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# DISSERTATION

Titel der Dissertation

**How Public Accountability Is Institutionalized**

The Case of External Public Auditing in Global Perspective  
Applying a Mixed Methods Approach

Verfasserin

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*As is a tale, so is life:  
not how long it is, but how good it is, is what matters.<sup>1</sup>*

I dedicate this thesis to my beloved sons Lionel, Marwin and Dorian;  
and to all leaders of Supreme Audit Institutions who initiate challenging reforms  
for the benefit of citizens.

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<sup>1</sup> Roman philosopher Lucius A. Seneca quoted by Joanne K. Rowling. 2008. *The Fringe Benefits of Failure and the Importance of Imagination. Commencement Address at the Annual Meeting of the Harvard Alumni Association*, Cambridge, MA.  
<http://news.harvard.edu/gazette/story/2008/06/text-of-j-k-rowling-speech/>;  
<http://www.youtube.com/watch?v=nkREt4ZB-ck> (Last Accessed September 21, 2012)

I herewith declare, that I wrote this dissertation independently without the assistance of third persons and without using other sources than those cited. All parts which are based exactly or literally on those sources are marked as such.

This work has not been published in this form to-date. Some parts of this dissertation however have been published during the writing of this thesis as oral presentations or written essays (see Noussi, 2009, 2010a, 2010b, 2010c, 2010d, 2012a, 2012b). This in parts goes as far that individual paragraphs of this dissertation are identical to own publications, and thus one can speak of self-plagiarism.

This dissertation has not been submitted to any examination panel before.

I am fully aware that a wrong declaration will have judicial consequences.

## Preface and Acknowledgements

*“During the second half of the 20<sup>th</sup> century, much progress has been made in promoting the idea of human rights, in developing a universal normative framework with legally binding rights of human beings and corresponding obligations of states, and in creating effective monitoring bodies and procedures able to assess the actual state of human rights implementation in all countries of our globe. It is exactly our improved monitoring capacity ... which enables us to realize how large is the gap between legal commitments and the factual situation on the ground.”<sup>2</sup>*

Mary Robinson, former President of the Republic of Ireland (1990-1997) and former *United Nations High Commissioner for Human Rights* (1997-2002) in her speech at the Austrian Parliament during the *Academic Council on the United Nations System’s* (ACUNS) 23<sup>rd</sup> Annual Meeting, June 4, 2010 read out the above quote. The intention of her speech was, as she said, to highlight this big implementation gap.

*“The big challenge of the 21<sup>st</sup> century is to close or at least significantly narrow this implementation gap which clearly undermines the validity and legitimacy of the legally binding universal human rights framework.”<sup>3</sup>*

And she urged the international community to move from standard setting to standards implementation with a focus on institution building and establishment of the rule of law.<sup>4</sup> Her speech reflects the starting point of my own motivation to write this thesis. During my employment as advocacy officer with LIGHT FOR THE WORLD, a Consortium of European Development Organizations dedicated to ensuring the rights of persons with disabilities in developing countries, I was inter alia responsible for a large pilot advocacy project in Tanzania (2005-2011). The project applied the human rights based approach to development cooperation. Persons with disabilities and their interest organizations advocated for an implementation of the right to inclusive education and equal political participation by persons with disabilities. Soon the project steering committee came to realize that in order to implement human rights, it is not only necessary to have them enshrined in the national legal framework, but there also needs to be effective implementation of the law in the form of judicial prosecution of human rights viola-

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<sup>2</sup> Panel on Human Dignity, 2011: 32

<sup>3</sup> Robinson, 2010: minutes 3:48-5:22; Panel on Human Dignity, 2011:32

<sup>4</sup> Robinson, 2010: minutes 3:48-5:22; Panel on Human Dignity, 2011:32

tions, and in the form of according policies and budget provisions. Finally, the assigned budget also needed to arrive in the local schools. This is when we started to engage in budget work at the local and national levels. This was very exciting work and we attained some remarkable results, particularly in the rural district of Mwanja in the Kilimanjaro region (see also chapter 2.2.).

Back then I would not have thought that today I am writing about Supreme Audit Institutions. But I believe civil society budget groups and Supreme Audit Institutions (SAIs) have a lot in common. Both aim to be an independent watchdog of public administration. Terence Nombembe, current Chair of *the International Organization of Supreme Audit Institutions* (INTOSAI) and Auditor General of South Africa wrote in an editorial note to the 2012 January issue of the *INTOSAI Journal on Government Auditing* that the main purpose of SAIs is to be “*an independent voice of reason for the benefit of citizens*”. And indeed the last few years have shown remarkable developments which all reflect an increased self-confidence by SAIs. They have started to empower themselves and have initiated national reforms to fortify their independence. They have also succeeded in strengthening their profile as an international community of like minded institutions. Well, reforms strengthening Supreme Audit Institutions have been more successful in some countries than in others. This dissertation investigates the factors which support or constrain such reforms.

I owe gratitude to many people who helped me throughout my doctoral studies. First and foremost, I would like to thank my supervisor, Otmar Höll, director of the *Austrian Institute for International Affairs* (oiip) and University Professor at the Department of Political Science, University of Vienna, for his constant support on this research project. I was very fortunate to have a supervisor who gave me the freedom to explore my own ideas, while at the same time being available for guidance when I needed it. Most importantly, he provided me with crucial moral support and encouragement as he always believed in me. Thank you!

Furthermore I am deeply grateful to Alejandro Cuñat, University Professor at the Department of Economics and the Department of Development Studies, University of Vienna for his interest in my work and the many hours he spent on my research. I am very grateful that he agreed to act as a second supervisor for this thesis and particularly thank him for the valuable advice he provided to me concerning the statistical part of this thesis. Furthermore I appreciate the help of Marcelo Jenny, Bernhard Kittel and Martin Eijnar Hansen to get along with the econometrics during earlier stages of the project.

Special thanks go to all my interview partners who shared their valuable time and immense knowledge with me. I particularly would like to thank Joachim Wehner from the London School of Economics and Political Science as he pointed out the research gap on Supreme Audit Institutions to me. And very importantly, I especially thank the lead-

ers of Supreme Audit Institutions who first of all accepted to talk to me but more importantly spoke very frankly about the challenges they are facing and how they or their colleagues are overcoming certain constraints. I also thank Sophia Gollwitzer, Jack Mills, Paolo de Renzio; and particularly Einar Gorrissen, Yngvild Herje Arnesen and Trygve Christiansen from the INTOSAI Development Initiative for the provision of statistical data.

I further owe a deep debt of gratitude to the University of Vienna for granting me a number of scholarships: the *University of Vienna Research Grant* (2009), the *Stanford University Graduate Student Exchange Grant* (2009), a travel grant for short term study visits abroad to conduct preliminary research in England (2009) and two dissemination grants to present my research at the 3<sup>rd</sup> *European Consortium for Political Research* (ECPR) Graduate Conference (2010) and at the 26<sup>th</sup> Annual International Conference of the *International Consortium on Governmental Financial Management* (2012). I also thank the *Austrian Political Science Association* (ÖGPW) for the travel grant. Furthermore, I am thankful to the ECPR for the scholarship to participate in the 5<sup>th</sup> *ECPR Summer School of Methods and Techniques*, University of Ljubljana, Slovenia. I am deeply thankful to LIGHT FOR THE WORLD for accepting my educational leave, which financed my studies during 2010.

Last but not least, none of this would have been possible without the assistance of my family and close friends. I particularly owe greatest gratitude to my mother in law, Marie-Claire Maptué who stayed with us during the first three years of my doctoral studies (which by the way in total took me six years to finish). Without her love and support in taking care of the children and the household I could never even have started this project! Merci! I deeply thank my parents, Veronika and Johann Scheba, for their multifaceted support, particularly with the children and the house. I also thank my sister and her husband, Michaela and Gernot Neuhauser, as well as my brother and his wife, Andreas and Suraya Scheba, for their invaluable support. They demonstrated interest in my topic, encouraged me and also helped me to find time for writing as they too participated in taking care of our children and spoiled them with presents. I also particularly thank Elisabeth Campestrini and Simone Gaßler for their highly appreciated friendship and help. Most importantly I thank my husband Serge Noussi for his unwavering love, continuous encouragement and full support! Finally, I thank our children Lionel, Marwin and Dorian for their strength, patience, understanding and overwhelming love! You are my three angels, I love you so much!

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## List of Abbreviations

AAA	Acceptance, Authority and accountability, Ability Model
ACUNS	Academic Council of the United Nations System
AFROSAI	African Organization of Supreme Audit Institutions
AFROSAI-E	African Organization of Supreme Audit Institutions – English Speaking Countries only
ANOVA	Analysis of Variance
ARABOSAI	Arab Organization of Supreme Audit Institutions
ASOSAI	Asian Organization of Supreme Audit Institutions
AU	African Union
BLUE	Best Linear Unbiased Estimators
CABRI	Collaborative Africa Budget Reform Initiative
CAC	(United Nations) Convention Against Corruption
CAROSAI	Caribbean Organization of Supreme Audit Institutions
CBC	Capacity Building Database
CEPA	(UN) Committee of Experts on Public Administration
CEDAW	(UN) Convention on the Elimination of all forms of Discrimination Against Women
CPIA	Country Profile and Institutional Analysis
CREFIAF	Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques d'Afrique (Organization of Francophone African Supreme Audit Institutions)
DC	Doorstep Condition
DFID	(UK) Department for International Development
ECOSOC	(UN) Economic and Social Council
EUROSAI	European Organization of Supreme Audit Institutions
GAO	(US) Government Audit Office
GBS	General Budget Support
GDPpc	Gross Domestic Product per capita
GRECO	Group of States Against Corruption
HI	High Income Countries
HRBA	Human Rights Based Approach
IBP	International Budget Partnership
ICGFM	Internat. Consortium on Governmental Financial Management
ICT	Information and Communication Technology
IDA	(WB) International Development Association
IDI	INTOSAI Development Initiative
IMF	International Monetary Fund
INCOSAI	International Congress of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions

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INTOSAI GOVs	INTOSAI Guidance for Good Governance
IRAI	Resource Allocation Index
ISSAIs	International Standards of Supreme Audit Institutions
IT	Information Technology
LGA	Local Government Authorities
LI	Low Income Countries
LMI	Low Middle Income Countries
LNA	Large Numbers Analysis
MMR	Mixed Methods Research
NAO	National Audit Office
NGO	Non-Governmental Organization
NPM	New Public Management
OBS	Open Budget Survey
OECD	Organization for Economic Cooperation and Development
OHCHR	Office of the High Commissioner for Human Rights
OLACEFS	Organization of Latin American and Caribbean SAIs
OLS	Ordinary Least Squares
OSCE	Organization of Security and Cooperation in Europe
PAC	Parliamentary Accounts Committee
PASAI	Pacific Association of Supreme Audit Institutions
PEFA	Public Expenditure and Financial Accountability
PEM	Public Expenditure Management
PER	Public Expenditure Review
PFM	Public Financial Management
PRSP	Poverty Reduction Strategy Paper
PSC	INTOSAI Professional Standards Committee
QUAL	Qualitative Research
QUAN	Quantitative Research
ROSC	Reports on the Observance of Standards and Codes
SAIs	Supreme Audit Institutions
SIGMA	Support for Improvement in Governance and Management
SNA	Small Number Analysis
UMI	Upper Middle Income Countries
UN	United Nations
UNDP	United Nations Development Programme
UNGA	United Nations General Assembly
US	United States (of America)
WB	The World Bank

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# 1. Introduction and Research Design

## 1.1. Problem Statement

## 1.2. Aim and Scope

## 1.3. Research Design

## 1.4. Thesis Overview

*“Public accountability is the hallmark of modern democratic governance. Democracy remains a paper procedure if those in power cannot be held accountable in public for their acts and omissions, for their decisions, their policies, and their expenditures.”<sup>5</sup>*

## 1.1. Problem Statement

Public accountability is a topical issue. The Arab Spring has finally proven that the belief in democracy, human rights and public accountability is not related to culture but of universal value. At the same time, patterns of public accountability are also hotly debated in the industrialized and democratic OECD countries, where financial, economic and public debt crises have sparked a new public interest in the politics of the Budget.<sup>6</sup> So, how is it possible that some governments accumulate unbearable amounts of debt? And how is it possible that certain governments serve themselves and their cronies from public funds for decades without being held to account? As much as these debates share an interest in public finance management, the reasons that spark these discourses, the nature of the problems discussed and particularly the strategies available to citizens differ fundamentally between OECD and non-OECD countries. This dissertation is primarily interested in the processes in place in developing countries and emerging economies and will not analyze the policy processes and politics of OECD member countries in depth.

While in 1974 nearly three-quarters of all countries were dictatorships; today, more than half are democracies and it has become very difficult for political leaders to claim that authoritarianism is intrinsically the best regime. Democracy has become the norm. (Diamond, 2009:7,13,54) Yet, according to Freedom House, in 2011 globally the political

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<sup>5</sup> Bovens, 2007: 182

<sup>6</sup> The thinking that the Budget is a political process in the sense that “budgeting is governing” has been strongly influenced by American political science since the early 1980s and its realization that the budget has become the major issue of American politics (see particularly Wildavsky, 1964, and Wildavsky and Caiden, 2004). The famous citation was recorded for the first time by Stein, Herbert. 1989. “Budgeting is governing, for US.” *Wall Street Journal*, January 11, 1989 qtd. in Toinet, 1989. Similar famous sayings with unknown authors: “The budget by definition is policy. If there is no budget there is no policy.” “The budget is like the blood in the veins in the body circulating, making you live.”

rights and civil liberties declined overall for the sixth consecutive year. This is the longest continuous period of decline for global freedom since the forty years of existence of this survey. (Freedom House, 2011) Equally, the Open Budget Index 2010, a survey by the *International Budget Project* (IBP, 2010) of 94 countries concludes that 80% of governments do not account for their spending.

So, what we have today are democracies which do not provide a wide range of rights and public accountability. The appearance of democracy is often deceiving or misleading. Institutions that should provide for horizontal and vertical accountability instead fail to take action to investigate abuses of power in the public or private bodies over which they exercise jurisdiction, for reasons of both capture and bias. So how can these so called “empty shell” institutions come to life and stand up against powerful groups which would rather like to keep the status quo? How can state institutions gain independence from the executive branch and even more importantly, how can the huge gap between formal provisions and informal practices be closed?

## 1.2. Aim and Scope

The aim of this dissertation is to investigate how public accountability in developing countries and emerging economies can be institutionalized, *de jure* as well as *de facto*. How do institutions providing for public accountability develop, consolidate and endure? This question is of interest from three main research perspectives.

First, from a development aid perspective, there is the need to find out how rule of law and good governance develop. After having cut down the state during the 1990s, today the aid community stresses the need for building state institutions. Thus, the first scope of this thesis is to contribute to the literature on donor strategies for institution building. This literature has grown immensely in the last few years, particularly among US-based scholars due to the challenges involved in re-building Iraq and Afghanistan. The practice of institution building and the challenges associated with it exceed conflict ridden countries. Aid effectiveness and good governance as a prerequisite for development is consensus among OECD aid agencies and thus concerns all aid recipient countries. However, this dissertation goes beyond practical concerns for donor and advocacy strategies.

The question of how effective institutions for public accountability develop is also closely linked to the question how effective democracies develop. I therefore not only address the question how development aid can be effective in building state institutions, but more broadly, this research project contributes to the literature on democracy, authoritarianism and transitology. Particularly, this dissertation aims to test the rational

choice institutionalism theory, such as North, Wallis, and Weingast (2009a; 2009b) and Haber (2006).

The third scope of this dissertation is to contribute to the literature on public expenditure management and oversight. While the legislative role in budget oversight is relatively well researched, the role of Supreme Audit Institutions is a much neglected issue, in academic research as well as reform praxis.<sup>7</sup> Consequently, this dissertation investigates the question how effective institutions for public accountability develop through a case study of Supreme Audit Institutions taking a cross-national, comparative perspective. Specific research questions are: Why do reforms to strengthen Supreme Audit Institutions thrive in some countries and fail in others? What are the reasons that explain the variation in the power of Supreme Audit Institutions across countries? Which strategies can be built upon these insights in order to strengthen weak Supreme Audit Institutions?

