

# INDEPENDENT EVALUATION GROUP

## **A Review of World Bank Support for Accountability Institutions in the Context of Governance and Anticorruption**

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Stefano Migliorisi and Clay Wescott

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# Contents

<b>Preface.....</b>	<b>v</b>
<b>Summary.....</b>	<b>vii</b>
<b>1. Introduction.....</b>	<b>1</b>
<b>2. Accountability and Development.....</b>	<b>3</b>
Accountability .....	3
Importance of Accountability for Development .....	4
<b>3. Development Cooperation and Accountability .....</b>	<b>7</b>
Impact of Development Cooperation on Accountability .....	7
Evaluation Framework.....	9
<b>4. Overview of Indirect Influence: Shaping the Scope for Domestic Accountability 11</b>	
Aid Effectiveness .....	11
Guidance on Accountability .....	11
Donor Guidance .....	11
Bank Guidance.....	12
<b>5. Overview of Direct Support: Helping to Build the Capacity of Key Accountability Institutions .....</b>	<b>17</b>
Estimating Aid Flows for Accountability .....	17
Bank Lending Volumes and Trends .....	18
Supporting the Non Executive Supply Side of Accountability .....	21
Supporting the Demand Side of Accountability .....	36
<b>6. Evaluation of Bank Support for Accountability .....</b>	<b>44</b>
Inputs.....	44
Outputs and Outcomes.....	48
<b>7. Conclusions.....</b>	<b>51</b>
<b>References.....</b>	<b>57</b>

## Boxes

Box 2.1. What is Accountability? .....	3
Box 4.1. Key Principles of Good Governance.....	14
Box 5.1 Description of African Parliaments in the UN Economic Commission for Africa-African Governance Report .....	22

## Figures

Figure 3.1. Sequencing of Demand Side Accountability Support in Different Country Contexts .....	8
Figure 3.2. Evaluation Framework .....	9
Figure 6.1. Domestic Accountability Institutions - Projects.....	46
Figure 6.2. Achievement of Objectives of Bank Interventions .....	47

## Tables

Table 5.1. Average Annual Commitment by Accountability Related Subsector (US\$ million, 2007 prices) .....	17
Table 5.2. Average Annual Commitment in Accountability Related Subsectors by Donor (US\$ million, 2007 prices).....	18
Table 5.3. Number and Value of Bank Operations Relating to Accountability .....	19
Table 5.4. Number of Bank Operations Supporting Domestic Accountability in Sample .....	20
Table 5.5. Number and Value of Bank Operations Directly Supporting Domestic Accountability Institutions in Sample.....	21
Table 5.6. Stand-alone Projects with Explicit Reference to Parliaments in Their Title (US\$ million, commitments, 2007 prices).....	24
Table 5.7. Stand-alone Projects with Explicit Reference to Supreme Audit Institutions or Auditor General's Office in Their Title (US\$ million, commitments, 2007 prices) .....	29
Table 5.8. Stand-alone Projects with Explicit Reference to Ombudsman Offices in Their Title (US\$ million, commitments, 2007 prices) .....	33
Table 5.9. Stand-alone Projects with Explicit Reference to Human Rights Commissions in Their Title (US\$ million, commitments, 2007 prices).....	33
Table 5.10. Civil Society Support in Different Contexts.....	38
Table 6.1. World Bank's Accountability Inputs and Outputs.....	44
Table 6.2. Indicators on the Effectiveness of Domestic Accountability Institutions.....	49

## Appendix

Appendix A- Examples of Bank Projects in Relation to Accountability.....	52
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## Abbreviations

BMZ	German Federal Ministry for Cooperation and Development
CAO	Control and Audit Office
CDD	Community-driven development
CIDA	Canadian International Development Agency
CRC	Citizens' Report Cards
CRS	Creditor Reporting System (OECD DAC)
CSC	Citizens' Score Cards
CSO	Civil society organization
DAC	Development Assistance Committee
DFGG	Demand for good governance
DfID	Department for International Development (UK)
DPO	Development Policy Operation
GAC	Governance and Anticorruption
HIV-AIDS	Human Immunodeficiency Virus-Acquired Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
IDF	Institutional Development Fund
IEG	Independent Evaluation Group
IFI	International financial institution
INTOSAI	International Organization of Supreme Audit Institutions
LAC	Latin America and Caribbean region
M&E	Monitoring and evaluation
MDG	Millennium Development Goal
NGO	Nongovernmental organization
NORAD	Norwegian Agency for Development Cooperation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PAC	Public Accounts Committee
PEFA	Public Expenditure and Financial Accountability
PMA	Project Management Arrangements
PSD	Private sector development
PIU	Project implementation unit
PRSP	Poverty Reduction Strategy Paper
SAI	Supreme Audit Institution
TTL	Task team leader
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WTO	World Trade Organization



## **Preface**

This review of the World Bank's work in support of accountability institutions was prepared by Stefano Migliorisi and Clay Wescott, under the supervision of Navin Girishankar, and the overall guidance of Cheryl Gray (former Director), Ali Khadr (Senior Manager), and Vinod Thomas (Director General). The present review served as an input to IEG's evaluation of the 2007 GAC Strategy and Implementation Plan.

The authors are grateful for insights and comments provided by members of the IEG team, Bank staff, and representatives of civil society. The authors are particularly grateful to Ivor Beazley, Vinay Bhargava, Christine Biebesheimer, Helene Grandvoinnet, Daniel Ritchie, Rick Stapenhurst, and Gopa Thampi. Barbara Balaj and William Hurlbut provided editorial support and Aimeé Niane provided administrative support.

The findings, interpretations and conclusions expressed in this paper are entirely those of the authors and do not represent the views of the World Bank, its Executive Directors, or the countries they represent.





## Summary

Over the two last decades, development agencies including the World Bank have increasingly sought to support formal accountability institutions and the “demand-side of governance” in their efforts to help strengthen governance in developing countries. Accountability institutions can be both inside and outside the executive branch. The focus of this paper is on the institutions outside the executive branch that include supreme audit institutions, legislative oversight bodies (such as parliamentary public accounts and budget committees, and ombudsmen), related independent bodies (for instance, human rights commissions), and civil society organizations. Through their support for accountability, donor countries and international financial institutions seek to help countries– (i) promote voice and accountability as an intrinsic human right, and (ii) improve development outcomes in terms of poverty reduction, sustainable development and progress towards the MDGs.

In practice, donors strengthen accountability by seeking to create or strengthen the preconditions for its exercise. This means seeking to influence the: (i) enabling environment; (ii) channels through which citizens can express their voice or hold government to account (the so-called “demand side of good governance”); (iii) the institutional framework required for voice and accountability; and (iv) the individual state institutions/agencies required for voice and accountability (the so-called “supply side of good governance”). Donors can influence these elements *indirectly*, by the way they provide aid, particularly in countries that are strongly aid dependent; or *directly* through policy dialogue or projects affecting the supply, demand and/or environment for accountability.

Since 2007, as a result of the GAC strategy’s emphasis on accountability, the World Bank has been providing ample and timely guidance on how to engage non-state actors. There has also been a substantial improvement in available guidance on the supply side of accountability and a fair amount of pilot operations, but neither guidance nor pilots have been mainstreamed into operations. On the non-executive side, the importance of the IDF as a source of funding to support non-executive accountability institutions is an indication of the lack of alternative instruments.

Like other donors, the World Bank provides direct support for accountability in many ways across its product lines. Overall lending, considering only the specific components on accountability, averaged about US\$10 million per year over the period, most of which was made through investment operations. In practice, there have been three main changes in the Bank’s lending for domestic accountability since 2007.

First, there has been a much greater focus after 2007 on public finance management, including Supreme Audit Institutions, which have become the main focus of support by the Bank. This has led to stronger results on public financial management in general, and anti-corruption and external audit in particular, even though resources for Supreme Audit institutions are still limited. Development policy lending seems to have played a more important role than direct support for oversight or anti-corruption institutions.

Second, there has been a marked reduction in support for the demand side of governance, both in terms of the number of operations and the amounts involved. This reduction has also been reflected in the modalities of support, with an increase in the use of budget

support and a decline in the use of sub-projects, and of funds for strengthening civil society organizations, although results in this field remain significant. To date, the World Bank has sought to support innovative analysis, knowledge sharing and operations in some contexts, but has not led the international donor community on the demand for good governance. Countries rarely borrow from the Bank to support civil society and demand-side actors.

Third, there has been a marked improvement in the governance and political economy analysis in *Bank projects* supporting domestic accountability interventions after the introduction of the GAC.

In terms of outcomes, it is clear that the decline in support for the demand for good governance has been mirrored by a slight decline in the impact of Bank projects on civil society organizations. The increase in support for Supreme Audit institutions has been translated into an improved achievement of objectives relating to the external audit function, although starting from a low base. The strongest results seem to have been achieved in the area of core public management with a very significant improvement in anti-corruption issues.

There is clearly a need for an integrated approach to accountability that combines funding, coordination, monitoring, evaluation and learning to support domestic accountability systems that are different across countries. The World Bank has a clear role to play in this respect because of its global knowledge, convening power, experience with public financial management and civil sector reform, and human and financial resources.

There is also an important trade-off to be addressed between helping governments respond to demand-side pressures and directly engaging non-state actors in order to motivate demand side pressures. If this trade-off is real, a focus on the enabling environment for strong accountability systems may be preferable to direct support to the demand side through innovations in financial instruments.

# 1. Introduction

1.1 Over the two last decades, development agencies including the World Bank have increasingly sought to support accountability institutions as part of their efforts to strengthen governance in developing countries. Accountability institutions can be both inside and outside of the executive branch. Examples of institutions inside of the executive branch include internal audit, anti-corruption, and prosecution units. Examples of institutions outside of the executive branch include supreme audit institutions, legislative oversight bodies (such as parliamentary public accounts and budget committees, and ombudsmen), related independent bodies (for instance, human rights commissions), and federated civil society organizations.<sup>1</sup> This report focuses on the latter group. As part of its 2007 Governance and Anticorruption Strategy, the World Bank committed to redouble efforts to help strengthen social accountability and the demand for good governance in general, and, checks and balances on the executive in particular.

1.2 The Independent Evaluation Group's Country Evaluation and Regional Relations Unit has launched a major evaluation of the World Bank's 2007 Governance and Anticorruption (GAC) Strategy. The GAC Strategy builds on previous efforts to strengthen country level governance as part of larger effort to reduce poverty, achieve the Millennium Development Goals (MDGs), and promote economic growth. The evaluation includes a thematic review of the Bank's approach to accountability institutions as part of its larger effort on strengthening the demand for good governance.

1.3 The report is organized as follows. **First**, we provide a brief literature review of research on accountability, and how donors and other actors can work to improve it, including a review of the experience of other bilateral and multilateral donors in supporting domestic accountability through their policies, strategies, and behaviors as well as through direct support to accountability actors and systems. **Second**, we briefly review the guidance prepared for Bank staff toward enhancing accountability. **Third**, we review some examples of the Bank's experience in supporting domestic accountability. **Finally**, we present some conclusions and accountability-related questions for further analysis.

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<sup>1</sup> Although the judicial branch serves as a key formal check and balance, it is the subject of a recently completed clustered Project Performance Audit Report (PPAR) by the Independent Evaluation Group (IEG) and is beyond the scope of this review.



## 2. Accountability and Development

### Accountability

2.1 There are several definitions of accountability in the literature (see Box 2.1). For this evaluation, accountability refers to the process of holding to account, overseeing and keeping in check those persons who are entrusted with public responsibilities in the fulfillment of their tasks or functions (see Schedler et al 1999). The concept of accountability comprises two stages. First there is a calling to account: "...that is being required to provide an explanation of what has been done, or not done, and why." Then there is: "...holding to account, or being sanctioned and required to put into effect remedial measures if something has gone wrong." Accountability may result in the allocation of praise or blame (Jones and Stewart, 2009).<sup>2</sup>

#### Box 2.1. What is Accountability?

Although there is ample literature on the topic, there is no agreement on the exact meaning of the concept. Accountability is essentially about controlling the exercise of power, and, as noted by Newell (2002 and 2006), has become a "malleable and often nebulous concept," that remains "loose and under-specific." A few authors define accountability as a duty or liability (see for example Jones and Stewart, 2009), others as a process (see for example OECD 2005, Ackerman 2005, Schedler et al 1999), and some as a relationship (Stapenhurst and O'Brien undated, Lawson and Rakner 2005, Newell and Wheeler 2006, O' Neill et al. 2007).

There is a certain degree of confusion also on the terminology relating to accountability. Vertical accountability, for example, refers for most authors to the relationship between the state and its citizens (see for example O'Neill et al. 2007, Stapenhurst and O'Brien), whereas horizontal accountability refers to the capacity of state institutions to check abuses by other public institutions or branches of government. A minority of authors, however, define vertical and horizontal accountability based on, respectively, the existence or lack of a hierarchical relationship between the parties involved. Therefore, according to these commentators, there can be forms of horizontal accountability involving citizens: "The agencies account for their behavior towards accountees that are not their hierarchical superiors: clients, stakeholders or peers." (Schillemans 2008). These same relationships are referred to by other authors as social accountability (also known as "society driven-horizontal accountability") or diagonal accountability, whose definition, according to a World Bank glossary, is, not surprisingly, "far from settled with two groups of commentators adopting different definitions."

Donor guidance often uses its own terminology. The Bank's Key Principles of Good Governance, for example, refer to the political leaders' responsiveness to citizen needs and aspirations as "external accountability." The same relationship is therefore defined as vertical, horizontal, and external by different commentators and practitioners.

2.2 In developing countries, particularly the most aid dependent ones, there is often a trade-off between domestic accountability of the state toward its citizens and external or "mutual" accountability of the same state towards its foreign donors for the aid that it receives. As the United Kingdom's Department for International Development (DfID) (2008) points out, "the seeming accountability of governments to external actors – to aid donors, foreign investors, diaspora, and the World Trade Organization (WTO) – has contributed to a sense that new ways must be found to ensure that not only governments,

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<sup>2</sup> Cited in Hedger and Blick (2008).

but also the wider array of powerful stakeholders be made accountable to ordinary people.” Yet technical organizations can also alter in a positive way ‘information asymmetries’ that exist between citizens and political institutions. They can do this by specializing in processing empirical information that democratic governments can use in making political judgments on public policy (Vibert, 2007).

## **Importance of Accountability for Development**

2.3 The increased donor focus on accountability can be explained as an essential element of the aid architecture that has been emerging in parallel with the Paris Declaration process. As aid is becoming more local, with a greater reliance on country systems and budgets, partner country governments need to be held more accountable for the use of the aid they receive in much the same way as donor governments are held accountable by their citizens for the foreign aid they give. Such partner country accountability, be it domestic or at least mutual, should be strong enough to allow greater use of country systems and programs without an excessive increase in fiduciary risks for donors.

2.4 There are two final outcomes that donor countries and international financial institutions seek through the enhancement of accountability in developing countries.

2.5 First, voice and accountability are seen as good in and of themselves, as a human right. Gloppen et al (2003) highlight that, from a human rights perspective, accountability is about the relationship between a bearer of a right or a legitimate claim and the agents or agencies responsible for fulfilling or respecting that right. For Amartya Sen (1999), development is “the process of expanding the real freedoms that people enjoy.” According to Sen, capabilities such as accountability are “constitutive” elements of development, and poverty is the deprivation of these capabilities.

2.6 Second, enhanced voice and accountability are expected to lead to better development outcomes in terms of poverty reduction, sustainable development and progress towards the MDGs (O’Neil et al. - 2007). In the view of many donors, as summarized by DfID (2008), “poverty persists in large part because poor people are disempowered and unable to hold others to account. The information and mechanisms to claim their rights and seek redress are weak.”

2.7 This notion was further elaborated in the World Development Report 2004 (World Bank 2004), which highlighted four reasons why public resources do not achieve the desired outcomes: (i) misallocation of resources, (ii) resources not reaching their intended destination; (iii) weak performance by service providers, and; (iv) lack of awareness or capacity by beneficiaries to avail themselves of services. In order to improve service delivery, three kinds of accountability relationships are important: contracts between the policy maker and the service provider, client power between the citizen and service provider, and voice relationships between the citizen and the policy maker.

2.8 Yet, the theoretical chain of reasoning linking voice and accountability with better development outcomes can be challenged “in terms of its fit with the real world.” (O’Neil et al. - 2007). The assumption is that, “if the state has the capacity to operate a democracy, and democracy works to give the poor a proportionate voice in setting national priorities, the poor can mandate basic service delivery.” However, “the assumption that democratization will enable the poor to set national priorities” is “the weakest link” in the chain of reasoning (Khan 2005: 10). The assumption that democratization or governance

reforms will ensure that the needs of the poorest and most marginalized are met is a still weaker link (Mukhopadhyay and Meer, 2004; Goetz and Hassim, 2003).





