The budget process and corruption

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U4 ISSUE 3:2005
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THE BUDGET PROCESS AND CORRUPTION

Written for U4 by Jan Isaksen

In the interest of making aid effective, donors are increasingly stressing the importance of a good public financial management (PFM) system in partner countries. The budget process is a part of the PFM system which is both very crucial to good development outcomes, and a process vulnerable to corruption.

These issue pages collect evidence and knowledge in the area of corruption in the budget process which is operationally relevant for staff in international development agencies. What is budgetary corruption, how may it be detected and what should the policy responses be?

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INTRODUCTION

The focus of this paper is on corruption key risk areas in various stages in the budget process. These pages throw light on how patronage works, and how it affects public financial management systems. To this end, we collate studies on politics of the budget and informal systems, and consider what they can tell us about corruption in budget processes. Emphasis is put on niches where knowledge is often lacking or not well documented.

Since some agencies have been more involved in PFM matters than others, and they are involved in different sub-areas, there is a considerable potential for agencies to learn from each other.

This paper 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 separate U4 issue pages.

We define budget systems broadly. We do include, but put less emphasis on, budgetary matters that are often seen as parts of PFM in general but not closely related to the budget process itself. Examples of such areas are corruption matters related to regulations, licences, sale of public assets, and privatisation.

This paper primarily addresses the issues from an empirical rather than a theoretical perspective. Reference is made primarily to central government issues and systems. Local government corruption or private sector corruption is covered, although these are clearly linked to the corruption that takes place in central government.

Judicial corruption makes it easier for perpetrators of all kinds of corrupt acts - including budgetary corruption - to ‘get away with it’, and may be part of the reason for rapid development of state corruption. We do not, however, consider corruption in the judiciary in depth here.

PFM systems come in several forms although most of them have considerable similarities. For developing countries these systems often reflect that of a past colonial power. This paper is mainly based on what one may call an ‘Anglophone’ system which is widely adopted by Anglocphone Africa and elsewhere. Differences between systems have been studied by Ian Lienert, (2005) (see the reference list) and others. The U4 website also contains a comparison between Commonwealth and French systems (see link to U4 Expert Answer in the reference list). Conclusions on overall differences between the systems in regard to opportunities for corruption seem to be weak although there may be differences in detail.

1. DEFINITIONS

Budget process

The budget process is in this context defined as the process through which government expenditures are determined or allocated. Normally a budget process is composed of four main stages: formulation, adoption, execution, and control. These issue pages interpret the budget process broadly. We therefore include planning and programming which normally precedes the four stages and are not part of the core government fiscal process. Although the planning/programming stages do not deal with actual money flows, the budget preparation stages may be part of a corruption process that manifests itself only in the actual payments or transfer of money at the execution stage. In fact, one important argument
made here is that if the preliminary stages are poorly executed, this will have repercussions later in the process - with cascading corruption opportunities.

**Corruption and fiduciary risk**

There is no generally accepted and precise definition of the word corruption. One short version is ‘the abuse of public power for private benefit’, which focuses particularly on the public sector. Transparency International uses the broader definition ‘abuse of entrusted power for private gain’. The latter also includes various forms of corruption that takes place in the private sector and elsewhere. Corruption is in a sense a generic term that includes a number of other financial and non-financial irregularities such as bribery, extortion, influence peddling, nepotism, fraud, speed money, or embezzlement.

In dealing with public financial management and particularly concentrating on public expenditure management, it is important to consider the concept of corruption in relation to the concept of fiduciary risk. Fiduciary risk covers all reasons why budget outcomes are different from what was budgeted - whether the budget is not properly accounted for, or not used for the intended purposes - and includes any resource losses caused by corruption. The risk that expenditure does not produce ‘value for money’ may be defined as part of the fiduciary aspect, but is often seen as a separate issue and called ‘development risk’.

We see corruption as one of the elements of fiduciary risk. Fiduciary risk problems may arise because of sloppiness, an inappropriate set of rules, or misunderstandings for which perpetrators will not be characterised as criminal or immoral. Corruption may be differentiated from other kinds of fiduciary risks by two criteria: There must be some sort of gain for the perpetrator(s), and the act leading to a gain for the perpetrator must be intentional.

**2. CONSEQUENCES OF BUDGETARY CORRUPTION**

Corruption in public budget processes is a particularly important type of corruption. Public expenditure - and especially public investment - is known to offer some of the best opportunities for corruption.

The most specific consequences of budgetary corruption are closely linked to government efficiency and effectiveness. Budgetary corruption:

- Misallocates scarce resources. Resources are diverted from government coffers into private hands. Important expenditures for development and for social safety nets are reduced. Limited funds for priority social sector spending are reallocated to areas that benefit few people.
- Renders government planning ineffective. Corruption at the implementation stage of the budget process implies that actual spending differs markedly from original expenditure plans.
- Reduces public confidence in the rule of law and undermines government legitimacy. The hold and influence of criminal and corrupt elements in society is increased. Public faith in government and public sector integrity is diluted.

Budetary corruption thus produces many of the same consequences as corruption in general, in reducing investment and growth. Moreover, by directly affecting spending on priority sectors such as education and health, budgetary corruption can have a particularly damaging effect on the prospects of the poor.

Corruption has a negative effect on international development efforts. It has become necessary for donor agencies to assure their constituencies that aid resources are not used effectively to promote growth and reduce poverty. Donors increasingly emphasise the need for effective public expenditure management and financial accountability systems, and multilateral and bilateral donor agencies put anti-corruption measures high on their agendas. The World Bank adopted an anti-corruption policy in 1997, and the Asian Development Bank did the same in 1998. In 1999, the OECD countries negotiated an Anti-Bribery Convention, and more recently the IMF has developed Standards and Codes of Fiscal Transparency (IMF Fiscal ROSCs) addressing these issues.

On the African continent, the New Partnership for Africa’s Development (NEPAD) has articulated the importance of accountability, describing corruption, ineffective policies, and waste of resources as major causes of the continent’s stagnation. African countries will, under NEPAD, have to commit to good governance and collaboration against corruption.