This dissertation focuses on exploring the stated topic, developing an argument and conducting some first rather broad tests of it. The next step would be to conduct in-depth case studies and more elaborate econometric analyses proofing the argument right or falsifying it. This goes however beyond the scope of this dissertation and will be left for post-doctoral research. This dissertation investigates these questions through a mixed methods approach, integrating quantitative and qualitative research. The next chapter discusses the methodology and the methods that have been applied.

### 1.3. Research Design

#### *Pragmatism as worldview:*

This study is inevitably based on my personal experiences, which have influenced my worldview<sup>8</sup> and thus how I designed and conducted the dissertation. I define *worldviews* or *paradigms* as ways to “view the world and thus, go about conducting research. They contain a basic set of beliefs or assumptions that guide our inquiries.” (Guba & Lincoln, 2005, qtd. in Creswell & Plano Clark, 2007:21). I am convinced that it is important to be aware of and to make explicit one’s worldview. I started off with an advocacy perspective or worldview; developing strategies for the realization of human rights

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<sup>7</sup> At this point I want to again express my sincere gratitude to Joachim Wehner from the London School of Economics and Political Science for pointing out this research gap to me and raising my interest in Supreme Audit Institutions.

<sup>8</sup> The four main types of worldviews and their different stances on the nature of reality (ontology), on how we gain knowledge of what we know (epistemology), on the role values play in research (axiology), on the process of research (methodology), and on the language of research (rhetoric) are presented in Appendix A.1.

based budgeting were my main research interest. This approach stemmed from my then professional work as advocacy officer. However, after a first round of research, I adopted pragmatism as the main worldview which should guide this dissertation project. Pragmatism as a worldview is typically associated with mixed methods research.

*“The focus is on the consequences of research, on the primary importance of the question asked rather than the methods, and multiple method of data collection inform the problems under study. Thus it is pluralistic and oriented toward “what works” and practice.”* (Creswell and Plano Clark, 2007:22)

Pragmatism as a worldview like any paradigm has its implications for research practice associated with it. I have chosen a pragmatic view of looking at my main question because I believe that there are singular and multiple realities worth to explore and that combining methods results in more than just the sum of the methods. I am also convinced that the research question should determine the choice of method used and not the other way around. Although this was challenging, as I had to learn new methods, which would allow me to better investigate particular aspects of my research question, I am convinced that this is the epistemology which is best apt to approach a research problem.

To conclude, mixed methods research allows me to take multiple stances; I can include both biased and unbiased perspectives in my research. Finally, my research also includes other worldviews depending on the sub-questions. Thus, while the overall research paradigm of this dissertation is pragmatism, it inevitably incorporates other paradigms such as advocacy, postpositivism and constructivism as these influenced the way I conducted and reported particular parts of this mixed methods study.

### *Praxeological knowledge as research strategy*

Harrits (2011) compares two major mixed-methods research (MMR) strategies and shows how they reflect different worldviews. “*Nested analysis*” (Lieberman, 2005) as an MMR strategy is based on a postpositivist ontology while “*praxeological knowledge*” (Bourdieu, 1973; Fries, 2009; Harrits, 2011:151) addresses the problem of “double hermeneutics”, which I would say is comparable to the pragmatic ontology (see Appendix A.1).<sup>9</sup> The term praxeological knowledge was suggested by French sociologist Pierre Bourdieu in a discussion of science and knowledge in 1973.

According to Bourdieu (1973; Bourdieu, Chamboredon, and Passeron, 1991 qtd. in Harrits, 2011:156) the strategy of praxeological knowledge implies a specific ordering

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<sup>9</sup> Accepting the scope of this dissertation, I will not go into depth of the ongoing debates on the nature of MMR paradigms, but instead present the MMR strategy of praxeological knowledge as it builds the framework for my own overall research design. Nested analysis as a MMR will be discussed in some detail in chapter 6.5., where it will also be applied in practice.

of the research process into four phases (see Appendix A.2). The first step implies to break with common sense. In Bourdieu's perspective, one of the greatest obstacles for social scientists in the initial parts of the research process is their inherent familiarity with their object. "Consequently, the first challenge of a research project is to find a research question that is *not* posed by the research object (or subject) itself." (Bourdieu, Chamboredon, and Passeron, 1991 qtd. in Harrits, 2011:157, Italics in original) Bourdieu and his colleagues claimed that "the *ars inveniendi* of research should be underpinned by different methods for formulating research questions and hypotheses". (Harrits, 2011:157, Italics in original)

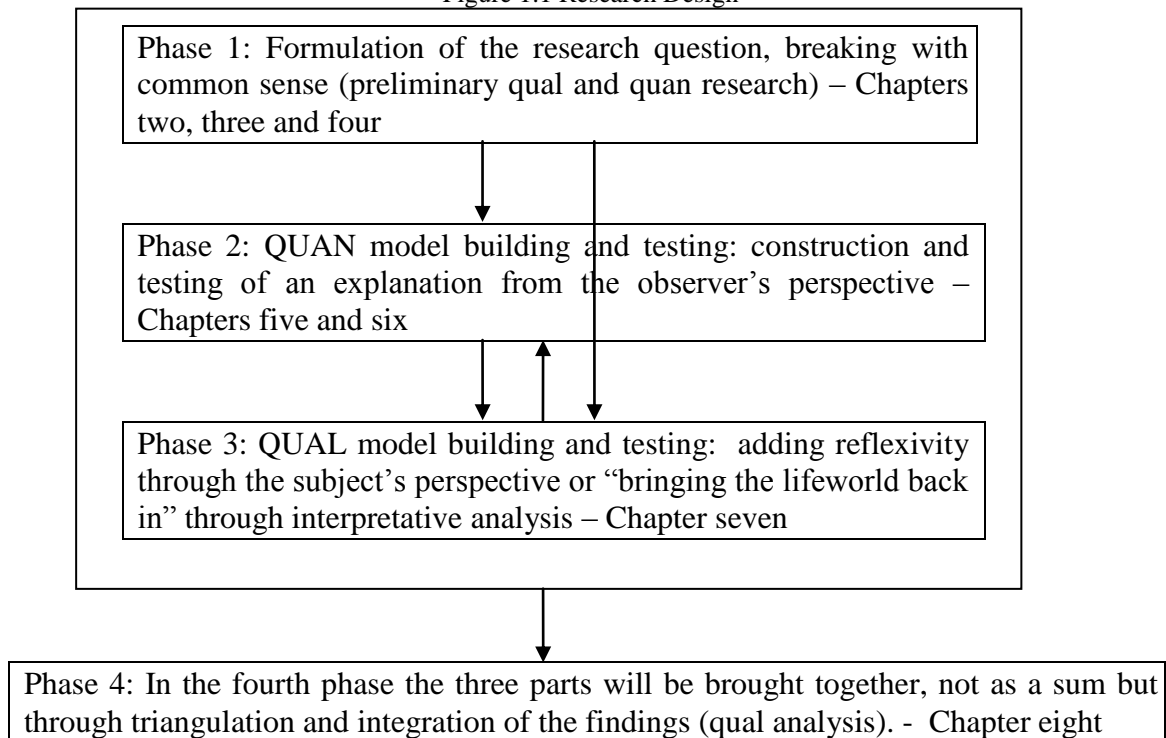
The second phase of the praxeological research strategy consists of "*the objective construction of the object, that is, the construction and testing of an explanation from an observer's perspective*" by the approach of structuralism or by the use of statistical techniques and access to systematically collected data. (Harrits, 2011: 157) This outside perspective presents a view of the research object (or subject) not accessible to itself and thus it can be seen as an epistemological advancement within the social sciences compared to purely phenomenological knowledge, which only describes or reconstructs meanings and experiences. (Harrits, 2011: 156) However, Bourdieu argues, although it is an important part of the research process, "*objective knowledge risks hypostatizing itself as reality*". (Bourdieu, 2000, Bourdieu, 2004 qtd. in Harrits, 2011:156). Scholars tend to produce "*scholastic fallacies*", forgetting that people do not act with the knowledge available to researchers (ibid.).

To produce praxeological knowledge, the research process now requires a second break and needs to include reflexivity. This implies that researchers need to move from the *opus operatum*, that is, from analyzing structures and regularities, to the *modus operandi*, that is, to analyzing principles of production of these regularities inherent in practice. (Bourdieu 1984, 2000 qtd. in Harrits, 2011:156) This third step of the analysis combines "explaining" and "understanding" or what is also called "*bringing the lifeworld back in*". This is the crucial element of praxeological knowledge because it tests whether the regularities that we can observe in quantitative analyses can be found in the practices. As Bourdieu (1984:173 qtd. in Harrits, 2011:157) put it, "*Systematicity is found in the opus operatum because it is in the modus operandi*". Thus praxeological knowledge requires the mixing of quantitative and qualitative methods to incorporate reflexivity into objective knowledge.

Figure 1.1 summarizes my research process, whereas capital letters stand for the dominant approach (QUAN and QUAL) and lowercase letters (quan and qual) for sub-parts of the study. The overall structure of this dissertation is organized as proposed by Bourdieu's praxeological strategy and thus consists of four distinct phases. Phase one is concerned with the development of the research question and identification of the specific research problem. In phase two, I develop the argument and test it through quantitative

analysis. In phase three, I explore the problem through interpretative, qualitative analysis. There is a backwards and forwards relationship between the phases two and three. Phase three also influences phase two, which is refined after the conclusion of phase three. As one of the outcomes of the qualitative research, new variables are proposed, which are then incorporated in phase two. Finally, in phase four, I mix the findings of the previous phases, discuss them and draw my overall conclusions. Each subsequent chapter will engage in a deeper discussion of the respective research methodology and research methods used.

Figure 1.1 Research Design



#### 1.4. Thesis Overview

This doctoral thesis starts in chapter two with the development of the overall research question. It addresses the basic question what this dissertation is about. It justifies the overall research question. Why is a study asking how public accountability is effectively institutionalized important? Chapter two thus provides the overall background to this dissertation. The main research methods that I use in this chapter are literature reviews and preliminary expert interviews. By the end of chapter two I will have defined the research gap and outlined how I chose the overall research puzzle that I wanted to solve. This chapter will also explain why I decided to conduct a case study of Supreme Audit Institutions (SAIs) in order to investigate my overall research question.

Chapter three then takes a closer look at the choice of the case study. Are Supreme Audit Institutions (SAIs) a valuable case study for the investigation of how public accountability is institutionalized in the developing world? This chapter provides an overview of the role and function of SAIs and a discussion of the concept of public accountability. Besides literature reviews, this chapter also conducts a content analysis of the *International Standards of Supreme Audit Institutions* (ISSAIs) to analyze how SAIs define themselves. Do they see themselves as accountability arrangements and what accountability purpose do they pursue? It concludes that SAIs can indeed be defined as accountability arrangements and therefore as an adequate case study.

Chapter four then takes stock of the situation of SAIs worldwide. What is their accountability practice? While chapter three concluded that SAIs have committed themselves in the ISSAIs to serving public accountability, to what extent have they implemented their standards? In this chapter I conduct a cross-national assessment of the power of SAIs based on data from four surveys. I show that there is a strong variation in SAI power across countries and within regions. Based on this insight, I formulate the specific research question of this dissertation: *Why does independent, citizen-focused external public auditing thrive in some countries and fail in others?*

Now the dissertation proceeds to its second phase in chapter five. Chapter five develops the argument. It discusses potential explanations for the variation in SAI power based on seven strands of literature: institutional design, source of national income, institutional diffusion, modernization, institutional capacity, rational choice institutionalism and organizational theories of leadership-led change. My hypotheses thus include both structural and agency based accounts of institutional change.

Chapter six now tests my argument from an objective point of view. It explores relationships between variables through econometric analyses. Due to the lack of comparable studies available, this undertaking has been extremely difficult and time-consuming. I test a huge number of variables on several SAI rankings, as specified in chapter four. Finally, I also test the results of the statistical analyses through mini-case analyses. As a reduced form of the nested analysis method (Lieberman, 2005), the mini-case analyses contribute to confirming my econometric results.

The third part of the dissertation is chapter seven. Here I study the practice of reform through inductive qualitative research. I conducted 17 semi-structured expert interviews with leaders of Supreme Audit Institutions from six INTOSAI regions. This section of the dissertation depicts what the *practice of reform* looks like for heads of SAIs, which *stories* they have to tell and how they *feel* about reforms which aim at increasing the political leverage and the *de facto* independence of SAIs.

Now the dissertation proceeds to its fourth phase in chapter eight. Here I triangulate the various research findings into a common discussion and draw my final inferences. I conclude that public accountability arrangements cannot be autonomous from the elite structure in the country. They need to be embedded in the elite's interests; otherwise they risk becoming so called "empty-shell" institutions. An increase in inter-elite competition, pressure from above and below, exit strategies in the form of rewards or incentives and above all plural, functional and problem-oriented leadership strategically advocating for reform can put powerful groups into a position where they believe that the benefits of accepting democratic reforms outweigh potential costs. Finally, I discuss my contributions to current scientific debates and the rich potentials for future research. I close by suggesting five practical strategies for strengthening powerful accountability arrangements that endure.



## 2. Background – Why Study the Institutionalization of Public Accountability

- 2.1. How to Develop an Innovative Research Question
- 2.2. The Starting Point – How Can Citizens Participate in Budget Processes?
- 2.3. Outcome of Preliminary Research
- 2.4. Summary and Conclusions

*“The research questions drive everything.”<sup>10</sup>*

### 2.1. How to Develop an Innovative Research Question

The starting point of this dissertation is the normative idea of development as the realization of all human rights for all and the subsequent problem, how human rights can be implemented for all, in form of laws on the one hand, but also in form of policies and according budget provisions on the other hand. How can human rights get institutionalized in various country contexts and how can governments as the main duty bearers be held accountable by rights-holders to implement their international commitments locally? When starting this dissertation I asked this normative question. I asked questions of what should be and how new developments could be realized. Based on radical democratic ideas of inclusion and deeper democracy, positive experiences with civil society budget oversight in Tanzania and an advocacy worldview on research, I started off asking the following specific research question:

*How can persons with disabilities and other discriminated groups effectively participate in budget oversight in developing countries in order to translate their rights into budget allocations, realize pro-poor development and ‘deepen’ democracy?*

I then engaged in an in-depth evaluation and refinement of this research question. It is only much later that I realized what I was practicing was actually the first phase within the research strategy of *praxeological knowledge* (Bourdieu et al. 1991; Fries, 2009; Harrits, 2011).

Bourdieu pointed out that one of the greatest obstacles for social scientists in the initial parts of the research process is their inherent familiarity with their object, which creates a tendency to produce what he called “*spontaneous sociology*” (Bourdieu et al., 1991 qtd. in Harrits, 2011). Consequently, he urged social scientists to be aware of this falla-

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<sup>10</sup> Teddlie and Tashakkori, 2009:14

cy and take the first stage, which is defining the right question, very seriously. The researcher should find a question, which is not posed by the research object (or subject) itself. Bourdieu strongly believed that the art of finding new insights through research necessarily needs to be underpinned by different methods for formulating research questions and hypotheses. In sum, the first phase within the research strategy of *praxeological knowledge* consists of “*an initial break with common sense*” in order to develop new research questions and build innovative models. (Bourdieu et al. 1991, qtd. in Harrits, 2011:157)

The objective of chapter two is to report on this process of identifying the overall problem, the research gap and the research question. The research methods used during this process consisted of an extensive literature research and two study visits (England, June 2009 and Stanford University/USA, November 2009) with the objective to discuss the research problem, potential research gaps and appropriate research designs with experts in the field of inquiry. The main results of the two research visits, next to literature research and participation in lectures, seminars and public events, was that I conducted 8 expert interviews in England<sup>11</sup> and 11 expert interviews at Stanford University<sup>12</sup>. The outcome of this preliminary research phase was that I changed my initial research question and research design. The remaining chapter will now summarize the outcome of my preliminary research as the thematic background to this dissertation. By the end of this chapter, I will have clarified how my initial research question changed during this first research phase and why.

## 2.2. The Starting Point – How Can Citizens Participate in Budget Oversight?

The starting point of this dissertation is based on my personal experiences during my role as coordinator of the pilot advocacy project “*Inclusive Tanzania- inclusive education and equal political participation of persons with disabilities through empowerment and capacity building*”. This joint project by LIGHT FOR THE WORLD<sup>13</sup> and the *In-*

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<sup>11</sup> Andrea Cornwall, University of Sussex; Andres Mejia Acosta, University of Sussex; Mick Moore, University of Sussex; Nilima Gulrajani, London School of Economics and Political Science; Joachim Wehner, London School of Economics and Political Science; Heidi Tavakoli, Overseas Development Institute; Leni Wild, Overseas Development Institute; Mark Robinson, UK Department for International Development.