### 3. Development Cooperation and Accountability

#### Impact of Development Cooperation on Accountability

3.1 O'Neil et al. (2007) note that “donors are unable to work directly on voice (an action) or accountability (a relationship).” In practice, therefore, donors strengthen accountability by seeking to create or strengthen the preconditions for its exercise. This means seeking to influence the: (i) enabling environment; (ii) channels through which citizens can express their voice or hold government to account (the so-called “demand side of good governance”<sup>3</sup>); (iii) the institutional framework required for voice and accountability; and (iv) the individual state institutions/agencies required for voice and accountability (the so-called “supply side of good governance”). Donors can influence each of these elements.

3.2 The GAC Strategy itself identified these three levels of possible intervention for the World Bank Group: “strengthening accountability requires capacity in government and institutions outside central government, such as parliament, civil society, media, and local communities, as well as an enabling environment in which these stakeholders can operate responsibly and effectively.” As stated by the Organisation for Economic Co-operation and Development (OECD) GOVNET (2010),

There are two main ways in which aid provided by donors impacts on domestic accountability. The first is by shaping the scope for domestic accountability. The policy question for donors here is a ‘do no harm’ question, that is, how can aid be delivered and managed in a way that ensures accountability for aid but does not lead governments in developing countries to be more accountable to external donors than to their own citizens? The second is by helping to build the capacity of key accountability institutions such as parliaments, political parties, civil society organizations, and the media. The policy question for donors here is: How can support for key domestic accountability institutions be provided most effectively?

Donors can therefore try to influence a country’s accountability systems

- indirectly through the way they provide aid, particularly in countries that are strongly aid dependent; or
- directly through policy dialogue or projects affecting the supply, demand and/or environment for accountability.

3.3 More knowledge on how to effectively sequence support for domestic accountability systems is needed. The balance between the demand and supply sides varies depending according to country context. The various combinations between supporting the supply and/or demand side of accountability are summarized in Figure 3.1 below. Starting from the bottom right quadrant, in situations where donors function in less stable environments with a patchy, polarized and/or politically captured civil society,

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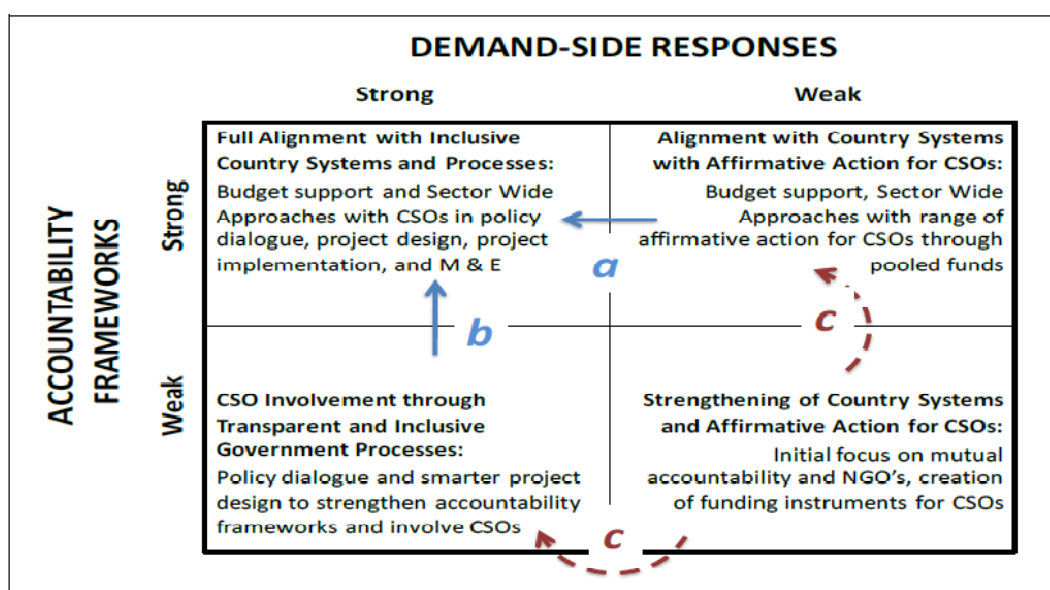
<sup>3</sup> As in Chase and Anjum (2008), we use here the term demand-side of accountability to refer to activities by “non-state actors,” whereas supply side refers to the role played by “state actors” in accountability systems. Among state actors, the important distinction is between “executive” and “non executive” state actors.

donors have found it necessary to operate through international non-governmental organizations (NGOs) at the beginning. Later, they can transition to local foundations once international NGOs have established sufficient capacity and legitimacy in a given fund. In situations where the executive side is strong enough, as discussed earlier, donors have replaced initial domestic accountability with mutual accountability to be able to provide general budget support even with weak domestic accountability systems.

3.4 As discussed in the section on parliamentary assistance, newly democratized countries, often starting from fragile situations, are also more open to external advice on non-executive accountability issues. Donors are probably familiar with several international civil society organizations (CSOs) which might have served as the only aid channel during conflict. A dilemma is how to strengthen domestic accountability in settings with neither the space for social accountability nor the forthcoming demand-side response. Working with international CSOs, donors can foster the move to the left bottom quadrant or to the right top quadrant, depending on how successful the country is in addressing the supply and demand side of accountability.

3.5 As country performance improves, the type of aid and the way it is provided changes together with the role of civil society. Better performers receive more general budget support and civil society umbrella organizations can focus on policy dialogue and monitoring budget preparation and execution. In countries with a slightly worse performance, support for demand side accountability can focus more on civil society participation in sector-wide approaches or on improving the transparency and accountability of the supply side.

**Figure 3.1. Sequencing of Demand Side Accountability Support in Different Country Contexts**



Source: Authors, Stefano Migliorisi and Clay Wescott.

Note: CSO= civil society organization; M&E= monitoring and evaluation; and NGO= non-governmental organization.

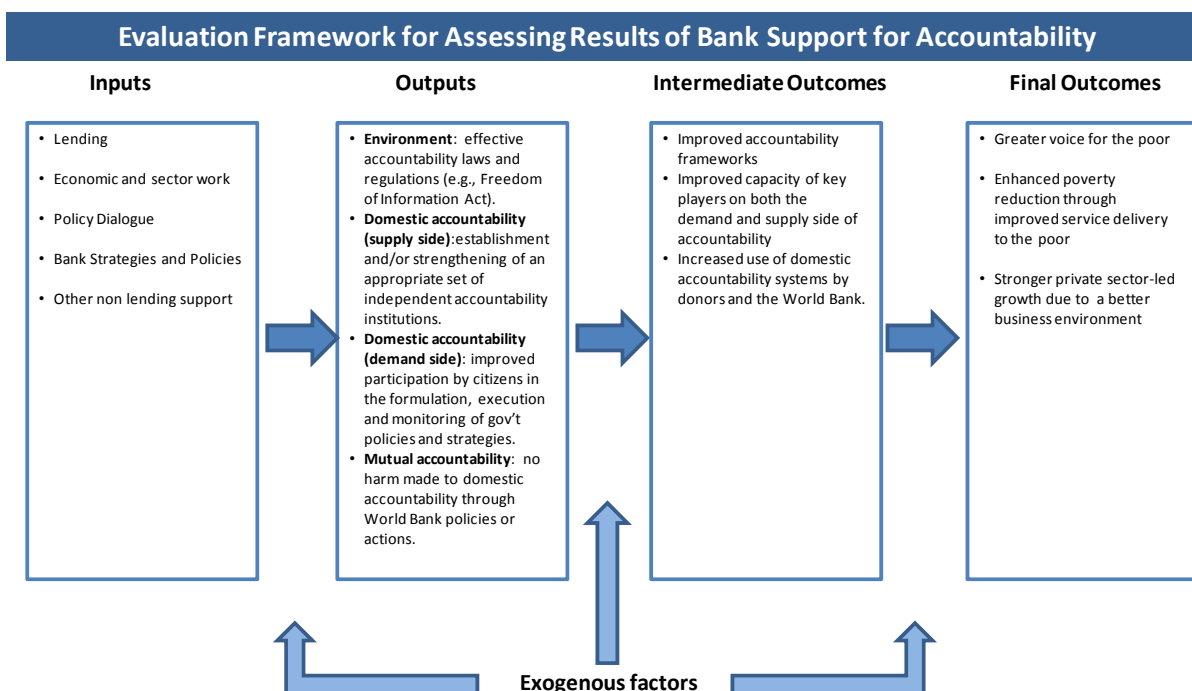
## Evaluation Framework

3.6 This evaluation analyzes the direct and indirect Bank support to accountability systems. The key question is whether the adoption of the GAC in 2007 has influenced the design, implementation and impact of Bank support in this area.

3.7 Our Evaluation Framework is presented in Figure 3.2 below. The Bank can influence accountability through its lending, economic and sector work, policy dialogue and other non-lending support (direct support) as well as through its strategies and policies (indirect influence). In this respect, the Bank is no different from other donors. It can influence a country in a variety of ways, including through:

- accountability environment (for example, by introducing a Freedom of Information Act where there is none);
- the supply side of domestic accountability (for example, by strengthening the capacity of the local Supreme Audit Institution);
- the demand side of domestic accountability (for example, by supporting civil society watchdogs, monitoring budget formulation and execution); and/or
- accountability trade-offs (for example, by using country systems rather than opting for project managed by project implementation units (PIUs) and audited by private auditors).

**Figure 3.2. Evaluation Framework**



Source: Authors, Stefano Migliorisi and Clay Wescott

3.8 The mix of direct and indirect support action should lead to a clear intermediate outcome: improved accountability systems, with stronger environments and institutions on which citizens and donors alike can increasingly rely. This should in turn lead to a

fuller realization of the right of the poor (that is, greater voice)<sup>4</sup> and poverty reduction<sup>5</sup> through better service delivery and a more buoyant growth of the private sector, freed by the costs of corruption and excessive red tape.

3.9 Most of our findings, discussed below, are limited to outputs and intermediate outcomes, as the assessment of final outcomes is outside the scope of this evaluation. We will however briefly review anecdotal evidence of final outcomes.

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<sup>4</sup> The GAC Strategy itself (see One-Year Progress Report, p. i) recognizes voice and accountability as an end in itself: "enhanced global attention to public sector transparency and accountability as ends in themselves."

<sup>5</sup> The GAC Strategy itself clearly states the link between poverty reduction and accountability. "The principal purpose of the World Bank Group's engagement on governance and anticorruption is to support poverty reduction. (...)Where transparency and accountability mechanisms are weak or lacking, poor people's needs are often marginalized and development outcomes suffer." (paragraph 4, page 7).

## 4. Overview of Indirect Influence: Shaping the Scope for Domestic Accountability

### Aid Effectiveness

4.1 The GAC Strategy committed the World Bank Group to strengthen rather than bypass country systems. According to the Paris Declaration Survey<sup>6</sup>, although progress so far has been limited, the Bank has issued guidance to Task Team Leaders (TTLs) and put in place pilots (for example, the new pilot approach to procurement, approved by the Board in April 2008, to use the country's own system when it can deliver results equivalent to Bank systems).

4.2 The importance of abandoning traditional project management structures was shown by a review of governance approaches in highway projects in India that underscored that sustainable impact needs strengthened country management, quality control, oversight, and accountability systems – and noted the limited contribution of traditional investment projects to these goals (World Bank, 2005).

4.3 The aid effectiveness mid-term review for the International Development Association (IDA) 15 replenishment in 2009 (World Bank, 2009c) revealed that existing guidance on project management arrangements issued in 2005 already promoted the use of country systems. It recommended the “use of existing institutional structures as the default mode, and use of ‘enclave’ PIUs as an exception.” However, “on the one hand, many Bank staff claim they are not aware of the 2005 Guidance Note for Project Management, and interviews with Bank staff and reviews of Bank documents suggest that there has not been significant change in Bank practices with respect to Project Management Arrangements (PMAs.)”<sup>7</sup>

### Guidance on Accountability

#### DONOR GUIDANCE

4.4 There is a wide consensus among donors and partner countries on the need to make greater use of partner countries' own financial systems to deliver aid, helping to strengthen those systems and improving accountability to parliaments and citizens. In particular, the Accra Agenda for Action states that “donors will support efforts to increase the capacity of all development actors—parliaments, central and local governments, CSOs, research institutes, media and the private sector—to take an active role in dialogue on development policy and on the role of aid in contributing to countries' development objectives.”

4.5 Donor guidance on accountability has four main features.

1. **Importance of accountability as an end in itself or at least one of the cornerstones of development.** For example, Norway's Development

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<sup>6</sup> Based on the latest Paris Declaration Survey, the Bank used financial country systems for 54 percent of its operations and procurement country systems for 44 percent in 2008 compared to, respectively, 42 percent and 40 percent in 2006.

<sup>7</sup> World Bank 2009c, p.8.

- Cooperation Policy (2005) states that its implementation should contribute to enhanced accountability. DfID's latest White Paper (2009) states that an effective aid partnership should be based on a shared commitment to three principles, one of which is "strengthening financial management and accountability."
2. **Concrete measures to support accountability.** In DfID's 2009 White Paper, the organization committed to allocate an amount equivalent to 5 percent of its budget support funding to help build accountability.
  3. **Recognition of the political nature of accountability.** The German Federal Ministry for Cooperation and Development (BMZ) published its policy paper on *Promoting Resilient States and Constructive State-Society Relations – Legitimacy, Transparency and Accountability* in October 2009, and highlighted the fact that the political dimension is central. "The promotion of active political involvement through German development cooperation goes beyond strengthening civil society and taking an active approach to designing development projects. (...) State and policy-makers do not derive their legitimacy solely from winning the popular vote in democratic elections. Citizens must also have the right to voice their political views between elections and in other ways than casting a formal vote."
  4. **No blueprint; accountability grounded in local reality analyzed through specific governance assessments.** DfID alone has carried out 22 country governance analyses between 2006 and 2009. Regarding German development cooperation, the level of governance and development orientation is identified by the BMZ Catalogue of Criteria for Assessing the Development Orientation of Partner Countries. Based on these criteria, country-specific decisions are taken.

## **BANK GUIDANCE**

4.6 One of the major obstacles to Bank work on accountability has been the very political nature of accountability issues. The focus of recent guidance has been on clarifying how to address these obstacles. The Bank has issued a number of guidance notes, including on *Bank Multi-Stakeholder Engagement* (June 2009), *Emerging Good Practices in GAC in Projects*, an *Audit and Assurance Toolkit* (designed to enhance the effective use of audit in preventing fraud and corruption), a note on the *Most Common 'Red Flags' of Fraud and Corruption in Bank-Financed Projects*, and a *Good Practice Note on GAC for Financial Management Specialists*, plus a series of regional guidelines, for example in the Latin America and Caribbean (LAC) Region.

4.7 The Guidance Note on *Bank Multi-Stakeholder Engagement* presented good practice in engaging a variety of stakeholders in the Bank's work, including community organizations, the private sector, parliaments, the media, and civil society, in a manner consistent with the Bank's legal framework and in consultation with governments. The main legal limitation in this field remains the avoidance of political interference. "The existing requirements in the Bank's Operational Policies and policy framework balance the importance of multi-stakeholder engagement in improving both development outcomes and the Bank's work in a number of contexts, against the need to avoid political interference, including through consultation with the borrower, as the Bank's principal counterpart."<sup>8</sup>

4.8 The Bank has been engaging with CSOs in its work for almost 20 years and has guidance going back to 1998 (GP 14.70). A 2005 paper entitled *Issues and Options for*

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<sup>8</sup> World Bank 2009d, p. 7.

*Improving Engagement Between the World Bank and Civil Society Organizations* describes three broad types of interactions for Bank-CSO relations, namely: (i) facilitation, which is where the Bank “provides guidance, or technical or financial assistance to client governments to engage with CSOs in Bank-supported activities”; (ii) dialogue and consultation by the Bank “bilaterally with CSOs, with the knowledge and support of member governments”; and (iii) partnership with CSOs.