**3. WHERE IN THE BUDGET PROCESS DOES CORRUPTION TEND TO OCCUR?**

**Assessing the risk of corruption at different stages**

The risk of corruption varies between and within the different stages of the budget process. We break the budget process into its composite stages and sub-stages, and provide an assessment of the risk of corruption in each of these. The links and headlines are all marked, indicating whether corruption is a major concern at a certain stage (marked **HIGH**), whether it can be a concern (marked **MEDIUM**), or whether it is less of a concern (marked **LOW**). We look at these stages:

- **3.1 Panning/MTEFs and the annual budget** **MEDIUM**
- **3.2 Budget formulation** **MEDIUM**
- **3.3 Adoption of budget by Parliament** **HIGH**
- **3.4 Budget execution** **HIGH**
- **3.5 Control, audits and oversight** **HIGH**

Though the stages are treated separately, two important points should be made:

1. Although corruption primarily manifests itself in certain sub-stages of the execution process, the various stages relate to each other and imperfections in one stage may create corrupt opportunities in another stage.
2. Corruption in the budget process does not always boil down to dysfunctional rules/controls and faulty auditing. Overall, factors external to the budget process - people's attitudes to honesty, cultural, and historical elements - may be the drivers of corruption. To capture key dimensions of corruption risks related to the budget process we will have to include not only political economy factors but also the question of systems, institutions, and budget outcomes.

3.1 Planning / MTEF and the annual budgets MEDIUM

Most states have a public sector management system that includes multi-year planning of public activities. In developing countries the plan is often divided into one overall plan and a public investment programme. In principle, the budget will have to build on the policies, aims, and strategies that are set out in the multi-year plan. If...

- the planning process has included proper involvement by the legislative,
- it produces a plan which the executive and the civil service see as their task to implement, and
- the plan is technically sound, well disseminated, and clear,

...the annual budgets in a democratic society will go far towards reflecting the will and aspirations of the electorate. This is the ideal situation which the Medium Term Expenditure Framework (MTEF) is geared towards. It is the IFI's recommendation that developing countries apply MTEFs.

In reality, the planning process may be imperfect in several ways. Where multi-year plans do form the basis of annual budgets, it may still be the case that:

- Bureaucrats or politicians may bias the plan towards their own geographical areas or ethnic groups. When the strategy of the annual budget is drawn up they can argue more convincingly for allocations that benefit exactly those. This is particularly the case with public investment programmes where multi-year investment decisions are likely to be taken at the plan stage and be automatically reflected in the annual budgets.

- The legislative may not be involved - leaving the preparation of the plan to the executive and often only to the technical staff at the civil service level. This decreases the accountability of the executive, and makes allocation biases of the above type more likely.

The link between the plan and annual budgets is in many cases very weak or non-existent. In particular:

- Planning capacity may be weak - making the plan's document unclear and internally inconsistent, resulting in a poor basis for annual budgets.

- The plan may be kept as an internal document by the bureaucracy - and thus have no effect beyond government offices.

- Plans in Africa have widely been considered shopping lists - used to extract funding from donors but without any effect on other public expenditure whatsoever.

This implies that annual budgets are set year-by-year, often by the treasury, leaving budgetary allocations to the will of the bureaucracy, resulting in benefits to areas or population groups near to the bureaucrats in charge.

3.2 Budget formulation MEDIUM

The budget formulation stage consists of three sub-stages:

- Macro Basis for the Budget LOW
- Preparation of Budget Policy Outline MEDIUM
- Preparation of expenditure targets or ceilings by the Ministry of Finance HIGH

Macro Basis for the Budget LOW

Ideally Budget processes should start with an economic overview and revenue forecast for the budget year. The forecast will, together with an assessment of how the budget deficit should be financed, give directions for total recurrent and capital spending. This is considered an analytical job taken care of by the inner echelons of the Ministry of Finance, occasionally assisted by consultants. There appears to be little scope for corruption at this stage, but it is of course possible to prepare for future embezzlement, taxation moneys, or favouritism to certain taxpayers by preparing pessimistic projections. The latter might be the case if the tax department or independent revenue authority plays a key role in the projection process.

Preparation of Budget Policy Outline MEDIUM

The budget policy outline represents the bridge to the multi-year plan document. It will in broad terms describe the policies and strategies in the plan which a current budget should emphasise, and how. The outline will, in particular, set the scene for the preparation of expenditure ceilings. If the plan is inconsistent and unclear, so will also the policy outline be, which results in unclear directions for the preparation of the expenditure targets. In this case the concrete expenditure targets can be influenced by bureaucrats and the political level of the Ministry of Finance in a way which prepares the ground for corruption at later stages. Recently, some countries have called on the private sector and civil society to comment or even participate in this step of the process, in order to increase accountability at this stage.
Preparation of expenditure targets or ceilings by the Ministry of Finance (MF) HIGH

The preparation of expenditure targets (or ceilings) is in theory the first step that turns the verbal policy statements into concrete numbers in budget allocations. Usually quite a few features of this ‘first shot’ will remain and influence the final approved budget. ‘Textbook’ approaches such as the MTEF is adamant that this allocation must be clearly based on plans, macro frameworks, budget policy outlines, etc. In reality, there are several factors - in rich and poor countries alike - that make this process is difficult.

The more unclear the preceding policy documents are, the more difficult it is to link the budget allocations to them. In practice, what is used is ‘incremental budgeting’, i.e. budget items are increased, sometimes by a uniform percentage, sometimes by slightly different percentages. This is done inside the Ministry of Finance - in isolation from the public eye - and often goes directly to the Cabinet for a discussion. Because of the powerful position of the Minister of Finance - it tends to be accepted by Cabinet.

It is easy to imagine how corruption can take form at this stage. A ministry which has good connections to the staff outlining the first set of ceilings, or to the Minister of Finance, can cut a deal to increase its relative allocation. This allocation may be reversed in subsequent budget discussions, but in many countries with pressed budgetary situations, changes in the allocation suggested by the ministry of finance scarcely take place.

3.3 Adoption of budget by Parliament HIGH

When – after due discussion with individual Ministries – the Cabinet has come to an agreement on the budget, it passes from the executive over to the legislative. Painstaking committee work and a vote by vote debate in the national assembly usually prepares for the final adoption of the budget by Parliament.

In many - if not most - countries there is, however, little time for scrutiny. The preparation and adoption of the budget is a considerable amount of work. Deadlines are set in legal forms and delays will lead to stops in e.g. civil servant salary payments. When delays occur in the earlier phases, the great urgency to have the budget adopted in a timely manner will often lead to a shortened time for legislative scrutiny. Apart from this, in most countries the legislative debate will often be about geographical allocations - MPs fighting for a piece of road or a hospital for their constituency - rather than focusing on uncovering and reporting on possible cases of corruption.

