the SAI and the resources available for the SAI's work; or the quality of linkages with other accountability institutions like anti-corruption agencies or the judiciary, to name but a few. The report also identifies risks for a closer engagement between SAIs and CSOs, among which are fears for undermining both parties' independence, objectivity and credibility, delays and higher costs of the audit process, and bureaucratic resistance (again, to name but a few). Several country case studies, from Argentina, Mexico, Korea, Indonesia and other countries, are also provided which makes this book a highly relevant resource for initiatives to strengthen CSO's role in external auditing with the purpose of combating corruption.

### **Maximising the efficiency and impact of supreme audit institutions through engagement with other stakeholders. Reed, Q., U4, 2013.**

<http://www.u4.no/publications/maximising-the-efficiency-and-impact-of-supreme-audit-institutions-through-engagement-with-other-stakeholders/downloadasset/3277>

The paper focuses on how parliaments and NGOs can help SAIs improve both their audits and the impact of their audits. Its main insight is that both legislatures and non-state actors can, and should, be a useful source of audit initiatives, as well as a vehicle to disseminate findings and create pressure for follow up. A review of SAIs in Croatia, Macedonia, Montenegro and Slovenia shows that engagement with NGOs, parliaments and other stakeholders is essential to a well-functioning audit cycle. The paper recommends a more holistic approach to budget accountability that recognises SAI expertise and capacity as only one of the conditions necessary to ensure impact. Other recommendations include the need for an open procedure for audit selection and engagement with external counterparts. It concludes with suggested actions for donors, including assistance to NGOs to monitor the implementation of SAI recommendations.

### **Responding to the challenges of supreme audit institutions: can legislatures and civil society help? Van Zyl, A., Ramkumar, V., & de Renzio, P., U4, 2009.**

<http://www.u4.no/publications/responding-to-the-challenges-of-supreme-audit-institutions-can-legislatures-and-civil-society-help/downloadasset/121>

This U4 Issue paper explores the challenges of evaluating the expenditures and performance of government agencies in detail and suggests how SAIs can overcome some of them by forming and strengthening alliances with parliaments and civil society. It proposes that, in circumstances where the legislature is weak, the SAI may need to stretch the letter of their mandate for the benefit of more effective application of public resources to development challenges.

## Standards, principles and guidelines

### **Draft guideline 5700 for the audit of corruption prevention in government agencies. INTOSAI.**

<http://www.issai.org/4-auditing-guidelines/guidelines-on-specific-subjects/>

Currently still a draft guideline, this is designed to help SAI auditors prepare, conduct and evaluate audit missions on anti-corruption policies and procedures in government agencies. It highlights anti-corruptive policies, structures and processes in these agencies and can be used as an audit tool by the auditors. However, it may also be used by the audited bodies (government departments, government institutions, and so on) as guidance for implementing and controlling their own anti-corruption activities. SAIs that do not have a mandate to conduct performance audits can use this guideline for internal purposes. While the period for commenting on this draft has already closed, adoption of this guideline is expected to take place not earlier than 2016, which demonstrates that the matter is a complex, and possibly controversial, one.

## Practical insights: handbooks and toolkits

### **Addressing fraud and corruption issues when auditing environmental and natural resource management: guidance for supreme audit institutions. INTOSAI Working Group on Environmental Auditing, June 2013.**

<http://www.environmental-auditing.org/LinkClick.aspx?fileticket=7/YFUCz/6Bk=&tabid=128&mid=568>

While focusing especially on audits of government programmes in the field of environmental protection and sustainable development, this resource contains a number of tools and approaches that can be applied to detect fraud and corruption in audits in all sectors. These include, for instance, an assessment of the internal control systems in place in the government organisation subject to audit, a sector-specific identification of typical corruption risks, sector-specific forms of fraud and corruption, and relevant tools to collect information.

### **Supreme audit institutions accountability for development. Deutsche Gesellschaft für Internationale Zusammenarbeit, INTOSAI, 2013.**

ISBN 978-3-8487-1071-3 (not available online)

Concepts such as good governance, good financial governance and accountability have become increasingly significant in the international discussion. Supreme audit institutions are key pillars of accountability and good governance. They are important actors at the national level, as well as in the international development discourse. This volume of essays highlights the current international discussion and furnishes the reader with a wealth of information about ways in which the external audit function can contribute to good governance. It will provide the reader with fresh insights, inspiring suggestions and ideas.

### **Social audits as a budget monitoring tool. IBP, 2012.**

<http://internationalbudget.org/wp-content/uploads/Social-Audits-as-a-Budget-Monitoring-Tool.pdf>

This report lays out the main elements of social audits in India and consolidates lessons from a horizontal learning exchange that took place between IBP partner organisations from India, Kenya, Mozambique, Cambodia and Indonesia. A part of the IBP's Learning from Each Other series, it lays out in a succinct format the key issues for implementing social audits for budget monitoring.



