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# LEGISLATIVE OVERSIGHT IN PUBLIC FINANCIAL MANAGEMENT

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Umushyikirano is the Rwandan National Dialogue Council, a forum where national leaders and citizens debate issues relating to the state of the nation, the state of local government and national unity. This photo was taken at the 11<sup>th</sup> umushyikirano, at the Rwandan Parliament in December 2013.

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## LIST OF ABBREVIATIONS

CSO	Civil Society Organisation
GBS	General Budget Support
OBI	Open Budget Initiative
PAC	Public Accounts Committee
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
REA	Rapid Evidence Assessment
SAI	Supreme Audit Institution

## EXECUTIVE SUMMARY

The legislative oversight of public financial management has high operational relevance for DFID policy and programming. It has the potential to improve both the allocation of resources, and transparency and accountability in the use of those resources, and hence to strengthen democracy. This study examines the quality of the available evidence on the effectiveness of reforms aimed at improving legislative oversight to attain improved development outcomes, and summarises the available lessons from the literature.

The specific research questions considered are:

- What is the effectiveness of the different public finance legislative oversight interventions in improving government transparency and accountability?
- What are the critical barriers to success, including an assessment of demand side and supply side contextual factors?
- What are the conditions that improve the success of implementation, including an assessment of single interventions v combined/coordinated approaches amongst several stakeholders in the accountability ecosystem?

In approaching these research questions we found three prominent areas of intervention and reform: Supreme Audit Institutions (SAIs) and Public Accounts Committees (PACs) as important top-down oversight institutions, and social audit as a form of conducting oversight from the bottom up.

A rigorous review process identified 35 studies published since 2005 and related to countries in sub-Saharan Africa, the Middle East and North Africa and South Asia, including fragile states, reflecting DFID's interests. We examined the quality of these studies and assessed 24 of them as high and medium quality, to be included in the analysis. However, these studies are spread thinly across the research questions and oversight institutions, providing only a small body of evidence for each one. The majority of the studies used case study approaches, sometimes drawing on evaluations of individual projects or groups of projects. A significant limitation is that a number of the studies considered the effectiveness of SAIs, PACs, or social audit in general rather than looking at the effectiveness of interventions aimed at introducing or reforming these institutions. This means that the studies provide only limited assurance about the effectiveness of interventions in this field.

### **Supreme Audit Institutions (SAIs)**

**Effectiveness of SAIs:** Evidence of the impact of interventions aimed at strengthening SAIs is limited and mixed.

**Critical barriers to effective SAIs:** Capacity constraints are a major barrier to effective SAIs: lack of qualified staff and other technical capacity was identified as problematic by four studies, or more generally a lack of financial resources was identified by three. Two studies noted that governments often fail to respond to recommendations from SAIs, either due to insufficient political will or a lack of enforcement power on the part of the SAI. Building technical capacity is complex and requires careful sequencing of reforms, coordinated action, and an understanding of institutional interdependencies. Other constraints to the effectiveness of SAIs include a lack of enforcement powers and a lack of demand on the part

of civil society and the media (including a lack of capacity on the part of SAIs to engage with civil society and the media effectively).

**Factors that contribute to effective SAIs:** External demands for information and external support from donor agencies can make positive contributions to the reform of oversight processes. However, donors can also place burdens on country systems which lack capacity, and donor support has often been limited, poorly coordinated, and has failed to address the inter-relationships among oversight institutions.

#### **Public Accounts Committees (PACs)**

**Effectiveness of PACs:** Findings from cross-country statistical analyses in one study show that effective PACs correlate strongly and positively with a country's level of good governance, and that PACs make a positive contribution to accountability and good governance.

**Critical barriers to effective PACs:** Barriers to effective PACs include capacity constraints, principally in terms of the skills of PAC members and the size of PACs' staff; lack of legal powers to demand responses and pursue prosecutions; lack of political support to carry out the PAC's mandate; and internal political issues such as partisan behaviour on the part of members.

**Factors that contribute to effective PACs:** Findings from cross-country statistical analyses in another study point to PACs being most successful when acting as catalysts for improving policy implementation and ensuring the availability of government information to parliament. They are less frequently catalysts for changes to legislation or for prosecuting officials who break the rules. Other factors contributing to the success of PACs found in the same study include focusing on governments' financial activity and accountability rather than evaluating the content of government policies, a broad mandate and freedom to choose what to investigate, power to follow up on whether the government has taken steps to implement recommendations, close working relationships with Auditors General, external demand for effective PACs, adequate technical support, nonpartisan functioning of the committee, and media coverage and public involvement.

#### **General studies on legislative oversight**

**Effectiveness of legislative oversight:** Statistical evidence of the impact from legislative financial oversight found in two of the more general studies on legislative oversight show a number of encouraging correlations: between greater budgetary oversight performed by SAIs and greater legislative budgetary oversight, not only at the audit stage but along all stages in the budgetary process; between legislative budgetary scrutiny and deeper government accountability and greater transparency; and between strong SAIs and high levels of health spending. Three studies found links between PAC hearings being open to the public and improved accountability.

**Critical barriers to effective legislative oversight:** Barriers to effective oversight addressed in these studies include a lack of capacity within external oversight functions (three studies),

political constraints and lack of political will to improve the effectiveness of oversight functions (five studies), and lack of donor coordination in supporting oversight institutions (one study).

**Factors that contribute to effective legislative oversight:** In terms of factors supporting reform to these institutions, the literature points to the value of coordinated approaches by external actors (donors and regional/international bodies) as well as to the potential impact demand-side actors (civil society and media) can have when showing an interest in financial oversight.

### **Social Audit**

**Effectiveness of social audit:** The evidence base on social audit is limited, with only four studies identified by this review, but the evidence available indicates that social audit processes have produced positive results for transparency and accountability and have supported work done by SAIs. Successful interventions include CSO-sponsored distribution of information and public hearings in India, specialist budget analysis combined with public engagement via the mass media in South Africa, and monitoring the status of projects and partnering with the SAI in the Philippines.

**Critical barriers to effective social audit:** Social audit processes have suffered from a lack of capacity, limited institutional sustainability compared with more official structures, and limited ability to deter corruption because of an inability to apply formal sanctions.

The literature on legislative oversight institutions is generally optimistic that the potential benefits are significant when long-term reform can be implemented and sustained. However, many authors also comment on the difficulty of achieving rapid change, and the hard evidence that exists tends to be limited to intermediate issues such as accountability and transparency, with virtually no evidence of longer-term impacts such as improvements to service delivery.

The roles of donors in contributing to effective legislative oversight is a theme that cuts across the different literatures. It points to the need for donors to be coordinated in their support of legislative oversight institutions and to use dialogue and conditionalities to help set the discourse and define the policy space. The importance of thinking and working politically is another cross-cutting theme. It emphasises that reforming legislative oversight institutions is a fundamentally political, not technical process, which depends on political will and local ownership of reform. The literature points to the need to induce the demand for effective financial oversight across stakeholders.

**The size of the body of evidence** with 24 high or medium quality studies is disappointing. Reasons for the relatively small evidence base include the difficulty of researching individual intervention types when PFM reforms are frequently undertaken more holistically, the time lag in reforms producing observable impacts, and the challenges of attempting experimental studies in a national governance context.

There is considerable scope for more research on the subject of legislative oversight and its impact. Such research could be conducted using a number of approaches:

- More **synthesis studies** of sets of related interventions drawing on project evaluations and perhaps original research. Some of the most informative studies included in this study were reviews of material on collections of related interventions. These were focused on interventions, were able to draw on a body of material from the inside, and were able to make useful comparisons. There would seem to be more potential for this kind of synthesis study. Such studies would ideally be undertaken cooperatively, cutting across projects undertaken by different donor agencies. This approach would also allow for a longer-term perspective, moving away from the short-term judgements of typical project evaluations.
- More **statistical studies** comparing experiences in multiple countries. The available statistical studies have some limitations in that they typically focus on the importance of oversight institutions but not on the effectiveness of interventions to improve institutions. Combining statistical approaches with case studies that can improve understanding of causality may be particularly productive.
- Use of **experimental approaches** in sub-national forms of legislative oversight. While experimental approaches are difficult to implement at the national government level, there is potential to undertake experimental studies at the local level, which would complement the tendency to study these initiatives with smaller scale case studies.
- More use of **political economy approaches** to examine demand-side effects in this field, particularly useful would be studies focusing on political factors around legislative oversight.

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## 1 INTRODUCTION

This study examines evidence about the impact of public financial management (PFM) interventions in the field of legislative oversight. It draws on the literature identified by an earlier study (De Lay et al., 2015) which mapped evidence available across a broader range of PFM topics. The methodology (search strategy, inclusion criteria and list of consulted experts) used is described in Appendix 2.

This study focuses on the legislative oversight of public financial management, a function which has the potential to improve both the allocation of resources and transparency and accountability in the use of those resources, and hence to strengthen democracy. The study examines the quality of the available evidence and summarises what the literature says about the impact of interventions aimed at improving legislative oversight to achieve improved development outcomes.

In particular, we have focused on the role of **Supreme Audit institutions (SAIs)** and **Public Accounts Committees (PACs)** and their equivalents. These two themes are linked and represent the majority of the literature on the subject. We have also included the related subject of **social audit** although this is not strictly a form of legislative oversight in the sense that the legislature is at the heart of the oversight process. (Of course social audit may nevertheless be governed by legislation.) We also looked for material concerning other institutional players in the legislative oversight process including civil society and the media.

Two further studies in this series will examine other topics within PFM: procurement and decentralised aspects of financial management.

The research questions for this study, derived from the terms of reference, are:

- What is the effectiveness of the different public finance legislative oversight interventions in improving government transparency and accountability?
- What are the critical barriers to success, including an assessment of demand side and supply side contextual factors?
- What are the conditions that improve the success of implementation, including an assessment of single interventions v combined/coordinated approaches amongst several stakeholders in the accountability ecosystem?

In looking at the barriers to success and at the conditions that improve success for interventions we have focused on evidence on what might be termed “environmental” and “strategic” factors. **Environmental factors** include factors like the political conditions of the country and the resource availability. **Strategic factors** include decisions around issues like sequencing and the adoption of single interventions versus coordinated interventions. We have generally not looked at the content of reforms in detail, for example at particular audit techniques or particular sorts of legal frameworks for audit committees.

## 2 METHODOLOGY

Our starting point was the database of literature identified in an earlier mapping study (De Lay et al., 2015) which searched a range of key academic and development-oriented databases and identified 197 studies across a range of subjects within the field of PFM. From that database, we selected material from academic sources and grey literature relating to SAIs, PACs, legislative oversight more generally and social audit. We supplemented this with examination of references listed in key sources already identified, and with additional literature searches using key words and phrases including:

- “legislative financial oversight”
- “supreme audit institution” OR “auditor general” OR “audit board”
- “public accounts committee” OR “audit committee”
- “performance audit” OR “value for money audit”
- “participatory audit”

The study was limited in geographic scope to include low and middle income countries and fragile states in Sub-Saharan Africa, Middle East and North Africa and South Asia. It only includes studies published from 2005 onwards. Theoretical and conceptual work was excluded; only studies focusing on empirical evidence were included.

We assessed the quality of each study using criteria derived from DFID’s (2014) guidance on assessing the strength of evidence. Primary empirical studies were evaluated using the following criteria:

- *Conceptual framing*: Does the study acknowledge existing research? Does the study pose a research question or outline a hypothesis?
- *Transparency*: Is it clear what is the geography/context in which the study was conducted? Does the study present or link to the raw data it analyses? Does the study declare sources of support/funding?
- *Appropriateness of method*: Does the study identify a research design and data-collection and analysis methods? Does the study demonstrate why the chosen design and method are well suited to the research question?
- *Internal validity*: To what extent is the study internally valid?
- *Cultural/context sensitivity*: Does the study explicitly consider any context-specific cultural factors that may bias the analysis/findings?
- *Cogency*: To what extent does the author consider the study’s limitations and/or alternative interpretations of the analysis? Are the conclusions clearly based on the study’s results (rather than on theory, assumptions or policy priorities)?