Parliamentarians may also be on the receiving end of bribery. Special interest groups, such as a corporation in need of certain new roads, may secure the votes of parliamentarians through more or less subtle forms of payment. This may be done to overturn the proposed budget, or to safeguard an allocation that is in danger of being reversed in the parliamentary debate.

3.4 Budget execution HIGH

With the budget adopted by the legislative, the execution falls mainly on the Ministry of Finance, or more specifically on the treasury functions of that ministry. This is the stage at which financial transactions are made, where money change hands and where corruption materialises into flows of money. This section considers corruption risks in the various treasury functions and processes:

- Financial planning LOW
- Distribution of budget allocations to the spending units HIGH
- Commitment control HIGH
- Verification HIGH
- Payment orders MEDIUM
- Cash management HIGH
- Debt management MEDIUM
- Revenue management HIGH
- Accounting HIGH
- Fiscal reporting HIGH

Not all government spending goes through the standard budget execution stages. Any government will have a number of extra budgetary funds - special accounts and earmarked funds which may from time to time receive replenishment from budgetary resources - but which are not covered by the same rules and regulations as the financial flows of the budget. There may be good reasons for establishing these funds and thereby exempt certain transactions from standard budgetary procedures. However, the legislative as well as the executive branch will thereby have given up their rights to control a part of public resources. When not properly controlled by other mechanisms, such arrangements may create opportunities for corrupt behaviour. In a number of countries political parties have been financed through such funds.

Parastatals (i.e. state majority owned enterprises) also lead a fairly separate existence outside public budget procedures. While being the recipients of public budgetary resources, some of these enterprises have been known to accumulate substantial cash funds that were diverted to private use. As a result, managers of such enterprises sometimes live far beyond the means of their official salaries.

Financial planning LOW

Financial planning is the bridge between the preparation and execution of the annual budget. This is basically a planning operation where cash is not involved and the corruption risk is not great.
Distribution of budget allocations to the spending units

HIGH

Distribution to the spending units can be done at a detailed or aggregate level and involves the actual spending authorisation. Some countries provide weekly or monthly budget releases, while others make the whole budget available at the beginning of the year. Some developing countries have been forced to operate a cash budget where spending authorisations are given on a daily basis as revenues are collected.

During this phase of budget implementation there are many opportunities for corruption since one official, or a group, often have discretionary powers to authorise spending. For instance, a ministry with a high level of spending such as the ministry of works and communications may be favoured so that suppliers who pay bribes win contracts.

Commitment control

HIGH

Ideally, the commitment control stage serves to ensure that resources for purchasing goods and services are committed only up to the budgeted amounts so that these resources will become unavailable for other purposes.

Weaknesses in this phase of the process provide a fertile ground for corrupt activities. The most frequent and perhaps the most damaging effects stem from violations of procurement laws and procedures, which usually specify delivery schedules, terms of delivery and payment, as well as tendering procedures. One typical form of corruption at this stage is to bend rules in favour of some suppliers to the detriment of others. This practice has cumulative effects given that the frequent granting of privileges to the same enterprise will cause this to assume an increasingly dominant position in the market. Such near-monopolists are able to increase prices without losing their market share.

Also, corruption at this stage may take the form of ordering goods and services which are either not authorised in the budget, or end up not being delivered.

Verification

HIGH

The verification stage checks whether the previous stage of the process functions effectively. For non-delivery of goods and services to take place, staff at the verification stage must also be implicated in the corrupt scheme. Without collusion between the officials in charge of commitments and those responsible for verification, corrupt activities can be uncovered. Non-compliance with specifications, and a complete lack of budget authorisation should also be unveiled at this stage, unless officials have been paid to look the other way.

Payment orders

MEDIUM

Payment orders are issued after goods or services have been received. The power of officers entrusted with payment orders includes not issuing payment orders if goods have not been acquired as planned. If these officers have discretion in ordering payments, once a transaction has been verified at the preceding stage, this may be used to extract bribes from the party awaiting payment.

Cash management

HIGH

The purpose of the cash management stage is to ensure that the government has the liquidity to meet payments at as low a cost as possible. A single treasury account is often used and in some countries the cash management function is outsourced to the Central Bank. In countries where the banking system is not well developed, payments are often effected through a Cashier’s Office. A system where cash is provided from the central Cashier’s, or where the local office keeps revenues collected at the local level, is likely to invite corrupt practices. Payments made through the banking system are likely to reduce opportunities for corruption.

At the cash management stage, several fraudulent schemes can be organised:

- The cashier’s Office may pay salaries to ghost employees (non-existent or deceased). Payment of salaries and wages are often not subjected to the standard expenditure process.
- In the case of pension payments, officials may halt or slow down payments in the hope that they can extract bribes for reinstating the correct payments.
- If cash budgets are applied and the treasury runs out of money, one needs to prioritise payments. The officer(s) in charge of allocations will be given discretionary powers, which can be used for corrupt purposes. This may happen by manipulating the allocation of cash to favour line ministries and agencies from which a kickback may be arranged.
- Governments will from time to time - particularly when the cash management function is not taken care of, or works badly - try to manage a cash crisis by incurring arrears. This may be used as a cover for non-payment by the cash office. Most suppliers will have to accept this because they are afraid of losing valuable government contracts. If suppliers have waited a very long time for payment it may take the corruption game into a new cycle in which the creditors may try to bribe officials for in order to be paid! The bribe may take the form of a simple payment, the amount of which will be negotiated with the official, or a percentage of the payment made to the supplier.

Debt management

MEDIUM

Debt management is closely linked to cash management, particularly for short-term and domestic debt, and may be handled within the treasury by the central bank or a separate debt or asset/liability management agency. If corruption takes place in the area of payments, or cash management it may also extend to the debt management level and thus draw Central Bank staff into being accomplices of budgetary corruption.

Revenue management

HIGH

The revenue management stage deals with the cash flows that result from revenue collection (but not the revenue collection itself). As there is easy access to cash at this stage, there is a temptation for corrupt practices. Whether temptation translates into action depends on the ease with which embezzlement can be detected. If revenues are quickly paid into the single government account,
one will avoid considerable amounts of cash floating around in the cash offices of collecting departments, providing corruption opportunities.

**Accounting**

Accounting in the treasury is often done on the basis of receipts and payment records. It is usually done in the treasury itself or in a separate accounting department. It is important that records flow quickly to the treasury from other areas of government and that consolidated accounts are produced in order to quickly discover possible cases of corruption. Shoddy accounting practices will sharply increase the corruption risk at other stages of the budget execution process.