<sup>12</sup> Miriam Abu Sharkh; Joshua Cohen; James S. Fishkin; Nick Hope; Erik Jensen; Saumitra Jha; Stephen Krasner; Jonas Linde; Helen Stacy; Barry R. Weingast; Sean Yom.

<sup>13</sup> LIGHT FOR THE WORLD is a European confederation of development organizations specialized in promoting the inclusion of persons with disabilities in development cooperation. Its programmatic work focuses on advocating for the rights of persons with disabilities, empowerment and capacity building of disabled people’s organizations, community based rehabilitation and prevention of blindness. <http://www.light-for-the-world.org>

*formation Center on Disability*<sup>14</sup> started in November 2005 and was officially closed in April 2011. The overall objective of this project was to realize an inclusive society in Tanzania by persons with disabilities advocating for their rights and to develop lessons learned on the application of a human rights based approach to development (HRBA).<sup>15</sup>

During the course of the project, the project steering committee realized that in order to claim their rights, they also needed to analyze and track the government budget. The budget institutions in Tanzania include a participatory process, the public expenditure review (PER). This process started in 1998/1999 and involves national as well as regional and communal government representatives, international financial institutions, research institutes, development partners and civil society organizations. The objective of the PER is to improve public expenditure management and to facilitate a detailed discussion among national stakeholders and development partners.<sup>16</sup> The PER structure consists of a steering committee under the leadership of the finance ministry, a macro-economics group and three thematic clusters containing a number of workgroups. Once a year, the finance ministry organizes a large PER Consultative meeting with all PER groups, which as a result produces a public expenditure and financial accountability (PEFA) review and serves as a basis for the development of the next budget.<sup>17</sup>

Civil society organizations can initiate thematic groups with their responsible ministry. The ministry then decides on a representative who will head this group and finances group activities, particularly budget analyses. For example, there is a PER group on children and a PER group on women, which conduct budget analyses on the impact of the national budget on the respective groups.

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<sup>14</sup> The Information Center on Disability (ICD) is a Tanzanian NGO based in Dar es Salaam.

<sup>15</sup> Today nearly all bi- and multilateral development agencies have based their policies or parts of it on a human rights approach to development (HRBA). With the ending of the political dichotomy around 1990, all human rights and fundamental freedoms were recognized to be universal, indivisible, interdependent and interrelated. They have become an important aspect of development cooperation and politics. The Vienna World Conference on Human Rights 1993, the UN Millennium Summit 2000 and the UN World Summit 2005 all recognize the mutually reinforcing and interdependence of development and human rights. The HRBA to development works towards strengthening the capacities of rights-holders, particularly discriminated groups, to make their claims and of duty-bearers, particularly state authorities, to meet their obligations. From an HRBA, the attainment of development goals and the fulfilment of human rights are two sides of the same process. Development in this sense means access to social, economic, political, civic and cultural rights. The HRBA and the Good Governance approach are both based on the same principles of participation, inclusion, accountability, transparency and state responsibility. The difference is that Good Governance works either on the supply (f.ex. reforming state institutions to make them more effective) or on the demand side (f.ex. civil society advocacy campaigns that promote responsive governance). A HRBA helps to link this artificial distinction by linking the supply and demand side through the conceptual lens of rights-holders, duty-bearers and citizenship. (OHCHR, 2006; OECD, 2006:17) Today, social movements also increasingly refer to human rights law to make their socio-economic claims (Tomasevski, 2005).

<sup>16</sup> DPG, 2006:24

<sup>17</sup> [http://www.mof.go.tz/index.php?option=com\\_content&task=view&id=32&Itemid=47](http://www.mof.go.tz/index.php?option=com_content&task=view&id=32&Itemid=47) (Last Accessed October 26, 2012)

At the same time, transparency of the budget process also gained in importance at the regional and local levels. Tanzania is committed to implementing its decentralization strategy. The tendency is clear, the central government budget is decreasing while the budget for the regions and local government authorities (LGAs) are increasing. LGAs therefore are increasingly challenged to improve their financial management and assure that the resources really reach the population.<sup>18</sup> This development gave the impetus for civil society organizations to engage in budget tracking activities at the local level (Public Expenditure Tracking Systems).<sup>19</sup> While the NGOs see this activity as a cooperative and not confrontative process, they still often encounter resistance. In one recorded instance, the government criticized an NGO that it no longer considered it as an independent organization but instead as an emerging opposition party.<sup>20</sup> Despite these problems, the government overall is committed to involving civil society organizations in the budget process. These organizations are in close contact to various social groups and so can point out important information and demands, which otherwise would not get attention in the budget formulation process.

The objective of a participatory budget process is to realize a balance between representative democracy and participatory democracy. One of its main purposes is to create a feeling for citizen responsibilities in the population, to encourage citizens to engage in political processes and make their claims towards political decision makers. A participatory process aims to open up a political space for marginalized groups and to encourage and empower these to play a bigger role in the budget process. (UN DESA, 2009; Fung and Wright, 2003) These objectives are clearly in accord with the human rights based approach to development (HRBA). From a human rights based approach to development public finance matters a lot. First of all, from a rights-based approach citizens and taxpayers are entitled to full disclosure with regard to the management of public money (Fölscher 2009:19; Elson, 2006). Second, all rights can have budgetary implications. To this extent, taxes and budgets have a significant and direct bearing on which human rights are realized and for whom. A human rights based approach to the budget demands that budgetary decisions are made on the basis of transparency, accountability, equality, non-discrimination, participation and progressive realization of human rights. These principles should be applied at all levels of the budgetary process, from the drafting stage, through approval by parliament, implementation and monitoring. (Elson,

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<sup>18</sup> Policy Forum, 2007:1

<sup>19</sup> The project „Fuatilia Pesa – Follow the money“ is led by three national NGOs. Starting in 2006, it conducted Public Expenditure Tracking Initiatives in more than 40 districts. (Kallonga, 2007 and Hakikazi Catalyst, 2007)

<sup>20</sup> Discussion with Rutachwamagyo Kaganzi/ICD, August 21, 2007 and again October 03, 2007

2006) Most progress has been achieved in the area of Gender Responsive Budgeting<sup>21</sup> under the leadership of UN WOMEN<sup>22,23</sup>.

The Inclusive Tanzania project initiated a PER group on vulnerability (including persons with disabilities, orphans, persons living with HIV/Aids, elderly etc.). The objective of this PER was to engage in budget analysis, to hold the government to account on past promises and to demand the realization of their entitlements. During the kick-off workshop of this PER group one disability activist justified the participatory budget process as follows:

*“In the absence of the shoe wearers, who addresses vulnerability issues to be considered in priority settings and resource allocation to achieve different vulnerability goals and targets in the MKUKUTA decision making structures?”<sup>24</sup>*

Her statement reflects a self understanding as civil society stakeholders with a responsibility to engage in political decision making processes in order to claim the realization of the human rights of persons with disabilities. While the initiation of this PER group was a big success, the implementation of PER group activities was difficult as it depended on the political will to fund the activities.

Second, the Inclusive Tanzania project also engaged in budget oversight at district level to track public funds for inclusive education. While the participation of the Consortium in budget oversight was difficult in Dar es Salaam, it achieved remarkable results in the rural Mwanza district (Kilimanjaro region). Here the work group not only was allowed to track the money flow but a participatory budget process was established whereby civil society organizations were invited to jointly discuss the budget distribution for inclusive education with district officials. The district representatives had realized that the school headmasters, the parents of children with disabilities and their representative organizations knew best where children with disabilities live, which schools needed additional teachers (for children with learning disabilities etc.), supportive materials (like books in Braille) and which schools most urgently needed adaptations to guarantee accessibility for children with motoric disabilities (ramps for wheelchairs, accessible

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<sup>21</sup> „Gender-responsive budgeting (GRB) is government planning, programming and budgeting that contributes to the advancement of gender equality and the fulfillment of women's rights. It entails identifying and reflecting needed interventions to address gender gaps in sector and local government policies, plans and budgets. GRB also aims to analyze the gender-differentiated impact of revenue-raising policies and the allocation of domestic resources and Official Development Assistance.“ <http://www.gender-budgets.org/> (Last Accessed on October 31, 2012)

For literature and guidelines on human rights based budgeting see also <http://www.crin.org/hrbap/index.asp?action=theme.subtheme&subtheme=5> (Last Accessed on October 23, 2012)

<sup>22</sup> United Nations Entity for Gender Equality and the Empowerment of Women (UN WOMEN) <http://www.unwomen.org/> (Last Accessed on October 31, 2012)

<sup>23</sup> See also Steger (2012) on the pioneering role of Austria in Gender Responsive Budgeting.

<sup>24</sup> Inclusive Tanzania Consortium (2007) PER Kick-off Workshop Report, September 25, 2007. MKUKUTA is the acronym for the second Poverty Reduction Strategy Program (PRSP) for Tanzania Mainland, covering the years 2005-2010.

toilets etc.). This part of the project was so successful that not only the district representatives committed themselves to participatory budgeting but also the parents started to contribute with manpower and resources to the construction of ramps for the schools.<sup>25</sup>

The development literature in the late 1990s and early 2000s recognized the need for social and political inclusion and highly appreciated participatory models claiming that it would increase the legitimacy of development policies as well as their effectiveness. The World Bank, a major driver of this debate, had introduced the Poverty Reduction Strategy Papers (PRSPs) in 1999. While the idea that governments were expected not just to make a plan but to discuss it with civil-society stakeholders was a real innovation, it failed in the implementation. (Booth, 2012) With time, it was realized that the participation processes lacked in quality and that despite wide deliberation processes the outcome did not reflect the aspirations of the poor.<sup>26</sup>

Critics say the main reason of failing was the difficulty of transforming technocratic ‘ownership’ of the process into true political ‘ownership’ at the highest level. (Booth, 2012) Others accused the donors for having based the idea on the liberal concept of civil society (in the tradition of Alexis de Tocqueville, 1835; Putnam, 1993). From the liberal point of view, civil society shall provide important functions for the operationalization of state services. Such types of participation are realized in form of expert consultations with already well recognized civil society institutions. The neo-Gramscian approach, which has recently gained in influence in political economy, is criticizing this understanding of civil society as service deliverers. Civil society is instead defined as a realm of independent political activities, as a space of rebellion against the construction of cultural and ideological hegemony. The emphasis is on negotiations within power struggles and it is this type of political transformation which is required in developing countries. (Lister, 2006:13)

*“So ultimately participation is about power, the way the kind of donor discourse has incorporated participation has been to take out the power element and to say consultations are enough for civil society engagement so that is the problem*

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<sup>25</sup> Own experience by the author as project coordinator.

<sup>26</sup> As Knoke (2003:84) argues, every empowerment of marginalized groups in a system of mutual power claims, necessarily also means that the current elites must cede some of their power. According to Morrison and Singer (2007:723) the principal conclusion is that participation is only likely to be successful if the government is fully committed to civil society inclusion. Golooba-Mutebi (2005) shows that popular participation is not a viable solution to quality problems in primary health care in Uganda, given the depth of the prevailing inequalities of status and power. Lister (2006), Aldaheff (2002), Masschelein (2006) and Siebold (2005) all agree that there is an urgent need for learning by all sides and clarification of concepts; See Siebold (on the PRS process), Bossuyt (writing on the European Commission’s CSP process in Lister, 2006), Morrison and Singer, 2007:723.

*with participation and yet this is the way it is currently practiced. This paper<sup>27</sup> might suggest that participation that we see needs to be much more substantial and ultimately to think about development about politics and about power. So it is not engagement for the sake of engagement but it is actually engagement for truly altering the power structure.” (Interview with Nilima Gulrajani, June 29, 2009, London School of Economics and Political Science)*

Next to the good governance and accountability agenda of the new aid paradigm, two other phenomena helped opening up budget processes in the 1990s. On the one hand, there was the influential Brazilian experiment of participatory budgeting with its origins in Porto Alegre in the mid 1980s.<sup>28</sup> On the other hand, a large number of independent budget groups had emerged to expose among others gender biases in government budgets.<sup>29</sup> At the same time, several studies started to question civil society participatory models, including participatory budgeting.<sup>30</sup>

To sum up, despite the acknowledged limitations in the implementation of participatory models, donors had come to change their understanding of the nature of the policy and budget process. These were no longer considered as the exclusive preserve of the government and treated as a purely technical matter, but as a rather dynamic, open and highly political process, which involves multiple stakeholders, including civil society organizations. Thus, in a number of countries, participation in public expenditure management by civil society organizations had emerged as a major new arena for political activity at all levels of government.

*“Because these state-based accountability methods have met limited success, attention has shifted towards strengthening the ‘voice’, or capacity, of ordinary citizens (especially poor citizens) to directly participate in policy-making processes. ...Citizen-driven accountability instruments, such as participatory budgeting, public expenditure tracking, social audits, community scorecards and budget watchdogs, are being implemented to complement conventional mecha-*

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<sup>27</sup> Gulrajani, Nilima (2009) *The Future of Development Management: Examining Possibilities and Potential*. London, UK: DESTIN, London School of Economics and Political Science. Working Paper Series, No. 09-99.

<sup>28</sup> There is no single definition of Participatory Budgeting as it differs greatly from one place to the next. Nevertheless, according to UN-HABITAT (2004:22) in general terms, a Participatory Budget is *"a mechanism (or process) through which the population decides on, or contributes to decisions made on, the destination of all or part of the available public resources."* On participatory budgeting see also Robinon, 2008.

<sup>29</sup> See Goetz and Jenkins, 2005; Waglé and Shah, 2001; Norton and Elson, 2002; Songco, 2001; Healy and Tordoff, 1995

<sup>30</sup> Bräutigam (2004) challenges the usual presentation of participatory budgeting as an example of successful civil-society pressure on government. She shows that citizen participation in budget processes has not always had pro-poor results. And the experiences which did lead to pro-poor shifts in spending were associated with the accession to power of left of- centre political parties, not with citizen participation on its own.

*nisms of accountability such as political checks and balances, accounting and auditing systems, administrative rules and legal procedures.*"<sup>31</sup>

Robinson (2006:9) summarized the body of knowledge concerning citizen participation in budget processes as follows:

*"However, while there is acknowledgement that independent analysis, advocacy and capacity-building efforts have the potential to influence government budget priorities and improve the transparency of the budget process, there is limited evidence on the efficacy and impact of this body of work. ... Hence, there is a compelling case for a deeper investigation of the significance of this type of non-governmental public action through comparative research on what works where, how and why."*

Based on my personal experiences and this body of literature, I had formulated my original question in 2009 as follows:

*How can persons with disabilities and other discriminated groups effectively participate in budget processes in developing countries in order to translate their rights into budget allocations, realize pro-poor development and 'deepen' democracy?*

### 2.3. Outcome of Preliminary Research

The main outcome of the preliminary expert interviews in 2009 can be summarized as follows:

1. Pro-poor development is a misleading concept.
2. It is difficult to reconcile fiscal sustainability with democratic inclusion in times of crisis.
3. Public expenditure management (PEM) reforms emphasize the need for financial accountability.
4. Donors realize the difficulties in building institutions.
5. Normative ideas confront realist views.
6. Supreme Audit Institutions are a research gap.

I will now discuss each of these points in turn:

#### *1. Pro-poor development is a misleading concept*

The first insight from the expert interviews in England concerned the concept of pro-poor development. It is a very misleading concept and nobody was happy with it, although for different reasons. This concept was criticized mainly from two perspectives, a macroeconomic and a radical democratic one. Joachim Wehner (Interview on June 29,

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<sup>31</sup> <http://www.gsdrc.org/go/topic-guides/voice-and-accountability/overview> (Last Accessed on November 05, 2012)



2009, Department of Government, London School of Economics and Political Science) explained that from a macroeconomic standpoint the term pro-poor is often used to mean increases in social spending, neglecting that conservative fiscal politics can also be pro-poor by not increasing the national debt, but inviting investment and growth.