Meta-reviews and other secondary studies were evaluated using the following criteria:

- Does the study *describe* where and how studies were selected for inclusion?
- Does the study *assess* the quality of the studies included?

- Does the study *draw conclusions* based on the reviews conducted?

Studies were rated as high, medium, or low quality depending on whether the way they addressed each issue showed any causes for concern. Studies rated as high or medium quality were included in the subsequent analysis, and studies rated as low quality were discarded. It is important to note that a low quality rating according to these criteria does not necessarily imply that a study was poorly designed or executed, or that its conclusions are incorrect. A low quality rating can simply mean that the report of the study did not fully explain its design or methods. A total of 24 studies passed all of the selection criteria and were included in the analysis.

More details of the above methodology are contained in Appendix 2.

Two narrative approaches to evidence synthesis were used: content analysis and thematic summaries. Each study included in the analysis was coded following a schema derived from the research objectives and the literature to identify the topics that it addressed. For simple descriptive factors (research design, geographic scope, institutions examined), a yes/no coding was used. For more nuanced factors (type and description of reform, impacts, outcomes, success factors, and barriers to success), short thematic summaries were written for each factor. Summaries of each paper were also prepared to summarise overall findings (see Appendix 1). The studies were grouped into the four types of oversight institutions they focused on (supreme audit institutions, public accounts committees, social audit, and general studies) and findings for each group of studies were summarised (see section 4).

### 3 THE BODY OF EVIDENCE

#### 3.1 NUMBER OF STUDIES

The database for this report consists of 35 studies of aspects of legislative oversight that met the temporal and geographic scope of the assessment. This is a reasonably substantial number in total, but the studies are spread over a range of different aspects of legislative oversight. Some studies have a relatively tight focus on Supreme Audit Institutions, Public Accounts Committees, or social audit, but many studies ranged fairly broadly over the field of legislative oversight. Studies in the latter group often include consideration of SAIs and/or PACs as part of either a broader review of the topic or an examination of a particular sub-topic such as anti-corruption efforts.

<b>Oversight institution</b>	<b>Number of studies</b>
Supreme Audit Institutions	9
Public Accounts Committees	6
Legislative oversight generally	15
Social audit	5
<b>Total</b>	<b>35</b>

#### 3.2 DO STUDIES CONSIDER INTERVENTIONS?

One feature of the empirical literature on legislative oversight is that many studies focus on elements of legislative oversight with the objective of considering whether the elements are associated with desirable results, rather than focusing on interventions or reforms aimed at widening the use of those elements or improving their effectiveness. This is a significant limitation.

In this review, we found seventeen studies that considered interventions or reforms, at least to some degree. The remainder focus on the value of key institutions, with limited evidence on the impact of interventions to improve them. The reasons for this probably reflect the limited number of interventions attempted, the difficulty of access for researchers to studying interventions, and the complexity of interventions which may combine multiple activities and locations, diverse stakeholders, and multiple levels of conflict or cooperation (Bamberger, Vaessen and Raimondo, 2016). A number of the more useful studies that do focus on interventions have been conducted on behalf of donors rather than by independent researchers, often drawing on project evaluation material.

Together with the limited number of studies for each oversight institution, this means that in many cases we are unable to confidently draw conclusions about the impact of interventions in this field. Policy development works best where there is evidence of the effect of interventions, but without solid evidence there is a risk of adopting interventions based on simple correlations (possibly false correlations) without fully understanding the causal mechanism involved.

### 3.3 RESEARCH DESIGNS

Most of the studies reviewed used **observational approaches** or **secondary data**. We identified 21 studies relying on single **case studies** or material from **project evaluations** (a type of case study), and seven studies relying on multiple cases or being **meta-reviews**. This is not surprising; a great deal of research on governance uses case study approaches.

We only identified eight examples of **statistical studies**. Data come from a variety of sources and time periods, including for example panel data extracted from social audit reports in one state in India (Afridi and Iversen 2014), surveys of budget transparency across 85 countries collected by the Open Budget Initiative (Fukuda-Parr et al. 2011), surveys from 54 Commonwealth countries collected by the World Bank Institute in 2002 (Pelizzo 2011), and surveys answered by PAC chairs and clerks of 11 Eastern and Southern African Parliaments at a meeting in 2013 (Pelizzo and Kinyondo 2014).

The studies illustrated the challenges of assembling robust comparable data, which is burdensome and may need assistance from international agencies. When such data are assembled, they can be leveraged by multiple researchers over considerable time periods, but this also means that studies published recently may be relying on data that are somewhat older. This assessment, for example, considers analyses published within the last ten years, but the underlying data may be older.

Most of the statistical studies identified correlations between the existence of particular features of legislative oversight and development outcomes. However, they generally did not consider interventions aiming to reform or improve those features.

We found **no experimental studies** which met our time horizon and geographic scope, but this is not surprising. Experimental work requires either controlling the independent factors and generating random variations within them, or drawing on a “natural experiment” which produces similar variations. However, the key systems here are mainly national governance systems which are highly varied and idiosyncratic, and where researchers cannot control major variables. It is perhaps more conceivable that opportunities for natural experiments would present themselves at the sub-national level (e.g. by different regions adopting a changed audit regime at randomly different times), but actual examples of this are not present in the literature. This may reflect a general trend in the literature of under-coverage of sub-national PFM issues (except for where they involve participatory approaches) or it may be that sub-national research is challenging for other reasons, perhaps of access and complexity.

One institution included in this REA is social audit, which arguably does lend itself to an experimental approach, as the small scale of individual social audits and the greater scope for variations in a field which is less closely constrained by national laws would seem to offer potential. Indeed, there are some experimental studies of such matters (e.g. Olken 2005), but these lay outside our geographic or time limits. We also noted in our earlier mapping study that there is a relatively high number of studies of participatory approaches to PFM, and we suggested that this may be because they are of interest to a wider range of academic disciplines than more technical functions like budgeting and accounting, and because of greater ease of conducting single local case studies. The latter point suggests that, whilst social audit may be studied, it will not necessarily be through experimental methods.

Overall, the majority of the evidence identified in this assessment comes from case studies. Case studies can yield interesting findings and may be persuasive, especially where a number of studies point in the same direction. Some of the more instructive findings derive from studies which consider multiple case studies in a comparative way, such as Wehner’s (2007) comparative study of 22 organisations around the world through questionnaires and interviews, which found evidence linking success of direct budget support to scrutiny by national legislatures at all four stages of the budget process. However, case studies typically do not provide the same level of robust evidence demonstrating cause and effect, or producing generalizable results, as large statistical or experimental studies.

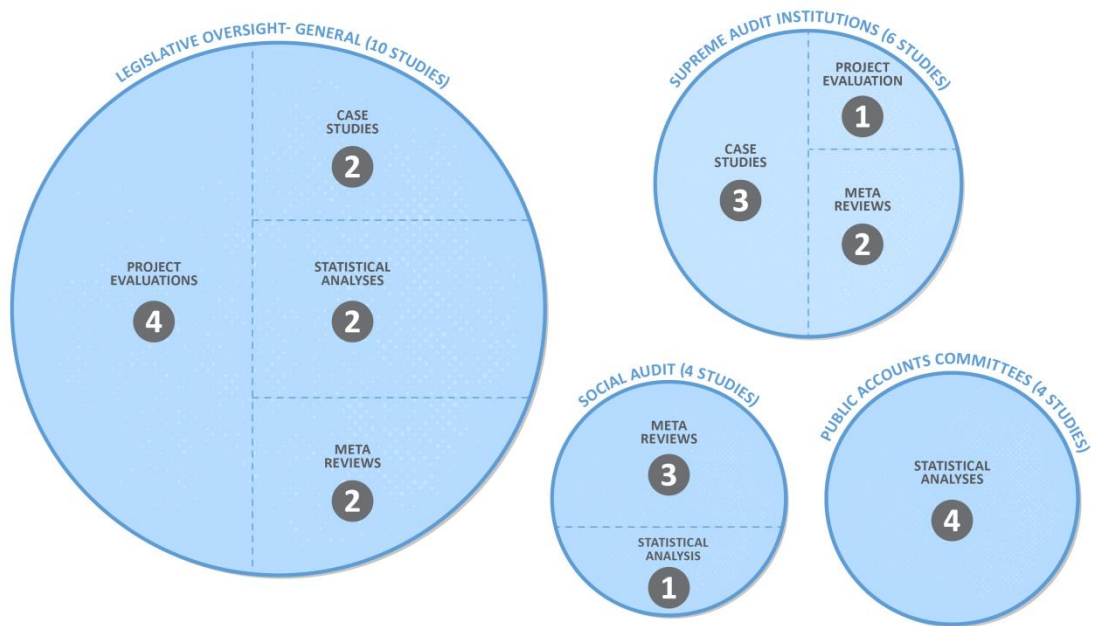
### 3.4 THE QUALITY AND SIZE OF THE BODY OF EVIDENCE

We assessed the quality of individual studies as high, medium, or low using criteria derived from DFID’s (2014) guidance on assessing the strength of evidence, as described in Appendix 2. Of the 35 studies identified as relevant, 6 were assessed as high quality, 18 as medium quality and 11 as low quality. The low quality studies were excluded from further analysis. There was no consistent reason why lower quality studies scored poorly – they tended to score low across a range of the criteria used, and studies of different types (journal articles, working papers, project evaluations, etc.) were spread over the three different quality levels.

The quality criteria used for this study, in common with other Rapid Evidence Assessments, are fairly demanding, requiring high levels of transparency about methods used and rigorous research design. Many studies which are relevant for this assessment may have been designed as learning documents or project evaluation studies, and not produced with the intention of aspiring to those standards of disclosure. A low quality rating under these criteria does not necessarily imply that a study was poorly designed or executed, or that its conclusions are incorrect; it may simply mean that the report of the study did not fully explain its design, methods, or assumptions.

<b>Oversight institution</b>	<b>Number of studies by quality level</b>		
	<b>High</b>	<b>Medium</b>	<b>Low</b>
Supreme Audit Institutions	1	5	3
Public Accounts Committees	2	2	2
Legislative oversight generally	2	8	5
Social Audit	1	3	1
<b>Total</b>	<b>6</b>	<b>18</b>	<b>11</b>

The 24 high and medium quality studies are illustrated by oversight institution below. All of the high and medium quality studies are listed and summarised in Appendix 1.

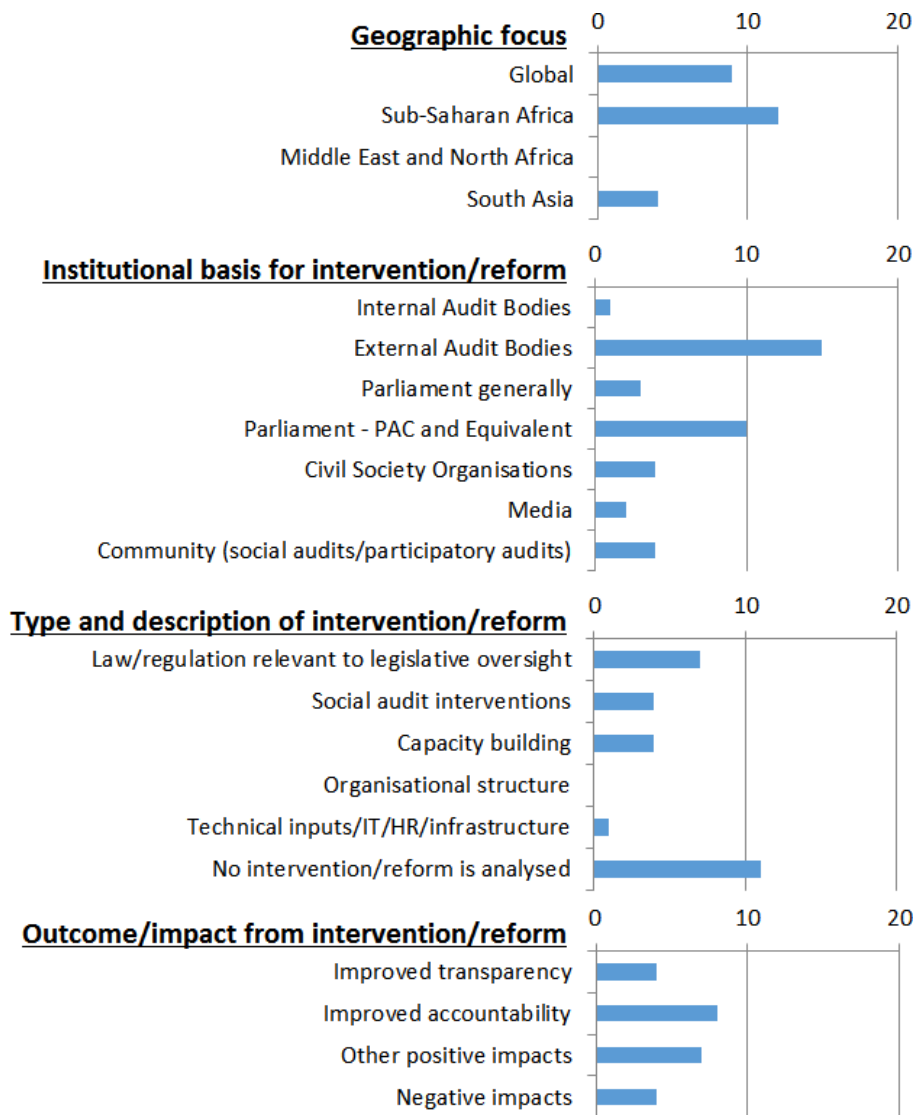


Although the total body of evidence (24 studies) is significant, the evidence on each particular institution is rather limited. Material classified as general legislative oversight overlaps to some extent with the literature on SAIs and PACs but even taking this into account there are, at maximum, 13 studies addressing SAIs, 12 studies addressing PACs and four studies looking at social audit.