**Fiscal reporting**

The fiscal reporting stage is the last in the sequence of treasury operations. Reports can come from the budget, accounting, or treasury departments within the ministry of finance. In some countries, ministries and agencies publish their own financial accounts and annual reports independently of the treasury. Again, flawed or opaque reporting will increase the corruption risk at other stages of the execution process.

**3.5 Control: Audit / oversight**

The audit stage of the budget is where corruption should be detected and perpetrators taken to task. The audit process normally has three sub-stages:

- **Internal Audit**
- **External Audit**
- **Legislative audit/Parliamentary oversight**

In many developing countries audit organisations (from internal audit offices in ministries to supreme audit institutions) are given meagre resources and are sometimes set in a legal framework that hampers their work.

**Internal Audit**

Internal audits focus on the enforcement of rules and regulation at the department or ministerial level. A World Bank examination: Africa Region Info Briefs – Procurement Audits, (see link in the reference list) focusing on the procurement situation in Africa has come up with a number of inadequacies normally facing audit systems:

- **Compliance with basic requirements:** There are difficulties with compliance in procurement planning, packaging, and scheduling. Thresholds for purchasing procedures and aggregate limits for procurement have been exceeded. There has also been a lack of transparency in the choice of firms selected.
- **Procurement process:** There are cases of non-compliance with the due procurement process such as non-transparency of bidding documents, dealing with e.g. deadlines for submission/receipt of quotes, delivery periods, and payment terms.
- **Contract management:** Inadequacies are widespread e.g. with payments being made despite incomplete delivery of goods/services. Also, the supply of equipment not meeting the specifications or the end-user’s needs (it is often refurbished or second-hand equipment that is delivered), involving fraud and/or corruption is a frequent problem. Moreover, delivery notes or receipts for goods are commonly unavailable.
- **Filing of papers, maintenance of asset registers, and physical verification:** Signed contract documents for goods, works, and consulting services are often not complete. Non-availability of output reports under consultant contracts is another area of concern.

Coupled with meagre resources, these inadequacies make misuse of funds difficult to detect. This implies that in many countries, the internal audit systems are not effective in preventing corruption.

**External Audit**

External audits are undertaken by Supreme Audit Institution (SAIs) and are also concerned with the overall accountability of public funds in general. They may also to some extent focus on government performances in pursuing higher level policies and strategies (e.g. poverty alleviation). The Auditor General - as the last step in the audit cycle - prepares a report which is examined by the legislature.

Both The International Organisation of Supreme Audit Institutions (INTOSAI) and the International Budget Project (IBP) have surveyed institutional weaknesses of SAIs. The surveys have roughly the same conclusions. The more recent IBP study may be summarised as follows:

- **Not all annual audit reports are made public:** In 12 of the countries surveyed, citizens did not have access to auditor’s reports even though such reports were produced in 11 of these countries. In 19 of the countries surveyed, the year-end audit reports of departmental expenditures released to the public did not include an executive summary.
- **Few SAIs produce their attestation report within six months of the end of the fiscal year:** In 15 countries, final audited accounts of national departments are either not completed within two years after the end of the fiscal year, or are not released to the public.
- **Most SAIs do not release public reports of audits of extra-budgetary funds, or they do not audit such funds at all.**

A recent CMI study - The accountability function of the supreme audit institutions in Malawi, Uganda, and Tanzania (see link in the reference list) - found that there are potential weaknesses in the SAIs’ mandate, capacity, and autonomy in all three countries:

- **The Auditor General is appointed and dismissed by the President:** There is so far no evidence that unwarranted dismissals have taken place. This does not imply that possible dismissal is not an effective constraint on criticism.
- **Classified expenditure is applied to a very large extent.**
• **Lack of Finance, Infrastructure, and Human Capacity** makes SAIs unable to fulfil their assigned tasks. These tasks grow steadily with e.g. the introduction of Integrated Financial Management Systems (IFMS), performance audits, and a multiplication of the number of institutions to be audited. The quality of the internal audit within spending ministries is weak and adds to the workload of SAIs.

• **Lack of Autonomy in Financial Matters** compromises SAI’s independence.

• **Lack of Access to Information** similarly restricts autonomy.

• **Lack of Cooperation with the Media and Civil Society** represents a missed opportunity to promote and improve the work of the supreme audit institutions.

In addition, limited donor coordination added to the workload of the SAI and placed excessive demands on an already weak institutional capacity. The problem of off-budget donor funds going straight to ministries has remained, making it hard for the audit institutions to keep track of and audit these expenditures. This has contributed to undermining the authority of the SAIs.

In terms of corruption; limited scope, transparency, resources, and autonomy, are factors that serve to make the external audit process a less effective basis for subsequent legislative scrutiny. Despite these flaws, the available studies point out that a lack of effective follow-up by Parliament and the executive is often as much - if not more - of a problem.

**Legislative audit/Parliamentary oversight**

Legislative oversight normally takes place through scrutiny by the parliamentary Public Accounts Committee and a parliamentary debate.

The International Budget Project (IBP) study reveals the following:

• **Limited legislative scrutiny:** In four of the countries surveyed, no audit report is viewed or scrutinised by a committee of the legislature. In 11 countries only some of the reports are viewed and scrutinised.

• **Poor executive follow-up:** In 7 of the countries surveyed, the executive did not report to the legislature or to the public on the steps it had taken to address audit recommendations. Nor did it release findings that indicate a need for remedial action.

This shows that the legislature is, in many countries, unable to hold a government effectively to account for misuse of funds. The CMI study of SAIs in Malawi, Uganda, and Tanzania shows that:

• **Lack of resources and leverage** hamper the parliamentary stage of the audit cycle.

• **Party discipline serves as a constraint** on the operations of the committees in all three countries.

• **The committees are often unable to check and ensure that their recommendations are taken into account and acted on.**

• **The lack of enforcement mechanisms and incentives to impose sanctions** constitutes a repeating problem in audit reports, thus turning the audit cycle into a largely cosmetic exercise.

Overall, however, the study finds that parliaments, civil society, and donors increasingly show commitment to the oversight process.