On the other hand radical democrats like Andrea Cornwall (Interview on June 25, 2009, Institute of Development Studies, University of Sussex) criticized the concept because it only talks about the poor, while development also needs to talk about the rich. Pro-poor puts development in the corner as an add-on to growth, treating poverty like an illness that we can treat other than saying that poverty is a structural condition. It should be inclusive or equitable development, which addresses structural inequalities, redistribution, equality and the attainment of human rights.

This first insight very well reflects a more general debate among development theorists and policy makers on the question which socio-economic policies are best suited to reduce poverty and social exclusion – be it through macro-economic policies that will allow for „growth trickling down to the poor” combined with targeted poverty alleviation programs (Washington Consensus) or be it through universal access and comprehensive social protection measures (e.g. AU Livingston Call for Action, 2004). This debate dominated the development discourse during the mid 2000s but has lost momentum since the global financial crisis of 2007/2008. The consequent economic and public debt crisis put fiscal austerity programs on the top of the agenda.

2. *It is difficult to reconcile fiscal sustainability with democratic inclusion in context of crisis.*

Why should it not be possible to address social exclusion and to acknowledge the need for fiscal sustainability? I discussed this question with Mark Robinson (Interview on June 30, 2009, UK Department for International Development DFID) who agreed with me that both objectives are important but also pointed out that it is not easy to reconcile fiscal sustainability and democratic inclusion in the context of low or declining growth:

*“I think that to achieve both objectives in Africa in the contemporary context of crisis is almost impossible. ...that’s what I said about realism and boundaries. That in a sense it is incremental that we need to make small gains on both fronts. You need to have a medium to long term vision about the fiscal sustainability objective, you need to think about revenue raise, you need to think about building governmental capacities for rational budget making and at the same time create opportunities for more legislative scrutiny and oversight and civil society engagement, but we are talking of decades rather than years.”*

This statement by Mark Robinson very well summarizes the main objectives of Public Expenditure Management (PEM) reforms in poor countries today. Reflecting on my

discussion with him and other interviewees, I realized that I had started off this dissertation with the same mistake that many donor agencies had made when reforming national PEM systems in the 1980s and 1990s. I had the idea that developing countries could leapfrog all the way to the final ideal of institutional and democratic development, forgetting about the realities on the ground.

3. *Public Expenditure Management (PEM) Reforms emphasize the need for accountability.*

In industrialized countries, PEM reforms are concerned with reforms that should overcome limitations of budgetary institutions and prevent political opportunism and fiscal mismanagement. Van Hagen (2007:29) distinguishes between three types of budgeting institutions<sup>32</sup> and shows how the institutional design of budgeting institutions can strengthen or weaken the accountability of political agents and the competitiveness of the political system and thus contribute to controlling the principal-agent problem<sup>33</sup> and the common pool problem<sup>34</sup> of public finances. Current PEM reforms in industrialized countries aim to assure the development of

*“a comprehensive budget that includes all government operations, a results-based chain demonstrating their performance, transparency of the budget process, and use of the budget as an instrument for strategic management and citizen empowerment”.* (Shah, 2007:1)

On the other hand, in many developing countries, budgetary institutions are still mainly used as tools for legalistic controls and micromanagement. The awareness that developing countries need to strengthen their PEM<sup>35</sup> systems is fairly new. It was only at the end of the 1980s, when it was recognized that effective budget support requires an agreement on the government expenditure program as well as management systems

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<sup>32</sup> Three types of budgeting institutions according to van Hagen (2007:29ff): 1. Institutions shaping the environment of the budgeting process (e.g. comprehensiveness, transparency, budget as a tool for strategic management and ex-post accountability); 2. Output-oriented rules (e.g. balanced-budget constraints); 3. Procedural rules of the budget process (e.g. rules that focus on decision-makers and rules that focus on content); see also van Hagen (2006:465)

<sup>33</sup> The principal-agent problem in the conduct of fiscal policy concerns the relationship between the voters (the principals) and the politicians (the agents) in democracies. Voters delegate the power over public spending and taxes to elected politicians, who can extract rents from being in office and spend public moneys on projects other than those that the voters desire. (Persson, Roland and Tabellini 1997; Seabright 1996)

<sup>34</sup> The excessive levels of public spending and deficits caused by social benefit programs targeted at individual groups in society, and whereby the net benefits for the targeted groups typically exceed the net benefits for society as a whole. (van Hagen and Harden, 1995)

<sup>35</sup> While Public Expenditure Management (PEM) is concerned with budgeting and budgetary institutions, Public Finance Management (PFM) also looks at the revenue side of the public finance. While both, the collecting and the spending of public money are important aspects of reforms, they differ in their history, content and rate of success. For the purpose of this study, only PEM reforms are examined.

adequate for its implementation.<sup>36</sup> At about the same time as PEM reforms began to be included into adjustment assistance in aid recipient countries, important changes in macroeconomic and fiscal management were being introduced in industrialized countries – particularly Australia, Iceland, New Zealand, and Sweden. These reforms were soon summarized under the label “new public management” (NPM) and were believed to be the new “best practice”. The World Bank and other organizations believed that these reforms could also be exported to developing countries.<sup>37</sup> However, the reforms aimed to strengthen the public expenditure management systems did not take root in the entirely different institutional and administrative climate.<sup>38</sup> The donor institutions painfully had to realize that it was not possible to jump all the way to the end point of institutional change and that it required hard work to tailor innovations to reality on the ground.<sup>39</sup> (Schiavo-Campo, 2007:387-388)

*“I think ... Public Financial Management reforms often have been too technically based and did not take into account politics. ... And I see in the ministry of education [of Namibia], you have these positive objectives making sure that you have an x national enrolment ratio by a certain year but nobody actually has worked out how this will be achieved in terms of how you will actually calculate the costs and allocate budgets. So often you have incremental budgeting, which is basically, what was budgeted last year plus a couple of percent. And everyone argues it is a useless way in ensuring that certain policy objectives are implemented because you are just maintaining a system producing certain outputs. ... I guess that you could argue ... at the macro level they are kind of good and fairly aligned but then it actually fell apart at the lower level. ... You find that lots of developing countries if they have a certain level of development they will all have these fantastic plans and policies but it is actually implementing the plans*

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<sup>36</sup> The World Bank’s (1989) public expenditure review for Madagascar was the first to include a major institutional component. (Schiavo-Campo, 2007: 430)

<sup>37</sup> Schiavo-Campo (2007:388) suggests that the reasons behind this fallacy were many: World Bank technocrats were encouraged by the partial success of the new NPM reforms in some industrialized countries, they were in love with the semantics of NPM, they were blind to the known problems of transplanting institutional models and they were pushed by the international consulting industry.

<sup>38</sup> Allen (2009:10) points out that contrary to the experience of the reforms concerning the expenditure side of budgets, reform of tax policy and tax collection has generally proved easier in developing countries. For example, several low-income countries have made progress in recent years in introducing VAT systems, unified tax and customs authorities, and large taxpayer offices. The plausible explanation for this is that tax reforms may increase the opportunities for rent-seeking behavior by creating new sources of revenue, and new and more efficient methods of collection. On the other hand, reforms of the expenditure side of the budget generally do the reverse. As we have discussed above, its objective is to close loopholes, introducing new controls, enhancing transparency and eliminating rent-seeking opportunities.

<sup>39</sup> Allen (2009) makes a claim against complex PEM reforms which have not shown the intended results. He therefore concludes that “getting the basics right”, an approach by Schick (1998) is more adequate for the poorest countries. Authors such as Allen, 2008, 2009; Santiso, 2006, 2009; Pretorius & Pretorius, 2008; Shah, 2007; Stapenhurst et al, 2008; Gupta et al, 2007; Kohnert, 2008 and Schiavo-Campo, 2009 all criticise the technical approach taken in reforming budget institutions in poor countries which did not take the local political economy and social environment into account.

*which is the problem.*” (Interview with Heidi Tavakoli, Overseas Development Institute, July 01, 2009)

Today, there is consensus that PEM reforms need to focus on the basics first. At the same time these basic reforms must be complemented by a road map of subsequent improvements and a reasonably clear view of the medium- and long-term goals of advanced systems and practices. (Schiavo-Campo, 2007: 388) If the government budget is to become an instrument to realize policy choices, the first priority is to protect the resources from corruption and mismanagement. However, this priority was not acknowledged by Washington’s technocrats at first. In the first stage of fiscal reforms in the 1990s, Washington consensus policy prescriptions centered on strengthening the executive functions of government in the management of public finances because “*most scholars warned against the dysfunctional fiscal effects of unrestrained legislative budgetary powers*”.(Santiso, 2006:70) The concentration of budgetary powers within the executive is said to aid the enforcement of fiscal restraint, in order to avoid large and persistent deficits and implement fiscal adjustments more promptly. At the heart of first generation reforms was therefore greater centralization of budgetary systems within the executive branch, particularly the finance ministry, combined with the adoption of numerical and procedural constraints. (Santiso, 2006:70, citing Stein, Talvi and Grisanti, 1998; Alesina et al. 1999; Alesina and Perotti, 1996)

However, while these arguments are substantiated by empirical evidence<sup>40</sup>, experience also revealed the risks of excessive executive control in public budgeting. (Santiso, 2006:70) While immature legislatures and unstable party systems have often caused dysfunctional economic governance, high budget deficits, and fiscal imbalances, autocratic presidents have also tended to abuse their constitutional authority and delegated powers. The misuse by the executive in public budgeting has often led to serious economic mismanagement, pervasive corruption, and state capture. The combination of excessive executive discretion and weak legislative oversight inevitably led to the neutralization of accountability mechanisms. (Santiso, 2006:70; Wehner, 2010; Schick, 2002)

Second generation fiscal reforms then emphasized the importance of transparency and accountability and underscored the value of external scrutiny, legislative and societal oversight. Greater transparency and accountability is associated with improved fiscal discipline, reduced corruption and improved quality and legitimacy of fiscal governance.<sup>41</sup> This broader understanding of the governance of the budget has led to a new interest in the role of parliaments, Supreme Audit Institutions and civil society organiza-

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<sup>40</sup> See Stein, Talvi & Grisanti, 1998; Alesina et al, 1999, Stein et al, 1998; Alesina & Perotti, 1996, all qtd. in Santiso, 2006:70

<sup>41</sup> See Santiso, 2006:70; Alesina & Perotti 1996; Hameed 2005; Alt & Lassen 2006 in CABRI, 2009:21; Wehner, 2004, Schick, 2002

tions in budget management and oversight.<sup>42</sup> The main research gap is then according to Santiso (2006:67),

*“how to retain the advantages of strong executive authority required to ensuring fiscal responsibility while providing the institutional checks and balances that ensure democratic accountability and prevent corruption”.*

Taking these two sides into account, the donor community over the last decade no longer spoke of only Public Expenditure Management (PEM) reforms but of Public Expenditure and Financial Accountability (PEFA) reforms. In 2001 a multi-donor partnership between seven donor agencies and international financial institutions launched the PEFA program, which assesses the condition of country public expenditure, procurement and financial accountability systems and develops a practical sequence for reform and capacity-building actions.<sup>43</sup>

According to the PEFA program, the three main goals of budgetary reforms are

- 1) to have aggregate fiscal discipline,
- 2) to ensure strategic resource allocation and
- 3) to achieve economically efficient use of resources for service delivery.<sup>44</sup>

In order to realize these three budgetary goals, the PEFA program has developed the PEFA performance framework<sup>45</sup> which highlights that reform must concentrate on four aspects, namely

- A.) Public Finance Management Outturns,
- B.) Key cross-cutting features,
- C.) the Budget Cycle and
- D.) Donor Practices.

The PEFA Framework is a high level analytical instrument which consists of a set of 31 indicators and a supporting PFM Performance Report and provides an overview of the performance of a country's PFM system (see Appendix A.3). To conclude, with the adoption of the PEFA framework by the donor community and the majority of aid-dependent countries worldwide, there is a policy consensus today on what reforms to strengthen public expenditure management systems should look like and how they are to be realized. It thus seems that there is finally a common understanding of a theory of budgeting, acknowledging that budget principles, budget policies and budget processes

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<sup>42</sup> See Santiso, 2006; Schick, 2002; Schick, 1998; Wehner, 2004; Manning & Stapenhurst, 2002; OECD, 2001; Krafchik & Wehner, 1998; Petrei, 1998

<sup>43</sup> <http://www.pefa.org/en/content/resources> (Last Accessed on August 20, 2012)

<sup>44</sup> Equally, Allen (2009) summarizes that the main goals of public expenditure management reforms are to have aggregate fiscal discipline and to ensure the economically efficient allocation of resources to priority sectors.

<sup>45</sup> <http://www.pefa.org/en/content/pefa-framework> (Last Accessed on August 20, 2012)

matter.<sup>46</sup> Finally, there is no doubt that in order for public expenditure management systems to achieve their goals, the existence of effective public finance accountability systems is a must.

#### 4. Donors realize the difficulties in building institutions

The influential comparative study of democratic transitions by Linz and Stepan (1996), the *World Development Report: The State in a Changing World*. (World Bank, 1997), and the insights by Fukuyama (2004) led to the emergence of the institutional capacity approach in the aid debate. Fukuyama (2004) explained that although it was necessary to limit the scope of state functions in poor countries as part of structural adjustment programs during the 1990s, it was a mistake to also reduce state capacity. The aid community started to stress the need for good governance and in this context supports the training of civil personnel and strengthening of state institutions. It is particularly institutions providing for horizontal and vertical accountability, which do not work properly and are under the focus of reform. The mainstream of development policy today follows this institutional capacity approach and stresses the need for building capacity of state institutions in order for them to become effective and for development to occur. For instance, in 2005, donor and recipient countries alike signed the *Paris Declaration on Aid Effectiveness*<sup>47</sup>, which has as objective to increase the effectiveness of development aid through providing General Budget Support (GBS), donor alignment, aid harmoniza-

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<sup>46</sup> De Renzio (2011:4) explains that scholars have studied the reform of PEM from different theoretical perspectives, which have never been properly united. These diverse views contributed to the problems in developing adequate reforms of budgeting institutions in developing countries. Reforms which stemmed from a public administration perspective on budgeting mostly concentrated on aspects of planning, accounting and inter-organisational linkages (Coe, 1989; Guthrie et al. 2005, qtd. in de Renzio, 2011:4). This is because from a public administration perspective, the budget is an instrument to organise the way in which public resources are managed. Here budget institutions are examined in relation to key budgetary principles (Sundelson, 1935, qtd. in de Renzio, 2011:4). On the other hand, from a public finance perspective, the budget is a tool to achieve fiscal policy objectives. This perspective draws theoretically on the scholarship of public economics (Musgrave 1959; Stiglitz, 1986, qtd. in de Renzio, 2011:4) and assesses whether budget institutions serve to maintain fiscal balance, allocating resources according to policy priorities and stimulating consumption. Finally, the political economy perspective on budgeting is concerned with the constellation of stakeholders, interests and incentives within the budget process. It draws on the literature of new institutional economics (North, 1990; Campos and Pradhan, 1996 in de Renzio, 2011:4) and, to a lesser degree, of fiscal sociology (Schumpeter, [1918] 1991; Moore, 2004, qtd. in de Renzio, 2011:4). Here the budget is an instrument to reconcile competing interests over the use of public funds. Acknowledging these three perspectives on budget institutions, Schick (1998, qtd. in de Renzio, 2011:4) was the first to highlight the need to bring together principles, policies and processes: “even when a government adheres to accepted budget principles, it may fail to obtain optimal fiscal outcomes”, and that “to achieve its preferred outcomes, a government [...] must create an institutional framework that enhances the probability that actual outcomes will conform to professed targets” (Schick, 1998: 2, qtd. in de Renzio, 2011:4). De Renzio concludes that it is therefore „at the interface between principles, policies and processes that the quality of public expenditure management systems need to be assessed“.

<sup>47</sup> <http://www.aidharmonization.org/> (Last Accessed May 13, 2008)

tion and building up national systems of accountability and local ownership. Recipient governments, not multilateral agencies or donors, are expected to be the prime movers of poverty reduction strategies and civil society organizations are to participate in the formulation and implementation processes.

This political commitment to strengthening Good Governance is also reflected in the re-foundation of the African Union in 2002. With it ended the taboo of interference in state affairs and the recognition of good governance as an important element of development by African heads of state. The focus on strengthening public finance accountability systems as part of the development agenda also gained momentum with the endorsement of the UN Convention Against Corruption (2005).