The content analysis of the high and medium quality studies (below) also shows that only a small number of studies address any particular aspect of legislative oversight. External audit institutions and public accounts committees are relatively well studied. Notable gaps include a lack of evidence from studies specifically focused on the Middle East and North Africa, and a lack of interventions dealing with organisational structure. A significant number of studies examine whether legislative oversight institutions are associated with desirable outcomes, rather than examining the impact of interventions to improve those institutions (see section 3.2).



**Number of studies by location, institution, type of intervention, and observed outcomes**



## 4 ASSESSMENT OF THE EVIDENCE

The studies included in this analysis have a variety of objectives and scopes, and in many cases are silent or make only passing comments on the specific research questions that we are considering. Where they do make comments, they often do so in relation to only part of their evidence base, for example noting an impact in one case study out of a group. This limits the ability to summarise the evidence base. In the following section we characterise the evidence base for each institution and look at a series of questions related to the impact of reform efforts and the factors enabling and inhibiting reform. We have avoided describing the evidence in quantitative terms, because of the patchy nature in which findings are reported. Failure to report a finding does not necessarily mean that an effect did not happen; it may simply have been unreported if it was not the focus of a particular study. Two cross-cutting themes emerge from the literature: (1) the role of donors in effectively supporting legislative financial oversight, and (2) the need to think and work politically.

### 4.1 SUPREME AUDIT INSTITUTIONS

#### 4.1.1 KEY FINDINGS

Evidence of the impact of interventions aimed at strengthening SAIs is limited and mixed. Capacity constraints are a major barrier to effective SAIs: lack of qualified staff and other technical capacity was identified as problematic by four studies, or more generally a lack of financial resources was identified by three. Two studies noted that governments often fail to respond to recommendations from SAIs, either due to insufficient political will or a lack of enforcement power on the part of the SAI. Building technical capacity is complex and requires careful sequencing of reforms, coordinated action, and an understanding of institutional interdependencies. Other constraints to the effectiveness of SAIs include a lack of enforcement powers and a lack of demand on the part of civil society and the media (including a lack of capacity on the part of SAIs to engage with civil society and the media effectively). External demands for information and external support from donor agencies can make positive contributions to the reform of oversight processes. However, donors can also place burdens on country systems which lack capacity, and donor support has often been limited, poorly coordinated, and has failed to address the inter-relationships among oversight institutions.

#### 4.1.2 STRENGTH OF THE EVIDENCE BASE

This assessment identified **six** medium and high quality studies examining Supreme Audit Institutions. These ranged from single country case studies (Lawson et al. 2012) through to a World Bank study which considered support to 37 countries (Migliorisi and Wescott 2011:49), although the latter study was not restricted to SAIs.

These studies tended to look at a range of interventions in the field of audit, rather than single interventions. This perhaps reflects the fact that SAIs already exist in almost every country, and that their effectiveness depends on a wide range of factors including their legal mandate, their relationship with the PAC or its equivalent, their resources and the overall

governance culture. Whilst new ideas in the SAI field such as performance audit are emerging, such ideas did not appear prominent among the interventions considered here.

The overall body of evidence on SAIs is weak, especially considering the limited evidence on impacts, so limited reliance can be placed on the findings.

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#### 4.1.3 EVIDENCE ON IMPROVING GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY

Causal evidence on the impact of interventions focusing on SAIs is limited (three studies) and mixed. Migliorisi and Wescott (2011) report that changes in World Bank policy that significantly increased support for SAIs led to improved achievement of objectives relating to external audit, particularly core public management and anti-corruption objectives. Mzenzi and Gaspar (2015) found only marginal improvements in accountability arising from legislative changes related to local government audit in Tanzania which widened the powers of auditors. Lawson et al. (2012) examined the results of the creation of a Cour des Comptes (a Francophone version of an SAI) in Burkina Faso in 2000, and report that this did not lead to sustained improvement in related PEFA<sup>1</sup> scores which, in fact, declined from 2007 to 2010.

The limited evidence on the impact of specific interventions reflects the limited number of studies of SAIs and the fact that some high quality studies do not focus on specific reform interventions.

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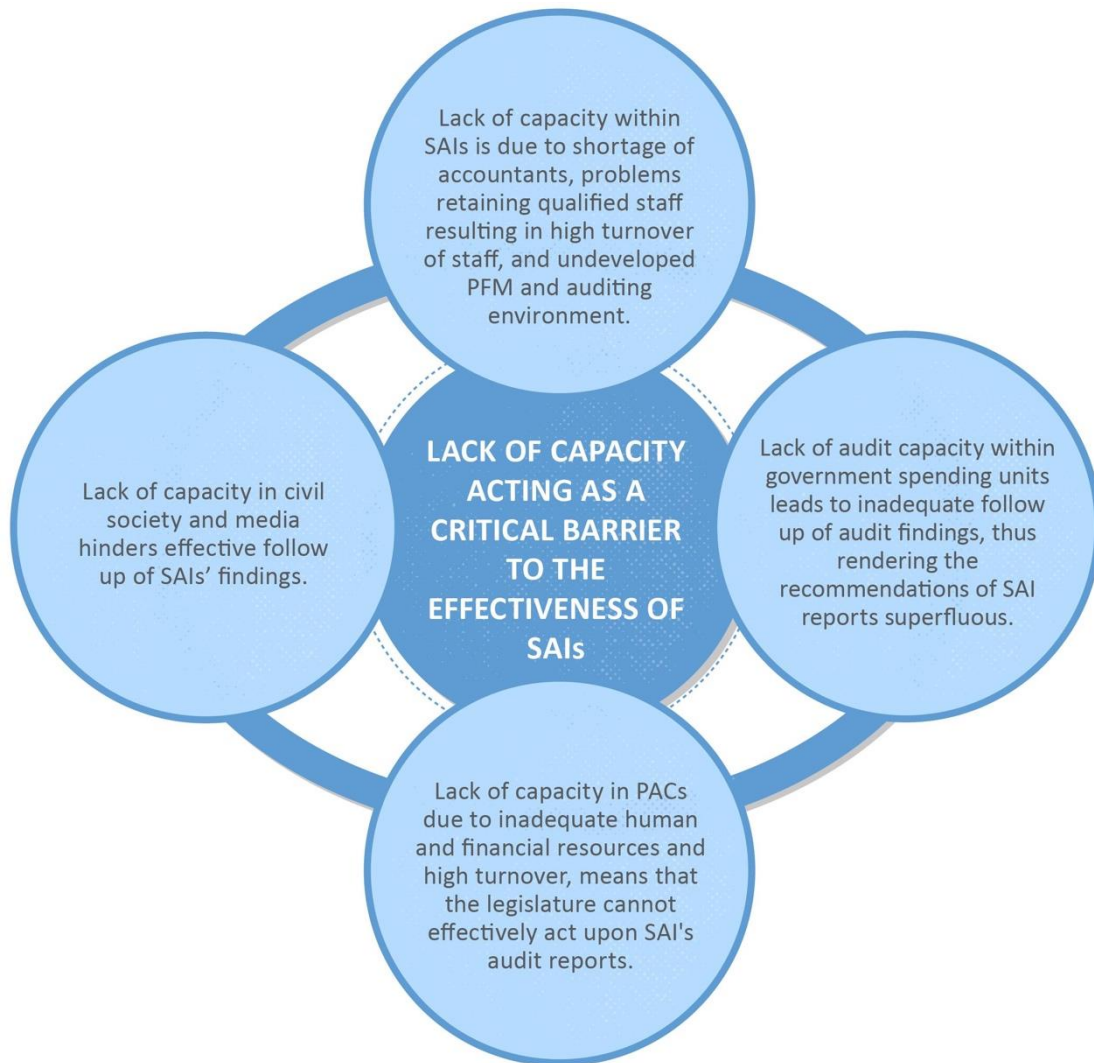
#### 4.1.4 BARRIERS TO SUCCESS

There is rather more material available, from all six studies focusing on SAIs, about obstacles to reform. Interestingly these are almost all about post-implementation issues, rather than about barriers to initiating an intervention. This may reflect a kind of publication bias in that interventions which never get off the ground are not written about; the studies that have been completed look at cases where a reform (say, a legislative change) has been initiated and may then be subject to obstacles in its implementation.

**Lack of resources** is frequently mentioned as a major constraint, either in the form of a shortage of funds (three studies) or as a lack of qualified staff to recruit or other capacity constraints (four studies), as illustrated below.

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<sup>1</sup> Public expenditure and financial accountability assessment, an international programme and standard methodology for assessing PFM performance.



Building up technical capacity is a complex process that requires multiple coordinated activities. Isaksson and Bigsten (2012) and Migliorisi and Wescott (2011) both note that institution building requires careful sequencing and coordinating of reforms with an understanding of institutional interdependencies. For example, Migliorisi and Wescott (2011) comment that “a very effective SAI combined with a weak Parliamentary Account Committee cannot have any significant impact.” (p. 32)

The lack of institutional independence is an obstacle to the effectiveness of SAIs that has been highlighted in two studies. The World Bank (2010), examining South Asian auditing practices, recommends that countries consider updating audit legislation to ensure the independence of SAIs in line with current international standards. Isaksson and Bigsten (2012) also emphasise the importance of organisational independence, but note that in practice capacity constraints have to be addressed to enable independence to be exercised.

Another frequently mentioned constraint is that audit institutions often lack the power to enforce recommendations or impose penalties, so that recommendations are not followed up. Afridi and Iversen (2014), for example, comment that the audits they investigated in India “are not an effective deterrent and have thus been unable to reduce irregularities” (p. 29), Wang and Rakner (2005) report similar findings in Malawi, Uganda and Tanzania, and

the Africa All-Party Parliamentary Group (APPG, 2008) also report similar evidence from across Africa.

On the demand side, two studies report limited interest and capacity amongst **civil society** and the media creating a lack of demand for audit products.

Lessons for donor involvement are mixed. Two studies note that external demands for information and external support can make positive contributions (Mzenzi and Gaspar, 2015; Lawson et al, 2012). However, Wang and Rakner (2014) refer to the burden donors place on partner governments, with the implication that part of this burden falls on SAIs in terms of requirements for financial audit, and Migliorisi and Wescott (2011) argue that donor support has been limited, poorly coordinated, and has failed to address the inter-relationships among oversight institutions.