**4. What drives corruption in the budget process?**

**Laws, people, and informal institutions**

The formal basis of the budget process is specified in laws and regulations. In reforming budget processes, a technocratic approach is often taken, by which the focus is on improving the formal rules and structure of the budget process. The technocratic approach largely ignores the fact that reforming the budget process, though it has important technical aspects, is also a social and political phenomenon driven by human behaviour and local circumstances. The incentives facing agents in the budget process influence the degree to which formal rules are adhered to. Moreover, in many countries informal institutions and practices often take precedence over formal rules. To go beyond the technocratic approach, this section therefore looks at both formal rules/regulations, incentives, and informal institutions as determinants of corruption:

• **Laws and regulations**

• **People and incentives**

• **Informal institutions**

Figure 1. Hierarchy of budgetary system laws and regulations
4.1 Laws and regulations

The budget process must have a basis in laws/regulations and administrative practices. Practices differ between countries. For instance France and other continental countries tend to have practices and procedures codified in detail whereas the UK budget laws focus on broad principles of handling public funds, with the details being set out in administrative instructions. Developing countries have followed either the ‘French’ or ‘UK’ legislative model whereas countries in transition are in the process of building a legal framework. The legal and regulatory framework controlling the budget process consists of several levels as depicted in figure 1.

Countries differ as to exactly where the legal instruments and regulations that govern the budget process are spelt out. It is fairly normal that the constitution deals with the existence and explicit roles of the President, Parliament and the Auditor General in the budget process. In some countries the constitution also establishes planning organs which may be involved at the strategic and macro levels of the budget process. In other countries a Budget Law may deal with the institutional division of roles. In other cases a Public Finance Act will do the same but usually also include more specific Treasury instructions. An important part of the lower level of regulations and instructions is the Code of conduct for Officials.

There is fairly wide consensus about the key elements of the formal framework. In terms of corruption, the IMF Manual on Fiscal Transparency (see link in the reference list) captures four basic requirements:

- **Clarity of Roles and Responsibilities** - The structure and functions of government should be clearly specified. Relations between the government and non-governmental public sector agencies (i.e. the central bank, public financial institutions, and non-financial public enterprises) should be based on clear arrangements. If these dividing lines become blurred doubts as to which set of e.g. accounting rules apply may arise and open up possibilities for corruption. A state of society in which prevailing social norms make no distinction between private and public spheres - often called neopatrimonialism - is commonly associated with large scale inbred corruption.

- **Public Availability of Information** - The budget documentation, final accounts, and other fiscal reports for the public should cover all budgetary and extra-budgetary activities of the central government. The consolidated fiscal position of the central government should also be provided. The central government should publish full information on the level and composition of its debt and financial assets as well as the fiscal position of sub-national levels of government. The publication of fiscal information should be a legal obligation of government. If such information is not available the oversight function exercised by the press and the general public will be made difficult, and corrupt activities remain hidden.

- **Open Budget Preparation, Execution, and Reporting** - The annual budget should be prepared and presented within a comprehensive and consistent quantitative macroeconomic framework, and the main assumptions underlying the budget should be provided. Budget data should be reported on a gross basis, distinguishing revenue, expenditure, and financing - with expenditure classified by economic, functional, and administrative categories. Data on extra budgetary activities should be reported on the same basis. There should be a comprehensive, integrated accounting system which provides a reliable basis for assessing payment arrears. Mid-term reports should be published. Final accounts should be legally required to be presented to the legislature within a year of the end of the fiscal year. Insight into the budget preparation will make the public aware of results to be expected from public spending, and thus create more awareness of deviations that may involve corruption. Unclear, imprecise, and delayed accounts may conceal cases of corruption.

- **Assurances of Integrity** - Budget data should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments. The annual budget and final accounts should indicate the accounting basis (e.g. cash or accrual) and standards used in the compilation and presentation of budget data. Specific assurances should be provided as to the quality of fiscal data. In particular, it should be indicated whether data in fiscal reports are internally consistent and have been reconciled with relevant data from other sources. A national audit body or equivalent organisation, which is independent of the executive, should provide timely reports for the legislature and public on the financial integrity of government accounts. Poor fiscal data impairs the chance of discovering corruption, and if the national audit body is a part of the executive - independent scrutiny of public accounts is likely to be prejudiced.

It is not only the absence of a legal framework which creates opportunities for corruption. Laws and regulations must also be clear and well known by relevant officers and the public, as well as being backed by a well-functioning enforcement machinery. Having rules and regulations in the statute book is of little use if judicial corruption is prevalent.

4.2 People and incentives

In section 4 we discussed where in the budget process corruption is a particular concern. To effectively design and target anti-corruption measures in the budget process, we also need to know what type of staff are commonly involved in corruption, and what their motivation is for corrupt acts. Below, we discuss these two questions in turn.

**What category of staff are commonly involved in corruption in the budget process?**

Among legal and judiciary experts, the higher levels of the executive ranked high when asked which institutions in their country were most affected by corruption. Figure 2 indicates that key officials in the budget process (legislative, presidency, cabinet, as well as key budget institutions) are behind about 58 % of corruption, according to expert opinions. The fact that the legislature and the courts together constitute some 13 % just goes to show the ease with which budgetary and other kinds of corruption will get ‘off the hook’ even if detected. The data was generated by asking participants in the First Legal and Judiciary Conference on Governance and Corruption Vulnerability of Rule of Law Institutions, June 2000 in Washington, D.C., the following question: ‘What are the most vulnerable institutions to corruption in your country of expertise?’
Top politicians such as the prime minister or president, the minister of finance, and the line ministers, all have significant political power. In flawed systems these persons are subject to minimum controls, they are given considerable discretion, and handle substantial amounts of money. Some of the higher policy makers in the civil service – directors and permanent secretaries - and director may be in much the same situation.

Civil servants with substantial opportunities for corruption are:

- **Lower level staff in the Ministry of Finance / Treasury:** These persons have more opportunities for corruption than staff in line ministries, merely because of the larger amounts of money they handle and because they have opportunities to make deals with the downstream ministries. In particular, officers who deal with the sector ministries’ capital projects and accounting for recurrent expenditure will have significant opportunities.

- **Staff in line ministries dealing with major capital projects:** E.g. at the Ministry of Works and Communications - in charge of major transfers, at the Ministry of Local Government, and also in ministries where travel activities are particularly frequent – e.g. Ministry of Foreign Affairs. All these environments are frequently characterised by limited scope for supervision and control of money flows.

- **Staff working in procurement or government stores and officials in tender boards:** In severely corruption ridden environments these officials will often have to ‘buy’ rights for employment in departments where corruption gains are plentiful and considered a part of the salary.

- **Internal audit staff:** They are easily pressed into corruption by ‘partners’ that are able to pay for covering up their own misdeeds.