4.9 The Guidance Note on *Bank Multi-Stakeholder Engagement* explains that parliaments must be handled with care to avoid the risk of political interference. The note refers to the need for a firm understanding of the political situation, a focus on parliament as an institution, the need to use experienced staff, and to behave in a non-partisan way. However, the guidance reiterates the importance of involving the executive in any capacity-building activity with Parliaments, de facto discouraging the stand-alone operations supported by other international financial institutions, such as the Inter-American Development Bank. “Parliamentary capacity building and training activities are most effective when linked to broader complementary governance or public sector reforms, and activities enjoy the ownership of, and are conducted in partnership between both the executive and parliamentary leadership ( for example, through a Memorandum of Understanding).”<sup>9</sup>

4.10 **Guidance on Good Governance.** A broad summary of the Bank’s goals in these areas is provided in Box 4.1. Specific steps to achieve these goals can include:

1. Smart Design
  - a. Strengthening internal controls and accountability mechanisms including procurement and financial management, enhancing transparency of information, and choosing between stand-alone project management units and use of country systems depending on the risk profile.
  - b. Strengthening participation and external accountability through community-driven development approaches, complaint mechanisms, satisfaction surveys and citizen report cards.
  - c. Ensuring effective project oversight and supervision through, among other things, the use of independent, local nongovernmental organizations and community groups.
  - d. Implementing a communications plan to consistently send the right signals to all of the players.
2. Anticorruption Action Plans are suggested where governance is poor and corruption risks are high, and can include approaches to increase the amount of critical information available to stakeholders regarding sector plans, budgets, procurement, performance and results (World Bank, 2009e).

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<sup>9</sup> Ibidem, p. 21.



#### **Box 4.1. Key Principles of Good Governance**

Transparency implies openness and visibility, and should apply to almost all aspects of the conduct of governmental affairs. It is the foundation upon which both accountability and participation are built. Information in the public domain is the “currency” of transparency and, together with open and visible decision-making processes, signals that there is really nothing to hide. Transparency facilitates good governance; its absence provides cover for conflicts-of-interest, self-serving deals, bribery, and other forms of corruption.

Accountability has both internal and external dimensions. Internal accountability implies probity in how and why resources are mobilized and used; it involves issues of financial accountability, efficiency, and effectiveness in the collection of taxes and other revenue, in the creation of public goods, and in the delivery of basic services. External accountability refers to political leaders’ responsiveness to citizen needs and aspirations, including accountability for the overall performance of the economy (sustainable growth and job creation) and for the level and quality of basic services. Such accountability implies that the institutions—including the civil service—have the capacity to respond to citizen demands, and that salary levels and other incentives are consistent with those expectations.

Participation, or inclusion, is important not just on principle, but in practical terms as well. It represents the “demand side” of good governance, and implies that people have rights that need to be recognized; that they should have a voice in the decisions that may affect them; that they should be treated fairly and equally; and that they should benefit from the protection of the rule of law. The benefits of participation are well documented. They are particularly important in decisions on the types of investment projects to be done, their design and implementation, and operation and maintenance. The involvement of civil society organizations, consumer groups, project beneficiaries, and affected communities in all stages of Bank-financed projects can simultaneously improve development outcomes and reduce the scope for fraud and corruption.

*Source:* World Bank.

4.11 A toolkit for staff working on social protection and ways of minimizing error, fraud and corruption in programs provides many examples of good practices from member countries.

4.12 A note on fraud and corruption red flags used public media reports of alleged corruption in two water projects supported by the Bank to provide a subset of 21 potentially suspect contracts for detailed investigation (Kenny and Musatova, 2010: 5). A guidance note for financial management specialists suggests organizing consultation meetings to identify governance weaknesses and risks, using the Committee of Sponsoring Organization (COSO). Anonymous voting by COSO members leads to more candid assessments, and member participation in risk identification gains their ownership in subsequent oversight measures. Community-level disclosure of project budgets, funds release and utilization is also suggested, using community notice boards and web-based disclosure (World Bank, 2009: 3, 5).

4.13 Guidance for financial management staff working on community-driven development (CDD) highlights the special challenges of this work: the multiplicity of project types, actors, and different levels of sub-national authorities involved, the geographic scattering of activities (often in remote locations), and the fact that Bank policies and procedures are typically designed for larger scale initiatives. To address these challenges, Bank rules need to be scaled to the project and the community’s capacity. Procedures should be kept simple, take local culture and norms into account, involve communities in preparing and implementing subprojects, and promote community

awareness of how money has been spent. Intermediaries such as NGOs and private sector entities may be called in to help when there are capacity constraints to giving full responsibility for a subproject to a community (World Bank, 2002: 1-2).

4.14 A Financial Management Approach Paper (World Bank 2007: 10) calls for close coordination with community participation and social audits on the one hand, and for project financial management design on the other. To facilitate this, it calls for disclosure of project financial statements, audit reports and management letters, follow-up actions, contract information, unit costs, adherence to service standards, remuneration to staff and consultants, and project expenditures linked to physical progress. It also calls for training of NGOs on financial management and procurement processes, and building links to universities and local professional associations to help with project oversight.

4.15 Expanding the scope of official bodies such as Supreme Audit authorities is also crucial, including aspects such as frequency of audit, geographical coverage, level of substantive testing, verification of existence and end use, and the nature of the audit opinion (World Bank 2009e: 8). The Bank's approach combines policy dialogue and technical assistance to strengthen Supreme Audit Institution (SAI) capacity and impact, promoting partnerships through which SAIs work, for example, the International Organization of Supreme Audit Institutions (INTOSAI), and supporting Bank staff to carry out this agenda (World Bank, 2004b: 16). However, guidance on use of country systems calls for staff to examine key fiduciary risks in the audit area such as delayed submission of audit reports, low capacity and skills to perform financial statement audits to the required standard, lack of independence, lack of adequate resources, and lack of response to or follow-up on audit findings and recommendations (World Bank, 2009a: 15-6).



## 5. Overview of Direct Support: Helping to Build the Capacity of Key Accountability Institutions

### Estimating Aid Flows for Accountability

5.1 There is a lack of precise data on aid for accountability, surprisingly so considering how much importance donors and multilateral institutions give to accountability systems. Table 5.1 below presents a selection of subsectors which comprise accountability but are not limited to it. They represent the upper estimate of the amount of aid provided by donors for building the capacity of state actors (both executive- and non- executive institutions) and non state actors. It is interesting to note that the average annual commitment grew from a less than US\$0.9 billion to a little over US\$4.5 billion, a five-fold increase. Only support to the media declined over the last decade. Support for public financial management, legal and judicial reforms, human rights and elections saw the most significant increases since 2000.

**Table 5.1. Average Annual Commitment by Accountability Related Subsector (US\$ million, 2007 prices)**

<i>Subsector</i>	<i>1973-1979</i>	<i>1980-1989</i>	<i>1990-1999</i>	<i>2000-2008</i>	<i>Total</i>
Public sector financial management	594.0	12.7	129.2	1,006.7	496.6
Strengthening civil society	7.1	165.0	310/9	972.3	376.6
Legal and judicial development	–	1.1	88.1	953.5	263.1
Human rights	–	24.9	89.1	526.3	163.2
Radio/television/print media	48.6	143.4	100.5	91.5	100.1
Elections	–	0.1	55.6	323.2	96.3
Women’s equality organizations and institutions	0.9	27.6	73.5	153.6	66.6
Security system management and reform	–	–	0.0	232.2	58.0
Support to national NGOs	13.8	68.6	30.7	73.3	48.6
Free flow of information	–	0.1	7.8	91.2	25.0
Support to local and regional NGOs	–	–	6.9	90.3	24.5
Promotion of development awareness	–	–	0.7	18.8	4.9
<b>Total</b>	<b>664.3</b>	<b>443.4</b>	<b>892.8</b>	<b>4,532.9</b>	<b>1,633.6</b>

*Source:* OECD Development Assistance Committee (DAC) – Creditor Reporting System (CRS) Online

5.2 Table 5.2 shows the top 10 donors in these subsectors. The United States is the largest donor and IDA is the third largest. Four like-minded donors are among the top ten. The European Commission has become the second largest investor thanks to a dramatic increase over the last decade.

**Table 5.2. Average Annual Commitment in Accountability Related Subsectors by Donor (US\$ million, 2007 prices)**

<i>Donor</i>	<i>1973-1979</i>	<i>1980-1989</i>	<i>1990-1999</i>	<i>2000-2008</i>	<i>Total</i>
United States	10	149	194	934	331
IDA	–	15	79	568	168
United Kingdom	239	4	63	315	144
Netherlands	210	22	39	278	127
EC	2	3	67	644	125
Sweden	120	50	100	197	114
Japan	21	87	33	148	74
Canada	1	29	51	185	69
Norway	7	21	46	188	67
Germany	12	13	17	215	64
Others	42	51	204	860	350
Total	664	443	893	4,533	1,634

*Source:* OECD Development Assistance Committee (DAC) – Creditor Reporting System (CRS) Online

## **BANK LENDING VOLUMES AND TRENDS**

5.3 The World Bank supports accountability in many ways across its product lines. Table 5.3 below presents the overall bank lending for accountability between fiscal years 2004 and 2009, calculated using development policy operations (DPOs) and investment lending (ILs) coded “governance and accountability” (G&AC). The number of DPOs with prior action referring to non-executive accountability and the demand side of accountability was at four in 2009, while the total number of prior actions on accountability over the period 2004-2009 was equal to eleven, about one-fifth of the 51 prior actions on corruption. Overall lending, considering only the specific components on accountability, averaged about US\$10 million per year over the period, most of which was made through investment operations.

5.4 About 13 percent of public sector investment lending projects<sup>10</sup> were coded “governance and accountability” (G&AC), which includes both executive- and non-executive measures for over 25 percent of total expenditures. Another 36 percent were coded G&AC for under 25 percent of spending. About 11 percent of all Institutional Development Fund (IDF) approvals between FY04-FY10 were coded G&AC. About 3 percent of DPO approvals between FY04-FY09 were coded G&AC, of which one-third had non-executive and demand side references.

<sup>10</sup> Defined as projects where 25 percent or more of expenditure is coded to public sector themes.

**Table 5.3. Number and Value of Bank Operations Relating to Accountability**

<i>Indicator</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<b>Number of Operations with Accountability Theme or Prior Action</b>						
DPO	-	4	2	-	1	4
IDF	12	8	5	8	4	6
IL	1	2	4		4	2
<b>Total</b>	<b>13</b>	<b>14</b>	<b>11</b>	<b>8</b>	<b>9</b>	<b>12</b>
<b>Value of Accountability Components (US\$ million)</b>						
IDF	2	1	1	2	0	1
IL	1	1	11	0	16	8
<b>Total</b>	<b>3</b>	<b>2</b>	<b>12</b>	<b>18</b>	<b>16</b>	<b>9</b>

*Source:* OECD Development Assistance Committee (DAC) – Creditor Reporting System (CRS) Online

*Note:* DPO= development policy operation; IDF= Institutional Development Fund; IL= Investment Lending

5.5 The Bank supports the efforts of thousands of community groups carrying out local development and poverty reduction efforts through government-managed social funds and community-driven development projects. For fiscal year 2006, it was estimated that up to \$1 billion a year, or 5 percent of the Bank’s annual portfolio, was channeled to CSOs through these government-managed funds. Overall lending in support of CDD operations was at a level of approximately \$2.1 billion in fiscal years 2007 and 2008. CDD lending between fiscal years 2000 and 2008 totaled approximately \$16 billion (9 percent of International Bank for Reconstruction and Development (IBRD)/IDA lending), covering more than 630 activities across all regions (World Bank, 2009b). These activities are frequently confused with the demand side of accountability because they are not aimed at encouraging citizens to hold state institutions accountable for what they do, but rather to carry out sub-projects on their behalf.

5.6 If we exclude public financial management (PFM) reforms (for example, strengthening internal audit functions or introducing financial management software) and CDD projects that do not belong to the non-executive supply side or the demand side of accountability, the overall lending volumes seem rather limited. Since 2007, there has been a substantial improvement in available guidance on accountability and a fair amount of pilot operations, but neither guidance nor pilots have been mainstreamed into operations. On the non-executive side, the importance of the IDF as a source of funding to support non-executive accountability institutions is an indication of the lack of alternative instruments.<sup>11</sup>

5.7 On the demand side, as stated by the Bank’s Demand for Good Governance (DFGG) network in a recent proposal to OECD DAC GOVNET on the establishment of a multi-donor trust fund for DFGG, “while it has supported innovative analysis, knowledge

<sup>11</sup> The IDF is considered a fund of last resort and is not meant to finance activities that can be funded on a timely basis through ongoing projects, economic and sector work, or the Project Preparation Facility. It is also not meant to finance activities that can be financed by other donors or other Bank instruments, such as learning and innovation loans.

sharing and operations in some contexts, to date the World Bank has not led the international donor community on the demand for good governance. Countries rarely borrow from the Bank to support civil society and demand-side actors. Indeed, one of the major constraints to this work has been the availability of a flexible financial instrument that can be adapted to the diverse needs of our developing country partners.”

5.8 It should be noted that our focus is on the demand side of accountability, not on the demand side of governance. Our results are therefore not inconsistent with the findings of other studies. Chase and Anjum (2008), for example, found some form of demand for good governance elements in 155 Bank projects. At the same time, an internal learning review systematically tracked inclusion of demand side mechanisms in large sample of FY08 operations. Results showed 42 percent of operations systematically included demand side components (paras 24-26).

5.9 To verify the nature of Bank support to accountability in more detail, a subset of 108 projects out of a sample of 200 projects reviewed by the IEG Evaluation Team was analyzed. Issues addressed included domestic accountability through policy dialogue, prior actions of Development Policy Operations, or specific components or sub-components aimed at domestic accountability frameworks (including the policy environment) or institutions on the demand or supply side. Table 5.4 presents the breakdown of these 108 projects by type and period. About half (51) had specific components on domestic accountability. Another quarter included DPOs with prior actions on domestic accountability. After the GAC Strategy was launched, there was an increase in the number of development policy operations with prior actions on accountability, while the number of operations with direct support for demand for good governance declined.

**Table 5.4. Number of Bank Operations Supporting Domestic Accountability in Sample**

<i>Type</i>	<i>Pre-GAC</i>	<i>Post-GAC</i>	<i>Total</i>
No specific component on domestic accountability	21	11	32
Development Policy Operations with prior actions on domestic accountability	10	15	25
Direct support for demand for good governance	31	10	41
Support to nonexecutive domestic accountability institutions	5	5	10
<b>Total</b>	<b>67</b>	<b>41</b>	<b>108</b>

Source: World Bank data.

5.10 Table 5.5 presents the evolution in terms of the value of project components of the fifty-one Bank operations providing direct support for domestic accountability institutions. The number and volume of CDD operations and of components supporting community participation in policy management declined steeply, and the value of components supporting Supreme Audit Institutions doubled, even though it remained smaller than the demand side interventions described above. However, CDD operations still represented over 70 percent of post GAC lending supporting domestic accountability, although there was no evidence of direct support to NGOs.

**Table 5.5. Number and Value of Bank Operations Directly Supporting Domestic Accountability Institutions in Sample**

Type	Pre-GAC		Post-GAC		Total	
	Number	Value	Number	Value	Number	Value
<b>Nonexecutive accountability institutions</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>12</b>	<b>10</b>	<b>17</b>
Supreme audit institutions	4	5	5	12	9	17
Anti-corruption agencies	1	–			1	–
<b>Demand for good governance</b>	<b>31</b>	<b>478</b>	<b>10</b>	<b>79</b>	<b>41</b>	<b>557</b>
Community participation in policy management	15	40	4	14	19	54
CDD	13	355	5	65	18	420
Competitive project grants	3	83			3	83
Public awareness			1	–	1	–
<b>Total</b>	<b>36</b>	<b>483</b>	<b>15</b>	<b>91</b>	<b>51</b>	<b>574</b>

Source: World Bank data.

5.11 Given the reduction in support to civil society, the design of domestic accountability projects after GAC has seen a steep increase in the use of budget support (rising from 28.8 percent to 41.5 percent of projects in the sample), and a drastic reduction in the use of sub-projects (typical of many CDD programs, they declined from 47.8 percent to 17.1 percent in the post-GAC period). The support for strengthening community organizations similarly declined from 44.8 percent to 17.1 percent. The promotion of civil society and the demand-side was not mentioned in 63.4 percent of cases in the post-GAC period, compared with 40.3 percent in the pre-GAC period. These results are confirmed by the Staff Survey, as only 8 percent of staff thought that the focus on domestic accountability had strengthened greatly since 2007, and about 20 percent believed that supporting the demand side of governance in projects and programs had improved after GAC.