As mentioned above, donor-led participatory models (such as the PRSP) had failed to deliver on their promises. Donors now bid farewell to their civil society hype and started to watch out for strengthening formal institutions instead (parliaments, judiciary etc.). Then the difficulties associated with state-building in Afghanistan and Iraq became apparent and a new debate on the overall potential of development cooperation emerged.<sup>48</sup> Was it possible to transfer institutions to other country contexts? This question was also picked up by political economists researching in the tradition of new institutional economics.<sup>49</sup> The scholarship of political economy investigates how political and economic development are interrelated processes and jointly condition the development of effective institutions. And in relation to the development discourse, this whole debate had put politics back at the heart of development research. (Krasner, 2009; Unsworth, 2009; Booth, 2012; Laws, 2012)

*“I think that there are three big arguments about development. Modernization theory is to do the economics first and then the politics will follow. That’s one, the second is institutional capacity building because the state does not have enough capacity to function effectively. ... The third argument labeled rational choice institutionalism, which is where American political science is, particularly political science at Stanford, you know where the argument is that development is the result of deals that are made by the elites. And the deals have to be self-enforcing and pareto-improving. They have to make everybody better off and nobody worse off otherwise they will not be accepted. ... So I think those are the three perspectives out there. And if you look at issues of state building they*

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<sup>48</sup> This debate was hotly discussed in the US media during the years 2005 to 2009 by two prominent economists, Jeffrey Sachs and William Easterly. Critics like Easterly (2006), but also Moyo (2009) and Collier (2008, 2009) claim that aid has helped little and instead supported authoritarian regimes. On the other hand, Sachs (2005, 2008) and prominent pro-aid movements argue that aid has helped so little because it was too little. Miller (2010) on the Sachs-Easterly debate concludes that there are differences when assessing aid effectiveness from a macro or a micro perspective, which do not necessarily have to be reconciled. Findley et al. (2010) argue that we have to differentiate between different aid sectors. See also Hielscher (2008) and Rajan (2007) on this debate.

<sup>49</sup> Prominent scholars of institutional economics are: Ronald Coase, Douglass North, Oliver Williamson, Harold Demsetz, Avner Greif, and Claude Menard. See International Society for Institutional Economics <http://www.isnie.org/> (Last Accessed on October 23, 2012)

*imply very different things. If you believe in modernization theory, what you want to do is to just give them the money (Jeff Sachs). If you believe in institutional capacity, which is the language of most of governments because it is what they can do, if you look how the US government talks about Afghanistan or Iraq, they say we will train the national Afghan army. ... The political deal argument is not that the institutions are unimportant, but for institutions to work well the deals of the elites have to work well for the whole population in the end, that is the open access argument.<sup>50</sup>* (Interview with Stephen Krasner, November 11, 2009, Stanford University)

Chapter five will pick up these three theories and discuss them in detail. However, as a consequence of this interview, I got interested in studying and testing this rational choice institutionalist approach to development.

### 5. Normative ideas confront realist views

The scholarship on how deliberative models can “deepen” democracy is largely spawned by the work of Habermas (1962; 1984) but also Bohman and Rehg (1997), Elster (1998), Cohen (1989) or Dryzek (2002, 2004). They have analyzed in depth the societal and institutional characteristics necessary. These include on the one hand the willingness of governments to incorporate the results of deliberation and secondly, the required equality among decision makers.<sup>51</sup> However, both conditions are difficult to realize, particularly within the framework of donor-led initiatives. From a positivist perspective therefore, it is first of all important to understand why formal institutions are not working the way they should.

*“... there is a vast difference between adopting legislation that articulates human rights and the provision of that right and it is not just because it costs money but because it requires a cultural shift. So in one community there has been a practice to get married at age 15 and then to pass the CEDAW convention will not prevent families to giving in to marriage, there is dowry and property implications. There is a big junction between legal rights on the one hand and changing practices that are grounded in culture or gender or race on the other hand. ... The reason that they sign on the international treaties is not because they might come on to human rights but it is a signaling device to other countries,*

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<sup>50</sup> see North, Wallis, and Weingast, 2009

<sup>51</sup> Cohen (1989:22) concluded that the participants must be “both formally and substantively equal” and “the deliberation itself must be free”; see also Morrison and Singer (2007) as well as Baiocchi (2001); Cornwall and Schattan Coelho (2007). Fung and Wright (2001, 2003:3-45) propose three institutional design features for a practical implementation of what they call Empowered Participatory Governance (EPG): (1) the devolution of public decision authority to empowered local units; (2) the creation of formal linkages of responsibility, resource distribution, and communication that connect these units to each other and to superordinate, more centralized authorities; and (3) the use and generation of new state institutions to support and guide these decentred problem solving efforts rather than leaving them as informal or voluntary affairs. See also Young, 2000; Baiocchi, 2001; Cohen & Rogers, 1992; Evans, 2004; Fung, 2003; Fung, Wright & Abers, 2003; Groves & Hinton, 2004; Lister & Carbone, 2006; Brinkerhoff et al, 2003; Gaventa, 2006.



*come and invest capital, but it is not a trigger for human rights, it is basically a cheap way for governments saying come and invest.”* (Interview with Helen Stacy, November 09, 2006, Stanford University)

#### 6. *Supreme Audit Institutions are a research gap*

Asking my interviewees to identify the most pressing research gaps, all pointed out that there was a need to understand how to create effective public finance accountability systems. The question how effective public finance accountability systems develop is of interest to public finance, development and human rights scholars. External auditing is ideally a component of a regulatory system of public finance and public administration oversight that includes internal auditing, parliamentary reviews, public debate facilitated by the media, judicial prosecution, and other mechanisms (see Appendix A.4.). In general one finds an abundance of literature on the role of parliaments, party systems, donor strategies as well as to some extent on the media and civil society in promoting public finance accountability. Comparable few studies have looked at the role of SAIs and how they can be reformed, as Joachim Wehner pointed out:

*“I am always interested in the institutions in the budget process. For sure there is a lot that you can look at. Also the Supreme Audit Institutions ... How can you measure their performance? How can you know in which political system auditing works better? What is the impact of Supreme Audit Institutions? Does more money then reach the schools?”*<sup>52</sup> (Interview with Joachim Wehner, June 30, 2009, London School of Economics and Political Science)

Today there are globally 191 Supreme Audit Institutions (SAIs), such as audit offices and courts of accounts, which are a member of the *International Organization of Supreme Audit Institutions* (INTOSAI). In 2011 in a groundbreaking Resolution by the General Assembly of the United Nations (A/RES/66/209) the international community has committed itself to strengthening SAIs. For the first time all UN member states have recognized that SAIs need to be *“independent and protected against outside influence in order to accomplish their tasks objectively and effectively.”* But how do SAIs develop, consolidate and endure and how can they be strengthened?

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<sup>52</sup> Great thanks to Joachim Wehner for first pointing out this research gap to me in my interview on June 30, 2009. Author’s own translation from German to English. Original interview text, “Ich interessiere mich immer für Institutionen im Budgetprozess. Da gibt es sicher vieles was man sich anschauen kann. Auch Rechnungshöfe, Supreme Audit Institutions ... Wie kann man die Performanz von denen messen? Woran erkennt man in welchem politischen System auditing besser funktioniert? Welche Effekte Rechnungshöfe haben, kommt dann mehr Geld bei den Schulen an?”

## 2.4. Summary and Conclusions

*“And it turns out they [institutions providing for independent third party monitoring of government actions] are extremely difficult to build in developing countries because there are patrimonial networks and there like where funds are channeled ... but there is a very interesting case, and in fact it was just reported on in today’s or yesterdays New York Times ... about the Indonesian Counter Corruption Commission (KPK) ... most of the counter corruption commissions fail across the developing world and if you think about it, high level corruption is a very sensitive matter and any institution that wants to take a look at that needs a lot of political support and without the strong political support from the highest level these institutions end up prosecuting petty officials or doing nothing at all. ... Let me just go into some details about what the Indonesian KPK has to tell us. Why is it working and why are others not? I am applying this to the counter corruption commission but you could apply this to SAIs too. And this is looking at the political economy that surrounds these institutions.” (Erik Jensen, Stanford University, Interview on November 05, 2009)*

The outcome of the preliminary research phase was that I changed my preliminary research question. To recall, I started off with the overall research problem that human rights implementation requires rights-holders to claim their rights and that entitlements need not only to be enshrined in laws but also in policies with according budget provisions. Based on this problem, I asked the normative question, how persons with disabilities and other excluded groups can effectively participate in budget processes in order to translate their rights into budget allocations, realize pro-poor development and ‘deepen’ democracy.

The new overall research problem looks at institutions providing for public accountability which often do not work properly. As we have seen above, the institutionalization of public accountability is a topical research problem from a public finance, development and human rights perspective. My overall research focus has thus changed from studying normative ideas how institutions for public deliberation should develop within an aid-dependent country context to studying why formal institutions providing for public accountability do not work. As we have seen, the PRSP and other participatory processes have largely failed to deliver because de facto they were not institutionalized within national contexts. We have also seen that while most countries are formal democracies today, political and civil rights are declining world-wide. There is the crucial need for government willingness to institutionalize public accountability. While citizens undoubtedly play an important role in budget oversight and budget advocacy, their efforts will hardly deliver results, if the formal institutions are not working. Supreme Audit Institutions already exist as an institutionalized independent watchdog. And as latest research and international efforts have shown, there are huge prospects for civil society cooperation with Supreme Audit Institutions. For example, the United Nations (UN) in cooperation with the *International Organization of Supreme Audit Institutions*

(INTOSAI) organized the Symposium *Effective Practices of Cooperation between Supreme Audit Institutions and Citizens To Enhance Public Accountability* from July 13-15, 2011 in Vienna. This 21<sup>st</sup> UN/INTOSAI seminar identified successful practices of cooperation between SAIs and citizens and highlighted innovative new approaches to such cooperation, in order to strengthen government audit so that it can commit itself more strongly to the benefit of citizens.<sup>53</sup>

Thus, instead of focusing on participatory models which are hardly ever institutionalized, the main reform efforts should focus on making those institutions that already exist, such as the judiciary, parliaments, anti-corruption agencies, ombudsmen and Supreme Audit Institutions, work. These institutions are confronted with a situation where political and legal commitments do not always match factual institutionalization. There is wide recognition today, that institutions providing for public accountability cannot simply be transferred to other country contexts and that this often produces so called “empty shell” institutions. But institutions need not only exist *de jure* but also *de facto*. Formal and informal practices need to match. Today there is a lack of comprehensive understanding of political and economic processes leading to institutional development. Addressing this research gap, my revised overall research question asks,

***How do institutions providing for public accountability develop, consolidate and endure?***

In order to answer this overall research question I decided to conduct a case study of Supreme Audit Institutions (SAIs) as accountability institutions which have been neglected in both reform practice and research. Three initial hypotheses explaining potential determinants for the development of independent auditing offices were presented in the interview quote by Krasner above. Others were developed in a discussion with Sean Yom at Stanford University. These included hypotheses based on the source of national income, based on the level of democratization of a country and the hypothesis of a forced move due to political crisis.

*“...where a state extracts revenue and how it spends revenue both reflect and affect the kinds of institutions it will build and those institutions will have long term effects....*

*... you only develop robust auditing systems unless you have strong democratic institutions in place to ensure the construction of a truly independent office. When that’s the case then it is really a strong democracy causes public accounting institutions and not public accounting institutions cause strong democracies. .... States respond to crises by building institutions. This is my belief drawn heavily from contemporary institutionalism, institutions are created primarily during points of crises as a rational response to pressures from beyond or within from exogenous or domestic pressures.”* (Interview with Sean Yom, November 11, 2009, Stanford University)

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<sup>53</sup> see United Nations and INTOSAI (2011)

This dissertation examines potential factors explaining the variation in external public auditing practices across countries world-wide through a mixed methods approach.

To summarize, this chapter has outlined the importance of the research question and the method for defining an innovative question. In 2009 I engaged in an in depth preliminary research, comprised of participatory observation, 19 expert interviews and a comprehensive literature review. The result was that my research question changed from the spontaneous interest by me as a subject involved in a development project to a question which actually addressed a scientific research gap. My overall research design has changed from a normative perspective studying what should be, to a positivist perspective, examining why things are the way they are. Chapter three will provide background information on Supreme Audit Institutions, such as their evolution, role and functions and will then go on to analyze whether they qualify as accountability arrangements and thus as a case study.

Table 2.1 Overview of Research Results of Chapter Two<sup>54</sup>

qual data collection	qual data analysis
<b>Procedures:</b> <ul style="list-style-type: none"> <li>• Participatory observation</li> <li>• One-on-one semi-structured interviews (n=19)</li> <li>• Literature reviews</li> </ul>	<b>Procedures:</b> <ul style="list-style-type: none"> <li>• Thematic development</li> </ul>
<b>Products:</b> <ul style="list-style-type: none"> <li>• Project reports</li> <li>• Interview Transcripts</li> <li>• Literature summaries</li> </ul>	<b>Products:</b> <ul style="list-style-type: none"> <li>• Thematic analysis: identification of six main themes</li> <li>• Reviewed research design: Identification of research gap, research question and case study method</li> </ul>

<sup>54</sup> Table based on Creswell and Plano Clark, 2007

### 3. The Case Study - Supreme Audit Institutions as Accountability Arrangements

- 3.1. The Role and Function of SAIs
- 3.2. The Concept of Public Accountability
- 3.3. Assessing the Accountability Purpose of SAIs
- 3.4. Summary and Conclusions

*“Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions”<sup>55</sup>*

#### 3.1. The Role and Function of Supreme Audit Institutions (SAIs)

From the time of the ancient Egyptians, Greeks and Romans, the practice of auditing the accounts of public institutions existed. Checking clerks were appointed in those days to check the public accounts. To locate frauds as well as to find out whether the receipts and payments are properly recorded by the person responsible was the main objective of auditing. (Puttick, Esch, and Kana, 2007:2) The development of Supreme Audit Institutions was part of a long process of economic and political institutional development. The famous account of the Habsburg Netherlands in the 16<sup>th</sup> Century shows how wars played a central role in the development of nation-states and economic and political institutions. The increase in tax to finance war expenditures led to an increase in the state’s bureaucratic capacities. Tilly (1990) famously wrote, “*states make war and war makes states*”. With the increase of tax income, the pressure on kings to render their accounts mounted. Finally, in the 18<sup>th</sup> and 19<sup>th</sup> Century the first agencies to audit public accounts were formed (f.i. 1714 Prussia, 1761 Habsburg, 1776 USA, 1787 UK, 1807 France, Netherlands 1814).

Today, nearly every state in the world has a Supreme Audit Institution (SAIs). At present, the *International Organization of Supreme Audit Institutions* (www.INTOSAI.org) holds 191 full members (190 national SAIs and the European Court of Auditors) and 4

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<sup>55</sup> Title of the United Nations General Assembly Resolution “A/RES/66/209”, adopted on December 22, 2011 during the 66th UN General Assembly. <http://www.un.org/en/ga/66/resolutions.shtml>; <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N11/471/36/PDF/N1147136.pdf?OpenElement> (Last Accessed on June 27, 2012)

associate members<sup>56</sup>. INTOSAI is the umbrella organization of SAIs and was founded in 1953 at the initiative of Emilio Fernandez Camus, then President of the SAI of Cuba. At that time, 34 SAIs met for the 1<sup>st</sup> INTOSAI Congress in Cuba.

INTOSAI defines itself as “*an autonomous, independent and non-political organization*”. The organizational structure of INTOSAI is composed of a triannual congress of all member SAIs (INCOSAI), a governing board, a general secretariat (with its seat in Vienna, Austria), seven regional groups<sup>57</sup> as well as thematic groups such as INTOSAI Goal-Committees, Sub-Committees, Working Groups, Task Forces and Project Groups. INTOSAI has a special consultative status with the United Nations and operates in five languages (English, French, Spanish, Arab and German). The core values to guide INTOSAI’s efforts are *Independence, Integrity, Professionalism, Credibility, Inclusiveness, Cooperation and Innovation*. INTOSAI has also four main strategic goals. They are:

- Strategic Goal 1: Professional Standards
- Strategic Goal 2: Institutional Capacity Building
- Strategic Goal 3: Knowledge Sharing/Knowledge Services
- Strategic Goal 4: Model International Organization

As part of INTOSAI’s Strategic Goal 1, INTOSAI issues two sets of professional standards: The *International Standards of Supreme Audit Institutions* (ISSAIs) and the *INTOSAI Guidance for Good Governance* (INTOSAI GOV). The ISSAIs and INTOSAI GOVs convey the generally recognized principles and shared professional experiences of the international community of SAIs. All ISSAIs and INTOSAI GOVs are developed and maintained in accordance with the “*Due Process for INTOSAI’s Professional Standards*” and issued after a decision of final endorsement by all SAIs at INTOSAI’s congress (INCOSAI). The ISSAIs comprise “*the basic prerequisites for the proper functioning and professional conduct of Supreme Audit Institutions and the fundamental principles in auditing of public entities.*” ([www.ISSAI.org](http://www.ISSAI.org)) On the other hand, the INTOSAI GOVs express INTOSAI’s recommendations to governments and others with responsibility for the management of public funds and publicly funded activities.