- **Staff in personnel departments:** Such departments provide a well known opportunity for paying pensions and salaries to ghost employees, and for favouritism towards job seekers who can pay to be awarded certain positions.

The demand side of corruption should also be noted. In relation to budgetary corruption the private sector is a potential perpetrator - by teaming up with government officials on corruption schemes. Major corporations have been known to engage in ‘state capture’ through efforts by firms to shape and influence the underlying rules of the game - legislation, laws, rules, and decrees - through private payments to public officials.

Considerable corruption opportunities exist in cases where there are unclear borderlines between central government and the enterprise. Parastatals in for example public utilities often have their deficits covered by a budget allocation. This removes the control function that deficits constitute in the private sector, where they will spur owner reactions.

### Motives for corruption in the budget process

Opportunities for corruption are unevenly spread among government personnel who are involved in the various parts of the budget process. Moreover, countries with very similar systems have different concentrations of corruption in similar departments. These differences can be attributed, at least in part, to different incentives facing staff in these systems. Standard predictors of the level of corruption are thought to be:

- **Reward and Risk:** Staff who can gain a lot from corrupt acts, which are unlikely to be detected - and/or result in minimal punishment if detected - will be more inclined to commit such acts.

- **Discretion:** The greater leeway an official has in making a decision, the higher bribes can be extracted from those benefiting from the decision.

- **Monopoly:** Control over a decision or government goods, implies a greater bargaining power in extracting bribes.

- **Accountability:** Officials who do not answer to other officials and institutions, are less at risk of being held accountable for the misuse of public funds.

Other motivations for corrupt acts may be:

### Personal motivations:

- **Personal financial problems** - prevalent in developing countries due to strong family bonds and the commitment to share with less wealthy members of the extended family. Such
problems may also be linked to indebtedness and gambling.

- **‘BEATING THE SYSTEM’** - egoistic motivations associated with computer related fraud and corruption.

- **DISGRUNTLEMENT AND MALICE** – employees who feel wronged, e.g. by being kept from promotion, may try to get even through corruption.

- **IDEOLOGICAL MOTIVES** – political intent to hurt the organisation, or ‘Robin Hood’ motivations to redistribute wealth.

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**Box 1. “Modernity at Crossroads with Culture?”**

The below quote is from a paper on Procurement in the South Pacific. After having examined procurement law and practices in Vanuatu the analyst says:

“What may not be fully regulated by law are customary influences, family alliances and political patronage. Sometimes these influences exert either covert or overt pressure on tender processes. The impact of customary alliance on the outcome of a bid can sometimes be significant. This is especially so when one takes into account the fact that South Pacific island societies are traditional in nature. There are hidden assumptions as to the process established by the tender provisions, which are perhaps not understood or which are at odds with the customary expectations or ways of doing things. In a typical traditional context, some of these practices may not actually cause any offence. The vast majority of the adherents regard them as part of the social organisation of society. This situation is however further complicated by the introduction of very formal tender processes in a heavily influenced cultural environment. There is bound to be conflict of expectations as to what is or is not acceptable practice in such societies. It is difficult to see how these contradictions are to be easily reconciled. This is where modernity is at crossroads with culture. Somehow it is now a dynamic of social organisation that both must co-exist in the interest of the societies concerned. As a researcher pointed out, ‘incorporating cultural values and practices in the constitution of island countries was a very challenging exercise.’ Commenting specifically on the case of Vanuatu, he further stated that ‘the ideology of custom was more of unifying factor than religion or administration.’


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**Box 2. Malawi: Budget as theatre**

The Study asked the question: What are the formal and informal institutions that affect the budget process in Malawi?

It was found that the budget process in Malawi provided no realistic estimate of revenue or expenditure. The budget process was reminiscent of a theatre where the actors - from civil society, government, and donors - seemed aware that many of their statements and actions had little bearing on actual distribution of resources. Yet, all stakeholders ‘acted’ as if the budget planning and formulation would actually have a bearing on the actual implementation of the budget.

At each stage in the budget process, formal and informal institutions interacted. Although legislative changes, donor conditionalities, and capacity-building had improved formal institutions, decisions continued to be influenced by informal practices in a manner that reduced transparency, limited distribution, and obstructed civil society input to the budget process. These informal processes undermined the formal institutions of the budget process. As a result, despite stated intentions expressed in the Malawi Poverty Reduction Strategy Paper, the outcome of the budget process in Malawi is a budget that secures the interests of the politically powerful actors in the public sector.

The study of the budget process concluded that the Government of Malawi did not comply with the contract with its citizens by adhering to a budget process consistent with the stated objectives. The formulation process resulted in a budget that was overambitious and did not reflect priority settings. At the stage of implementation, the existing rules and regulations were circumvented, allowing powerful actors to utilise the budget to serve their own interests. Again, powerful interests and informal incentives maintain oversight institutions with weak capacity, low commitment and little interest in fulfilling their mandate.


**Group motivations:**

- ‘EVERYONE ELSE IS DOING IT’

- **PEER PRESSURE** - may force otherwise honest members of organisations described above to engage in corruption or to abstain from whistleblowing

The latter underscores the need for a look at informal institutions – covered in the next part.

**4.3 Informal institutions**

Attempts to reduce corruption are often made through formal rules and regulations, but in cultural settings where informal institutions are unaffected, corruption will adapt to rules and continue in new forms. Understanding budget systems will therefore have to involve not only a grasp of the rules and regulations, but the
societies they function in. Box 1 gives an example of an interpretation of the problem as a conflict between traditional and modern values.

States where large scale corruption based on traditional cultures goes on behind a modern façade are often termed neopatrimonial. In such systems, the individual national leader controls the political and economic life of the country. Personal clientelist relationships with the leader play a crucial role in amassing personal wealth, as well as to achieve political and elite status. There seems to be consensus among observers that a major share of developing countries, particularly the African ones, has clear neopatrimonial features.

The definition of neopatrimonialism in itself, involves the façade of a modern state (and budget system) which lets the old clientelist relations rule in the backroom. The neopatrimonial state clearly has many features that give opportunities for budgetary corruption. A lively description and analysis of this is given in a study done for DFID on the politics of the budget in Malawi (see Box 2)

5. HOW TO REDUCE CORRUPTION IN THE BUDGET PROCESS

Different actions in different areas

Drawing on the analysis of corruption risk and system weaknesses on these pages, the present section sets out actions and measures which could be undertaken to reduce the danger of corruption - by governments and by the various domestic and international agents. The advice is structured around the following themes:

- Legislation, judiciary, and legislature
- Systems, institutions, and administration
- Attitudes, culture, and citizen oversight
- What can donors do?