## **SUPPORTING THE NON EXECUTIVE SUPPLY SIDE OF ACCOUNTABILITY**

### ***Parliaments***

#### **Common Challenges**

5.12 Donor assistance to parliaments gained momentum in the early 1990s in parallel with the post-Cold War growth in electoral democracies that increased from 69 out of 167 countries in 1989 (41 percent) to 116 out of 194 countries in 2010 (60 percent). Today, the international community, both through NGOs and government organizations (including developed country parliaments and donor agencies) at bilateral and multilateral levels run programs intended to support parliamentary institutions in the developing world. Strengthening parliaments has become a regular feature of the programs of some organizations such as the United Nations Development Programme (UNDP), the European Commission, the United States Agency for International Development (USAID), DfID and others (IPU 2003:4).



5.13 However, the donor community is a latecomer to parliamentary support as many donors considered it too political. Conventionally, aid has been conceived as apolitical and largely a technical matter. However, there is still some way to go before donors fully accept that “politics is not an optional extra, or something that gets in the way of development. It is central to the whole endeavor (Unsworth 2009: 891).”

5.14 In general, parliaments are weak in most developing countries, partly as a reflection of their operation in political systems with a strong presidency but also for other reasons as described in

**Box 5.1 Description of African Parliaments in the UN Economic Commission for Africa- African Governance Report**

“... many African legislators lack the education, knowledge, information, freedom and independence to perform their constitutionally mandated functions efficiently and effectively. Lack of adequately stocked libraries, electronic equipment, documentation facilities and professional staff are common capacity gaps. The executive in many African countries still largely overpowers the legislature...[and] may use various methods, including intimidation, financial squeeze and patronage to subdue the legislature. This has eroded the freedom and independence of the legislature in many African countries... Legislative committees in many countries are also very weak due to low educational standards of members, the lack of a professional team to serve those committees and the fact that political patronage is often a key determinant of who serves in a committee and in what capacity.”

*Source: United Nations.*

5.15 . The pay structure for parliamentarians, for example, can often be too low or dependent on fringe benefits such as extraordinary ‘gratuities’ paid by the president – sometimes exceeding the annual official payment, such as in Angola (Hodges 2004).

**Box 5.1 Description of African Parliaments in the UN Economic Commission for Africa- African Governance Report**

“... many African legislators lack the education, knowledge, information, freedom and independence to perform their constitutionally mandated functions efficiently and effectively. Lack of adequately stocked libraries, electronic equipment, documentation facilities and professional staff are common capacity gaps. The executive in many African countries still largely overpowers the legislature...[and] may use various methods, including intimidation, financial squeeze and patronage to subdue the legislature. This has eroded the freedom and independence of the legislature in many African countries... Legislative committees in many countries are also very weak due to low educational standards of members, the lack of a professional team to serve those committees and the fact that political patronage is often a key determinant of who serves in a committee and in what capacity.”

*Source: United Nations.*

**Country Specific Challenges**

5.16 When designing parliamentary support interventions, the most fundamental distinction donors need to make is between presidential and parliamentary systems and the hybrid variants in between. Regarding presidential systems, depending on the specific constitutional dispensation, considerable executive power is vested in the presidency, often at the expense of the legislature. **In the developing world, the overwhelming majority of countries have presidential systems.** In parliamentary systems, by contrast, there is normally a separation of the office of an executive prime minister or premier as head of government and that of the head of state who may be an elected president or a non-elected, hereditary monarch.

5.17 Hodges and Ribana (2004:9-10) point out the limitations of parliamentary authority in Mozambique's presidential system. Although Parliament has formal authority in many areas, its abilities are quite limited in practice because of: (i) capacity constraints; (ii) the nature of inter-party relations; (iii) the poor presentation of budget documents; (iv) the fact that tax rates are not part of the budget legislation sent to Parliament; (v) the wide scope given to the executive to reallocate expenditures; (vi) the extent of off-budget spending; (vii) the long delays in submitting audit reports to Parliament, and (viii) the approval of medium-term planning instruments by the executive without involving Parliament.

5.18 **Stable authoritarian countries** present particular challenges for parliamentary support because there is often lack of support for democratic reform from the president and the ruling elite, and little pressure from below due to the repressive nature of these regimes. In these countries it would be almost impossible for donors to find suitable entry points with respect to parliamentary strengthening.

5.19 **Fragile States.** The donor community has funded elections to underpin the legitimacy of elected offices but been rather reticent about providing support to parliaments after elections. The literature on fragile states has for a long time been silent on parliamentary strengthening and has focused instead on state-building efforts vis-a-vis the executive. Only recently has the strengthening of parliaments in fragile states been taken into account, by for instance OECD/DAC and DfID.

5.20 **Countries in a process of democratic transition,** are particularly 'open' to parliamentary support projects as shown by the experience of the democratization processes in Eastern and Southeastern Europe, and in several African countries.

### **Donors Active in this field**

5.21 According to the Norwegian Agency for Development Cooperation (NORAD) (2010), aid for parliamentary support is relatively modest with an average of US\$ 35 million worldwide over the last decade. The most active donor is USAID (accounting for 60 percent of the total and with 50 years of experience), followed by the Nordic countries and the Canadian International Development Agency (CIDA). The World Bank has been a relatively small player in this field, mainly through IDF Grants and the World Bank Institute. These data do not include support provided directly to legislatures by regional development banks (the Inter-American Development Bank (IDB) for example has funded parliaments directly through stand-alone operations in Latin America).

5.22 We have gathered data on stand-alone projects from the DAC Creditor Reporting System (CRS) database by including the word parliament in project titles (see Table 5.6

below). Such data - that do not include projects with individual components on parliaments - show that commitments for parliamentary support were probably higher, as such projects alone reached US\$ 50 million in 2008. Total project support for parliaments is most likely close to US\$ 100 million per year when combining the NORAD study database and data from CRS.

5.23 Donor projects are relatively small with an average size ranging from US\$ 3 million for USAID to US\$ 2.5 million for DfID and CIDA, to less than US\$ 1 million for all other donors. Average project duration is 3 years for most donors, with only CIDA having an average duration of just over 5 years. Multi-donor arrangements (for example, basket funding) account for about 30 percent of total aid. USAID is the only donor that prefers to operate always independently. It has some of the largest programs such as the US\$ 24 million Iraq Legislative Strengthening Program, and the US\$ 15.5 million Afghanistan Parliamentary Assistance Project.

**Table 5.6. Stand-alone Projects with Explicit Reference to Parliaments in Their Title (US\$ million, commitments, 2007 prices)**

<i>Donor</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>Total</i>
Canada	5.77	0.16		2.38	10.10	3.60	13.30	6.00	4.83	0.23	46.38
Belgium	3.21		1.77	1.52	1.49	7.05	2.58	2.68	1.70	13.50	35.49
United Kingdom	0.15	3.36	1.59		1.15	0.03	8.68	2.57	3.70	6.31	27.54
EC				3.84	3.82	0.35		0.14	7.94	8.14	24.23
Norway	0.74	2.09	2.22	1.13	0.26	0.72	2.32	3.32	1.69	4.22	18.71
UNDP	1.99					2.51	3.89	4.36	3.33	2.55	18.63
Sweden		0.42	0.04	2.88	0.94	0.31			5.68	0.14	10.40
Australia								2.76	4.62	2.58	9.96
Denmark		0.48		1.01	1.41	1.32	0.93	0.93	2.26	0.71	9.06
Italy										7.13	7.13
United States		1.03	1.99	1.27			1.44		0.10	0.62	6.45
Netherlands	0.02	0.61	2.45	0.44	0.28	0.14	0.61		1.70		6.26
Germany				0.17			0.49	0.44	2.16	1.95	5.21
Austria						0.09		2.59	0.91	0.50	4.09
UNFPA			0.07	0.47	1.93						2.47
Portugal					0.27	0.61	0.44	0.38	0.34	0.37	2.41
Switzerland							0.37		0.95	0.67	2.00
Greece				0.25	0.73	0.10		0.08		0.06	1.22
Finland				0.01	0.35			0.27		0.08	0.70
Ireland		0.00	0.21	0.08		0.16			0.19	0.03	0.67
Spain									0.25	0.13	0.38
New Zealand					0.01	0.02	0.03	0.06	0.21		0.32
Total	11.86	8.14	10.34	15.54	22.74	17.02	35.10	26.58	42.56	49.91	239.71

*Source:* OECD Development Assistance Committee (DAC) – Creditor Reporting System (CRS) Online

*Note:* EC= European Commission; UNDP= United Nations Development Programme; UNFPA= United Nations Population Program.

5.24 A study of repeat assessments using the Public Expenditure and Financial Accountability (PEFA) methodology (PEFA Secretariat, 2011) has found some evidence

of change in relevant indicators PI26-8: scope, nature and follow-up of external audit, legislative scrutiny of the annual budget law, and legislative scrutiny of external audit reports. These changes could be compared with donor support in the relevant countries to see if there was any plausible causal link with the changes observed.

## **Description of activities**

**5.25 Direct support** usually includes the recipient parliament (or some parliamentary sub-unit, including commissions, secretariat, and groups of parliamentarians) as the direct beneficiary and counterpart, limiting World Bank support, for example, to IDF and Japan Social Development Fund (JSDF) grants. In some cases, the counterpart can be international parliamentary networks and organizations, international NGOs, and intergovernmental organizations. Direct support usually includes, in order of importance, capacity building (training, expertise, networking), partnership programs (including parliamentary exchanges, networking and twinning), infrastructure and physical facilities, human support services (secretarial and library services, for instance), and institutional reform and development .

**5.26 Indirect support** is also referred to as ‘issue-based’ approach to parliamentary strengthening (Hubli and Schmidt 2005:6–7) and it focuses on promoting policy goals such as poverty reduction, human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) prevention, environmental protection, decentralization, and anti-corruption. This form of indirect support seeks to raise the awareness of parliamentarians on these policy issues with a view to enhancing the debating ability of members of parliaments.

**5.27** The focus of direct and indirect support is building the capacity of parliamentarians through training, seminars, conferences, partnership programs, parliamentary exchange programs, networking and study visits. Donors have designed training modules covering a wide range of issues: the rights and responsibilities of members of parliaments; constitutional and legal knowledge; proficiency in process and procedure; budgeting; committee work; policy issues; international cooperation; networking; time management; computer skills; voter outreach; and language and communication training. Building the capacity of parliamentarians is a never-ending process as the turnover rate is often beyond 50 percent.

## **Bank Support**

**5.28** World Bank support to parliaments has distinctive features: it does not provide direct support to parliaments and, even when it does provide support, it does so through the executive branch using components of broader projects, or through small direct grants.

**5.29 The World Bank can also support external audit systems through the prior actions of its policy-based loans.** According to a 2004 estimate, in the five years between 1997 and 2002, policy-based loans included about 90 conditions requiring borrowing governments to improve external auditing. A review of all 1479 adjustment lending conditions that referred to public sector governance over that period shows that about 90 of them (or six percent) addressed through the executive and as part of larger programs. Individual components of programs are not captured through DAC statistics. IDA or IBRD do not therefore appear on Table 5.6 as **the Bank had no stand-alone**

**operation regarding parliaments in the sample considered.** This is partly because, consistent with its own guidance, the Bank works with parliaments through the executive and as part of larger programs, partly because, unlike the IDB for example, the Bank cannot lend directly to Parliaments. Only the World Bank Institute, through a small parliamentary program (with an annual budget of about US\$100,000), provides technical assistance and professional training to parliaments. Since 1993, the World Bank Institute has trained 10,000 parliamentarians through an average of 25 capacity building activities annually. IDF grants have also been used to assist Parliaments directly, but their size is limited. The World Bank also engages with parliamentarians through several leading associations of parliamentarians, some of which have been established with World Bank Institute support, including the Association of European Parliamentarians for Africa (AWEPA), Budgetary Control Committee of the European Parliament, Global Legislators Organization for a Balanced Environment (GLOBE), Global Organization of Parliamentarians against Corruption, Inter-Parliamentary Union (IPU), Parliamentary Assembly of the Council of Europe (PACE), and the Parliamentary Network on the World Bank (PNoWB).

**5.30 The Bank influence can be exercised through prior actions of DPOs or through the Poverty Reduction Strategy Paper (PRSP) processes.** For example, under Pakistan's Structural Adjustment Credit, Public Accounts Committees (PACs) were established at the federal and provincial levels, and the press was given access to the federal PAC (World Bank 2002b). Under a second Structural Adjustment Credit, the press was given access to the provincial PACs. Nigeria's Economic Management Capacity Building Project helped reinforce the oversight role of the Public Account Committee (World Bank 2008c).

**5.31 The Bank can also provide technical assistance to Parliaments,** as in the case of Indonesia's Dewan Perwakilan Daerah (DPD) – House of Regional Representatives (upper house) starting just after it was formed in 2004. The World Bank Institute, in partnership with the International Institute for Democracy and Electoral Assistance (IDEA) and the Australian Senate, worked with key DPD stakeholders to reach agreement on strategic priorities for the next four years, and to develop an action plan to help enhance public awareness regarding DPD work. The World Bank Institute also provided other wide-ranging support, including assistance in scrutinizing the Government's 2007 budget proposals (World Bank).

**5.32 The Bank's objectives in this area were not always achieved.** For example, Malawi's Financial Management, Transparency and Accountability Project initially sought to improve the capacity of members and staff of the PAC and the Budget Committee of Parliament, but the objective was dropped from the project after restructuring due to weak commitment from the government (World Bank 2010c). Afghanistan's Public Administration Capacity Building Project was unsuccessful in facilitating the creation of a PAC to review and respond to audit reports (World Bank 2010d). Latvia was also unsuccessful in this regard (World Bank 2001a).

## **Lessons learned**

**5.33** As for other aspects of aid for accountability, the effectiveness and impact of donor interventions have not been thoroughly assessed. For example, the Overseas Development Institute/Parliamentary Centre report on Parliamentary Strengthening and the Paris Principles (Hudson and Tsekpo 2009) found that:

... there is little systematic research or analysis about the effectiveness of parliaments or about the effectiveness of parliamentary strengthening. This makes it difficult for those considering whether and how to spend resources on parliamentary strengthening to make well-informed decisions.

5.34 There is also no general agreement on the role of parliaments in liberal democracies, and little systematic data on parliamentary performance that is comparable across time and space. So too, there is no general agreement on donor support to parliaments, and even less on the structural conditions under which such assistance can be effective and efficient.

5.35 Nevertheless, in addition to the well known facts that no blueprint is possible and country context is king.

5.36 Five key lessons have been learned by donors in strengthening parliaments.

1. **Parliamentary strengthening is a long-term effort: a minimum of two, possibly three or four electoral cycles (ranging from between 8 and 20 years) are needed.** Parliamentary strengthening requires a long-time horizon. It should be noted that politics is dynamic and political institutions such as parliaments are moving targets. In this context, there is high turnover of parliamentarians at every election. A long-term intervention would allow for the flexibility that a moving target demands.
2. **Parliamentary strengthening requires a comprehensive approach.** The functionality of a parliament is relational and depends on a host of factors outside of the parliament itself. (for example, presence of political parties, the electoral system, the nature of the political system - presidential or parliamentary). NORAD (2010) concluded that “donors who are not prepared to enter those other sub-fields associated with parliamentary support because they are deemed too politically sensitive ought to desist from engaging in parliamentary strengthening altogether.”
3. **Be demand driven: a thorough needs assessment carried out jointly with each parliament is always required.** The planning of interventions should bring on board parliamentary permanent staff (partisan and non-partisan), members of parliament, the political parties, and other relevant stakeholders. The speaker and the clerk are key actors and need at a minimum not to be opposed to parliamentary strengthening projects. At the same time, it is not always easy to identify the reformers, that is, the ‘drivers of change’ who can make a formal request for parliamentary reform (NORAD, 2010).
4. **Parliamentary strengthening is – by its nature – politically sensitive.** Multilateral agencies or funds could diffuse tensions better than bilateral donors (particularly former colonial powers). Excessive coordination may be damaging, with the risk of perception of “ganging up” by donors. Peer advice could be more acceptable than donor guidance.
5. **Issues-based approaches may be useful entry points.** Parliaments deal with a range of policies and issues. Therefore, parliamentarians are often in dire need of information and knowledge about specific policy areas: issue-based approaches provide useful entry points. Training programs addressing substantive issues – as distinct from procedural change or institutional reform – have been convenient entry points for donors and have met with approval, even enthusiasm. There is

however a real risk that a policy-based approach may divert parliamentary attention, capacity and competence away from the fundamental functions.