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#### 4.1.5 FACTORS SUPPORTING REFORM

Findings related to factors that support interventions are limited, but two studies show that external demands for information and for reform can play a positive role. Mzenzi and Gaspar (2015) report that external auditing practices in Tanzanian local governments improved in part due to external demands for information from stakeholders including donor agencies and local politicians. However, external auditing in this case contributed only marginally to improved accountability outcomes, due to its limited scope and the failure of officials to address audit recommendations. Lawson et al. (2012) credit the supporting role of a regional governance body, the West African Economic and Monetary Union, as an influence in the successful reform of a SAI in Burkina Faso.

Menzi and Gaspar (2015) also recommend that SAIs should have a broad, clear mandate and the freedom to investigate all past and present government expenses, at its discretion.

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## 4.2 PUBLIC ACCOUNTS COMMITTEES

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### 4.2.1 KEY FINDINGS

Findings from statistical analyses show that effective PACs correlate strongly and positively with a country's level of good governance, and that PACs make a positive contribution to accountability and good governance. Statistical evidence also points to PACs being most successful when acting as catalysts for improving policy implementation and ensuring the availability of government information to parliament. They are less frequently catalysts for changes to legislation or for prosecuting officials who break the rules.

Factors contributing to the success of PACs include focusing on governments' financial activity and accountability rather than evaluating the content of government policies, a broad mandate and freedom to choose what to investigate, power to follow up on whether the government has taken steps to implement recommendations, close working relationships with Auditors General, external demand for effective PACs, adequate technical support, nonpartisan functioning of the committee, and media coverage and public involvement.

Barriers to effective PACs include capacity constraints, principally in terms of the skills of PAC members and the size of PACs' staff; lack of legal powers to demand responses and pursue prosecutions; lack of political support to carry out the PAC's mandate; and internal political issues such as partisan behaviour on the part of members.

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#### 4.2.2 STRENGTH OF THE EVIDENCE BASE

This review found **four** medium and high quality studies specifically focusing on PACs. All of these are cross-country statistical analyses which examine the relationships between various PAC features and possible outcomes, but without considering specific interventions to strengthen PACs. These are all correlational studies and, as such, limited knowledge can be gained from them about causality and whether interventions are likely to bring about improvements.

These studies are complemented by further coverage of PACs in the more general literature discussed in section 4.3 below, but nevertheless this remains a very limited body of evidence.

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#### 4.2.3 EVIDENCE ON IMPROVING GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY

Pelizzo (2011) finds positive statistical support for the contribution of PACs to accountability and good governance. However, the nature of the research means that the underlying mechanisms bringing this about are not identified; strictly speaking, this is only a correlation, and it is possible that it might only indicate that countries which already have good governance are more likely to adopt a PAC. Pelizzo also identifies two structural features correlated with PAC effectiveness: the number of opposition MPs on a PAC has a positive impact on the number of meetings held, and the number of staff members serving the PAC has a major impact on a PAC's ability to draft reports.

Stapenhurst and Pelizzo (2005) report findings based on survey data which attribute a catalyst role to PACs in bringing about positive governance change in the field of accountability. This relies to some extent on self-reported findings from PAC chairs, but the findings are nuanced, with survey results being more positive about some impacts (e.g. transparency) and less positive on others (e.g. implementing recommended legislation or pursuing financial scandals).

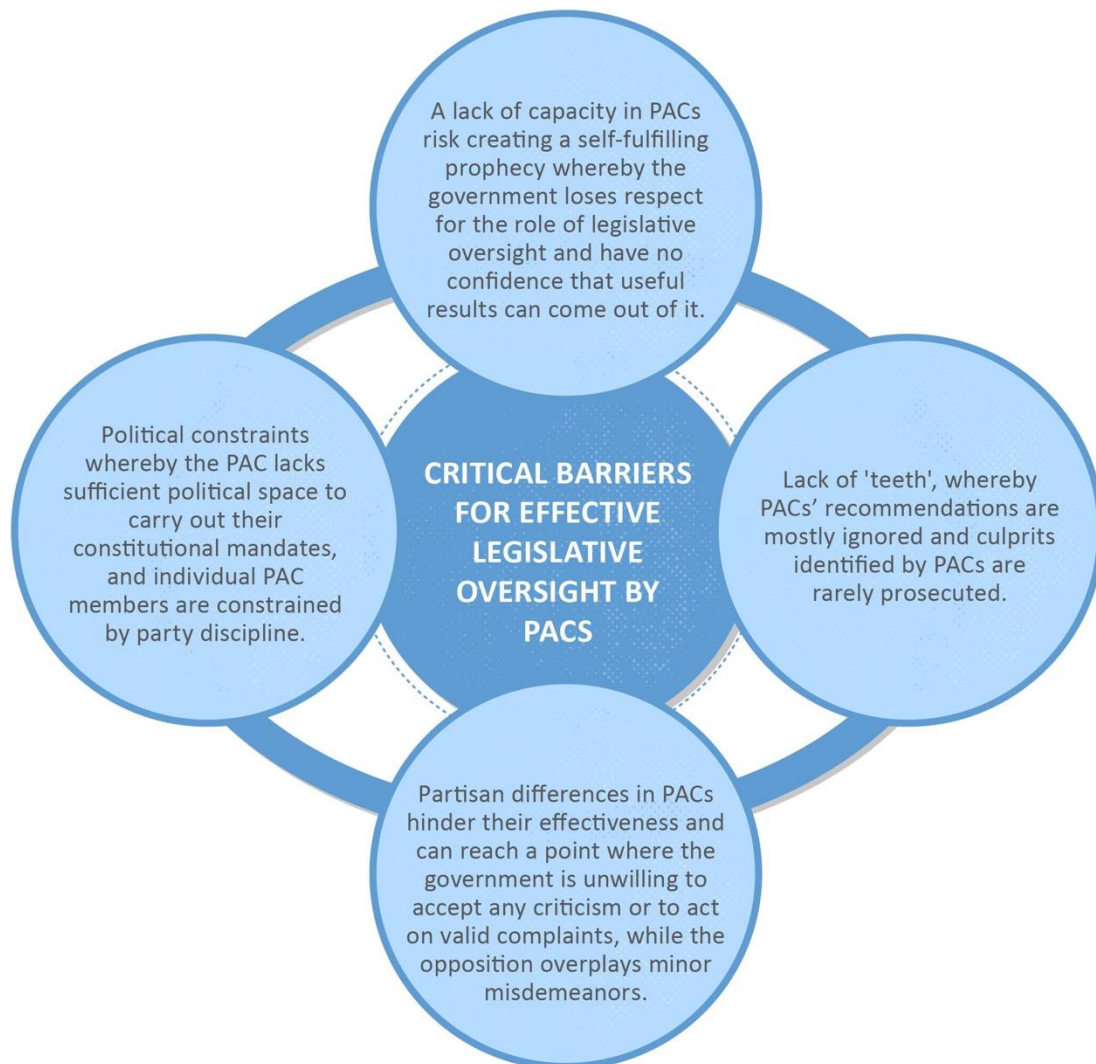
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#### 4.2.4 BARRIERS TO SUCCESS

The studies cite obstacles to success similar to those found for SAIs above. Three studies highlight PACs' lack of power to enforce or follow up on recommendations (Pelizzo et al., 2006; Pelizzo and Kinyondi, 2014; Stapenhurst and Pelizzo, 2005). One study mentions capacity constraints in PACs, principally in terms of the skills of PAC members (Stapenhurst and Pelizzo, 2005), and two studies cite political problems within the PACs as a potential threat (Pelizzo et al. (2006); Stapenhurst and Pelizzo, 2005).

Another obstacle for some PACs concerns difficulty accessing and verifying the information they need, or obtaining adequate information to carry out their tasks effectively (Pelizzo et al., 2006; Stapenhurst and Pelizzo, 2005). In some cases, expenditure is classified by

government, placing it outside the reach of oversight institutions (APPG, 2008; Ramkumar, 2008). There can also be discrepancies between approved and actual budgets that render official budgets meaningless (APPG, 2008).



Pelizzo (2011), drawing on a statistical analysis, provides a finding that contradicts the conventional wisdom that PACs should be chaired by a member of the opposition. This is an interesting example of how an idea which is commonly claimed in the literature based on limited evidence might be challenged by more robust studies.

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#### 4.2.5 FACTORS SUPPORTING REFORM

Evidence on factors which support the effectiveness of PACs is limited to two studies. The Stapenhurst and Pelizzo (2005) study, which draws on survey answers by PAC chairs, suggests that the success of PACs depends to a large extent on how they are institutionalised. Favourable features include: focusing on governments' financial activity and accountability rather than evaluating the content of government policies; having a broad mandate and the freedom to choose what to investigate, including the ability to investigate past and present government expenses regardless of when they were made; the power to check whether the government actually undertakes steps to implement the recommendations of the PAC; and close working relationships with Auditors General. The

second study (Pelizzo et al. 2006) notes that external demand for effective PACs can help motivate PAC members, and that the success of a PAC depends on adequate technical support, nonpartisan functioning of the committee, and media coverage and public involvement.

As mentioned earlier, the studies on PACs focus largely on the relationships between various PAC features – what they should look like and how they should be organised – and possible outcomes, and subsequently offer a number of detailed recommendations.

In terms of organisational structure and staffing, Stapenhurst and Pelizzo (2005) recommend that PACs should meet frequently and regularly, should be established for the full term of the parliament, and should strive for consensus in their reports. They recommend that committees should be small (five to 11 members), that membership should not include government ministers but should include senior opposition figures, and that the chair should be a senior and widely respected parliamentarian. PAC members should act in a non-partisan fashion and have good working relationships with other committee members, and PACs are more effective when committee members study the available documentation and prepare themselves before meetings (Stapenhurst and Pelizzo, 2005; Pelizzo et al., 2006; APPG, 2008). The number of staff members serving the PAC, and the quality of support, have major impacts on its ability to draft reports (Pelizzo, 2011; Pelizzo et al. (2006); Pelizzo and Kinyondo, 2014). Finally, PACs should be adequately resourced, and should have experienced staff with relevant technical expertise and competent researchers able to conduct independent research (Stapenhurst et al., 2005; APPG, 2008).

### 4.3 GENERAL STUDIES ON LEGISLATIVE OVERSIGHT

#### 4.3.1 KEY FINDINGS

Statistical evidence of the impact from legislative financial oversight found in the more general studies on legislative oversight show a number of encouraging correlations: between greater budgetary oversight performed by SAIs and greater legislative budgetary oversight, not only at the audit stage but along all stages in the budgetary process; between legislative budgetary scrutiny and deeper government accountability and greater transparency, and between strong SAIs and high levels of health spending. Three studies found links between PAC hearings being open to the public and improved accountability. Barriers to effective oversight addressed in these studies include a lack of capacity within external oversight functions (three studies), political constraints and lack of political will to improve the effectiveness of oversight functions (five studies), and lack of donor coordination in supporting oversight institutions (one study). In terms of factors supporting reform to these institutions, the literature points to the value of coordinated approaches by external actors (donors and regional/international bodies) as well as to the potential impact demand-side actors (civil society and media) can have when showing an interest in financial oversight.

#### 4.3.2 STRENGTH OF THE EVIDENCE BASE

This review identified **ten** medium and high quality studies which take a broader view of legislative oversight. They often include references to SAIs and PACs, but with a particular



focus such as the role of budget transparency (Fukuda-Parr et al. 2011) or anti-corruption (Norad, 2011b). Six studies look especially at legislative scrutiny in finance (e.g. Wehner, 2007) whilst four studies are parts of much broader studies of PFM. Given this variety of different approaches, it is difficult to draw firm conclusions.

Only five of these studies focus on specific interventions to strengthen legislative oversight, but they provide some interesting findings. Some of the interventions considered are similar to those already mentioned, including capacity building in SAIs and legal changes to audit mandates. They also include some broader capacity building interventions and some consideration of specific initiatives such as outsourcing of audit. Some of these studies consider internal audit in addition to SAIs (which are a form of external audit). Strictly speaking, internal audit lies outside the scope of this study, although there are links such as the ability of external auditors to rely on internal audit work and the independence of internal auditors from external auditors.