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<sup>56</sup> Association des Institutions Supérieures de Contrôle Ayant en Commun l’usage du français (AISCCUF), Organization of SAIs of Portuguese Speaking Countries (CPLP), The Institute of Internal Auditors (IIA) and The World Bank

<sup>57</sup> AFROSAI (African Organization of Supreme Audit Institutions), ARABOSAI (Arab Organization of Supreme Audit Institutions), ASOSAI (Asian Organization of Supreme Audit Institutions), CAROSAI (Caribbean Organization of Supreme Audit Institutions), EUROSAI (European Organization of Supreme Audit Institutions), OLACEFS (Organization of Latin American and Caribbean Supreme Audit Institutions), PASAI (Pacific Association of Supreme Audit Institutions). AFROSAI also has two sub-groups, namely AFROSAI-E for the English speaking African countries and CREFIAF representing the Francophone African countries. See Appendix B.36 for a list of SAI’s main membership affiliations.

(INTOSAI PSC, 2011) The ISSAIs and INTOSAI GOVS as such are thus not legally binding but present important norms to INTOSAI members.

The ISSAI framework is organized in four hierarchical levels. The first level contains *The founding principles of INTOSAI: ISSAI 1 - The Lima Declaration*, which was endorsed by the INCOSAI in 1977. This historical document calls for the establishment of effective SAIs, provides guidelines on auditing precepts and builds the basis for the development and elaboration of all other ISSAIs. The second level is composed of *The prerequisites for the functioning of SAIs* (ISSAIs 10-99). These include principles and guidance on independence, transparency and accountability, ethics and quality control. *The Lima Declaration* and *The Mexico Declaration on SAI Independence* (ISSAI 10), endorsed in 2007, constitute the highest level of commonly shared norms and principles. The third level (ISSAI 100 – 999) contains *Standards on fundamental auditing principles*, which express the essence of public sector auditing, and the fourth level (ISSAIs 1000-5999) contains *Auditing guidelines*. Their objective is to translate the fundamental auditing principles into more specific, detailed and operational guidelines that can be used on a daily basis in the conduct of auditing tasks. (INTOSAI PSC, 2011)

The purpose of audit is outlined in *The Lima Declaration* (INTOSAI, 1977: Section 1):

*“The concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent--or at least render more difficult--such breaches.”*

While all SAIs share the ISSAIs as their common standards, they actually differ strongly in their organizational structure, their mode of operations and the types of audit that they traditionally focused on. In order to understand the different roles of SAIs, we first need to understand the main differences among types of audit, namely the difference between pre-audit and post-audit; between internal and external audit; and between the main types of audit methodologies, all of which are outlined in the first sections of *The Lima Declaration* (INTOSAI, 1977: Section 2):

*The Lima Declaration, Section 2. Pre-audit and post-audit*

- 1. Pre-audit represents a before the fact type of review of administrative or financial activities; post-audit is audit after the fact.*
- 2. Effective pre-audit is indispensable for the sound management of public funds entrusted to the state. It may be carried out by a Supreme Audit Institution or by other audit institutions.*
- 3. Pre-audit by a Supreme Audit Institution has the advantage of being able to prevent damage before it occurs, but has the disadvantage of creating an excessive amount of work and of blurring responsibilities under public law.*

*Post-audit by a Supreme Audit Institution highlights the responsibility of those accountable; it may lead to compensation for the damage caused and may prevent breaches from recurring.*

4. *The legal situation and the conditions and requirements of each country determine whether a Supreme Audit Institution carries out pre-audit. Post-audit is an indispensable task of every Supreme Audit Institution regardless of whether or not it also carries out pre-audits.*

This excerpt shows that, while both the before the fact and the after the fact audit are essential activities, pre-audit might be carried out by another institution than the SAI, while post-audit is an indispensable task of every SAI.

*The Lima Declaration, Section 3. Internal audit and external audit*

1. *Internal audit services are established within government departments and institutions, whereas external audit services are not part of the organizational structure of the institutions to be audited. Supreme Audit Institutions are external audit services.*
2. *Internal audit services necessarily are subordinate to the head of the department within which they have been established. Nevertheless, they shall be functionally and organizationally independent as far as possible within their respective constitutional framework.*
3. *As the external auditor, the Supreme Audit Institution has the task of examining the effectiveness of internal audit. If internal audit is judged to be effective, efforts shall be made, without prejudice to the right of the Supreme Audit Institution to carry out an overall audit, to achieve the most appropriate division or assignment of tasks and cooperation between the Supreme Audit Institution and internal audit. (INTOSAI, 1977: Section 3)*

SAIs are external audit institutions and their task includes examining the effectiveness of internal audit services that are established within government departments and institutions.

The main tasks of SAIs are primarily to attest the legal compliance and numerical correctness of public accounting and finance, and in recent years more and more SAIs have started to review the performance of public administration.

*The Lima Declaration, Section 4. Legality audit, regularity audit and performance audit*

1. *The traditional task of Supreme Audit Institutions is to audit the legality and regularity of financial management and of accounting.*
2. *In addition to this type of audit, which retains its significance, there is another equally important type of audit--performance audit--which is oriented towards examining the performance, economy, efficiency and effectiveness of public administration. Performance audit covers not only specific financial operations, but the full range of government activity including both organizational and administrative systems.*
3. *The Supreme Audit Institution's audit objectives--legality, regularity, economy, efficiency and effectiveness of financial management--basically are of equal importance. However, it is for each Supreme Audit Institution to determine its priorities on a case-by-case basis. (INTOSAI, 1977: Section 4)*



There exist **three main types of audit methodologies**, namely (1) legality/compliance audit, (2) regularity/financial audit and (3) performance audit.<sup>58</sup>

(1) Legality audit, which is today more commonly known under the label compliance audit, examines the question whether legal rules were followed/complied with.

*“In compliance auditing the auditor seeks to locate instances of illegal or irregular transactions. The purpose is to determine whether the accountable entity has conformed to the laws and regulations governing its operations.”* (Wang and Rankner, 2005:4)

In compliance auditing the auditor thus

*“checks whether government revenue and spending have been authorized and used for approved purposes. Transactions are reviewed to determine if government departments and agencies have conformed to all pertinent laws and regulations. This process includes checking the spending authority in the annual budget and any relevant legislation.”* (World Bank, 2001)

(2) Regularity audit is today mainly called financial audit or attestation audit. It verifies the numerical correctness of an organization’s financial statements. Financial auditing seeks to attest to, or verify the accuracy of the data contained in financial statements and reports. The objective is to ensure that the government’s financial statements are reliable in the sense that they yield a correct picture of the financial activity and the condition of the entity. (Wang and Rankner, 2005:4)

*Auditors plan and perform attest audits, using their knowledge of accounting and auditing and of the government organizations that are being audited. As part of these audits, they gather evidence to support the amounts and disclosures in the financial statements. Ultimately, the auditor adds credibility to financial statements by providing an unqualified audit opinion on the financial statements, or at least providing useful information explaining any reservations.* (Stapenhurst and Titsworth, 2006:101)

(3) Finally, a performance audit (or ‘value-for-money-audit’) examines the overall performance of a program or policy. Performance auditing determines *“whether taxpayers have received value for their taxes.... Auditors work closely with subject matter experts who offer advice and review audit results.* (World Bank, 2001) The mandate for performance auditing varies among SAIs. *“Sometimes it is confined to reviewing operational efficiency.”* In other cases *“it extends to reviewing the effectiveness of government programs in achieving their objectives.”* (Stapenhurst and Titsworth, 2006:101) In performance auditing the auditor typically reviews the “three Es”, i.e. economy (spending less), efficiency (spending well) and effectiveness (spending wisely) and at times

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<sup>58</sup> See also World Bank, 2001; EUROSAI, 2004; Wang and Rakner, 2005.

extends the exercise to an overall evaluation of public administration by examining the following questions. (EUROSAI, 2004: 1.15):

- *Economy Audit: Do the means chosen represent the most economical use of public funds for the given performance?*
- *Efficiency Audit: Are the results obtained commensurate with the resources employed?*
- *Effectiveness Audit: Have objectives of policy been achieved?*
- *Evaluation of the consistency of the policy: Are the means employed by the policy consistent with the set objectives?*
- *Evaluation of the impact of the policy: What is the economic and social impact of a particular policy?*
- *Evaluation of the effectiveness of the policy and a cause effect analysis: Are the observed results due to the policy, or are there other causes?*

Each of the three main types of audit involves different methodologies and, as a consequence, different sorts of quality controls and management requirements. While compliance and financial audit are the traditional forms of audit,

*“performance auditing developed partly in response to a demand from parliamentarians of advice on how to increase the efficiency of government and thus on how to obtain better value for the taxpayer’s money. A holistic perspective is applied and an entity, program or activity is examined in an effort to make sure that administrative procedures adhere to managerialist criteria. This type of auditing is therefore tightly knit to ‘new public management’ reforms and requires different skills than the traditional methods of auditing.” (Wang and Rankner, 2005:4)*

The type of audit work conducted by a SAI, but particularly the reporting tools and follow-up mechanisms, are strongly influenced by the institutional model of the SAI. There exist **three main organizational models of SAIs**<sup>59</sup>; the Judicial model, the Monocratic model and the Board model. However also within these three main types there is strong variation.

The “Judicial model” is also called “Napoleonic model”, “court of audit” or “court of accounts” (“cour des comptes”). SAIs of this type have both judicial and administrative authority and are an integral part of the judiciary. This type of SAI is governed by collegiate/board bodies composed of judges with members acting on equal term and one judge acting as „President“. Central direction and management of the court is focused on consensus within the board on important issues like strategy, programme planning and publications, as well as on overall organization matters (budget, staff, training, etc.). At the same time virtually all decisions related to audit execution are vested in separate components (“chambers”), which operate largely independent of each other. Within the

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<sup>59</sup> See World Bank, 2001; DFID, 2004; EUROSAI, 2004; Stapenhurst and Titsworth, 2006; UK NAO, 2007)

separate chambers, there are few layers of supervision over the auditors or audit teams. The staff of the courts of audit are mostly qualified lawyers. The tenure of the judges is often regulated to serve until retirement age. The traditional purpose of this type of SAI is to conduct compliance audits, but today they also conduct financial audits and performance audits. As the name already tells, the judges serving on the court have judicial authority to impose penalties or corrections. This type of SAI is independent of both the legislative and executive branches of government. As a consequence the SAI's relationship to parliament is different to the other SAI models. This type of SAI does not depend on the legislature for follow-up, however less parliamentary involvement also can mean less pressure and thus less transparency for a SAI. This type of SAI is prevalent in the Latin countries of Europe, as well as Greece, Turkey and most former French, Spanish and Portuguese colonies. (World Bank, 2001; DFID, 2004; EUROSAI, 2004; Stapenhurst and Titsworth, 2006; UK NAO, 2007)

The "Monocratic" SAI model is also called the "Westminster type" or "audit office" SAI model. This SAI typically has a single head, usually with the title "Auditor General" or "President". However, the authority actually exercised by this official varies widely. In some, virtually all important decisions (typically including final approval of an audit report) are made by, or referred to and approved by, the President (Auditor General). In others, substantial authority may be delegated to subordinate officials within a strategic and corporate planning framework for the whole office. These subordinates may have then sufficient independent authority to initiate audits and approve issue of some types of resulting report. At times these "audit offices" also have collegial aspects. This audit office is an independent body that reports to parliament, which is responsible for follow-up. At times the audit office is even considered an integral part of parliamentary oversight, in other countries it is characterized as having close links to the bureaucracy. The staff of this type of SAI are usually trained accountants and auditors and the traditional type of audit carried out is financial audit. The audit office has no judicial function but, when warranted, its findings may be passed to legal authorities for further action. The tenure of office of the head of the SAI is usually term limited but in some cases until retirement. This SAI is used in many Commonwealth countries (United Kingdom, Australia, Canada, India, many Anglophone Sub-Saharan African and Caribbean, Pacific countries) but also in Austria, Denmark, Ireland, the United States of America, and parts of Latin America (e.g. Chile). (World Bank, 2001; DFID, 2004; EUROSAI, 2004; Stapenhurst and Titsworth, 2006; UK NAO, 2007)

The third type of SAI model is the "Board system" or "Collegiate system". These SAIs employ a high level of collegial approach to deciding important issues but have no judicial function. In these SAIs, the "President" (or "Chair") may still have significant influence on the decisions made in the collegial process. Between the members of the court and the individual auditors, there may be several levels of hierarchy or supervi-

sion, which are similar in some ways to the “Monocratic model”. This type of SAI also resembles the “Monocratic model” in that it is independent of the executive and helps parliament perform oversight. This type of audit system is used in Germany and the Netherlands as well as many Asian countries (e.g. Indonesia, Republic of Korea, Japan) and in Argentina. (World Bank, 2001; DFID, 2004; EUROSAI, 2004; Stapenhurst and Titsworth, 2006; UK NAO, 2007)

So far I have outlined the functions of the three main ideal typical SAI models<sup>60</sup>. We have seen that they differ in their institutional organization and their role in the budget cycle particularly their relationship with parliament. In the Westminster system, parliaments typically rely on SAIs to audit public accounts. Then a multiparty public accounts committee reviews reports by the audit office, considers testimony by witnesses from government departments and agencies, and sends its reports to the full parliament for comment and action. Following the plenary stage, parliamentary recommendations and

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<sup>60</sup> As Wynne (2011) argues, there is a third type of audit model, the General State Inspectorate. He explains that while in France, the role of the Court of Accounts has expanded in recent years to also conduct other audit duties than compliance auditing (see also chapter 6.5.), in many francophone African countries the *General State Inspectorate* has been used to fulfill these additional roles. Wynne (2011:95) describes the Court of Accounts and the General State Inspectorates in francophone Africa as follows:

- *“ the Court of Accounts is a division of the Supreme Court or separate court within the judicial system. The individual members of the court (judges or magistrates) are led by a president who is generally appointed by the president of the country. The court, with the support of its staff, judges the legality and regularity of the transactions and accounts of individual public accountants and reports to Parliament on the overall State Account. There is limited follow up of the Court’s reports by Parliament. The professional staff traditionally have a legal rather than accounting or audit backgrounds, but this is expanding in several countries.*
- *the General State Inspectorate reports either to the president or the country’s prime minister (rather than parliament), but it is largely independent of the state bureaucracy and has access to all state institutions, public servants and their documents. It usually largely sets its own annual programme. The professional staff of the General State Inspectorate are usually educated in public financial management at specialist higher education institutions. If irregularities are found they are reported to the relevant ministry or other agency for appropriate action to be taken”* (Wynne, 2010).

There is currently a debate on whether these General State Inspectorates should be considered as internal or external audit institutions and what the role of the Court of Accounts in francophone Africa should and could be, particularly taking into consideration the overall weak role of parliamentary control and the comparable effectiveness of an audit institution which is directly linked to the President of the Republic. Wynne criticizes the international financial institutions and donors for supporting the development of Courts of Accounts where they were only mentioned in the constitution but did not exist in practice instead of taking the local reality into account and supporting the General State Inspectorates. Wynne also points out that the PEFA framework does not consider General State Inspectorates as SAIs and often considers them to be internal audit institutions.