### ***Supreme Audit Institutions***

#### **Common Challenges**

5.37 A DfID note offers a three step approach to supporting Supreme Audit Institutions: (a) understanding the wider reform context in which the SAI operates; (b) evaluating the SAI's current situation, and (c) practical suggestions for supporting SAI reform. Twenty-five "excellence factors" are put forward in 8 key reform areas. Among these are communication policy (SAI has a well-crafted communication strategy for all key external stakeholders), and working with parliament (providing oral and written briefings to maximize audit impact, and ensure recommendations are implemented (DfID, 2005). A related guide provides detailed guidance on assessing SAI capacity, developing a capacity building strategy, managing change, monitoring results and ensuring sustainability (United Kingdom National Audit Office, 2007). Different approaches are needed for the three SAI models: Anglo-Saxon (Westminster), Judicial (Napoleonic) and Board (collegiate) (DfID, 2004).

5.38 According to van Zyl, Ramkumar, and de Renzio (2009), Supreme Audit Institutions (SAI) face four common challenges:

1. **Institutional:** SAI's often lack the capacity to fulfill their functions. They are underfunded, understaffed, under-skilled, and constrained by very narrow mandates. According to the Open Budget Initiative, 29 out of the 59 countries it ranks underfund their SAIs.
2. **Technical:** technological developments with the growth of information technology and electronic transactions represent both a challenge and an opportunity for SAIs. The digital nature of many records imposes new ways of working on SAIs. In addition, there may also be significant technological upgrading that they cannot often afford to do because of budget limitations.
3. **Political:** SAIs need to protect their independence and impose their recommendations on the executive. Many SAIs are exposed to undue political influence through the appointment and removal of their chief executive or through budget cuts.
4. **Communication:** Parliaments and CSOs very often do not understand the content of Audit Reports. The language can often be too technical. As both are needed to ensure that SAI findings and recommendations produce concrete results, there is a need to improve SAI communication skills.

5.39 A recent assessment of supreme audit institutions in eight South Asian countries found that none had the degree of independence prescribed by the International Association of Supreme Audit Institutions, even though all are members. In many countries the legislation supporting the audit office is dated. Most are unable to fully meet international auditing standards, lack skills in forensic audit, and lag behind their government accounting counterparts in technology use (World Bank, 2010).

5.40 The challenges faced by developing countries are closely linked to the model of Supreme Audit institutions they have adopted (van Zyl, Ramkumar, de Renzio -2009).

5.41 Countries that have adopted the **Westminster Model** (Commonwealth Countries plus Peru and Chile) need to consider that the work of their SAIs is intrinsically linked to the system of parliamentary accountability as SAIs report to parliament. The key challenge is that the legislature needs to be strong and possess the ability to hold the executive branch to account.

5.42 In countries that have adopted the **Napoleonic Model** (most of the Latin America and Caribbean countries and francophone Africa), SAI is part of the judiciary and independent from the executive and legislative powers. They can directly sanction public servants. The main challenge is that these SAIs can be very formal and not well suited for performance audits that focus on the effectiveness and impact of public expenditure. The importance of parliaments is therefore reduced. Communication challenges are often more important as SAIs need to produce results that can be understood by the general public.

### **Donors Active in this field**

5.43 Support to SAIs is a relatively crowded field, and many donors operate through dedicated components in projects dealing with PFM reform, even though available data on aid flows are limited. Donors usually like to work with SAIs for four main reasons: (i) almost every country, no matter how weak their PFM system is, has a SAI; (ii) there are international standards for their operations (INTOSAI); (iii) each SAI has the power to look at PFM issues across the public sector; and (iv) each SAI should be naturally interested in strengthening accountability.

5.44 Direct donor involvement with SAIs is a more recent phenomenon and tends to involve a limited number of donor agencies, as shown in Table 5.7. In recent years, for example, the World Bank, regional development banks, the Swedish International Development Cooperation Agency, the UK's DfID, and the European Commission have all increased their focus on the quality of audit processes in recipient countries, partly because of the need to account for increasing aid flows delivered as direct budgetary support.

**Table 5.7. Stand-alone Projects with Explicit Reference to Supreme Audit Institutions or Auditor General's Office in Their Title (US\$ million, commitments, 2007 prices)**

<i>Donor</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>Total</i>
Norway	0.01		0.07	0.03	3.23	1.55	0.75	0.03	1.28	5.58	12.53
Canada		0.72		2.35					7.25	0.09	10.42
Netherlands		1.41	0.96	0.05	4.58	0.09		0.80			7.88
Sweden	1.23	1.23			0.33					3.07	5.87
EC									2.67		2.67
Australia	0.90	0.53							0.84	0.28	2.55
Finland						0.72			0.27	0.53	1.52
United Kingdom	0.51	0.95								0.01	1.46
Denmark							0.29				0.29
<b>Total</b>	<b>2.66</b>	<b>4.84</b>	<b>1.03</b>	<b>2.43</b>	<b>8.14</b>	<b>2.35</b>	<b>1.04</b>	<b>0.83</b>	<b>12.31</b>	<b>9.55</b>	<b>45.18</b>



5.45 By the end of 2009, fifteen donors and multilateral institutions decided to support the INTOSAI Development Initiative. The focus is on two issues: (i) a common approach toward an increased strategic focus and coordination for donors and the SAI community in strengthening SAI capacity in partner developing countries, and; (ii) a variety of mechanisms for facilitating donor funding and support in line with donor mandates, priorities and requirements. Most funding will continue to be bilateral but there are ongoing discussions about the creation of a Multi-Donor Trust Fund.

### **Description of activities**

5.46 SAI support has taken the form of technical assistance programs through which a combination of external expertise, training, capacity building, and necessary equipment are provided to assist SAIs in carrying out their functions more effectively. For example, this support can help SAIs to increase the number of audits that they carry out or to shift their focus from verifying compliance to assessing performance. In some cases, such interventions are coupled with higher-level policy pressure through conditionalities linked to policy lending or budget support, which set more specific targets for SAI audit responsibilities. Peer Reviews and twinning arrangements have also been used, particularly in the context of European Union Enlargement.

5.47 Some donors have started supporting a wider variety of accountability players (CSOs, including watch-dogs, and PACs) through integrated operations.

5.48 As defined by INTOSAI, there are several capacity building aspects relating to SAIs that can be grouped into three main categories: professional audit capacity, organizational capacity, and the capacity to deal with the external environment.

5.49 **Donors have developed SAI-specific capacity assessment models** to determine gaps to be filled through capacity building:

- **SAI Capability Model** developed by the African Organization of Supreme Audit Institutions (AFROSAI) uses a staircase of five broad capability levels: founding level; development level; established level; managed level; and, optimized level; and
- **SAI Maturity Model** developed by the UK Audit Office uses a four point scale and 15 excellence factors

There is also support for helping countries establish a professional accountancy body, and to develop and enhance the capabilities of such bodies (IFAC, 2007; 2008)

### **Bank Support**

5.50 Bank support has varied widely. Over the past ten years, 30 grants were provided to individual SAIs through the World Bank's Institutional Development Fund. World Bank technical assistance lending has supported SAIs in countries such as Tanzania, Malawi and Bangladesh. The conditions of some World Bank loans have included a requirement for special SAI audits. In addition, the Bank has supported the INTOSAI Development Initiative and the Working Group on auditing standards, and, more indirectly, it has supported public sector accounting standards through the International

Federation of Accountants Public Sector Committee. The Bank has also a specific strategy on how to support and strengthen Supreme Audit Institutions (World Bank, 2004b).

**5.51 The Bank supported SAIs in all of its regions.** For example, Bank support through Poverty Reduction Support Credits (PRSCs) has helped Mozambique's Supreme Audit Institution (*Tribunal Administrativo*, TA) to improve its performance in carrying out verification audits. The number of audits increased from 168 (of which 115 had audit reports completed) in 2006 to 361 (and 281 reports) in 2007. All 128 districts were audited at least once by the Administrative Tribunal. However, only 26 percent of total expenditures were audited in 2007, so the goal of future operations is to expand the budget share. There are also challenges in the responses to audit findings. Although the Administrative Tribunal can impose fines or recommend corrective action in response to audits, in practice it enforces action in its recommendations by carrying out future audits to verify implementation of recommendations (World Bank 2010g: 2, 3). For example, Azerbaijan's SAC II has supported the establishment of a Chamber of Accounts as the supreme audit institution of Azerbaijan (World Bank 2004a). Haiti's Governance Technical Assistance Grant helped ensure an adequate performance of the external, ex-post control function by the Cour Supérieure des Comptes et du Contentieux Administratif (Supreme Audit Institution, CSCCA) (World Bank 2010e). Honduras' Economic & Financial Management Project helped replace the function of the Comptroller General's office by the Tribunal Superior de Cuentas (Supreme Audit Court), and transformed into an effective institution (World Bank, 2007b). The West Bank and Gaza's Public Sector Financial Management Structural Adjustment Operation considerably strengthened external audit and oversight by the legislative branch (World Bank 2005b).

**5.52** The World Bank-supported Afghanistan's Public Administration Capacity Building Project helped facilitate legislative reforms enabling the external audit capacity framework to provide full effective audit coverage of the government's financial system, allowing the Control and Audit Office (CAO) to shift from transaction-oriented compliance audits to performance audits, while raising the quality of CAO audits. However, there were delays in setting up a Public Accounts Committee to review the reports, and in the adoption by the Parliament of a Bank-supported Audit Law (World Bank 2010f).

**5.53** Not all of the Bank's work in this area was successful. One of the few investment loans to focus entirely on this issue, Indonesia's Supreme Audit Institution the Bepeka (BPK) Audit Modernization Project helped to improve the BPK as an institution through: (1) legal changes that enhanced the mandate of the BPK as the supreme audit institution; (2) improved management arrangements within the BPK that made staff more independent and accountable for their work; and (3) created a strong management information system, with up-to-date technology. However, political will lagged, and the BPK at the end of the project **lacked independence, and relied on the government for its budget and procedures**. The project was rated unsatisfactory (World Bank 2005a).

**5.54** A good explanation of the impact of the first two issues can be obtained by comparing support to parliaments and Supreme Audit Institutions from the World Bank and the Inter-American Development Bank, as done by Santiso (2005).

**5.55 In addition to direct support (through ILs or the IDF), the World Bank can also support external audit systems through the prior actions required of its policy-based loans.** According to a 2004 estimate, in the five years between 1997 and 2002, policy-based loans included about 90 conditions requiring borrower governments to improve external auditing. A review of all 1479 adjustment lending conditions that referred to public sector governance over that period shows that about 90 of them (or six percent) addressed the external audit arrangements of 38 borrowing countries (World Bank 2004c:10). Initial estimates for the period 2004-2009 indicate that this approach has been used less, as the number of prior actions dropped to eleven.

**5.56 Finally, although adequate guidance and innovative pilots are present, they have not been mainstreamed into Bank operations yet.** For example, Chase and Anjum (2008) found that “there are many pilot activities supporting mechanisms for independent oversight in different parts of the Bank but these are sporadic and uncoordinated. Moreover, there is clearly a lack of institutional mandate on this and the legal issues, which this report does not touch upon, show why this is a difficult area to address. The Bank needs to work with partners to support the enabling environment for greater independent oversight.”

### **Lessons learned**

**5.57** There are five main lessons that donors have learned through their support to SAIs (see van Zyl, Ramkumar, de Renzio 2009).

**5.58** First, a narrow technocratic focus should be avoided as there are other relevant issues beyond capacity. For example, legal frameworks should also be addressed, although they are often difficult to change. Support to SAIs, CSOs and parliaments should be integrated as much as possible as they all form part of a country’s accountability system. Donors could fund innovative partnerships between SAIs, PACs and CSOs and focus on a more holistic approach

**5.59** Second, proper sequencing and adequate donor coordination are essential. Donors should jointly determine whether SAI reform is “ahead of the game or not” based on what is happening to other key elements in the checks and balances system. For example, a very effective SAI combined with a weak Parliamentary Account Committee cannot have any significant impact.

**5.60** Third, project design should be based on a thorough understanding of the factors affecting actual SAI performance: its statutory remit and organizational structure; the way in which it is managed; the inputs and resources available to it; the processes it adopts to carry out its work and, ultimately, the outcomes it is able to achieve.

**5.61** Fourth, project design should also build sufficient lead time and maintain flexibility as audit reforms can take a long time. However, a number of quick wins have been identified. According to DfID (2005c), recent research shows that reform techniques including peer reviews, twinning arrangements, development of technical training capacity and contact committees and other regional affiliations appear to be succeeding in both accession and developing countries.

5.62 Fifth, the political dimension of SAIs should be taken into account. In particular, an understanding of the formal and informal mechanisms that underlie the effectiveness of budget accountability processes is essential.

### ***Ombudsmen and related independent bodies***

5.63 There are very limited studies on donor support to Ombudsmen and related bodies. Data on donor support (see Tables 4.8 and 4.9) show very limited levels of support (US\$6.5 million per year over the decade 1999-2008). The studies reviewed (Andreassen and Oftedal, 2007 and Piron-O' Neil 2005) emphasize the positive role played by such bodies in different contexts even though, as in the case of Parliaments and Supreme Audit Institutions, they are often not sufficiently funded. This under-funding by governments had led to an increased dependence on donor funding, even for operating costs. In Malawi for example, 80 to 85 percent of funding for the local Ombudsman Office comes from donors.

**Table 5.8. Stand-alone Projects with Explicit Reference to Ombudsman Offices in Their Title (US\$ million, commitments, 2007 prices)**

<i>Donor</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>Total</i>
Sweden	0.34	0.97	5.21	1.09	2.91	0.70	6.83	3.04	10.51		31.59
Norway	0.40	0.61	0.12	0.66	0.31	0.30	0.99	1.31	0.11	0.98	5.79
Denmark		0.21	0.47	0.55		1.58	0.22	0.49	0.18	1.07	4.78
Netherlands			1.91	0.07	0.09			0.00	1.11	0.06	3.25
Australia	0.38	2.16	0.16								2.71
Germany			1.49							0.04	1.54
EU institutions		0.70									0.70
Spain	0.08						0.19		0.34		0.61
Ireland									0.18	0.19	0.37
UNDP						0.12	0.02	0.03			0.17
United Kingdom			0.04							0.12	0.16
Italy				0.15							0.15
New Zealand				0.01		0.00	0.02				0.03
Finland				0.01							0.01
Total	1.20	4.66	9.40	2.56	3.32	2.70	8.26	4.87	12.43	2.46	51.86

*Source:* OECD Development Assistance Committee (DAC) – Creditor Reporting System (CRS) Online.

**Table 5.9. Stand-alone Projects with Explicit Reference to Human Rights Commissions in Their Title (US\$ million, commitments, 2007 prices)**

<i>Donor</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>Total</i>
Norway	0.01			0.22	0.32	0.63	1.72	0.38			3.28
New Zealand							1.88	0.07		0.57	2.52
Denmark			0.27			0.35	1.14				1.77
Canada	0.03	0.02	0.27				1.08				1.40
Sweden			1.38								1.38

EC					0.67						0.67
United States					0.45			0.04			0.48
United Kingdom	0.03								0.43		0.46
Ireland								0.42			0.42
Austria	0.38										0.38
UNDP								0.09	0.10		0.19
Finland	0.13										0.13
Spain					0.11						0.11
Belgium	0.10										0.10
Netherlands				0.04		0.04					0.08
Total	0.64	0.05	1.93	0.27	1.55	1.02	5.83	0.44	0.54	1.09	13.35

*Source:* OECD Development Assistance Committee (DAC) – Creditor Reporting System (CRS) Online.

5.64 A recent study of the Ombudsman Office in Malawi (Andreassen and Oftedal, 2007) identified a number of challenges that limit its potential: “in spite of the broad scope of the mandate, the ombudsman’s work is limited to the public sector while it has a potential for handling cases also outside the public sector and civil service. Another limitation is the fact that the office only has offices in the three major towns in Malawi (Lilongwe, Blantyre and Mzuzu), although the Ombudsman occasionally visits rural areas to handle complaints.” A third limitation is the lack of adequate skilled personnel. The Ombudsman’s Office in Malawi has more staff than the Norwegian counterpart (70 versus 40, respectively) but in the Malawian case “only 2 staff have a full legal education. One of the two with a degree in law is the Ombudsman himself.”

5.65 A major backlog of cases is a consequence of the imbalance between the popularity of the office’s role as a “semi-court” and its limited capacity and budget, that is, it is seen as performing an important “semi”-court role. Seemingly, it offers an alternative for people who cannot afford to go through expensive court processes. It can settle “cases of conflict and complaint, with the power to license compensation for victims of governance mal-practices or rights violations.” (Andreassen and Oftedal, 2007).

5.66 Donor support in this context has focused on both the operational costs of the office as well as on capacity building. The sustainability of such an approach is highly questionable.