Most of the governments, donors, IFI’s, regional and international organisations have plans and strategies for anti-corruption. Their anti-corruption strategies seem to move along the same lines. It is often difficult to differentiate anti-corruption measures from broader work to improve the public sector. This amalgamation of anti-corruption and improvement of public sector governance and management is clearly outlined in the World Bank’s anti-corruption strategy which builds on five key elements:

- Increasing Political Accountability
- Strengthening Civil Society Participation
- Creating a Competitive Private Sector
- Institutional Restraints on Power
- Improving Public Sector Management

This does not mean that all measures to improve public sector management are also measures against budgetary corruption. Nevertheless, most concrete improvements in public expenditure management components tend to have a positive impact by reducing the opportunities for corruption. Although anti-corruption does not appear as a separate item, the issue of financial integrity underpins almost every one of its components.

Concrete measures against corruption and in favour of government transparency and accountability must be specific and focused. This means that those officials - national and international, part of the government or part of a resident donor mission - who construct and implement such measures, must have solid insight into the budget process, the key steps, and the driving factors. They must, however, also be aware of - and as far as possible understand - the political, cultural, and institutional underpinnings of the budget process. Only then can one undertake risk assessments, improve the development and implementation of action plans, and strengthen and enhance dialogue between donors and partner governments.

5.1 Legislation, judiciary, and legislature

Legislation

There are certain areas of legislation and regulation that come particularly into focus and which may not be totally appropriate in some countries where corruption is a major problem. Four important elements of effective anti-corruption legislation are:

- Rules that criminalise corruption
- Formal laws against accepting bribes
- Laws making it illegal to abstain from disclosing corruption

Moreover, the media may play an important role in detecting and putting a spotlight on cases of corruption. Media regulations therefore ought to ensure freedom of information, for example through a Freedom of Information Act. Legislation requiring government agencies to make information available, libel laws that offer protection to the press and the public, and clear rules for government interventions in censoring the press, are helpful in this respect.

The legal framework for public expenditure management has to combine legal principles with economic considerations and management rules. Particularly important legislation with regard to budgetary corruption includes arrangements for disclosure of key politicians’ and civil servants’ assets, their handling of extra budgetary or earmarked funds, and special accounts, as well as sales of state property, natural resources, or marketable goods to the private sector. The latter is particularly important in countries in transition where it perhaps represents the most fertile ground for misappropriation of public resources.

Disincentives for the would-be corrupt may need to be hardened or broadened by including as civil penalties the blacklisting of corrupt firms, extradition arrangements, and provisions to enable the profits of the corrupt to be seized and forfeited.

Judiciary

It is widely recognised that on of the main reasons for corruption is not an absence of appropriate laws and rules, but that they are ignored without consequences for the perpetrators. A basic requirement for rooting out corruption is therefore that perpetrators - in our case particularly politicians and civil servants - are held accountable for corrupt acts. Important overall conditions for this to take place are that there is:

- Proper separation of power between judiciary and government
5.2 Systems, institutions, and administration

In principle, budgetary systems can always be improved by introducing more checks and balances. However, as there is a trade-off between complexity and the ability to operate a system with ease, the number of checks and controls should not be exaggerated. A common list of measures to fight corruption which has been promoted by Transparency International and several other institutions includes the following:

- Emphasis on prevention of future corruption - on changing systems through changing values and creating a culture of professionalism.
- Identification of government activities most prone to corruption and a review of both substantive law and administrative procedures.
- Endeavour to establish the salary level of civil servants and political leaders at an adequate level to reflect the responsibilities of their posts comparable with those in the private sector.
- Creation of a partnership between government and civil society - including the private sector, professions, and religious organisations.
- Cleaning up government payrolls to eliminate ‘ghost workers’ and make their reappearance difficult.
- Building downstream accountability institutions and citizen oversight, as well as upstream budget processes and management.
- Ensuring that asset registers are maintained - to facilitate the ‘End Use Audit’ of goods and works, controlling that these assets are used for the correct purposes.
- Establishing an appropriate Procurement Code and institutional arrangements - including a redefinition of the Central Tender Board’s role.
- Close control of the stages of commitment, verification, and the issuance of payment orders. It is particularly important to have these activities executed by an officer independent from the ministry who makes the commitment in the same way as in, e.g. France and Belgium - by an official from the Ministry of Finance.
- Adequate accounting records for each transaction can make it more difficult for corrupt officials to divert public resources for private use, and making discovery at the auditing stage more likely.
- "Value-for-money" (VFM) auditing, may link corruption investigation with other fiduciary measures. Given that VFM auditing usually intervenes before resources are committed, corrupt activities could be stopped before they would have an impact on the use of resources.

The bottom-line question in fighting budgetary corruption is however this: What are the conditions for a successful effort to influence...
the behaviour of public officials? The often-used answers: ‘increasing salaries’, ‘taking away discretionary powers’, and ‘increasing detection risk and punishment’ have definite limits. Real progress is likely to have to start at the political level. If political corruption is pervasive, efforts to lessen administrative corruption will not be successful. The head of state and ministers cannot expect compliance when they are diverting public resources to themselves or members of the politically dominant group. In order to reform and strengthen institutions and administrations in the struggle against corruption, one major condition is a credible intent of political actors to attack perceived causes or effects of corruption at a systemic level. Such political commitment is revealed by the degree to which reform initiatives are participative and incorporate a range of political actors and civil society.

5.3 Attitudes, culture, and citizen oversight

While transparency may help remedy bureaucratic corruption, it is not a sufficient solution for political corruption when the electorate is largely illiterate. An example of a long-term policy to reduce corruption is by improving basic education. Also, public financing of electoral campaigns is another possible factor.

It is clear that civil society can play a very important role in increasing contestability and accountability of institutions. In addition to the transparency mechanisms, ongoing innovations in a number of countries include:

- Activist business associations of small and medium-scale entrepreneurs, as pressure groups for levelling the playing field and mitigating state capture by larger conglomerates.
- Promoting transparency in access to information on parliamentary votes.
- Promoting transparent access to assets and income declarations of leaders and senior public officials and their dependants.
- NGOs dealing with judicial/legal issues who monitor and provide information on the integrity of the judiciary, transparent access to judicial decisions, lists of judges with high integrity, and which promote non-public sector institutional alternatives such as ADRs.
- Discussing role of a responsible media in enhancing transparency and providing rigorous information in this area.