In Africa the following General State Inspectorates are members of INTOSAI and consider themselves to be the SAI for their countries: Burundi, Cameroon, Centrafrique, Guinea, Mali and Togo. In my study I considered the SAIs of these countries (apart from Guinea) as monocratic institutional models. They are headed by one person who is responsible and thus do not qualify for the Board model. They also do not have judicial functions and despite their reporting to the Executive, they are more independent than an audit department in the ministry of finance. Thus, in my model, SAIs which are categorized as “ministry of finance”-models are actually countries which do not have an SAI at all. (see chapter 6 and table B.39 in Appendix B)

comments are conveyed to the executive. In the board system the audit board prepares and usually sends an annual report to the cabinet, which submits it to parliament. Board staff attend all deliberations on fiscal accounts and are expected to explain the board's opinions. In the Judicial style audit institutions, parliaments do not automatically receive the auditor's reports, though they may receive a report on the court's work. There are, however, four possible forms of collaboration between the court and parliament: The SAI may pass the court's findings to parliament's finance committee. A parliamentary committee may ask the SAI to conduct a performance audit. The court's annual report may address the legal concordance between the general accounts of the finance department and the treasury. And the court may prepare an annual report for parliament on the use of the resources made available by the previous year's finance act. (World Bank, 2001)

### 3.2. The Concept of Public Accountability

Accountability is a crucial concept of the human rights based approach to development (HRBA). The HRBA has introduced the location of accountability for failures within a social system and views the process of account giving not only as facilitating development processes, but as the objective of development per se. (OHCHR, 2006:15)<sup>61</sup>

From an economic approach, processes of account giving are understood as an instrument. Normative micro-economic theory has as objective

*“to expand choices to consumers, both because choices raise utility directly and because competition among providers increases social welfare. In addition, benchmark theories of competitive equilibrium require full information on prices, quantities, quality and preferences; and contemporary accounts of service delivery also endorse reducing information asymmetries among principles and agents.”* (Gauri, 2004:13)

Therefore, participation and account giving are critical in the economic approach, but they do not have intrinsic value. They could in principle be reconciled with authoritarian styles if those obtained the same goals. (Gauri, 2004:13)

Thus, there are significant differences between a rights based approach and an economic approach to development.<sup>62</sup> Still, authors such as Gauri (2004) and Seymour and Pincus

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<sup>61</sup> See also chapter 2.2. on the HRBA

<sup>62</sup> *“For many economists, any attempt to posit and enforce a human right to basic services is either fanciful or counterproductive, or both. Human rights theorists counter that economists are too quick to hide behind the impracticality of realizing rights, particularly economic and social rights, when in many cases violations are primarily the result of explicit political decisions rather than resource scarcity or other physical or institutional limitations.”* (Seymour and Pincus, 2008:388 citing: Donnelly, 2003:29)

(2008) believe that both approaches share some similarities and are in fact complementary.<sup>63</sup> Both approaches have their origin in the enlightenment thought and are committed to the autonomy of the individual and its choices.<sup>64</sup> Concerning the concept of accountability, the two views although different can be reconciled. Both are skeptical that electoral politics and market rules by themselves provide sufficient accountability for the effective and equitable provision of services. Both approaches recommend wider access to information, more local organizations for clients/rights-holders, stronger advocacy, and changes in governance to strengthen the position of service recipients/rights-holders respectively. (Gauri, 2004)

In the scholarship of democratization processes, public accountability has mainly been used to describe an aspect of democratic governance. Today most scholars “*perceive public accountability as a key attribute of both democracy and democratic quality, as well as an essential ingredient in democracy’s long term viability.*” (Schedler, Diamond and Plattner, 1999:2) It has become

*“increasingly clear that without working systems that can provide “credible restraints” on the overweening power of the executive, democratic regimes tend to remain shallow, corrupt, vulnerable to plebiscitarian styles of rule, and incapable of guaranteeing basic civil liberties. In short, they tend to remain “low-quality” democracies.”* (O’Donnell, 1994, qtd. in Schedler, Diamond and Plattner, 1999:2)

Deficiencies of public accountability are however by no means confined to the developing world, but deficiencies of accountability are only “*more visible, dramatic and urgent in new than in long-established democracies*”. (ibid.) As discussed in the introduction of this dissertation, what we are observing today is a world where institutions providing for horizontal and vertical accountability are in place in most countries, however, *de facto* political rights and civic liberties have been declining. Abdukadirov (2010) explains that these regimes were originally conceptualized in the literature as transitioning towards full democratization, but that today they have come to be recognized as a separate category, distinct from both full democracies and full autocracies (see also Carothers, 2002). He further elaborates that various authors have categorized them as ‘electoral authoritarian’ (Schedler, 2006), ‘semi-authoritarian’ (Ottaway, 2003),

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<sup>63</sup> A human rights based approach to development can direct the tools of economics to contribute to the attainment of human rights, which are articulated in international law. On the other hand, economic understanding and tools are important for human right defenders to pursue their goals more effectively. (Seymour and Pincus, 2008:404)

<sup>64</sup> “*Whether the focus is on rights or preferences, the individual reigns supreme, with all the methodological advantages and disadvantages that this implies for the study of society. Economists recognize that the rational agents who motivate their microeconomic models could not freely express their preferences without the prior realization of at least some rights. That set includes property rights, the realization of which, as with rights more generally, assumes the prior existence of the required legal infrastructure to establish and protect them. For their part, rights advocates know that individuals cannot realize their rights without access to a minimum level of income.*” (Seymour and Pincus, 2008:388)

‘competitive authoritarian’ (Levitsky and Way, 2002) or ‘hybrid’ regimes (Diamond, 2002).

Vertical accountability, in the form of principal-agent relationships, most importantly exercised through elections, mass media and civil society observation, in democracies are “*a necessary but by no means a sufficient condition for keeping state power under control.*” (ibid.) Institutions of horizontal accountability, a concept developed by O’Donnell (1993, 1998) and Richard Sklar (1987), refer to the capacity of state institutions to check abuses by other public agencies and branches of government. According to Bovens (2007) already in classical political thought the separation of powers between the judiciary, executive, and the legislative was intended to create a system of constraints and mutual checks. Today, however, the functional differentiation of the state has gone well beyond this simple tripartite division of powers. The list of accountability agents has expanded to include election commissions, electoral tribunals, administrative courts, constitutional courts, human rights commissions, central banks and many more.<sup>65</sup>

O’Donnell argued that integrity and transparency in government require that state agencies of horizontal accountability interlock and overlap in a systemic fashion. Diamond (2009: 303) elaborates on O’Donnell’s argument:

*“Interlocking authority allows different agencies to become reinforcing, so that, for example, an audit agency uncovers fraud, a counter corruption commission imposes civil penalties for it, the judiciary presses for criminal penalties, and an ombudsman stands by to investigate and report if any piece in the process breaks down or needs assistance.”*

This dissertation leaves the key issue of most other discussions of horizontal accountability, namely executive-legislative relations, aside and instead focuses on the independent institutions providing for public accountability. These specialized bodies are often insulated from state officials and from the people as well, at times they are unaccountable and at risk of being undemocratic themselves. (Schedler, Diamond, and Plattner, 1999:3)

So far, we have seen that accountability is an important concept for the human rights based and the economic approach to development and that it is a crucial concept for the study of democracy. Today there is a tendency of using accountability in many contexts, which according to Dubnick (2002) has been a strong impediment to systematic com-

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<sup>65</sup> For a more detailed discussion of the move from vertical to an abundance of horizontal accountability relationships as well as a presentation of various forms of accountability relationships such as organizational accountability, political accountability, legal accountability, administrative accountability, professional accountability, corporate accountability, hierarchical accountability, collective accountability, individual accountability and the problem of excess of accountability see Bovens (2007).

parative, scholarly analysis of accountability arrangements. Accountability has become a very fashionable word and concept during the last decades. For policy makers 'accountability' has become an easily used and seldom reflected 'icon' for good governance (Dubnick, 2002). It serves as a synonym for many other words such as responsibility, responsiveness, answerability, transparency, controllability, fidelity or participation and thus the concept is not adequate for discourse analysis.<sup>66</sup> Accountability today stands as a standard term for any mechanism that makes powerful institutions responsive to their respective publics. (Mulgan, 2000, 2003:8) Equally, scholars of various academic disciplines such as public administration, law, political science, education and psychology use the concept widely, often without reflecting about the meaning of it. Accountability is used in different contexts, with a wide variety of different understandings and nearly every author sets out to produce his or her own definition of accountability.<sup>67</sup>

However, during the last few years the scholarly interest of overcoming this deficit has grown and there is currently a lively cross-disciplinary debate about the content and limits of accountability, as well as a first consensus among the main scholars in the field that there are broadly speaking two main concepts of public accountability: "*accountability as a virtue and as a mechanism.*"<sup>68</sup>

In the former case, mostly dominant, but certainly not exclusively, in the American academic and political discourse, accountability is used as a normative concept. It often serves as a set of standards for the evaluation of the behavior of public stakeholders, being accountable is seen as a virtue, as a positive quality of organizations or officials. In British, Australian, Canadian and continental European scholarly debates, accountability is more often used in a narrower, descriptive sense. The focus of this strand of accountability studies is on the way in which institutional arrangements operate and accountability is seen primarily as a "*social mechanism*".<sup>69</sup>

While both concepts, accountability as a virtue and as a mechanism, are useful for the study of democratic governance, each of them addresses different issues and implies different sorts of standards, frameworks and analytical dimensions. The interest of this paper is to analyze accountability in the second sense, thus as an institutional arrangement or mechanism. Here accountability refers to a specific set of social relations, of

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<sup>66</sup> Behn 2001:3-6; Dubnick 2007a, Mulgan 2000:555; all qtd. in Bovens (2007:453-454)

<sup>67</sup> Bovens, 2010: 946 quoting Behn 2001:3-6; Dubnick 2005; Mulgan 2000:555, Pollitt 2003:89; and cf. Biela and Papadopoulos 2010:4 quoting Bostrom and Garsten 2008; Dowdle 2006b; Ebrahim and Weisband 2007; Curtin, Mair et al. 2010

<sup>68</sup> Dubnick and Frederickson, 2010, in Bovens, 2010

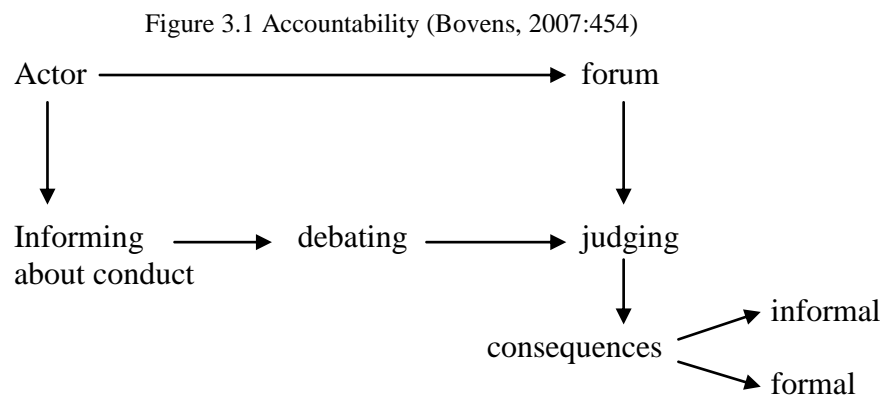
<sup>69</sup> Bovens, 2010:947-8 based on Aucoin and Jarvis 2005; Bovens 2007b; Day and Klein 1987; Goodin 2003; Mulgan 2003; Philip 2009; Scott 2000



which the most concise definition is, “*the obligation to explain and justify conduct*”.<sup>70</sup> This basic definition implies a relationship between an actor, the accountant, and a forum, the account-holder or accountee.<sup>71</sup> On the basis of this definition Bovens (2007) has developed a more elaborate and now widely used definition of accountability arrangements:

“*Accountability is a social relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face consequences.*”<sup>72</sup>

Figure 3.1 illustrates the elements contained within Bovens’ concept of accountability.



Thus, according to Bovens (2006, 2007, 2008) a relationship qualifies as an accountability mechanism if it meets the following three main criteria:

- *Information provision:* The actor should be obliged to inform the forum about his conduct.
- *Debate:* There should be an opportunity for the forum to debate with the actor about his conduct as well as an opportunity for the actor to explain and justify his conduct in the course of this debate.
- *Consequences:* Both parties to the relationship should know that the forum or some third party is able to not only pass judgment but also to present the actor with salient consequences.

The question of the purpose and linked to that the adequacy of a particular accountability arrangement is an altogether different question to the one defining the constituent

<sup>70</sup> Bovens, 2005:184; 2007:450; see also Schedler (1999) who defines accountability as a two-dimensional concept, composed of the two pillars “answerability” and “enforcement”. The Oxford Dictionary of English (revised second edition 2006) provides a very similar definition: “accountable > adjective 1 Required or expected to justify actions or decisions; responsible: ministers are accountable to Parliament | parents cannot be held accountable for their children’s actions. 2 able to be explained or understood. DERIVATIVES accountability noun, accountably adverb.”

<sup>71</sup> Pollitt, 2003:89, qtd. in Bovens, 2007:450

<sup>72</sup> Bovens, 2007:450 based on Day and Klein 1987:5; Romzek and Dubnick 1998:6; Lerner and Tetlock 1999:255; McCandless 2001:22; Scott, 2000:40; Pollit 2003:89; Mulgan, 2003:7-14; O’Loughlin 1990. For a detailed discussion of all the elements in this definition see Bovens, 2007:450-452. This definition implies that the focus of accountability studies is more on *ex post facto* processes in governance than on *ex ante* inputs. Most of the *ex ante* processes should then be studied separately for what they are, forms of deliberation, participation and control Bovens (2007:467)

parts of an accountability arrangement.<sup>73</sup> Bovens (2006, 2007, 2009, 2010) identifies three main purposes of accountability. Behind each of the three purposes lies a different theoretical perspective on the rationale for accountability and thus a separate perspective for the actual assessment of the adequacy of an accountability mechanism (table 3.1). The three main purposes of accountability can be summarized as follows:<sup>74</sup>

- 1) *Democratic*: Public accountability serves as a democratic means to monitor and control government conduct.
- 2) *Constitutional*: Public accountability should help prevent executive abuses.
- 3) *Learning*: The purpose of public accountability is to enhance the learning *capacity* and effectiveness of the executive branch and its partners in governance.

The democratic perspective: March and Olsen (1995:141-81) and Mulgan (2003) argue that from the democratic perspective, public accountability is essential for citizens to control those holding public office. The rationale for vertical accountability through elections and other forms of citizen engagement reaches back to the tenets of Rousseau and Weber, and has been theoretically defined by Strom (2000, 2003) and Lupia (2003) using the principal-agent model. Przeworski (et al. 1999) show that public accountability is an essential precondition for the democratic process to work, since it provides citizens and their representatives with the information needed for judging the propriety and effectiveness of government conduct. From this perspective, the quality of accountability arrangements depends upon their proven ability to consolidate and reaffirm the democratic chain of delegation. (Bovens, Schillemans and ‘T Hart, 2008:230)

The second rationale for public accountability is to prevent corruption and abuse of power. This constitutional perspective defined by O’Donnell (1999) and Behn (2001:42-3) is derived from the liberal tradition of Locke, Montesquieu and the American Federalists. The main concern here is to prevent the abuse of power through the organization of “checks and balances” in the form of institutional countervailing powers. Witteveen (1991), Baithwaite (1997) and Fisher (2004:506-7) argue that good governance arises from a dynamic equilibrium between the various powers of – and increasingly beyond – the state. Thus, from the constitutional point of view, public ac-

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<sup>73</sup> When analysing the effects of various accountability arrangements, inadequacies can either take the form of accountability deficits – a lack of accountability arrangements – or of accountability excesses – a dysfunctional accumulation of a range of accountability mechanisms. The former is often cited in relation to various aspects of European Union governance (Arnall and Wincott, 2000; Fisher:2004; Harlow, 2002; all quoted in Bovens, 2007:462). The latter is schematised by executive agencies and public managers particularly in countries, which have extensively implemented NPM reforms. (Anechiarico and Jacobs, 1996; Power, 1997; Behn,2001; Halachmi, 2002; all quoted in Bovens, 2007:462)

<sup>74</sup> See Bovens, Schillemans and ‘T Hart (2008) and Bovens (2007:463; 2005:192ff; 2006:25-27) for a more detailed overview of the three rationales for public accountability. Next to these three rationales are two additional concerns of accountability, which Bovens accords only indirect importance. The first indirect importance is the assurance of legitimacy of governance; the second is public account giving after incidences of tragedy, fiasco and failure.

countability arrangements are designed to prevent or at least uncover and redress abuse of public authority. (Bovens, Schillemans and 'T Hart, 2008:231-2)

The third rationale for public accountability is to enhance government effectiveness through learning processes. Van den Berg (1999:40) and Aucoin and Heintzman (2000:52-4) believe that the purpose of public accountability is to induce the executive branch to learn. Accountability offers a regular mechanism to confront administrators with information about their own functioning and forces them to reflect on the successes and failures of their past policy. Political scientists (Easton 1965, Luhman 1966, Lindblom 1965) have long discussed the advantages of a pluralist democracy compared to other political systems as it encourages learning in the process of policy making. Accountability mechanisms induce openness and reflexivity; it facilitates the development of institutional learning. To conclude, from the third perspective, accountability is seen not so much seen as an adversarial mechanism, but rather an 'exhortative' one. It is not about 'keeping the bastards honest' (constitutional perspective) but about 'keeping the bastards smart and sharp'. (Bovens, Schillemans and 'T Hart, 2008:232)

Finally, coming back to the beginning of this chapter, we can conclude that the human rights based approach to development applies the concept of accountability from a democratic perspective, the economic literature argues for accountability from a learning perspective and the comparative study of democratization which recently focused on studying the deficiencies in formal institutions, uses the concept of accountability mainly from a constitutional perspective.