## **Bank Support**

5.67 There is limited Bank experience in supporting Ombudsman Offices. For example, the Bank-supported Timor Leste’s Third Transition Support Project provided assistance to appoint an Ombudsman who was sworn in by Parliament (World Bank, 2007) as part of a Provedor office (also including Human Rights Commissioner and anticorruption agency). However, serious capacity problems remain (World Bank, 2008a). Thailand’s Public Sector Reform Project supported the establishment of accountability institutions provided for in a new constitution, including a National Counter Corruption Commission, an Office of Ombudsman, and Administrative Courts. It also helped create a situation in which two-thirds of government agencies have regulations and procedures to respond to public demands for information. The project

also helped to establish an Ethics Promotion Center (World Bank, 2002a). Despite the tumultuous politics since then, the offices are still functioning today.

5.68 An Ombudsman office was also established with Bank support in Rwanda (World Bank, 2008a). India's Gujarat Emergency Earthquake Reconstruction Project carried out damage assessments in public and used an appeals mechanism employing District Judges as Ombudsmen (World Bank 2010b). Communities affected by Lesotho's Highland Water-Phase 1B Project brought their grievances concerning resettlement and compensation to the Lesotho National Ombudsman, which in turn provided an institutionalized mechanism for independent review (World Bank, 2007b). Colombia's Public Financial Management Project helped set up the Office of the Taxpayer Ombudsman to contribute to fostering a tax compliance culture (World Bank, 2010h).

5.69 Venezuela's Supreme Court Strengthening Project supported the Supreme Court in opening a Civil Society Unit that met with interested groups on human rights and related issues, and promoted a range of activities involving these groups. The Unit helped disadvantaged groups improve their access to justice, and a website was developed. The Court also encouraged the formation of an umbrella NGO group (Alianza) that helped improve communications with various stakeholders (World Bank 2002b).

### ***Common Lessons Learned in Supporting Non Executive Accountability Institutions***

5.70 There are some common lessons in donor support to non-executive accountability institutions.

5.71 **First, such institutions are almost consistently underfunded.** This is not by chance but by political will to keep them better under control. Institutions and actors are not neutral but are motivated by different incentives and interests and the ensuing political dynamics need to be taken into consideration when designing any donor intervention (O'Neil et al, 2007). Donor support in these circumstances ignores political reality and cannot be effective. Donor support can go hand-in-hand with government support, but should not replace it. There is a common "failure to move to designing programs of support that are based on a sound understanding of the on-the-ground complexities of politics and governance" (Unsworth, 2008) as most are "not based on a realistic appraisal of existing patterns of accountability." This is often addressed through an increasing number of donor governance assessments (DAC identified more than 25 different types of assessments).

5.72 **Second, the effectiveness and impact of such support are seriously understudied.** "Donors have not generated systematic evidence about the types of interventions that work and why. There is also a difficulty in identifying their impact beyond intermediate outputs" (O'Neil et al, 2007). Given the limited size of such support, its main potential (learning from experience) is lost without any good reason.

5.73 **Third, the non-executive supply side is the least supported among the three parts of accountability systems (that is, the executive supply side, the non-executive supply side and the demand side).** As highlighted by GOVNET (2010):

the importance of strengthening domestic accountability is clear (Rakner et al, 2007, pp.2-3) but – particularly beyond donors' long-standing support to CSOs

and especially NGOs – donor support has been limited, ad hoc and poorly coordinated. There is no doubt that support provided to democratic governance has had some beneficial impact, but there has been insufficient investment in monitoring, evaluation and learning with the result that impacts remain uncertain and the evidence base for designing future programs of support is limited.

**5.74 Fourth, donor support is provided in a manner that focuses on building the capacity of particular institutions such as parliaments or CSOs rather than on their inter-relationships and systems of accountability.** There is a need for an integrated approach. The success of single interventions which focus on a single institution, actor or event can be severely curtailed because of their interdependence with other institutions, actors and processes. (O’Neil et al, 2007). This weakness is being addressed by an emerging consensus among donors regarding the need to support and reform accountability systems rather than individual accountability institutions. The concept of “accountability systems” has some similarities with the World Bank’s use of “national governance systems” in the Global Monitoring Report for 2006, and with the “oversight triangle” referred to in FRIDE’s work on aid effectiveness and democratization (Meyer and Schulz, 2008, p.3).

#### **SUPPORTING THE DEMAND SIDE OF ACCOUNTABILITY**

**5.75** Bhargava and others (2010) analyzed over 100 articles, reports and books on the impact of “demand for good governance” programs in the last decade and found that, although there is abundant anecdotal evidence of the positive development impact of such programs, extensive and rigorous impact assessments are lacking. Gaventa and Barrett similarly concluded that: “Yet in spite of the strong convictions that underpin this approach, the impact of civic participation on measurable democratic and developmental outcomes has proved difficult to assess. Where previous research studies have attempted to demonstrate impact, they tend to be limited to single interventions, a limited number of country contexts or varied conceptual and methodological constraints.”

**5.76** Because of the problems of multiple attributions, among others, it is hard to imagine a rigorous test that could exclude other causal factors. However, within this limitation, there is ample, rigorous research based on case studies that gives evidence of contribution to impact. For example, Gaventa and Barrett carried out a meta-case study analysis of a non-randomized sample of 100 research studies of citizen engagement in 20 countries. They coded over 800 observable effects of citizen engagement and found that 75 percent were positive. “Citizen engagement can be linked positively in a number of instances to achieving development outcomes, such as health, water, sanitation and education, as well as to democratic outcomes, such as building accountable institutions and making real national and international human rights frameworks. The challenge for donors and policy makers is how to support such engagement effectively. “

**5.77** In another example, school improvement committees in Karnataka, India have the power of approving teacher’s leave, which has helped reduce teacher absenteeism (Annamalai, 2001, cited in Campos and Pradhan, 2007:83).

**5.78** Avritzer (2009) looks at in-depth case studies of four varied Brazilian cities: Sao Paulo, Porto Alegre, Belo Horizonte, and Salvador. In each case, he analyzes the impact of changes in civil society, political society, and institutional design on participatory budgeting, health councils, and master city plans. He stresses the importance of context:

“variation in design, integrated to context, is the key variable that generates successful participatory institutions. Neither civil society nor political society alone can account for the success of participatory institutions . . .” (174). Rather, it is “the interaction between civil and political society in the right institutional context [that] can strengthen public deliberation and achieve significant distributional results” (174). Policy entrepreneurship and political leadership are also important variables, along with income levels, as well as the type of public service under consideration.

5.79 De Renzio et al (2005) looked at case studies of six independent budget organizations, and found an impact on budget accountability and budget policies, although not on broader outcomes such as poverty reduction. Mazdoor Kisan Shakti Sangathan (MKSS) in Rajasthan, India has successfully used public hearings as structured discussions on public expenditures in their communities. The South African Institute of Democracy strengthened the new financial management act by demanding stronger wire transfer rules, and direct departmental responsibility for overspending (Ramkumar and Krafchik, 2005 cited in Campos and Pradhan, 2007: 285). The media can also play an important role, as in the case of the Philippine Center for Investigative Journalism in exposing corruption by the Philippine President, and in contributing to a process forcing him out of office.

5.80 Transparency International’s National Integrity System Studies provide granular analysis of accountability institutions in many countries, and some evidence on impact.<sup>12</sup>

5.81 Another set of experiences concerns citizen participation and audits. For example, the Concerned Citizens of Abra for Good Government is a Philippine group that uses local volunteers to verify that road construction projects are correctly implemented. In Argentina, La Asociacion Civil por la Igualdad y la Justicia took legal action to obtain minutes of meetings of congressional hearings on public audits. It used these records to show the lack of action taken in response to audit recommendations. In South Korea, the Board of Audit and Inspection has introduced measures to encourage citizen participation such as the Citizen’s Audit Request System, where citizens can request special audits when there is suspicion of corruption (Ramkumar, Vivek, 2006)

5.82 One critique of donor approaches in this area is that although they purport to isolate public administration from politics, they may actually have the effect of bypassing majority opinion to improve the climate for investors and elites, and preserve power relations. Yet sometimes donor initiatives do gain a greater voice for the poor, as happened with USAID and World Bank initiatives in Guatemala and Nicaragua. Nonetheless, homegrown initiatives of the same ilk may not always succeed, as was reportedly the case in the Indian state of Andhra Pradesh where attempts to use new public management tools to increase accountability and transparency did not work. However, parallel efforts to use information technology for the same purpose were more successful, but still were unable to thwart the power of clientelism (Hout and Robinson, 2009).

5.83 Chances of success rise for demand side accountability work when it is adapted to the needs of different country contexts, as summarized in Table 5.10 as cited in a recent Overseas Development Institute study (ODI, 2007).

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<sup>12</sup> See [http://transparency.org/policy\\_research/nis/nis\\_reports\\_by\\_country](http://transparency.org/policy_research/nis/nis_reports_by_country).



**Table 5.10. Civil Society Support in Different Contexts**

Context	Instrument
<b>Better performers</b>	Demand-led civil society umbrella programs and support to public expenditure monitoring around general budget support, e.g. in Tanzania and Ghana
<b>Medium-risk countries</b>	Civil society programs around sector budget support and/or earmarked sector support within joint funding arrangements, e.g. in Kenya
<b>Fragile states contexts</b>	Multi-donor trust funds, though little provision for support to citizen voice and accountability other than initial post-conflict needs assessments
<b>Middle-income countries</b>	Umbrella and sector-based support to civic engagement to inform strategic dialogue with government and IFI loan portfolios, e.g. in Indonesia and Bolivia
<b>Decentralizing states</b>	Civil society support around block grants to local government, e.g. in Zambia

Source: Tempo and Wells, 2007.

### Donors Active in this field

5.84 Donors have worked with Civil Society Organizations since the early days of development cooperation. CSOs have represented an effective channel for delivery of aid in many situations (that is, aid through NGOs) or a recipient of aid, mainly to support their operating costs and policy advocacy functions (that is, aid to NGOs). CSOs operate also through funds they collect from private donors. A recent analysis of 100 CSOs over four years (2005-2008) found that some of the largest CSOs had programs comparable to those of mid-sized DAC donors such as Finland or Greece (Migliorisi, 2010).

5.85 According to DAC statistics that probably underestimate the importance of CSOs, official aid from donors to NGOs in 2008 amounted to about US\$2.5 billion. Official aid *through* NGOs amounted to US\$5.7 billion and net grants from private donors to US\$23.8 billion, for a total of US\$32 billion, or 22 percent of all official development assistance from all donors. The percentage is even higher if we consider only core development assistance.

5.86 It is therefore not surprising to see that supporting the demand side of governance through CSOs has been the modality of choice for many donors when addressing accountability issues. The size of funding is much larger than for the non-executive supply side (see Bhargava et al 2010) as it is estimated to be **close to US\$1 billion per year**, compared to less than US\$100 million for non-executive accountability institutions. If this estimate is correct, about 12 percent of official development assistance (ODA) to or through NGOs is supporting the demand side of accountability.

### Description of activities

5.87 There are three main dimensions of donor support for demand side accountability (Scanteam, 2007). It can be unilateral (involving a single donor) or joint (involving two or more donors); direct (from the donor(s) to the CSO) or indirect (through an

intermediary); and core (covering any CSO cost including operating ones) or project-related (earmarked for specific activities). For each dimension there is a clear trend emerging.

5.88 First, there is increasing support for core funding of CSOs with a track record in research and advocacy (see for example G-RAP in Ghana). As Tembo and Wells (2007) point out, “core funding allows for long-term relationships and gives CSOs the flexibility to set their own agendas. However, it may be prone to an elitist focus on CSOs that are already well entrenched in political society.” The average size of core support is usually greater than project funding.

5.89 Second, there seems to be a move toward greater use of intermediary agents (INGOs, local CSOs, multilaterals, local foundations and community funds). According to Scanteam (2007), “this increases the potential for outreach, diversity, disbursement, mutual accountability and managing for results as well as donor harmonization and alignment, because relations can be based on contracts with clear performance/success criteria and management structures that address conflict of interest/“principal-agent” issues. Indirect support further transfers most transaction costs to the intermediary, which reduces the burdens on both donors and CSOs.”

5.90 Third, there is a clear trend toward more joint funding to save costs, and strengthen harmonization and alignment. However, the vast majority of agreements (about 75 percent according to Scanteam 2007 and OECD DAC) are still unilateral.

#### **Box 5.2 Private Sector Development and Demand for Good Governance**

In the early 1990s, many governments started several donor-funded selective interventions supporting private sector firms with the intent of generating a supply-side response to improvements in the “enabling environment for PSD” and fostering private sector-led growth. Many programs therefore focused on how to strengthen the “supply side” (that is, private firms) through support programs, most of which had to be demand-driven (that is, no picking of winners) and light touch. Few among these interventions were successful. The 2005 World Development Report found that “even where selective intervention seems to have been successful, the contribution to growth has been debated.”

The current debate on DFGG is very similar, although the terminology is slightly different. CSOs are candidates for support as private firms were in the PSD wave of the 1990s, although the debate concerns support measures for the demand side of accountability rather than demand-driven support for the supply side as in the case of PSD. In both cases there is an assumption that an “enabling” environment (for PSD or accountability) is a necessary but not sufficient condition for results.

#### **Bank Support**

5.91 The 2003 Work Bank Paper on *Issues and Options for Engagement with CSOs* summarized well the way in which the Bank works with CSOs:

The Bank’s engagement with CSOs is grouped into three categories of activity: facilitation, dialogue and consultation, and partnership. As a facilitator, the Bank

supports civic engagement in designing Poverty Reduction Strategies, and in implementing and monitoring an array of Bank-financed projects from HIV/AIDS treatment and prevention to microcredit schemes. Through dialogue and consultation, the Bank directly engages CSOs and seeks their views on issues of mutual concern, such as the Bank's operational policies and Country Assistance Strategies. And in the category of partnerships, the Bank is working with CSOs on joint initiatives in biodiversity, health, education, youth development and numerous other areas. Many Bank loan agreements contain components, such as Social Funds, through which resources are channeled to CSOs to implement government programs. The Bank also has an array of small grant mechanisms and trust funds which can provide direct support for CSO-initiated projects.

5.92 Civil society involvement in Bank-supported projects has increased substantially over the last 20 years. During first generation (1980-1991), the Bank opened its doors to CSOs and learned how to promote participation. In the second generation (1992-1999), the focus was on expanding and mainstreaming participation. During the third generation (2000 to present), civil society involvement has reached a plateau in percentage terms of around 70 percent. This plateau has occurred despite the fact that the Bank's portfolio continues to grow in the number of overall projects, as well as in the percentage of policy-based loans. Not only were more projects found to have civil society participation, but this involvement is also now reported beyond the preparation (for example, planning, design, and appraisal) stage of the projects to include the implementation and evaluation phases (World Bank (2009b)).

5.93 **The Bank expertise on the demand side of accountability seems to be stronger with respect to mechanisms to better involve citizens in monitoring service delivery, rather than in building the capacity of watch dog or policy advocacy CSOs.** Most donors seem to have more experience in the former rather than the latter. This is consistent with the long tradition of Bank-civil society engagement and the third generation approach in involving them in project implementation and monitoring. There is also a potential conflict of interest in supporting CSO watchdogs as the Bank itself is often one of the main subjects of their scrutiny. Finally, **IEG's decentralization evaluation** (2008a:49-51) found cases in which Bank support helped citizens exert pressure at the local level for better service delivery, and increased transparency (Philippines, Tanzania and Russia). However, in other cases such results were not yet evident (Morocco, Punjab, Peru). There was more limited success in cases observed of Bank support to strengthen systems for citizens to hold governments accountable and to seek redress in case of grievances, not surprisingly so given the more limited experience discussed above.

5.94 There are many examples of Bank-funded citizen monitoring of service delivery. Rwanda's Third Poverty Reduction Strategy Grant, for example, supported **Citizens' Report Cards (CRCs) and Citizens' Score Cards (CSCs)** and piloting for education and health in 2004-05. In 2006 they were adopted as the main vehicles to monitor accountability and citizen's voice in service provision. CRCs elicit quantitative feedback from individual citizens at a micro-level, whereas CSCs are qualitative monitoring tools relying on focus group discussions (World Bank, 2008b). Likewise, the Third Malawi Social Action Fund Project uses community scorecards to assess agency performance. More than 500 communities have scored agency performance, and project outputs such as water points and classroom blocks. The scorecard process is making communities aware

of their role in managing subprojects, and local authorities are becoming more responsive to citizen complaints (World Bank, 2006c: 41).