**Good practices in supporting supreme audit institutions. OECD, 2011.**

<http://www.oecd.org/dac/effectiveness/Final%20SAI%20Good%20Practice%20Note.pdf>

The guide describes the SAI community and how SAIs are currently working together internationally to help strengthen the capacity of members, and outlines ways donors can contribute to this process. In particular, the guide outlines recommendations on how donors can best support this process by working together to: develop and support long-term capacity development projects; ask SAIs to audit donor-supported projects; help raise the profile of the SAI; and utilise the results of SAI audits to help ensure that an SAI's work is used to achieve beneficial change. The guide also highlights the need for development partners to build stronger links to SAIs and their key stakeholders.

**The CDF social audit guide: a handbook for communities. Open Society Institute, 2008.**

<http://www.opensocietyfoundations.org/publications/cdf-social-audit-guide-handbook-communities>

This handbook is designed to assist community groups and individuals to understand the Constituency Development Fund (CDF) process in Kenya and to provide information and skills on how to monitor these through social auditing. The social audit process involves scrutinising details of a public project at a public meeting, including the management of finances, officers responsible, record keeping, access to information, accountability, levels of public involvement, and so on. It seeks to evaluate how well public resources are being used and how to improve performance. It also aims to ensure maximum community participation.

**Financial oversight: a handbook for parliamentarians. Johnston, N., World Bank Institute, 2007.**

[http://gopacnetwork.org/Docs/Oversight\\_handbook\\_EN.pdf](http://gopacnetwork.org/Docs/Oversight_handbook_EN.pdf)

This book suggests how parliamentarians can increase the effectiveness of their oversight function in the strengthening of parliament's role and capacities during the preparation of the budget (ex-ante oversight), as well as for the oversight over the execution and the implementation of the budget (ex-post oversight). The guidebook points to techniques and procedures that have been successfully employed in parliaments worldwide. The book has been adapted to country-specific contexts (for Bangladesh and Arabic countries) and is available in English and Arabic.

## Resources from Transparency International's Anti-Corruption Helpdesk

**Auditing the auditors: international standards to hold supreme audit institutions to account. Clench, B., 2010.**

[http://www.transparency.org/files/content/corruptionqas/238\\_International\\_standards\\_to\\_hold\\_audit\\_institutions\\_to\\_account.pdf](http://www.transparency.org/files/content/corruptionqas/238_International_standards_to_hold_audit_institutions_to_account.pdf)

This Helpdesk answers tackles the question of whether there are internationally agreed standards or guidelines with respect to external audits on SAIs and how SAIs are held to account. The paper concludes that there are no internationally agreed guidelines for external audits of SAIs. INTOSAI provides international guidelines on key principles for SAIs and encourages peer reviews of SAIs. Summarised, it is found that accountability of SAIs is usually vis-a-vis the legislature or the judiciary.

**The role of supreme audit institutions in combating corruption. Evans, A., 2008.**

<http://www.u4.no/publications/the-role-of-supreme-audit-institutions-in-combating-corruption/downloadasset/400>

The paper gives a comprehensive overview about the role of SAIs in anti-corruption. It focuses on concrete activities that SAIs can undertake, techniques to be acquired, and audit focuses to be changed for anti-corruption efforts. It concludes that the role of SAIs in fighting corruption is primarily an indirect one, centring on deterrence and prevention. Successful approaches include identifying and publicising areas of corruption risk, working closely with other institutions and publicising the recommendations of audit reports more widely.

## Actors and stakeholders

**Parliamentary oversight global task force. GOPAC.**

<http://gopacnetwork.org/programs/parliamentary-oversight/>

GOPAC is an international network of parliamentarians dedicated to good governance and combating corruption throughout the world. GOPAC facilitates an exchange of information and analysis, works towards establishing international benchmarks, and to improve public awareness through a combination of global pressure and national action. The parliamentary oversight global task force of GOPAC focuses on financial and operational integrity which includes the on-going review of all government revenue and expenditures, legislation and other parliamentary rules establishing government financial control practices. It also includes legislation and other rules which guide and enable parliament to oversee the implementation of UNCAC.

**Parliamentarians against corruption' platform of the Council of Europe's Parliamentary Assembly PACE.**

<http://website-pace.net/web/apce/anti-corruption-platform>

PACE's new anti-corruption platform, launched on 8 April 2014 in Strasbourg, creates a space for dialogue on this fundamental threat to European values, and helps to promote transparency and honesty in public life. It brings together elected representatives from the parliaments of the 47 member States of the Council of Europe and of non-member states, with experts and other stakeholders to share information, spread good practices and debate how to deal with new forms of corruption. The objective to engage parliamentarians in this is two-fold: to support the work of parliamentarians as responsible guardians in their national parliament and to support the implementation of GRECO recommendations, the Council of Europe's anti-corruption body, into national legislation.

**The International Organisation of Supreme Audit Institutions (INTOSAI)**

<http://www.intosai.org>

INTOSAI operates as an umbrella organisation for the external government audit community. INTOSAI provides an institutionalised framework for supreme audit institutions to promote development and transfer of knowledge, improve government auditing worldwide and enhance professional capacities, standing and influence of member SAIs in their respective countries. INTOSAI facilitates the development and endorses the international standards of supreme audit institutions guidelines for carrying out audits in the individual fields of government activity.