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#### 4.3.3 EVIDENCE ON IMPROVING GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY

Three studies showed positive effects arising from **opening up PAC hearings to the public**. One broad PFM evaluation in Ghana by Betley et al (2012) found that opening up PAC hearings by various means including televised broadcasts appears to have formed an important part of the accountability cycle. The authors noted that the televised hearings had, in particular, created pressure on the PAC to increase its functional capabilities and improve the quality and timeliness of its scrutiny of audit reports. Wang and Rakner (2005) suggest that in Uganda opening PAC sessions to the press and other public officials has made the PAC better able to hold the executive to account than in the other countries studied (Malawi and Tanzania). Subsequently studying new parliamentary standing orders introduced in Tanzania in 2007, Norad (2011b) finds that parliamentary oversight was improved by institutionalising public hearings during committee sessions, and by PAC reports being made available to the public and debated in parliament.

Two statistical surveys identify positive correlations between the presence or strength of oversight institutions and development outcomes, but the studies were not designed to assess the effectiveness of reform interventions. Rios et al. (2014) find a positive correlation between legislative budgetary oversight and budget transparency, based on a statistical analysis of Open Budget Index (OBI) information from 93 countries, and find that SAIs can contribute to budget oversight at all stages of the budget cycle. Fukuda-Parr et al. (2011) find a correlation between the strength of a SAI and a number of development indices, and also with spending in particular parts of the social sector, but the exact mechanism and direction of causality cannot be ascertained from the analysis.

One broad study of PFM reforms in post-conflict countries by Fritz et al. (2012) suggests that the impact of legislative oversight reforms has lagged behind other PFM reforms. They attribute this partly to less attention being given to this area (reflecting a common criticism of PFM reforms that they are “front-loaded” to the budget-making stage) but also to the political challenges of working with legislatures.

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#### 4.3.4 BARRIERS TO SUCCESS

Evidence on obstacles for reform echoes issues discussed earlier. Three studies look at **capacity problems**. Two of these concern SAIs, with Haque (2014) emphasising the problem of retaining experienced staff in the audit field and Fölscher et al. (2012) emphasising financial constraints rather than human resources as the underlying problem. APPG (2008) draws attention to capacity of parliamentarians which is limited due, in part, to turnover. One response to capacity constraints is to outsource audit or introduce expatriate staff, and Fritz et al (2012) discuss a number of examples of this in post-conflict countries perhaps reflecting the particularly tight capacity constraints in these situations. Haque (2014) also mentions the problem of capacity constraints affecting the follow-up of findings from the oversight process.

The APPG (2008) study also reflects on **political constraints** to change, with legislative oversight sometimes threatening powerful vested interests. Betley et al. (2012) and Fölscher et al. (2012) are perhaps reflecting the same underlying issue when they report a lack of political will behind reforms in Ghana and Malawi. Lienert (2016) points out that legislators do not always adopt budgetary policies that support the broad public interest: they may rather focus on increasing spending on their constituencies or themselves. Haque (2014) cites a structural problem in the status of the SAI in Bangladesh, which is not independent from the Ministry of Finance. This example illustrates how obstacles can be perceived at different levels – in a sense this is a technical or legal constraint but underlying it may be a similar lack of political will to enable challenging oversight.

The APPG (2008) report on Africa is critical of donors in this connection, citing a range of donor burdens and lack of coordination that may reduce the effectiveness of domestic oversight.

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#### 4.3.5 FACTORS SUPPORTING REFORM

On factors which support reform, there is a little more evidence. Norad (2011b) note the value of strong leaders in key positions such as the head of the SAI. Fölscher et al. (2012) note the role of general budget support in Malawi in leveraging the power of donors to influence policy. Wehner (2007) draws on experience in Vietnam to argue that where there is demand from the legislature, there can be progress. The latter is also one of the few studies to explicitly address the issue of whether multiple PFM reforms are desirable, suggesting that related budgetary reforms meant that the legislature was gaining oversight powers at just the right time to have an effect.

Fölscher et al. (2012) cite demand-side pressure from civil society organisations as a positive factor supporting these reforms in Malawi. They also cite the role of international SAI bodies (INTOSAI globally and AFROSAI-E in East Africa) as supporters of reforms, and a focus on human resource development and organisational reform. Norad (2011a) echoes the earlier finding that general budget support gives donors a stronger influencing role, and suggests that a multiple-thread reform strategy linking developments in legislative oversight with other oversight agencies is desirable.

Pelizzo and Stapenhurst (2013) take a step back from the detail of individual cases to say that creating the demand for legislative oversight is more important than reforming the

oversight techniques that are supplied. Fritz et al. (2012) find some evidence of increasing demand from civil society and Betley et al. (2012) report on the value of opening up the oversight process more publicly in Ghana. Wehner's (2007) overall conclusion echoes this and points out the long-term nature of reforms in the area whilst arguing that such reforms can be very cost effective.

## 4.4 SOCIAL AUDIT

### 4.4.1 KEY FINDINGS

The evidence available indicates that social audit processes have produced positive results for transparency and accountability and have supported work done by SAIs. Successful interventions include CSO-sponsored distribution of information and public hearings in India, specialist budget analysis combined with public engagement via the mass media in South Africa, and monitoring the status of projects and partnering with the SAI in the Philippines. However, social audit processes have suffered from a lack of capacity, limited institutional sustainability compared with more official structures, and limited ability to deter corruption because of an inability to apply formal sanctions.

### 4.4.2 STRENGTH OF THE EVIDENCE BASE

Although social audit is not part of official legislative oversight processes, it was included in the scope of this evidence assessment. Social audit includes mechanisms for civil society and communities to engage in oversight at the audit stage of the budget cycle. It is only one of many possible interventions that can help civil society actors hold governments to account.

**Four** medium and high quality studies identified in this review considered social audit. One of these focused on experience in a single Indian state (Afridi and Iversen, 2014), two were broader studies of the role of civil society in overseeing government, drawing on case studies from multiple countries (Ramkumar and Krafchik, 2005; Ramkumar, 2008), and one was a review of the use of public expenditure tracking surveys (PETS) which included material specifically on the role of civil society in this (Sundet, 2008).

This is a limited base on which to rely, with comparatively little recent data and mostly drawing on South Asian experience. However, these are all studies about the impact of explicit interventions to change systems, and three of the studies look at a broad range of examples while the Indian study is a relatively formal statistical study based on panel data.

### 4.4.3 EVIDENCE ON IMPROVING GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY

The studies identify a number of positive effects on transparency and accountability. One interesting effect is that the involvement of civil society in these processes appeared to leverage work done by SAIs in the same areas, rather than being an alternative to conventional SAI-conducted audit. Ramkumar and Krafchik (2005) report promising results from an initiative in the Philippines involving collaboration with the SAI, but note that this was discontinued following the appointment of a new SAI head, which suggests that the sustainability of gains may be difficult, with a lot of political will and technical support

needed to keep initiatives running. They also report success stories from India where public hearings with extensive community participation “had a significant impact in limiting corruption in public works projects in rural Rajasthan” (p. 11) and have been widely adopted across the state, and from South Africa where specialist analysis coupled with public engagement through the mass media have led to improvements in financial reporting processes.

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#### 4.4.4 BARRIERS TO SUCCESS

Material on obstacles to reform in these studies is limited. The limitations, as previously, tend to focus on post-intervention issues. Afridi and Iversen (2014) note that whilst social audits may have uncovered problems, they lack the power to impose sanctions, and wrongdoers have been able to adapt to new systems, so social audits did not appear to deter future transgressions. Sundet (2008) argues that political will is important in terms of ensuring that use is made of information from PETS and notes that a full formal PETS is really beyond the capacity of most civil society bodies. A PETS is a much more substantial undertaking than a typical social audit, which tends to emphasise local projects that can be assessed with limited technical resources.

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#### 4.4.5 FACTORS SUPPORTING REFORM

The studies in this area provided little evidence about supporting factors apart from emphasising the counterpoints to those noted above about the value of political will.

### 4.5 CROSS-CUTTING THEMES

Two themes, both relevant for donors, cut across the different literatures on legislative oversight: the role of donors in supporting oversight institutions, and the importance of thinking and working politically in this area.

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#### 4.5.1 DONOR ROLES

Two studies argue that donor policy dialogue and conditionalities can help set the discourse, bring in international experience, define policy space, and provide an external “seal of approval” that can help legitimise legislative oversight reforms (Fölscher et al. 2012; Lawson et al. 2012). However, external support must be aligned with national government priorities. When donors pursue agendas outside the national government’s own reform programme, and when external advice is not well informed and is simply based on prevailing conventional wisdom, it is counterproductive (Lawson et al. 2012). Migliorisi and Wescott (2011) call for an integrated approach to donor support that combines funding, coordination, monitoring, evaluation and learning.

Five studies call for **better coordination among donors** on approaches and funding, or conversely point out problems introduced by a lack of donor coordination (Fölscher et al. 2012; Lawson et al. 2012; Migliorisi and Wescott 2011; Wehner 2007; Wang and Rakner 2005). Initiatives recommended for improving coordination include clearly defining the roles

and responsibilities of external stakeholders (Betley et al. 2012), drafting a joint reform plan and pooling resources (Fölscher et al. 2012), sharing information and insights, reducing duplication, dividing labour according to comparative advantage, forming common streamlined arrangements (APPG 2008), discussing sectoral bottlenecks (Fritz et al. 2012), and channelling donor funds through the budgetary process (Wang and Rakner 2005).

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#### 4.5.2 THINKING AND WORKING POLITICALLY

Reforming financial oversight institutions is a **fundamentally political, not technical, process** that needs to involve a wide range of political actors (Lawson et al. 2012; Wehner 2007; Betley et al. 2012). It is crucial to understand the pressures, interests, incentives, power structures, and patronage systems in the political environment (Wehner 2007; APPG 2008; Sundet 2008; Fritz et al. 2012) and donor agencies need “a highly developed analysis of the political terrain” (APPG 2008, p. 46). Reforms aimed at strengthening accountability depend on the political economy context and can run counter to the interests of rent-seeking elites. (Fritz et al 2012; Sundet 2008). Wehner (2007) suggests that technical support may not be the most effective entry point for reform, and recommends prioritising other dimensions of legislative strengthening and the political system more broadly. Fritz et al. (2012) recommend that legal and institutional reforms should not be introduced early in a reform programme in post-conflict environment, but are better suited to being introduced over three to five years.

Seven studies identify high-level **political will** as an important success factor for reform (Afridi and Iversen 2014; Fölscher et al. 2012; Lawson et al. 2012; Pelizzo and Stapenhurst 2013; Sundet 2008; APPG 2008). Addressing problems requires political will to overcome inertia, capacity constraints, and vested interests (Sundet 2008). The political environment can restrict financial scrutiny, particularly where a powerful executive perceives scrutiny as a distraction or threat; reform depends on the interests and willingness of the audited body to implement recommendations (APPG 2008; Mzenzi and Gaspar 2015).

**Building demand for reform** among technical experts, political decision-makers, and civil society is recommended by five studies (Wehner 2007; Fritz et al. 2012; APPG 2008; Pelizzo and Stapenhurst 2013; Lawson et al. 2012). Pelizzo and Stapenhurst (2013) argue that creating domestic demand for reform is a higher priority than expanding oversight capacity of legislatures. On the other hand, Migliorisi and Wescott (2011) suggest that donors must make a trade-off between supporting governments in responding to demand and supporting non-state actors in motivating demand, and that the former may be preferable. Strategies suggested for building commitment to reform among elite groups and voters include using dialogue, responsiveness to areas of concern, and aid incentives (Fritz et al. 2012).

Three studies recommend considering the **electoral cycle** when planning reforms. Betley et al. (2012) suggest including periods of review or pauses in the reform programme to bring on board new stakeholders. Fölscher et al. (2012) describe cyclical patterns of spending and reform around elections, and recommend that donors should be aware of political cycles and local context to maximise the effectiveness of their inputs. Fritz et al. (2012) note that especially in democratic environments it may be sensible to align reform plans to political

cycles, with an emphasis on implementation and gains made prior to potential changes in government, and using the reform momentum of incoming governments.