5.95 **Service delivery surveys** were successfully implemented in many projects and programs, including Bangladesh's Health and Population Program Project, Jordan's Second Public Sector Reform Loan, Uganda's Second Economic and Financial Management Project, and Nicaragua's Institutional Development Project (World Bank 2002c, 2003a, 2006a, 2007b).

5.96 A good example of demand-driven support to both sides of accountability systems is presented in Box 5.3. The Accountability, Transparency and Integrity Program in Tanzania includes a fund called the Facility for Ethic, Accountability and Transparency (FEAT) to support all state and non-state oversight institutions. The design of the support program is left to the institutions themselves.

**Box 5.3. Demand-Driven Support for the Demand and Supply Sides of Accountability: The Accountability, Transparency and Integrity Program in Tanzania**

Oversight and watchdog institutions are state oversight institutions such as Parliaments, Public Complaints Bureaus, National Audit Offices, the Ethics Secretariat as well as non-state actors such as the media and civil society organizations. The program supports the strengthening of oversight and watchdog institutions to improve domestic accountability. It aims at ensuring that oversight and watchdog institutions are well informed of public sector performance and hence more effectively able hold government accountable by interventions aimed at: (i) generating and disseminating high quality information on performance and outcomes of government, centered on the crosscutting reforms; (ii) improving the ethical environment in both the public and private sectors by supporting enhancements to the capacity of professional organizations, raising their level of ethics using self-regulatory ethics mechanisms, continuing education programs and, more broadly, information, education and communication (IEC) programs aimed at the public at large; and (iii) generally improving the capacity of oversight and watchdog institution staff to perform their functions.

In particular the program supports a facility called the Facility for Ethics, Accountability and Transparency (FEAT) that provides grants for activities relating to accountability, transparency and integrity. Oversight and watchdog institutions are expected to contribute at least 10 percent of the activity costs in cash or in kind.

*Source:* Stefano Migliorisi, Clay Wescott

5.97 A portfolio review of selected World Bank operations in the Philippines — six national-level projects and six community-driven development projects — identified and assessed specific approaches to enhance mainstreaming of demand-side governance. The review highlighted the strength of many project participatory approaches, capacity-building support, and efforts at promoting greater transparency. However, it also noted that there had been few systematic efforts to mobilize NGO involvement; that transparency initiatives tended to be focused on national-level audiences; and that project-supported activities did not connect well with broader planning and budgeting systems, especially at the local level.

5.98 Bank projects in several countries have demonstrated that efforts to strengthen the demand and supply side of governance can be mutually reinforcing. Building on lessons from earlier community-driven development and decentralization efforts, these local governance initiatives combined fiscal and capacity building support for local executives and their constituents. They also included financial accountability and transparency

measures. These were intended to develop local institutions that can effectively and accountably meet local service delivery needs. A few examples are presented in Box 5.4.

5.99 As part of the GAC strategy, some units also advocated a more direct role for the Bank in channeling resources directly to CSOs and other non-sovereign entities. Direct Bank financial support to CSOs might attempt to motivate social actors to apply demand-side pressures on executives. Advocates pointed to some early micro-level examples that involved transfers through government to CSOs.

5.100 The direct financing proposal raised a number of operational issues, which were yet to be resolved. Bank proposals to scale up these micro-level efforts had yet to clarify several concerns, some of which were shared by Governance Partnership Facility donors. Key operational issues included the Bank's comparative advantage relative to other agencies, implications of direct support for the fiduciary risk profile of Bank operations, the potential for capture by interested parties, including party-affiliated CSOs, and potentially conflicting roles for the Bank (particularly in polarized environments) as the financier of both sovereign and non-sovereign entities. Moreover, the Bank's proposals should have referred to lessons learned from similar efforts over the 2000s to try to motivate private sector firms through matching grants, as discussed earlier in Box 5.2.

#### **Box 5.4. Combining the Demand and Supply Side in Local Governance Initiatives**

**Bangladesh's Local Government Support Program** has sought to empower its lowest tier of government through a nationwide program of district-based support. The program provides discretionary transfers and capacity-building support to 4,500 Union *Parishads*. It employs an accountability framework based on district-level progress reporting and monitoring, transparency measures, and audits. To date, it has helped complete over 12,000 annual audits, train nearly 50,000 personnel, and support 500 local-level peer learning sessions.

**Cambodia's Rural Infrastructure and Local Governance Project** supported decentralized and participatory processes, as well as the financing of priority public goods at the commune or *sangkat* level. The project uses an arm's length arrangement to reimburse the costs of commune-level investments, and thereby allows the Bank to channel funds through Cambodia's basic intergovernmental system while shielding it from fiduciary risks. To date, it has contributed to the development of 1,800 irrigation schemes, a few rural roads and bridges, and some social services.

As part of **Guatemala's public financial management reforms**, a new framework for municipal financial management (SIAFMUNI) was implemented in more than 200 municipalities to improve both efficiency and transparency. In parallel, a citizen-oriented portal, Consulta Ciudadana, was established to offer user-friendly applications to facilitate access and interpretation of complex financial reports. Taken together, these measures have enabled citizens to access information about basic local government financial and procurement processes. Additional demand-side training efforts have been launched to empower citizens, some of whom expressed discomfort with the quality, accessibility, comprehensiveness, accuracy, and consistency of fiscal information.

**The Liberian Agency for Community Empowerment (LACE)**—established in 2005 as an NGO reporting to the President—has managed cash-for-work, community infrastructure, and community forestry projects. Through its Community Empowerment Project, the agency has engaged local communities in the reconstruction of vital social infrastructure using community-driven and cash-for-work methods. The initial round of cash-for-work reached 17,000 people, and the second round targets 45,000 around the country. Community infrastructure grants have reached 160 communities, with a total of 360 targeted for the third round. As these post-conflict efforts proceed, the agency has faced challenges similar to first-generation social funds in other African countries (for example, in Ethiopia, Malawi, and Zambia). Among those challenges is how to develop a longer-term strategy that interfaces with the country's decentralization policy.

*Source:* Authors, Stefano Migliorisi, Clay Wescott.

## Lessons learned

5.101 Six lessons emerge from donor support to the demand side of accountability:

5.102 First, holding a government to account is a process that emerges slowly and unevenly and donors need a “long-term, strategic view of state building through civic engagement.” Although programs may be successful in improving coalition building and access to information, “there [is] ... less evidence of how citizens have been able to oblige the state to provide answers.” (Tembo and Wells, 2007)

5.103 Second, sector-focused or issues-based capacity building can be more effective entry points, even though in these cases the role of donors must be focused on facilitating and mediating dialogue between civil society and governments.

5.104 Third, where multi-donor basket funds are used, there should be a plurality of funds rather than a single fund. Tembo and Wells (2007) found that

a single harmonized instrument is unlikely to meet the needs of different types of CSOs, or to reflect and nurture the full complexity of CSO agendas. Forcing diverse agendas into a single model might even be destructive of the innovation and originality of CSOs. However, designing a portfolio of support mechanisms that provides for the diversity of CSO agendas will also require a more nuanced study of how CSOs engage around different themes. A range of multi-donor funds for civil society support may be especially important in countries where DfID is withdrawing in favor of the international financial institutions (IFIs), but where IFIs are also not as well equipped to work with CSOs. In Bolivia and Indonesia, DfID has structured a ‘cascade’ of CSO funds that will embed IFIs in its legacy of innovative partnerships and processes at national and local levels.

5.105 Fourth, non-traditional CSOs, such as grassroots movements, can be extremely effective in promoting voice and accountability, but are usually not formally registered and are weakly institutionalized. Funding arrangements need to be flexible enough to avoid imposing formal management structures on non-traditional partners. Using intermediaries with a good track record in working with nontraditional CSOs and flexible funding arrangements is therefore essential in this respect.

5.106 Fifth, many CSOs end up becoming dependent upon donor funding and accountable to donors more than to their constituencies. In addition, unpredictable donor funding can cause serious damage to many CSOs. Competition for funding and the frequent shifts in donor priorities and objectives can lead to opportunistic CSO behavior in order to survive. Instead of focusing on the needs and priorities of stakeholders, they look instead to donor funding priorities.

5.107 Sixth, although there is a need to coordinate donor support between the supply and demand sides of accountability this should not distort the existing civil society dynamics which may not be focused on the same issues or processes.

## 6. Evaluation of Bank Support for Accountability

6.1 As shown in Table 6.1 the Bank provided several types of inputs depending on the type of accountability output to be achieved.

### INPUTS

6.2 The first question to be answered concerns the changes in Bank inputs as a consequence of the GAC Strategy. We focus here on the policy guidance, training of staff, country strategies and lending programs.

### Policy Guidance

6.3 As a result of the GAC strategy's emphasis on accountability, the Bank provided timely guidance on how to engage non-state actors. As discussed earlier in this report, there has been ample guidance provided to Bank staff on accountability and demand for good governance. However, although management directives on the importance of GAC principles have been clear according to 42 percent of the Bank staff we interviewed, only 26 percent felt that GAC guidance and tools are packaged in a user-friendly manner.

**Table 6.1. World Bank's Accountability Inputs and Outputs**

<i>Outputs</i>	<i>Inputs</i>					
	<i>Policy Dialogue</i>		<i>Direct Support</i>		<i>Indirect Support</i>	
	<i>GAC in Country</i>	<i>GAC in Sectors</i>	<i>Lending</i>	<i>Pilots/ Grants</i>	<i>GAC in Projects</i>	<i>Analytic and Advisory Activities/ Guidance</i>
<b>Environment</b>	X	X	X			X
<b>Supply side</b>						
Supreme Audit Institution	X	X	X	X	X	X
Parliament				X		X
Ombudsman				X		
<b>Demand Side</b>	X	X	X	X	X	X
<b>Mutual Accountability</b>	X	X			X	X

Source: Authors Stefano Migliorisi and Clay Wescott.

### Country Strategies

6.4 The review team rated pre- and post-GAC country assistance and country partnership strategies for 31 countries along several dimensions of the GAC Strategy, including accountability. The overall GAC responsiveness of country strategies having a focus on domestic accountability has been particularly strong in terms of strengthening of country systems, with a "great extent" rating above 50 percent. There has also been a slight improvement in terms of smart design of programs and projects, whereas all other changes have been positive in the aggregate but rather minimal.

6.5 A sizeable majority of country programs identified domestic accountability institutions and the demand side as entry points in both the pre- and post-GAC periods. Domestic accountability institutions most frequently included judiciaries and supreme audit institutions, and to a lesser extent, legislative oversight, media, and procurement appeals bodies. Those that identified demand-side measures virtually all identified the need to strengthen CSOs, but only rarely identified the organized private sector and consultative mechanisms. The share of Bank country programs that sought to strengthen accountability institutions increased from 23 percent to 35 percent in the post-GAC period. Country Assistance Strategies with plans to undertake GAC analytics were 31 percent more likely to support non-executive accountability institutions.

6.6 A majority of Country Assistance Strategies included process and actionable indicators for accountability institutions, although fewer did so for the demand side. Also, data on accountability and the demand side were less frequently collected. As described below, the enhanced focus on accountability at the country level needs to be matched at the project level.

### ***Bank Lending***

6.7 This desk review has revealed the following main changes in the Bank's approach to domestic accountability since 2007.

6.8 First, there has been a much greater focus after 2007 on public finance management, including Supreme Audit Institutions, which have become the main focus of support by the Bank. This has led to stronger results on public financial management in general, and anti-corruption and external audit in particular, even though resources for Supreme Audit institutions are still limited. Development policy lending seems to have played a more important role than direct support for oversight or anti-corruption institutions.

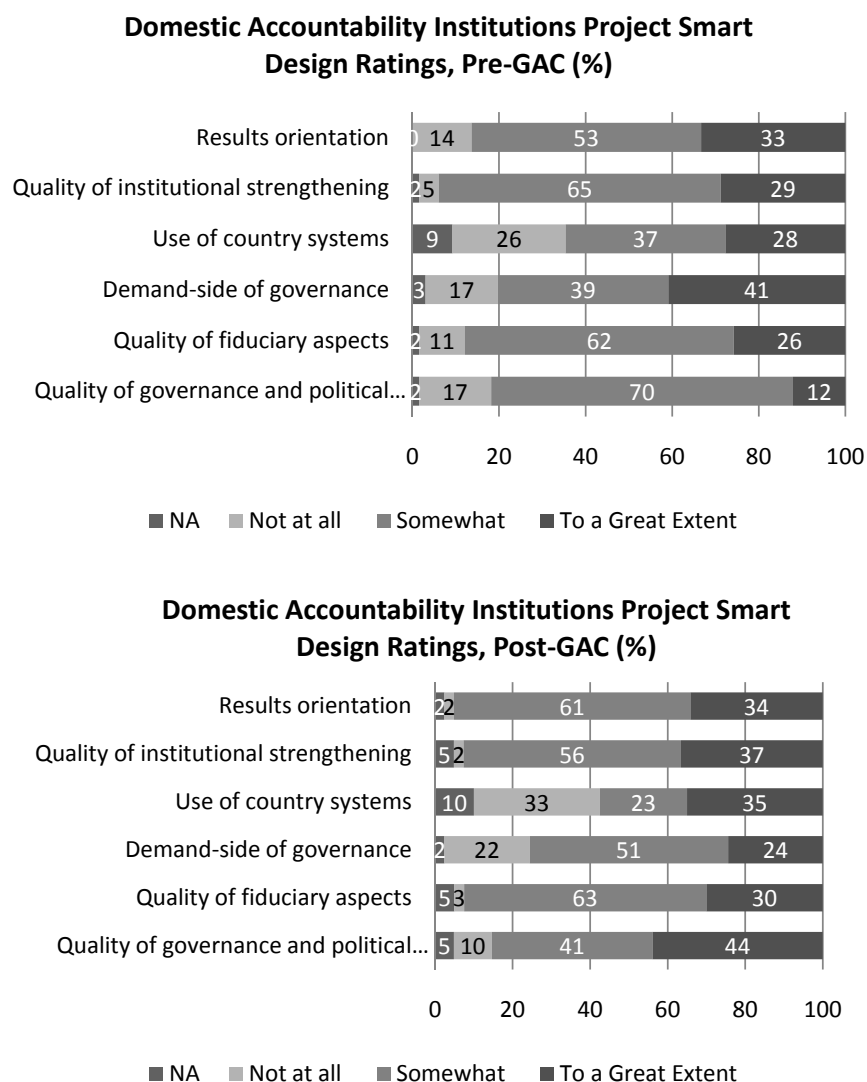
6.9 Second, there has been a marked reduction in support for the demand side of governance, both in terms of the number of operations and the amounts involved. This reduction has also been reflected in the modalities of support, with a decline in the use of sub-projects, and of funds for strengthening civil society organizations, although results in this field remain significant.

6.10 Third, there has been a marked improvement in the governance and political economy analysis in projects that support domestic accountability interventions after the introduction of the GAC.

6.11 As shown in Figure 6.1, the analysis reveals a similar pattern to the one followed for country strategies. There is a strong improvement in the quality of institutional strengthening and of the underlying governance and political economy analysis in projects. Yet, this is paralleled by a marked deterioration in the quality of the design of demand side interventions, which seems to yield opposite results compared to the doubling of efforts on the demand side of governance mentioned in the GAC strategies. As discussed later, the focus seems to have been instead on strengthening the public sector and on anti-corruption efforts, an area where the Bank has a longer tradition and, possibly, a stronger comparative advantage compared with other donors and multilateral organizations.