5.4 What can donors do?

The emphasis on effective public expenditure management and financial accountability systems have led donors to introduce new diagnostic instruments and reports which describe and assess public expenditure and financial accountability laws, systems, and procedures. While the interest for accountability is largely driven by the donor agencies’ own needs to ensure officials and the electorate at home that aid money is not wasted, they have a common interest with the civil society in recipient countries to stamp out corruption. There are two main areas where donors may appropriately support developing countries in getting rid of budgetary corruption:

- By helping to detect and describe corruption, and
- by supporting anti-corruption efforts through sustainable reforms in public expenditure and budgeting, as well as in building institutional capacity.

Box 3 lists the key analytical tools now in use by various multilateral organisations to measure accountability and transparency in developing countries.

In addition, the World Bank is piloting a Fiduciary Review that focuses on corruption in Bank-financed projects, but which also overlaps with CFAAs, CPARs, and Institutional and Governance Reviews (IGRs).

Box 4 gives the distribution of anti-corruption projects for the Utstein agencies - as listed in the U4 project database as of late August 2005 - and gives an indication on what these donors are doing to fight corruption. Both looking at the main headings, the number of projects under each heading, and the character of the project, it is quite clear that rather than focusing on the technicalities within the budget process where a better set of rules, better operation, and tightening up could deter the perpetrators and reduce the opportunities, this group of donors focus more on the broad governance and democracy issues, as well as and general public service reform and management.

The list below gives the distribution of anti-corruption projects for the Utstein agencies - as listed in the U4 project database as of late August 2005 - and gives an indication on what these donors are doing to fight corruption. Both looking at the main headings, the number of projects under each heading, and the character of the project, it is quite clear that rather than focusing on the technicalities within the budget process where a better set of rules, better operation, and tightening up could deter the perpetrators and reduce the opportunities, this group of donors focus more on the broad governance and democracy issues, as well as and general public service reform and management.

Cooperation projects registered on the U4 project database as of late August 2005 (number of projects):

1. Public (civil) service reform and management (196)
2. National anti-corruption strategies and policies (120)
3. Government oversight and control bodies (114)
4. Non-governmental insight, participation and control (96)
5. Donor strategies and policies (27)
6. International crime and crime prevention (14)
Box 3. Accountability and transparency tools

Country Financial Accountability Assessment (World Bank) is a diagnostic tool designed to enhance knowledge of public financial management and accountability arrangements in client countries.

Public Expenditure Review (World Bank) analyses the recipient country’s fiscal position, its expenditure policies, and public expenditure management systems.

Country Procurement Assessment Review (World Bank) examines public procurement institutions and practices in borrower countries.

HIPC Expenditure Tracking Assessment (World Bank and IMF) assesses the ability of the public financial management systems in highly indebted poor countries to track poverty-reducing expenditures.

Fiscal Transparency Review (IMF) (fiscal ROSC) examines to what degree the Code of Good Practices on Fiscal Transparency adopted by the IMF in 1998 is being observed.

Diagnostic Study of Accounting and Auditing (Asian Development Bank) examines financial management and governance practices in the public and private sectors of borrower countries.

Ex ante assessment of country financial management (European Commission) has traditionally carried out audits of its targeted budgetary support with a view to determining expenditures as eligible or ineligible. For future budget support the EC, uses ex ante PFM assessments based on a mix of diagnostic work completed by other donors/governments and a compliance test to provide empirical evidence of the performances of PFM systems.

Country Assessment in Accountability and Transparency (UNDP) - CONTACT is a toolkit to assist governments and consultants in conducting missions to assess public financial accountability systems.

6. REFERENCES

References available on the internet

Best Practice in Building African Capacity for Public Financial Management - pdf
http://www.sida.se/content/1/c6/02/28/86/SIDA3149en_BestPractice.pdf

IMF: Budget Support versus Project Aid - pdf
http://www.imf.org/external/pubs/cat/longres. cfm?sk=16445.0

IMF: Corruption, Growth, and Public Finances - pdf
http://www.imf.org/external/pubs/cat/longres.cfm?sk=3854.0

IMF Manual of Fiscal Transparency - Procedures for Budget execution
http://www.imf.org/external/np/fad/trans/manual/sec03c. htm#h3.3

Managing fiduciary risk when providing poverty reduction budget support - DFID Briefing note - pdf

Managing fiduciary risk when providing poverty reduction budget support - DFID How to note - pdf

Managing Fiduciary Risk When Providing Direct Budget Support - DFID issue note - pdf

Public financial management - pdf
http://www.sida.se/content/1/c6/03/38/08/SIDA4531en_PFM%20web.pdf

Programme Support and Public Financial Management - pdf
http://www.sida.se/content/1/c6/03/38/13/SIDA4532en_WP%202005-2%20web.pdf
PEFA - Public Expenditure & Financial Accountability
http://www.pefa.org/index2.htm


U4 Helpdesk Answer - a comparison between Commonwealth and French systems
http://www.u4.no/helpdesk/helpdesk/queries/query15.cfm

Other references (not on web)


Tanzi, Vito. Corruption around the World; Causes, Consequences, Scope, and Cures. IMF Staff Papers, International Monetary Fund, 1998, 45(4).

UN. Contact, UN, 2001.


7. Links

Links to international organisations:

International Monetary Fund (IMF):
http://www.imf.org/

International Trade Center (ITC):
http://www.intracen.org/

Organisation for Economic Co-operation and Development, (OECD):
http://www.oecd.org/

The World Bank (WB):
http://www.worldbank.org/

World Customs Organisation (WCO):
http://www.wcoomd.org/

International Bureau for Fiscal Documentation (IBFD):
http://www.ibfd.nl

International Budget Programme:
http://www.internationalbudget.org

Links to institutions:

Institute of Development Studies (IDS):
http://www.ids.ac.uk

Institute on Governance (IOG):
http://www.iog.ca

International Institute of Public Finance (IIPF):
http://www.iipf.net

Other relevant links:

World Wide Governments on the internet:
U4 is a web-based resource centre for donor practitioners who wish to effectively address corruption challenges in their work. We offer focused research products, online and in-country training, a helpdesk service and a rich array of online resources. Our aim is to facilitate coordination among donor agencies and promote context-appropriate programming choices.

The centre is operated by the Chr. Michelsen Institute (CMI – www.cmi.no), in association with Transparency International. CMI is a private social science research foundation working on issues of development and human rights, located in Bergen, Norway.

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