**Local leadership and ownership** of reform processes is widely recognised as being important for achieving reform (Wehner 2007; Lawson et al. 2012; Fölscher et al 2012; Betley et al. 2012; Wang and Rakner 2005; APPG 2008). Indeed, Fölscher et al (2012) argue that with sufficient local commitment, sustainable results can be achieved without donor inputs. APPG (2008) warns that donors should be careful not to override and control local initiatives, undermine local capacity, or impair domestic support and ownership, arguing that reform needs to be pulled by local actors, not just pushed by donors. Another study, however, suggested that arrangements that allow for greater external influence such as joint responsibility for PFM work between national government officials and international experts can be considered for limited periods of time in exceptional circumstances (Fritz et al 2012).

## 5 CONCLUSION

### 5.1 STRENGTH OF THE EVIDENCE AND EVIDENCE GAPS

Overall, the body of evidence reviewed does not provide substantial evidence on the effectiveness of legislative financial oversight. There is some evidence of positive results in transparency and accountability, but evidence on issues further down the results chain, like resource allocation and service delivery, is extremely limited, reflecting only modest (although perhaps realistic) ambitions for most of these studies.

Many studies express a general tone of optimism about the potential of legislative oversight reform, but this does not necessarily derive from robust evidence. Statistical studies which focus on correlations between oversight features and governance outcomes suggest that these things matter, but there is much weaker evidence about how far specific interventions actually result in change.

There are also stories of impact, albeit limited, and there is a general theme that reforms in this area are hard and take a long time. But we do not have a clear and thorough view of what factors determine success and failure. Some obstacles are frequently mentioned, and these will not come as a surprise to practitioners in the field. Resource constraints – both financial and human – are clearly important and represent the dominant **supply-side constraints**.

There is something of an emerging trend in the findings to cite **demand-side factors** as even more important. A number of studies point to lack of effective demand as a problem whilst some of the more positive findings are associated with cases where there was some increased demand – from civil society, from the media or from donors typically. This seems plausible based on the material reviewed but systematic consideration of this issue is limited.

Perhaps lying between these issues is the ability or inability of SAIs and PACs (and legislatures more broadly) to enforce their findings. This challenge could be due to weaknesses within the institutions (a supply-side problem) or to successful opposition by powerful stakeholders to effective oversight. This latter point might be deemed a failure of demand or at least an ability to defeat demand by those threatened. The literature is however limited in examining how to mobilise greater demand.

### 5.2 WHY IS THE EVIDENCE LIMITED?

We explored in our earlier mapping study (see Appendix 2) why there is limited evidence available on the impact of interventions in PFM. Relevant factors included:

- The nature of PFM systems, being highly interconnected, does not suit research approaches that investigate links between specific interventions and specific results. We have attempted to isolate the effects of particular interventions in the field of legislative oversight, but in practice few studies rigorously attempt to do this. This is probably due in part to the fact that many reforms are undertaken as part of wider PFM reforms (either formally as an integrated project or less formally as part of a coordinated series of projects).

- The time lag for many PFM interventions to take effect makes formal study difficult. Many project evaluations or case studies are conducted shortly after interventions take place, or even before interventions are complete. However, many interventions take many years before results become apparent. For example, Migliorisi and Wescott (2011: 27) estimate that due to turnover of legislators during each election, among other factors, it takes from two to four electoral cycles for enhanced accountability measures to take hold.
- PFM (at least at the national level and for core processes) does not lend itself to experimental designs or natural experiments. In this area we found no experimental studies meeting our chronologic and geographic limits.
- Different solutions and environments in different countries and the complexity of interventions make comparative studies difficult. This is especially true when there are only a small number of studies as in this sector.
- We do not have readily available quantitative measurements of interventions. Some quantitative measures of immediate results at the process level do exist, in the form of PEFA scores, but these are not mapped to interventions. Some of the statistical studies looked at in this assessment seek to address this, for example by using OBI data, but the small number of statistical studies shows the challenge this represents for researchers.

In addition to these challenges for studying PFM interventions, there are perhaps further issues specific to legislative oversight. There is a common criticism that PFM interventions have excessively focused on processes at the front end of financial management, especially budgeting and financial planning, at the expense of more downstream processes. Often this is cast in terms of a focus on planning rather than implementation. With legislative oversight we are mainly considering a stage after implementation, which has perhaps been neglected even more than the implementation stage, as some of the synthesis studies considered here have argued, despite the importance of this stage for issues like effective resource allocation and combatting corruption.

### 5.3 POTENTIAL FOR FUTURE RESEARCH

Empirical evidence on the impact of interventions to improve legislative oversight is sparse and spread over a wide range of types of interventions. More rigorous empirical studies into all types of interventions, particularly through syntheses of case studies and evaluations, would be helpful for developing guidance on how to design interventions in this field. Development of tools and indicators that include measurement of wider effects and impacts, and that can span multiple sectors and subnational levels would be beneficial to improving understanding of what works in financial oversight.

Some of the most informative studies already identified were reviews of material on collections of related interventions, such as Wehner (2007) and Migliorisi and Wescott (2011). These were focused on interventions, were able to draw on a body of material from the inside, and were able to make useful comparisons. There would seem to be more potential for this kind of **synthesis study**. Such studies could perhaps be conducted by individual bilateral and multilateral development agencies, but ideally would be undertaken cooperatively, cutting across projects undertaken by different agencies. This approach would



also allow for a longer-term perspective, moving away from the short-term judgements of typical project evaluations.

**Statistical studies** have some limitations in that they typically focus on the importance of oversight institutions but not on the effectiveness of interventions to improve institutions. They do, however, offer the potential to challenge conventional wisdom with hard evidence in certain cases (for example, Pelizzo (2011) challenges the belief that PACs should be chaired by a member of the opposition). Collecting the data for large scale studies is a major undertaking and may be difficult without official support. Combining statistical approaches with case studies that can improve understanding of causality may be particularly productive.

Experimental approaches are difficult to implement in this field, at least at the national government level. However, there is potential to undertake **experimental studies at the local level**, which would complement the tendency to study these initiatives with smaller scale case studies. This might also help fill in gaps in understanding of local level public financial management issues. However, most of the actual impact on a country is likely to be driven by national systems.

The importance accorded to demand-side factors, and the related issue of the ability of people whose power may be threatened by change to frustrate the findings from legislative oversight suggest that **political economy studies** may have some value. Studies focusing on political factors around legislative oversight which have perhaps been relatively neglected in favour of technical considerations of the content of reform could be particularly useful.

#### 5.4 IMPLEMENTING REFORMS ON LEGISLATIVE FINANCIAL OVERSIGHT: GENERAL RECOMMENDATIONS FROM THE LITERATURE

Evidence about the effectiveness of reforms to SAIs, PACs and social audit is not strong enough to robustly identify specific interventions as widely and consistently recommended. However, the studies included in this review also offer recommendations for strengthening legislative oversight functions and reforming PFM systems which are more general in nature and do not flow clearly and directly from the empirical evidence reported in the source papers. The recommendations listed below are extracted and summarised from the 24 medium and high-quality studies included in this review.

**Adapt reforms to the local context:** Six studies comment on the need for reforms to adapt to suit the local context. Donors should be aware of the local context and the constraints it places on reform choices (Fölscher et al. 2012). Isaksson and Bigsten (2012) call this shifting from “best-practice” to “best-fit”. Adapting PFM systems to the requirements of external partners or operating dual project management and financial management arrangements can lead to duplication of government functions and incoherent spending decisions (Lawson et al. 2012). Imposing reporting requirements and timelines can tie up domestic capacity that might be better used to strengthen accountability (APPG 2008). Reforms should not attempt to simply replicate models from other countries (so-called isomorphic mimicry) (Wehner 2007; Fritz et al. 2012).

**Coordination with other initiatives and institutions:** Many studies emphasise the importance of improving coordination among the initiatives and institutions active in a country. This includes integrating activities within larger reform processes; coordinating reforms across the entire budget cycle; coordinating aid programming and public expenditure planning; coordinating work across sectors and subnational levels; and coordinating among multiple actors including ministries, civil society, the legislature, and regional bodies (Sundet 2008; Fritz et al. 2012; Lawson et al 2012; Migliorisi and Wescott 2011; Isaksson and Bigsten 2012; Wehner 2007; Fölscher et al. 2012).

**Civil society engagement:** Many studies recommended that oversight institutions should engage with civil society organisations, the media, and the public at large. Public involvement can support collecting and reporting relevant information that can be used to detect corruption (Pelizzo et al 2006; APPG 2008; Ramkumar and Krafchik 2005; Sundet 2008). Civil society can also put political pressure on governments to implement change (Sundet 2008; Ramkumar and Krafchik 2005) and improve accountability in the future (Stapenhurst et al. 2005; Pelizzo et al 2006). In some cases, civil society organisations have developed audit techniques that can be adopted by SAIs (Ramkumar and Krafchik 2005). However, SAIs might not have the legal or constitutional mandate to engage with civil society (Ramkumar and Krafchik 2005), and engagement can be problematic where freedom of the press is constrained (APPG 2008). Several studies note that civil society organisations might need or benefit from capacity building or official accreditation to improve their effectiveness (APPG 2008; Sundet 2008; Ramkumar 2008).

**Management and planning:** Four studies comment on the need for strong, effective management of reform processes. Betley et al. (2012) call for “strong, clear and evidenced leadership” and point out that it is important to be realistic, coordinate tasks, set priorities, sequence reforms appropriately, and coordinate management of reform at different levels. They also recommend introducing more performance incentives for senior management, and allowing for pilot testing of reforms before full-scale roll-out. Lawson et al. (2012) recommend that the structures managing PFM reforms should have sufficient competence and authority, and firm control over external support and dialogue and negotiations with donors. Fritz et al. (2012) emphasise the importance of early analysis and planning, periodically updating plans, and developing relatively simple reform plans that can be shared among stakeholders early in the process. Ramkumar (2008) recommends that civil society organisations should start with a clearly defined strategic objective and suggests the SMART (Specific, Measurable, Achievable, Realistic, and Time-bound) framework as a planning tool.

**Sequencing of reforms:** Three studies recommend beginning with incremental and less ambitious reforms before moving on to more ambitious improvements and extending across different sectors and levels of government (Wehner 2007; Betley et al. 2012; Fritz et al. 2012). Conversely, two studies highlight the consequences of poorly sequenced reforms resulting from a failure to correctly assess institutional capacity (Wang and Rakner 2005) or a lack of clarity in sequencing (Lawson et al. 2012). Sequencing should allow time for planning, design, and testing, including evaluation against wider impacts on state building and service delivery (Betley et al. 2012; Fritz et al. 2012). In general, the literature does not

provide specific recommendations about what should be done first in any given situation; instead, sequencing is seen as a process that depends on understanding local constraints and existing institutional capacities and interdependencies (Isaksson and Bigsten 2012; Migliorisi and Wescott 2011).

**Long-term continuity:** Long-term, continuous, comprehensive, and flexible commitments to supporting reform are widely argued to be beneficial for achieving sustainable results (Wehner 2007; Betley et al. 2012; APPG 2008; Fritz et al. 2012; Migliorisi and Wescott 2011). Betley et al. (2012) describe reform as a continuous cyclical process, and recommend allowing time for planning, designing, testing/piloting, reviewing, and adapting. Fritz et al. (2012) suggest starting planning early, remaining engaged for the long term, and combining long-term vision with more detailed medium-term planning stages. They suggest that “a realistic time horizon for effective PFM strengthening is 10 to 20 years, and possibly more to complete interacting reforms such as establishing and consolidating intergovernmental systems.” (p. 66)

**Adaptive management:** An adaptive and iterative approach to introducing reforms can take advantage of windows of opportunity when conditions are favourable, scale back and protect gains when conditions are less favourable, and learn from experience and adapt (Wehner 2007; Fölscher et al. 2012). Betley et al. (2012) recommend incorporating time for planning, designing, testing, reviewing and evaluating, and revising based on lessons learned. Two studies recommend being flexible within an overall long-term and predictable approach (APPG 2008; Migliorisi and Wescott 2011). Two studies emphasise the importance of innovation and experimentation, with appropriate measurement of results (Fritz et al. 2012; Migliorisi and Wescott 2011).