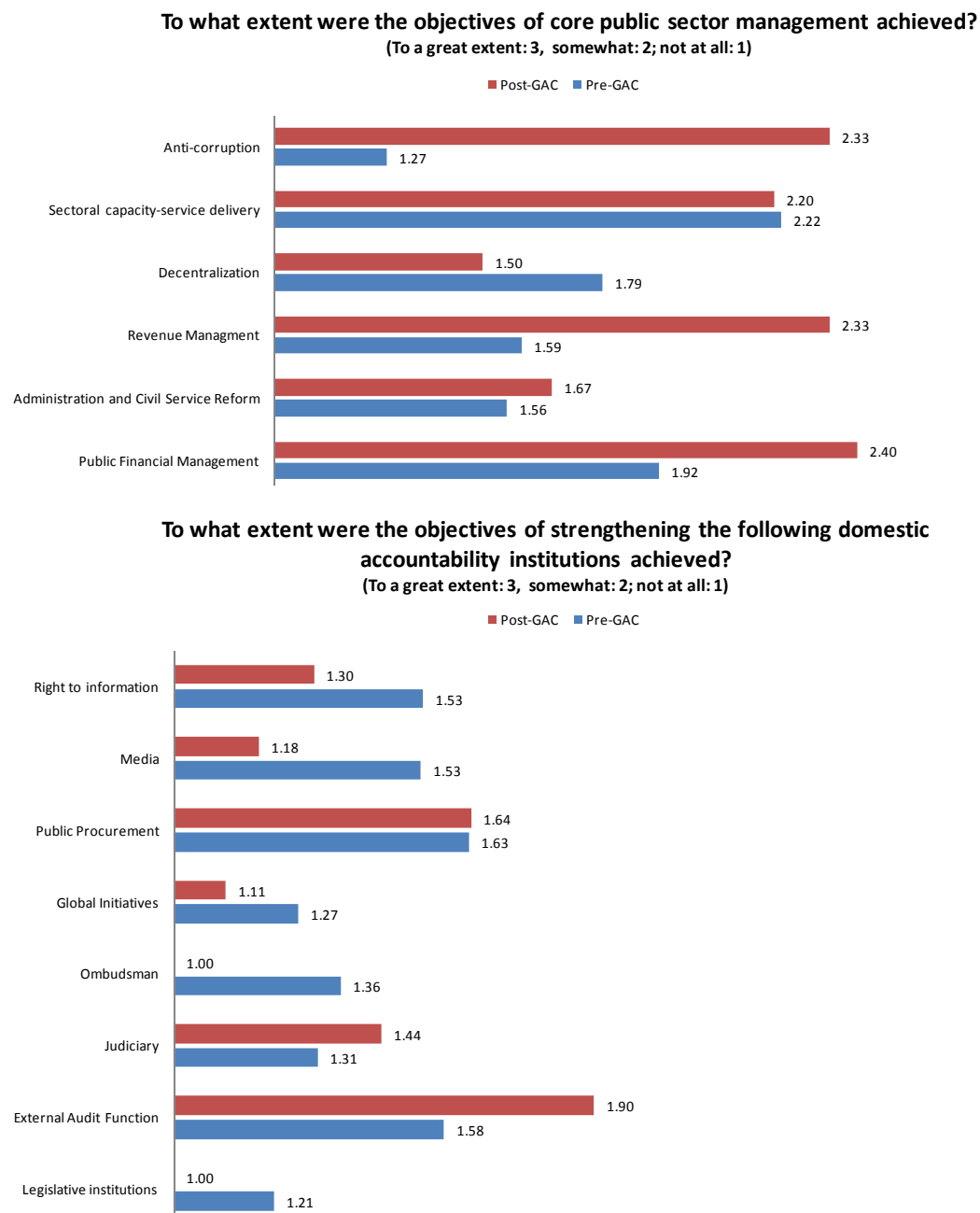


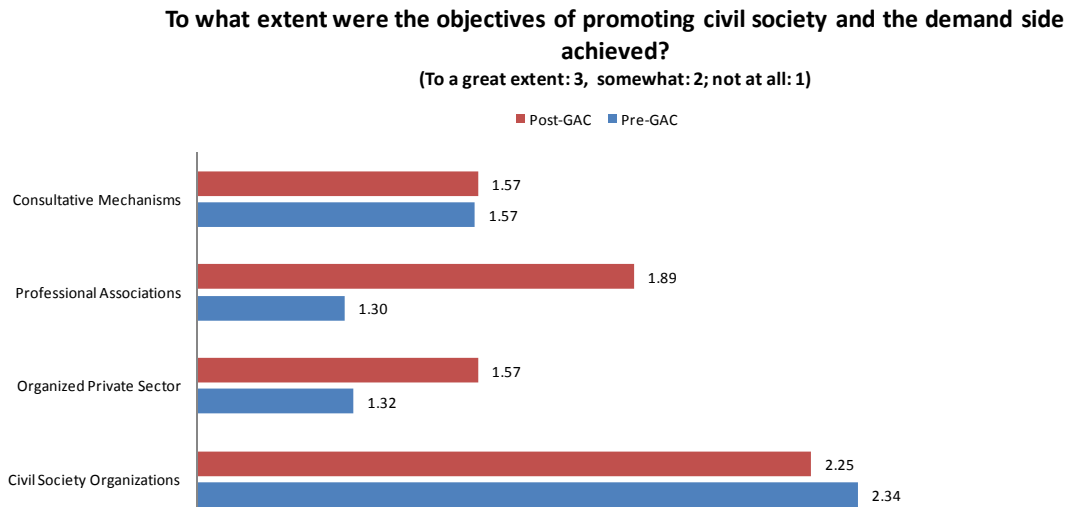
**Figure 6.1. Domestic Accountability Institutions - Projects**



N = 108 Projects (67 Pre-GAC and 41 Post-GAC)

**Figure 6.2. Achievement of Objectives of Bank Interventions**





*Sources for Figures:* Authors Stefano Migliorisi and Clay Wescott.

6.12 Given the reduction of support to civil society, the design of domestic accountability projects after GAC has seen a steep increase in the use of budget support (rising from 28.8 percent to 41.5 percent of projects), and a drastic reduction in the use of sub-projects (typical of many CDD programs, they declined from 47.8 percent to 17.1 percent in the post-GAC period). The support for strengthening community organizations similarly declined from 44.8 percent to 17.1 percent. The promotion of civil society and the demand-side was not mentioned in 63.4 percent of cases in the post-GAC period, compared with 40.3 percent in the pre-GAC period. These results are confirmed by the Staff Survey, as only 8 percent of staff think that the focus on domestic accountability had strengthened greatly since 2007, and about 20 percent believe that supporting the demand side of governance in projects and programs has improved after GAC.

6.13 Finally, post-GAC projects supported strengthening of rules-based decision making and accountability more frequently than pre-GAC ones. Statistically significant improvements over the post-GAC period were observed in countries with higher Country Policy and Institutional Assessment scores, as well as significant regional variation (for instance, 56 percent in East Asia and the Pacific compared to 27 percent in the Middle East and North Africa). Here too, regression analysis indicated that operations using subprojects and those supporting accountability objectives were 25 percent and 16 percent more likely to support the strengthening of rules-based decision making. About half of both pre- and post-GAC projects proposed process and actionable indicators for non-executive accountability and civil society institutions. Relevant data were collected in more than 75 percent of projects with domestic accountability and civil society objectives.

## OUTPUTS AND OUTCOMES

6.14 Figure 6.2 above shows the changes in the achievement of accountability objectives in the pre- and post-GAC periods, as assessed by the evaluation team. Although there is not necessarily a causal effect between the GAC strategy and these outcomes, it is clear that the decline in support for the demand for good governance has been mirrored by a slight decline in the impact of Bank projects on civil society

organizations. The increase in support for Supreme Audit institutions has been translated into an improved achievement of objectives relating to the external audit function, although starting from a low base. The strongest results seem to have been achieved in the area of core public management with a very significant improvement in anti-corruption issues. However, projects addressing demand side entry points remained more successful than those supporting domestic accountability, with 41 percent of the former achieving their objectives, compared to 30 percent of the latter.

6.15 Although we do not attempt to address the issue of attribution, we have examined the trends in the effectiveness of accountability institutions with related projects in the 37 countries included in the sample.

**Table 6.2. Indicators on the Effectiveness of Domestic Accountability Institutions**

<i>Indicator</i>	<i>Period</i>	<i>Improved</i>	<i>Deteriorated</i>	<i>Same</i>	<i>Only one year</i>	<i>Total</i>
CPIA16	2005-2009	5	5	21		31
Effectiveness of PAC	2007-2009	5	5		13	23
Effectiveness of Ombudsman	2007-2009	6	4		11	21
Effectiveness of SAI	2007-2009	4	6		14	24
Effectiveness of CSOs	2007-2009	2	8		14	24

*Source:* World Bank Development Indicators

*Note:* CPIA= Country Policy and Institutional Assessment; CSO= civil service organization; SAI= Supreme Audit Institutions.

6.16 As shown in Table 6.2, apart from the case of Ombudsmen, there have been more cases of deteriorating or stable effectiveness of domestic accountability institutions than improvements. Countries with World Bank projects for non-executive accountability institutions had an equal number of positive and negative changes.

6.17 In sum, the analysis of country strategies and projects at the output level shows limited achievements. It seems logical to assume that, if accountability institutions are not strengthened, progress in accountability systems is unlikely to take place.



## 7. Conclusions

7.1 Holding government to account is a process that emerges slowly and unevenly. The World Bank and the donor community need a long-term, strategic view of state building through civic engagement.

7.2 Non-executive accountability institutions (the supply side of accountability) are almost consistently underfunded and under-studied. Donor support has been limited, ad hoc and poorly coordinated, with insufficient investment in monitoring, evaluation and learning. It has also frequently focused on building the capacity of particular institutions such as parliaments or CSOs rather than on their inter-relationships and systems of accountability.

7.3 There is a need for an integrated approach that combines funding, coordination, monitoring, evaluation and learning to support domestic accountability systems that are different across countries. The World Bank has a clear role to play in this respect because of its global knowledge, convening power, experience with public financial management and civil sector reform, and human and financial resources. Its long experience in supporting Supreme Audit Institutions, for example, should be leveraged to ensure that they work in tandem with parliaments and civil society, so that their findings can be acted upon.

7.4 Important opportunities in managing risks and developing innovative operational solutions have yet to be seized. There is still room for country programs and projects to improve measurement of governance results, and to expand overall use of measures to foster the demand for good governance within effective accountability systems.

7.5 Bank teams continue to face operational challenges in helping countries address a number of GAC-related issues. What constitutes better practice approaches to promoting the demand for good governance (particularly in polarized settings) or to support non executive support institutions?

7.6 Finally, there is an important trade-off to be addressed between helping governments respond to demand-side pressures and directly engaging non-state actors in order to motivate demand side pressures. If this trade-off is real, a focus on the enabling environment for strong accountability systems may be preferable to direct support to the demand side through innovations in financial instruments.

## Appendix A- Examples of Bank Projects in Relation to Accountability

### PARLIAMENT

PROJECT NAME	PRODUCT LINE	REGION	COUNTRY	Borrower	Status	FY	Amount
Good Financial Governance in Southern Africa - The Role of Parliament and Audit Institutions	Institutional Development Fund	AFRICA	Africa	SADCOPAC	Pipeline	tbd	0.50
Institutional Strengthening to Promote Equitable Access of Society to the Legal System	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Uruguay	Uruguayan Parliament	Pipeline	tbd	0.39
Ghana Public Accounts Committee Capacity Building Project	Institutional Development Fund	AFRICA	Ghana	Public Accounts Committee Of Parliament	Pipeline	tbd	0.50
W2-Capacity Building for the Parliament and Parliamentary Budget Office	Governance Partnership Facility	EUROPE AND CENTRAL ASIA	Turkey		Open	2009	0.58
Nepal: Public Accounts Committee Strengthening	Institutional Development Fund	SOUTH ASIA	Nepal	Government of Nepal	Open	2008	0.00
Sri Lanka: Strengthening Parliamentary Oversight Committees	Institutional Development Fund	SOUTH ASIA	Sri Lanka	Government of Sri Lanka	Open	2008	0.48
Strengthening of the Bolivian Representatives Chamber of Congress	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Bolivia	Government of Bolivia	Closed	2005	0.21
Modernization of Paraguay's Congress	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Paraguay	Ministry of Finance	Closed	2005	0.40
Improving performance accountability in the Dominican Republic by strengthening Congressional oversight	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Dominican Republic	National Congress	Open	2009	0.45
Paraguay Strengthening Congressional Legislative Process and Budget Oversight Capacity	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Paraguay	Paraguay's Congress	Open	2009	0.45
Strengthening Congressional Budget Oversight Capacity	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Peru	Congress of Peru	Open	2008	0.50
Institutional Strengthening of Congress	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Mexico	Mexican Federal Congress	Open	2007	0.85

PROJECT NAME	PRODUCT LINE	REGION	COUNTRY	Borrower	Status	FY	Amount
Institutional Development for Congress	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	El Salvador	Government of El Salvador	Closed	2001	0.24
Institutional Strengthening of Congress	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Guatemala	Government of Guatemala	Closed	1998	0.24
Public Financial Management and Accountability (component on improving budget oversight)	IDA Credit	EAST ASIA AND PACIFIC	Cambodia	Government of Cambodia	Open	2006	0.20
Parliamentary Budget Office Thailand	Institutional Development Fund	EAST ASIA AND PACIFIC	Thailand	Thailand National Assembly	Open	2007	0.49
Parliamentary Economic Capacity Building	Institutional Development Fund	AFRICA	Chad	Republic of Chad	Closed	2000	0.32
Support to Federal Public Accounts Committee and Secretariat	Institutional Development Fund	SOUTH ASIA	Pakistan	Government of Pakistan	Closed	2004	0.34
Association of Public Accounts Committees	Institutional Development Fund	AFRICA	South Africa	Republic of South Africa	Closed	2003	0.23

Source: World Bank Project Database

Note: FY= fiscal year; IDA= International Development Association; tbd= to be determined.

## SUPREME AUDIT INSTITUTIONS

PROJECT NAME	PRODUCT LINE	REGION	COUNTRY	Borrower	Status	FY	Amount
Capacity building of the Mozambique Supreme Audit Institution	Institutional Development Fund	AFRICA	Mozambique	TRIBUNAL ADMINISTRATIVO OF MOZAMBIQUE	Pipeline	tbd	0.20
Audit Skills Upgrade and Development Program Project	Institutional Development Fund	SOUTH ASIA	India	CONTROLLER AND AUDITOR GENERAL OF INDIA	Closed	1996	-
Auditor General's Office	Institutional Development Fund	SOUTH ASIA	Nepal		Pipeline	tbd	-
Auditor General's Office	Institutional Development Fund	SOUTH ASIA	Nepal		Pipeline	tbd	-
Strengthening Performance Auditing Capability of the Office of the Auditor General Project	Institutional Development Fund	SOUTH ASIA	Nepal	HMG/NEPAL	Closed	1998	-



PROJECT NAME	PRODUCT LINE	REGION	COUNTRY	Borrower	Status	FY	Amount
IDF Grant- Modernization and Capacity Building of Indian Comptroller and Auditor General Office	Institutional Development Fund	SOUTH ASIA	India	INDIA: MINISTRY OF FINANCE	Closed	2002	0.20
Public Audit Reform and Capacity Building of Office of Auditor General	Institutional Development Fund	SOUTH ASIA	Nepal	HIS MAJESTY'S GOVERNMENT OF NEPAL	Closed	2003	0.48
Bangladesh - Strengthening Government's financial management capacity and building institutional capacity of the office of the controller and Auditor General	Institutional Development Fund	SOUTH ASIA	Bangladesh	BANGLADESH: MINISTRY OF FINANCE AND Capacity building of Office of the Auditor General	Closed	2003	0.45
IDF Grant for Institutional Capacity Building –Auditor General's office	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Argentina	ARGENTINE REPUBLIC	Closed	2003	0.50
Assoc. of Public Accounts Committees - South Africa	Institutional Development Fund	AFRICA	South Africa	REPUBLIC OF SOUTH AFRICA	Closed	2003	0.23
TH IDF Strengthening of OAG	Institutional Development Fund	EAST ASIA AND PACIFIC	Thailand	THE GOVERNMENT OF THAILAND	Closed	2004	0.28
Institutional Development and Capacity Building of the Office of Auditor General of Republic of Maldives	Institutional Development Fund	SOUTH ASIA	Maldives	REPUBLIC OF MALDIVES	Closed	2005	0.38
Strengthening Office of Auditor General Institution and Performance in Public Audits	Institutional Development Fund	EAST ASIA AND PACIFIC	Thailand	THAILAND	Open	2008	0.34
Building Institutional Capacity of Auditor General and Improving Quality of Public Procurement	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Belize	BELIZE GOVERNMENT	Open	2009	0.35

Source: World Bank Project Database

## OMBUDSMAN

PROJECT NAME	PRODUCT LINE	REGION	COUNTRY	Borrower	Status	FY	Amount
Strengthening the Ombudsman Office for Indigenous Women within the Guatemala Government	Institutional Development Fund	LATIN AMERICA AND CARIBBEAN	Guatemala	DEFENSORIA DE LA MUJER INDIGENA (DEMI)	Closed	2004	0.10
Strengthening Institutions Towards the Implementation of Effective Anti-Corruption Programs	Institutional Development Fund	EAST ASIA AND PACIFIC	Philippines	PRESIDENTIAL ANTI-GRAFT COMMISSION AND OFFICE OF THE OMBUDSMAN	Open	2009	0.25
Strengthening the Institution of the Office of the Ombudsman for Good Governance	Recipient Executed Activities	EAST ASIA AND PACIFIC	Philippines	GOVT. OF PHILIPPINES	Closed	2005	0.52

Source: World Bank Project Database



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