**Monitoring, evaluation, and learning:** Seven studies call for increased efforts in monitoring, evaluation, and learning, including better evaluation of activities and their broader impacts; more cooperation in sharing up-to-date information and international experience; improving learning and feedback mechanisms to support adapting plans and guide operational practice; carrying out periodic progress reviews using a range of complementary tools and indicators that include measurement of wider effects, impacts, sectors, and subnational levels; and greater commitment to evidence-based programming, evaluation, and learning (Wehner 2007; Betley et al. 2012; Lawson et al. 2012; APPG 2008; Sundet 2008; Fritz et al. 2012; Migliorisi and Wescott 2011).

**Capacity building:** Seven studies point out the importance of including capacity building in reform plans (Isaksson and Bigsten 2012; Fölscher et al 2012; Fritz et al. 2012; Wang and Rakner 2005). Specific recommendations include strengthening training organisations to provide courses to increase the availability of core PFM skills (Lawson et al 2012, p. 68; World Bank 2010, p. 22), encouraging or requiring staff of oversight bodies to acquire or improve professional qualifications (World Bank 2010, p. 22), and setting up a budget office technically supporting parliament (Ríos et al. 2014, p. 17). World Bank (2010, p. 22-23), looking at SAIs in South Asia, recommends upgrading audit methodologies to meet international standards, reforming fundamental processes for scrutiny, and developing recruitment and training policies that result in a well-trained, qualified audit staff. Capacity

building requires long-term coordinated commitment and funding that may include a variety of approaches such as capacity substitution and supplementation, transitional schemes, skills training, institutional twinning, and various approaches to improving staff retention (Fritz et al 2012, p. 54-65).

**Capacity assessment:** Two studies discussed capacity assessment as approaches to understanding the institutional context. Betley et al. (2012), drawing on evidence from a case study in Ghana, suggest that “explicit analyses should be undertaken of stakeholder readiness for reform, particularly for Information Technology (IT) projects and reforms involving functions to be devolved.” Fölscher et al. (2012) point out in a case in Malawi that the chosen reform model did not sufficiently consider staff capacity constraints and incentives for institutional change, and did not enough activities to address these gaps, resulting in approaches being discredited or abandoned.

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## SUPREME AUDIT INSTITUTIONS

**Isaksson, A.-S., & Bigsten, A. (2012). "Institution Building with Limited Resources: Establishing a Supreme Audit Institution in Rwanda". *World Development*, 40(9), 1870-1881. doi:10.1016/j.worlddev.2012.04.021**

Using a qualitative process tracing approach (drawing on data from documents and key informant interviews), this study investigates whether and how operational constraints in terms of staff capacity affect the achievement of supreme audit institution independence. It uses Rwanda as a case study. The researchers find that while the Rwandan supreme audit institution is *de jure* independent (institutional arrangements are in place to insulate it from outside influence), it cannot be *de facto* independent as long as there are capacity constraints on all sides of the audit trail. The authors discuss how to solve the capacity constraint problems and argue for the need to establish a well-functioning financial audit before diverting scarce capacity resources to performance auditing.

**Lawson, A, Chiche, M. and Ouedraogo. I. (2012). *Evaluation of Public Financial Management Reform in Burkina Faso 2001–2010. Final Country Case Study Report. Stockholm: Sida.***

This report looks at a range of PFM reforms that took place in Burkina Faso over a 10-year period (2001-2011), legislative oversight being one of the areas where reform has taken place. In line with the West African Economic and Monetary Union (WAEMU) and its Directive on Transparency, Burkina Faso established a Cour des Comptes (Francophone style supreme audit institution) in 2000. However, the authors found little progress in external audit, pointing, for example, at PEFA scores concerning the timeliness and the thoroughness of the Legislature's examination of the report of the Cour des Comptes having deteriorated over time. The authors point to limited capacity and the difficulties of recruiting adequately qualified auditors and lawyers for the Cour des Comptes.

**Migliorisi, S. and Wescott, C. (2011). *A Review of World Bank Support for Accountability Institutions in the Context of Governance and Anticorruption, IEG Working Paper 2011/5. Washington, D.C.: World Bank.***

In this meta evaluation the authors look across 37 World Bank projects; 14 of which concern supreme audit institutions and find that, while an increase in World Bank support for SAIs linked to the Bank's Governance and Anti-corruption strategy has been translated into an improved achievement of objectives relating to the external audit function, the achievements have started from a low base. The authors conclude that non-executive accountability institutions have been almost consistently underfunded and under-studied: donor support has been limited, ad hoc and poorly coordinated, with insufficient investment in monitoring, evaluation and learning.



**Mzenzi, S. I., and Gaspar, A. F. (2015). "External Auditing and Accountability in the Tanzanian Local Government Authorities". *Managerial Auditing Journal*, 30(6/7), 681-702. doi:<http://dx.doi.org/10.1108/MAJ-04-2014-1028>**

This paper concerns the effectiveness of the external audit organisation at the local government level in Tanzania. The authors use content analysis on 10 years' worth of external audit reports from the local government authorities as well as key informant interviews. The authors found a serious lack of implementation of recommendations by the Controller and Auditor General. They also found that the recommendations for action were the same over time, indicating an accountability failure on the part of responsible officials to effectively address irregularities picked up by the external audit organisation. The findings suggest that external auditing at the local government level can enhance accountability but only when audit recommendations are implemented by responsible officials.

**Wang, V., and Rakner, L. (2005). *The accountability function of supreme audit institutions in Malawi, Uganda and Tanzania*. Bergen: Chr. Michelsen Institute.**

Using a comparative, qualitative case study approach (key informant interviews with stakeholders, government documents and reports) this study looks at the functions of the supreme audit institutions in Malawi, Tanzania and Uganda. It compares the institutional capabilities of the audit institutions (linked to the institutions' mandate, capacity and autonomy), and the relational resources of SAIs (through their interactions with parliament, civil society, and the donor community). The authors highlight a number of barriers holding these audit institutions back in the three countries, including a lack of capacity (lack of formal training combined with high staff turnover) and financial resources; and a lack of follow up of audit findings and of political autonomy. The authors also found limited donor coordination in this area, which adds to the workload of the supreme audit institutions and places excessive demands on an already weak institutional capacity.

**World Bank. (2010). *Public sector accounting and auditing in South Asia: a comparison to international standards*. Washington, D.C.: World Bank.**

This report provides a snapshot of what supreme audit institutions in eight South Asian countries look like in practice and in comparison to international good practice. It is a synthesis of "gap analysis" assessments prepared in recent years in each country. The synthesis points at certain barriers that inhibit these countries' SAIs from conforming to international good practice, including lack of capacity (qualifications and skills of auditors) and lack of timely publication of audit reports. On the issue of audit recommendations, most South Asian SAIs have backlogs of unresolved audit objections arising from compliance audits. This is partly due to a lack of serious and timely management attention to audit findings, coupled sometimes with ineffective legislative scrutiny of audit reports.

**Pelizzo, R. (2011).** "Public Accounts Committees in the Commonwealth: oversight, effectiveness, and governance". *Commonwealth & Comparative Politics*, 49(4), 528-546. doi:10.1080/14662043.2011.615171

This paper focuses on which organisational features and activities performed by public accounts committees lead these organisations to be effective (achieve policy-relevant results), and whether effectiveness of PACs, in turn, affect the level of good governance in a country. The authors use data from a 2002 World Bank Institute survey of national and sub-national legislatures in Commonwealth countries. The findings from the cross-country regression analysis suggest a strong, positive, and statistically significant correlation between PAC effectiveness and the level of good governance (measured by the World Governance Indicators). The results also show that, contrary to what previous studies on public accounts committees have argued, there is no evidence that PACs chaired by a member of parliament from the opposition parties are more effective than PACs chaired by MPs affiliated with the government party or coalition.

**Pelizzo, R., and Kinyondo, A. (2014).** "Public Accounts Committees in Eastern and Southern Africa: A Comparative Analysis". *Politics & Policy*, 42(1), 77-102. doi:10.1111/polp.12062

This article compares the organisation, structure, activity, working practices and functioning of public accounts committees across Eastern and Southern Africa. The findings and discussions are based on survey data of eleven Eastern and Southern African Parliaments. The findings suggest, among other things, that recommendations from PACs are mostly ignored across the region, and that culprits identified by PACs are, more often than not, never prosecuted. These features lead PACs in the sampled Parliaments to be perceived as mostly ineffective and inefficient as they fail to hold the culprits accountable for their wrongdoings beyond merely questioning them.

**Pelizzo, R., Stapenhurst, R., Sahgal, V., and Woodley, W. (2006).** "What Makes Public Accounts Committees Work? A Comparative Analysis". *Politics & Policy*, 34(4), 774-793. doi: 10.1111/j.1747-1346.2006.00040.x

Using a World Bank survey from 2002 filled out by 33 chairs of public accounts committees (national and sub-national) from across the commonwealth, the authors argue that public accounts committees are able to provide effective scrutiny only if three conditions are present. These are: adequate technical support to the PAC (adequate staff and independent sources of information); nonpartisan functioning of the committee (partisanship undermine the credibility and legitimacy of the analysis, the investigation, the conclusions, and the recommendations of the committee); and media coverage and public involvement (external scrutiny provides an incentive for PACs to perform effectively).

**Stapenhurst, R., and Pelizzo, R. (2005).** *Scrutinizing Public Expenditures Assessing the Performance of Public Accounts Committees*. World Bank Policy Research Working Paper No. 3613. Washington, D.C.: World Bank.

Using a World Bank survey from 2002 filled out by 33 chairs of public accounts committees (national and sub-national) from across the Commonwealth, the authors identify a number

of factors facilitating or acting as barriers to successful performance of PACs. The authors find, among other things, that PACs are most successful acting as a catalyst for improvement in government's implementation of policy decisions and for improvement in the availability of government information to parliament. They are less frequently the catalyst for the government to change legislation or major policy objectives or to prosecute officials who break the norms of probity or present misleading financial information to the public.

## GENERAL STUDIES ON LEGISLATIVE OVERSIGHT

**APPG. (2008). *Strengthening Parliaments in Africa: Improving Support*. London: Africa All Party Parliamentary Group.**

This report presents the findings from an inquiry by the Africa All Party Parliamentary Group into parliamentary oversight in Africa. It highlights a number of barriers to the effective workings of parliamentary oversight institutions, including: lack of capacity among parliamentarians stemming from high levels of MP turnover and varying educational backgrounds; lack of incentives to ensure that instances of negligence, malpractice and non-compliance are greeted with appropriate disciplinary and legal penalties; and conflictual and untrusting relationships between civil society and parliaments, together with ineffective financial scrutiny provided by media, limit the potential for three-way constructive interaction between the media, civil society and parliament in the region.

**Haque, M. A. (2014). "Accountability for Public Expenditure in Bangladesh: The principal-agent problem and role of the Office of the Comptroller and Auditor General". *Asia Pacific Journal of Public Administration*, 36(4). doi:10.1080/23276665.2014.979018.**

This case study concerns the public expenditure accountability system in Bangladesh. Using data gathered from interviews with key informants, the authors find a number of problem areas that hinders the effective workings of the external audit function. The problems include a lack of autonomy of the supreme audit institution, which is structurally linked to the ministry of finance and the ministry of public administration, resulting in the potential for conflicts of interest. Another identified barrier for the effective functioning of the supreme audit institutions is brain-drain caused by the limited career possibilities offered by the institution. As for the effectiveness of the public accounts committee, the greatest barrier is the delays by which the committee gets the audit reports.

**Betley, M., A. Bird, A. Ghartey. (2012). *Evaluation of Public Financial Management Reform in Ghana, 2001–2010; Final Country Case Study Report*. Stockholm: Sida.**

This is an evaluation of a broad set of public financial management reforms taking place over nine years (2001-2010) in Ghana, of which some components concern legislative oversight. One of the reforms that took place during the analysed period was the opening up of public accounts committee hearings on external audit reports to the public. The authors found that televising the hearings increased public awareness of the role of the PAC and led to pressure on the PAC to increase its technical capacities and improve the quality and timeliness of its scrutiny. The authors found the main binding constraint to the success of reforms to be the degree of government political commitment to reform, especially ensuring continued high-level commitment over time to fully implement the reforms.

**Fölscher, A., Mkandawire, A., and Faragher, R. (2012). *Evaluation of Public Financial Management Reform in Malawi 2001–2010 Final Country Case Study Report (Joint Evaluation 2012:9 ed.)*. Stockholm: Sida.**

This report looks at a range of public financial management reforms that took place in Malawi over a 10-year period (2000-2010), of which some components concern legislative oversight. The authors found, with regard to all public financial management reforms, including legislative financial oversight, the presence of political will and local political ownership to be the most critical conditions for successful and sustainable reform. Another finding was that donors' support to reform through the general budget support module helped open up policy dialogue space which created the opportunity for donors to influence government reform priorities. The authors also found the standards set by regional and international bodies, including Afrosai-E and INTOSAI, to have contributed to successful legislative oversight reforms.

**Fritz, V., Fialho Lopes, A. P., Hedger, E., Tavakoli, H., and Krause, P. (2012). *Public Financial Management Reforms in Post-Conflict Countries Synthesis Report*. Washington, D.C.: World Bank.**

This report synthesises the findings from a range of public financial management reforms, including on legislative oversight, having taken place in eight post-conflict countries. The authors found legislative financial oversight reforms to have under-performed relative to other public financial management reforms, and this can be explained in part because budget accountability received relatively less attention in reform programmes, but also because it is a challenging area politically.

**Fukuda-Parr, S., Guyer, P. & Lawson-Remer, T. (2011). *Does Budget Transparency Lead to Stronger Human Development Outcomes and Commitments to Economic and Social Rights?* Washington, D.C.: International Budget Partnership.**

This paper sets out to explore the relationship between the quality of the budget process and human development outcomes. The authors conduct a series of regression analyses on the relationship between the independence and effectiveness of countries' supreme audit institution (based on certain questions in the Open Budget Survey) and a series of proxies for human wellbeing. They find that greater independence and effectiveness of supreme audit institutions correlate with greater gender equality, lower infant and child mortality, and higher health spending, both relative (public health expenditure as a percentage of total government expenditure) and absolute (total health expenditure per capita).

**Norad. (2011b). *Joint Evaluation of Support to Anti-Corruption Efforts: Tanzania Country Report*. Oslo: Norad.**

This is a multi-donor (UK, Denmark, Sweden, Norway) joint evaluation of anti-corruption interventions in Tanzania over the period 2002-2010. Part of these interventions concerned legislative financial oversight. Two significant oversight reforms were undertaken in this period: a new Public Audit Act, making it compulsory for the government to submit structured responses to the national audit office's annual reports, and new standing orders enhancing the oversight function of the parliament. The authors found that following the reforms, debates of the public account committee reports is taking place in parliament. The

PAC reports have also become available to the public. As a result, the PAC has started playing a more assertive and effective role in the scrutiny of public expenditure.

**Pelizzo, R., and Stapenhurst, R. (2013). "Oversight Effectiveness and Political Will: Some Lessons from West Africa". *The Journal of Legislative Studies*, 20(2), 255-261. doi:10.1080/13572334.2013.829277**

This paper, based primarily on a literature review, concerns the political economy of legislative oversight in West Africa, specifically getting to grips with what makes legislators want to perform better oversight. The authors argue that whenever members of parliaments refrain from performing their oversight role adequately, it is because they perceive the costs associated with being effective overseers greatly outweighing the benefits. The authors argue that more attention should be paid to creating a demand for financial oversight, which would reward effective oversight and thereby change the incentives facing parliamentarians.

**Ríos, A.-M., Bastida, F., and Benit, B. (2014). "Budget Transparency and Legislative Budgetary Oversight: An International Approach". *The American Review of Public Administration*. doi:10.1177/0275074014565020**

Using data from the Open Budget Survey for 93 countries, this article looks at the relationship between legislative budgetary oversight and budget transparency. Based on this cross-country statistical analysis, the authors argue that enhanced legislative budgetary scrutiny leads to deeper government accountability and greater transparency in public finances management. Another finding is that greater budgetary oversight by supreme audit institutions leads to greater legislative budgetary oversight, not only ex-post (audit stage) but along all stages of the budgetary process. As an implication for public policy, this finding supports the idea that a strong, independent SAI, properly provided with human and technical resources, is key to enhancing the legislative oversight role.

**Wehner, J. (2007). *Strengthening legislative financial scrutiny in developing countries*. London: London School of Economics and Political Science.**

This is a comprehensive report on donor support to legislative financial oversight. Among other things, the author reviews a number of DFID projects linked to legislative financial oversight. Based on an analysis of project documentation and key informant interviews the author reaches four conclusions: 1) there is a lack of relevant analytical work on the issue of legislative financial oversight; 2) there is a risk of settling for blue-print institutional replications rather than adapting to local contexts; 3) donor support is vulnerable to political risks and must have local political backing, and 4) if done well, donor support in this area can have substantial impact at low cost.

**Afridi, F., and Iversen, V. (2014) *Social Audits and MGNREGA Delivery: Lessons from Andhra Pradesh*. IDEAS Working Paper Series Vol. IZA Discussion Paper No. 8095. New Delhi: IZA.**

This paper looks at the impact social audits have had on the public work projects under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), where social audits have been made mandatory. The MGNREGA empowers intended beneficiaries to scrutinize programme expenditures and to monitor and keep track of programme delivery. Using a panel data set assembled from official social audit reports (2006-2010), the authors find that while the social audit process has been effective in detecting irregularities, the audits are not an effective deterrent and have thus been unable to reduce irregularities. They interpret the finding as reflective of transgressors responding to a new monitoring regime and the need to stay one step ahead of this monitoring regime. They also point to the need for the social audit process to be armed with effective sanctions.

**Ramkumar, V. (2008). *Our Money, Our Responsibility: A Citizens' Guide to Monitoring Government Expenditures*. Washington, D.C.: International Budget Partnership.**

This is a wide-ranging book on the topic of civil society's role in holding governments to account. It was written with the intention of providing civil society groups with some of the basic ideas and tools they need to begin monitoring budget expenditures, and these ideas and tools are featured in a variety of cases from around the world, some of which concern social audit.

**Ramkumar, V., and Krafchik, W. (2005). *The Role of Civil Society Organizations in Auditing and Public Finance Management*. Washington, D.C.: International Budget Partnership.**

This report concerns civil society's role in audit in developing countries, especially the interactions between civil society organisations and supreme audit institutions. The discussion is grounded in four case studies (from South Africa, Philippines and India) where civil society has engaged in the auditing stage of the budget process, and which have led to a strengthening of the oversight function of both civil society organisation and supreme audit institution. The authors argue that strategic partnerships between civil society groups and SAIs can assist both entities in creating the political capital needed to push legislatures and the executive to take corrective action to protect public funds.

**Sundet, G. (2008). *Following the Money: Do Public Expenditure Tracking Surveys Matter?* Oslo: Chr. Michelsen Institute.**

This paper concerns using Public Expenditure Tracking Surveys (PETS) as a method for finding and fixing 'leakages' along the public expenditure path. While the methodology differs from social audit, its ultimate objective is similar. Through the critical analysis of some oft-cited expenditure-tracking, PETS-like, success stories, the author suggests that the success of expenditure tracking conducted both by governments/donors and CSOs have been overstated and that there are some important critical barriers for success that should be taken into account before providing support to civil society organisations to conduct PETS-like 'follow-the-money' interventions.

## APPENDIX 2: METHODOLOGY

### SEARCH STRATEGY

The methodology used for gathering the evidence base on legislative oversight follows from an earlier study (De Lay et al., 2015) which mapped the coverage of evidential literature across a broader range of PFM topics resulting in a database of 197 coded studies. This literature was compiled following a rigorous search process using the following sources:

Web of Knowledge	3ie Data of Impact Evaluations
Google Scholar	3ie Systematic Review Database
World Bank Open Knowledge Repository	GSDRC
OECD DAC Evaluation resource Centre	R4D
OECD publications database	DFID
Asian Development Bank	Chr. Michelsen Institute
African Development Bank	Overseas Development Institute
Inter-American Development Bank	

Searches were conducted in August and September 2015 using the following criteria:

- Geographic focus: Low- and middle-income countries;
- Language: Only studies available on English were included;
- Research design: Primary, empirical research or evaluation (quantitative or qualitative) or secondary reviews. Theoretical and conceptual papers were excluded;
- Date of publication: Materials published from 2005 onwards were included;
- Relevance: Studies must explore the relationship between a given set of PFM interventions and a given set of outcomes.
- Types of publication: Academic journals, peer-reviewed materials, working papers, grey literature, books, and book chapters that are available online at no cost to the reader. Books and book chapters were only included where the text was available electronically directly from the publisher in PDF full text format. This excluded scanned copies and Google Book previews. Policy statements, guidance notes, and advocacy-oriented materials were not included.
- Cost of access: Materials were included no matter whether they were free to access or required payment (e.g. academic journals) but the database included a field showing whether the material was freely accessible or not.

For assurance that the search methodology would not miss key information, we also consulted with 15 specialists on public financial management to obtain further literature recommendations. We are grateful to the following experts for their assistance:

Marco Cangiano, NYU/IMF	Carlos Santiso, IADB
Paolo di Renzio, IBP/ODI	Joachim Wehner, LSE
Philip Krause, ODI	Clay G. Wescott, Consultant

Andrew Lawson, FISCUS/ODI  
Ian Lienert, Consultant  
Stephen B Peterson, KSG, Harvard  
Marc Robinson, Consultant  
Frans Ronsholt, PEFA

Rajesh Kishan, DFID  
David Gray, DFID  
Laura Leyser, DFID  
Euan Davidson, DFID

## QUALITY ASSESSMENT

Our approach to assessing the 'quality' of studies was based on DFID's *How to Note* (DFID 2014) and the experience of other REAs conducted for DFID. Most REAs do not publish identifiable details of studies considered 'low quality', and we follow this practice, simply excluding these studies from the analysis.

### ASSESSING PRIMARY EMPIRICAL STUDIES

We adopted six criteria for considering individual study quality for primary studies:

1. **Conceptual framing.** Does the study acknowledge existing research? Does the study pose a research question or outline a hypothesis?
2. **Transparency.** Is it clear what is the geography/context in which the study was conducted? Does the study present or link to the raw data it analyses? Does the study declare sources of support/funding?
3. **Appropriateness of method.** Does the study identify a research design and data-collection and analysis methods? Does the study demonstrate why the chosen design and method are well suited to the research question?
4. **Internal validity.** To what extent is the study internally valid?
5. **Cultural/Context sensitivity.** Does the study explicitly consider any context-specific cultural factors that may bias the analysis/findings?
6. **Cogency.** To what extent does the author consider the study's limitations and/or alternative interpretations of the analysis? Are the conclusions clearly based on the study's results (rather than on theory, assumptions or policy priorities)?

We have omitted *reliability*, which in the research literature has the meaning of how far results are robust in the sense of replicably producing stable results, as we do not believe this is assessable for most of the studies identified. *Relevance* is also not considered to be a quality factor, as our search process is designed to only include relevant studies and relevance is independent of quality (i.e. a study may be relevant to one purpose but irrelevant to another purpose, and nevertheless be of high quality on other measures).

We used a rating scale of 1-3 for each of these factors. The scoring reflects how far studies follow good research practice on each criterion:

- 3 = no concerns
- 2 = some minor concerns
- 1 = major concerns

We thus have a range of scores from 6 to 18. We then allocate each study to a high/moderate/low band based on where it falls:



- 6-10 = low
- 11-14 = moderate
- 15-18 = high

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#### ASSESSING SECONDARY RESEARCH (META-REVIEWS)

The method described above does not fit secondary research and meta-reviews (i.e. studies that rely on data collected by other studies, rather than collecting their own original data). For these studies an alternative set of criteria is used.

1. Does the study describe where and how studies were **selected** for inclusion?
2. Does the study assess the **quality** of the studies included?
3. Does the study draw **conclusions** based on the reviews conducted?

We assess each of these on a scale of 1-3 following the same principles as for primary research studies above, generating a range of scores between 3 and 9. We then allocate each study to a high/moderate/low band based on where it falls:

- 3-4 = low
- 5-7 = moderate
- 8-9 = high

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