### 3.3. Assessing the Accountability Purpose of SAIs

Do SAIs share a common understanding of their accountability purpose? Do they even consider themselves as accountability arrangements or is there no such consensus? Are they oversight agencies, technical auditing offices serving parliament or do they want to enforce constitutional accountability themselves? The result of this assessment has consequences for the development of the research design of this dissertation. If SAIs share a common understanding as accountability arrangements, then it is worth conducting a comparative analysis of SAIs from a global perspective. On the other hand, if there is no such common understanding and only some SAIs identify themselves as accountability arrangements, then it would be interesting to study only those or to compare different types of SAIs. Finally, if this assessment comes to the conclusion, that there is a common understanding of SAIs that they are not accountability institutions by themselves but rather professional institutions serving parliament or another public body, then this will also affect the research design as their relationship with this public body, which actually enforces accountability, will be central to the research design.

In order to assess the accountability role of SAIs, I need a tool or theoretical framework which specifies standards and methods on how to define and evaluate accountability arrangements. The existence of the three perspectives on the purpose of accountability helps to develop an integrated assessment of particular accountability arrangements. It is important to point out, however, that these perspectives require different mechanisms and that what is considered beneficial from one perspective, may very well be judged detrimental from another perspective.<sup>75</sup> The different perspectives on accountability contain normative tension, which is particularly evident between the constitutional and the learning perspective.<sup>76</sup> So, which criterion is to prevail over the others for the case of Supreme Audit Institutions?

Bovens, Schillemans and 'T Hart (2008) developed an integrated assessment tool, which I will use to assess the accountability purpose of SAIs (see table 3.1). They first disaggregate public accountability into its constituent parts (information provision, debate and consequences). The authors emphasize that in any given accountability relationship or set of arrangements, each of these critical components are designed in and safeguarded to a particular degree. The authors then articulate evaluation criteria for each part using each of the three perspectives on the accountability purpose presented above (democratic, constitutional, learning).

I decided to answer this question through a structured qualitative content analysis<sup>77</sup> of the ISSAIs. The research question of this chapter then is, "*Are SAIs defined as accountability arrangements in the ISSAIs and if yes, what type of accountability purpose do they aspire to serve?*" My hypothesis is that SAIs do qualify as accountability arrangements in all three perspectives, but that their main purpose is to serve constitutional accountability. The data analysis was conducted according to the step model of deductive category development (Mayring, 2000<sup>78</sup>). First, I developed the question (see above). Then I reviewed the literature for existing assessment methods and opted to use the assessment tool by Bovens, Schillemans and 'T Hart (2008) (see table 3.1). In a next step

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<sup>75</sup> Bovens, Schillemans and T'Hart (2008:233-4) give a few examples: Judicial review of laws and regulations may be considered an adequate form of public accountability from a constitutional perspective, but at the same time as inappropriate from a democratic perspective, as it suffers from what Bickell (1985) has called "the counter majoritarian difficulty", i.e. it limits the exercise of popular sovereignty through the legislative branch. Another example is overly rigorous democratic control, which may backfire when it generates "*rule-obsessed organizations [that] turn the timid into cowards and the bold into outlaws*" (Zegans, quoted in Bovens, Schillemans and T'Hart, 2008:234). Finally, too much emphasis on corruption control could lead to proceduralism that could hamper reflexivity and organizational learning. (Anechiarico and Jacobs, 1996, qtd. in Bovens, Schillemans and T'Hart, 2008:234)

<sup>76</sup> From a constitutional perspective, accountability serves to curtail executive power by building countervailing powers that are as strong as possible; the learning perspective is about creating a 'safe' atmosphere conducive to business like re-examination of existing policies and practices. (Bovens, Schillemans and 'T Hart, 2008:230)

<sup>77</sup> See Bovens, 2007 and Mayring, 2000 for a description of the method used

<sup>78</sup> For a summary of the book and the research steps see: <http://www.qualitative-research.net/index.php/fqs/article/view/1089/2383> (Last Accessed on August 11, 2012)

I developed coding rules. Finally I conducted the actual coding of ISSAI 1 up to ISSAI 400, in total 11 documents.<sup>79</sup> Then I revised and examined the reliability of the findings. In a last step, I generated a summary table (table 3.2.). The summary table includes those statements which most strongly verify a hypothesis/category.

The ISSAIs analysis (table 3.2.) shows that overall SAIs as defined in the ISSAIs can be considered as accountability arrangements. Furthermore, the analysis shows that SAIs understand themselves as arrangements guaranteeing all three types of accountability, namely democratic, constitutional and learning accountability. My analysis suggests that the main objective of SAIs as laid out in the ISSAIs, is to guarantee constitutional accountability. The aspect of learning accountability is only an additional rationale for their work, which has however gained in importance with the rise of performance auditing. Finally, SAIs in principle also understand themselves as guaranteeing democratic accountability.

Concerning the first aspect, the provision of information, I conclude that SAIs clearly qualify as accountability arrangements. The actor, i.e. the government and its agencies, should be obliged to inform the SAI about his conduct. ISSAI 1, Section 10.1. states that “*SAIs shall have access to all records and documents relating to financial management and shall be empowered to request orally or in writing, any information deemed necessary by the SAI...*” The SAI should also inform parliament and the public at large about its findings and by doing so enable “*democratic accountability*”. However, as many SAIs are found in (semi-)authoritarian regimes where SAIs do not have the possibility to inform “*a democratic chain of delegation*”, the ISSAIs also include next to parliament the option “*or any other responsible public body*” as potential recipient of its findings. However, it is clear that SAIs understand themselves as guarantors of constitutional accountability. They understand themselves as part of a regulatory system with the objective to assess whether the behavior of the executive is “*in accordance with laws, regulations and norms*”. Finally, SAIs also consider themselves as guarantors of learning accountability. While it is clear, that objectivity and independence have priority for the work of auditors, several ISSAIs point out that auditing involves the development of an “*atmosphere of mutual respect and understanding*”. This is in contrast to public finance control and inspection, as it was practiced for instance in the Soviet Union before its break-up and the transition to democracy.

The second aspect of an accountability arrangement requires the SAI to have an opportunity to debate with the executive about its conduct as well as for the auditees to have an opportunity to explain and justify their conduct in the course of this debate. Here again, the assessment of the ISSAIs (table 3.2) clearly verified the hypothesis. ISSAI 1,

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<sup>79</sup> The list off ISSAIs analyzed included all available ISSAIs 1 to ISSAI 400. These are: ISSAI 1, 10, 11, 20, 21, 30, 40, 100, 200, 300 and 400. ([www.issai.org](http://www.issai.org), Last Accessed on October 11, 2010)

Section 17.2 states, *“The SAI shall give due consideration to the point of view of the audited organizations on its findings.”* This interaction however does not concentrate on conformity with the parliament’s (as principal of the executive) preferences but on conformity of the executive’s actions with laws and norms (in the sense of constitutional accountability). In addition, SAIs have also started to engage in performance auditing, which resembles more a *“performance feedback”* in the sense of learning accountability. Finally, SAIs also at times engage in advising governments on how to improve the use and the management of public funds, while always taking care to guard their independence.

When it comes to the requirement that there be consequences to satisfy the definition of an accountability arrangement, the mandate of SAIs differs as to whether they can present the auditees with legally valid and enforceable judgments. Still, even for SAIs which do not have this mandate, the ISSAIs clearly specify that the SAI should dispose of *“effective follow-up mechanisms”*. (ISSAI 10, Principle 7) SAIs should be able to exercise *“credible ‘deterrence’”* as guarantors of constitutional accountability by having the power *“to approach the authority which is responsible for taking the necessary measures and require the accountable party to accept responsibility”*. (ISSAI 1, Section 11.2) And finally the SAI should clearly have the power to publish its reports. As a consequence, the SAI can be considered *“a powerful government watchdog”* (as in the constitutional sense of accountability). The ISSAIs do not generally propose to develop *“a ‘safe’ culture of sanctioning”* (as in the learning sense of accountability), only the area of performance auditing is open to judgment and interpretation therefore less concerned with imposing sanctions but with enabling learning processes.

The overall picture according to my analysis (table 3.2) is then one of SAIs which qualify as accountability arrangements because SAIs qualify for the main criteria; the executive *“should be obliged to justify or explain its conduct”* to the auditors. While the ISSAIs in principle acknowledge the objective of SAIs for serving democratic accountability and also support the idea of SAIs inducing continuous learning, the primary objective of SAIs is to observe the integrity of the executive as a powerful, because independent, watchdog with the aim to

*“make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent—or at least render more difficult—such breaches.”* (ISSAI 1, Section 1)

The role of SAIs most closely meets the criteria of the constitutional perspective. They concentrate on uncovering irregularities and mismanagement. SAIs furthermore aspire to support democratic accountability, they want to contribute to the ability of the principal (parliament, public opinion) to steer or control the agent (executive). Finally, their work also includes aspects which satisfy the criteria offered by the learning perspective as SAIs might also have advisory, reflective roles.

Table 3.1 The Purpose of Accountability from Three Perspectives (table based on tables 1-3 in Bovens, Schillemans and 'T Hart, 2008)

	<b>Democratic perspective: accountability and popular control</b>	<b>Constitutional perspective: accountability and equilibrium of power</b>	<b>Learning perspective: effective governance</b>
<i>Central idea</i>	Accountability controls and legitimizes government actions by linking them effectively to the 'democratic chain of delegation'.	Accountability is essential in order to withstand the ever-present tendency toward power concentration and abuse of powers in the executive branch.	Accountability provides public office-holders and agencies with feedback-based inducements to increase their effectiveness and efficiency.
<i>Central evaluation criterion</i>	The degree to which an accountability arrangement or regime enables democratically legitimized bodies to monitor and evaluate executive behavior and induce executive stakeholders to modify that behavior in accordance with their preferences.	The extent to which an accountability arrangement curtails the abuse of executive power and privilege.	The degree to which an accountability arrangement stimulates public executives and bodies to focus consistently on achieving desirable societal outcomes.
<i>Concrete evaluation questions:</i>			
<i>a.</i>	Are democratically legitimized principals informed about the conduct of executive stakeholders, and about the social consequences of that conduct?	Does the accountability forum have enough investigative powers and information-processing capacity to credibly evaluate executive behavior, particularly regarding conformity of executive action with laws, regulations and norms?	Does the accountability arrangement yield both stakeholders and clients and key external stakeholders an accurate, timely and clear diagnosis of important performance dimensions?
<i>b.</i>	Do the debates between accountability forum and stakeholders focus on whether the behavior of the latter accords with the democratically legitimized principals' standards and preferences?	Does the accountability forum have incentives to engage executive stakeholders in relevant questioning and debate and is their interaction focused on conformity of actions with laws and norms?	Does the accountability arrangement provide a setting and a set of interaction routines which induces ongoing, consequential dialogue among executive stakeholders and key stakeholders about performance feedback?
<i>c.</i>	Does the accountability arrangement provide sufficiently significant incentives for executive stakeholders to commit themselves to the agenda of their democratically legitimized principals?	Does the accountability forum possess credible sanctions to punish and deter executive misbehavior?	Is the accountability forum sufficiently strong to make accountors anticipate, yet sufficiently 'safe' to minimize defensive routines so that accountors adopt the lessons learned from performance feedback and stakeholder dialogue?

Table 3.2 Accountability Components: Criteria and Summary Conclusions for ISSAIs Analysis (based on Bovens, Schillemenas and 'T Hart, 2008:238)

Assessment Criteria:	Are SAIs accountability arrangements?	Are SAIs guarantors of democratic accountability and popular control?	Are SAIs guarantors of constitutional accountability and equilibrium of power?	Are SAIs guarantors of learning accountability and effective governance?
<i>Information provision</i>	<i>The actor should be obliged to inform the forum about his conduct.</i>	<i>Democratic chain of delegation is informed about the conduct and consequences of executive stakeholders.</i>	<i>Forum gains insight into whether actor's behavior is in accordance with laws, regulations and norms.</i>	<i>Information gathering and provision routines yield an accurate, timely and clear diagnosis of important performance dimensions.</i>
Assessment	<b>YES:</b> ISSAI 1: Section 10: "1. SAIs shall have access to all records and documents relating to financial management and shall be empowered to request, orally or in writing, any information deemed necessary by the SAI..."	<b>PARTLY:</b> ISSAI 1, Section 16.1. "The SAI shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published..."	<b>YES:</b> ISSAI 1, 1.1.: "Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management ..."	<b>YES:</b> ISSAI 200: "2.25. The SAI... should, however, seek to create ... amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussion in an atmosphere of mutual respect and understanding."
<i>Debate</i>	<i>There should be an opportunity for the forum to debate with the actor about his conduct as well as an opportunity for the actor to explain and justify his conduct in the course of this debate.</i>	<i>Interaction concentrates on conformity of action with principal's preferences.</i>	<i>Interaction concentrates on conformity of actions with laws and norms.</i>	<i>Ongoing, substantial dialogue with clients and other stakeholders about performance feedback.</i>
Assessment	<b>YES:</b> ISSAI 1, Section 17.2. "The SAI shall give due consideration to the points of view of the audited organizations on its findings."	<b>NO, because independent:</b> ISSAI 1, Section 8: "The independence of SAI as provided under the Constitution and law also guarantees a very high degree of initiative and autonomy, even when they act as an agent of Parliament and perform audits on its instructions."	<b>YES, but not exclusively:</b> ISSAI 1, Section 4: "1. The traditional task of SAIs is to audit the legality and regularity of financial management and of accounting. 2. In addition to this type of audit, ...there is another equally important type of audit - performance audit - ..."	<b>YES, but with reservations:</b> ISSAI 200, 2.15. "The SAI should be ready to advise the executive ... The SAI must ensure that in giving such advice it avoids any explicit or implied commitment that would impair the independent exercise of its audit mandate."



<i>Consequences</i>	<i>Both parties to the relationship should know that the forum or some third party is able to not only pass judgment but also to present the actor with salient consequences.</i>	<i>Ability of democratic chain of delegation to modify the actor's policies and/or incentive structures.</i>	<i>Forum should be able to exercise credible 'deterrence' vis à vis the actor.</i>	<i>Sufficiently strong outside stakeholders to make accountors anticipate, yet sufficiently 'safe' culture of sanctioning to minimize defensive routines.</i>
Assessment	<b>YES:</b> ISSAI 10, Principle 7: "The existence of effective follow-up mechanisms on SAI recommendations"	<b>PARTLY:</b> ISSAI 1, Section 16.1. "The SAI shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published. This will ensure extensive distribution and discussion, and enhance opportunities for enforcing the findings of the SAI."	<b>YES:</b> ISSAI 1, Section 11.2. "To the extent the findings of the SAI's findings are not delivered as legally valid and enforceable judgments, the SAI shall be empowered to approach the authority which is responsible for taking the necessary measures and require the accountable party to accept responsibility."	<b>PARTLY:</b> ISSAI 400, 21.: "...performance audit is wide-ranging in nature and is more open to judgment and interpretation; ... As a consequence performance audit reports are varied and contain more discussion and reasoned argument."
<i>Cumulative effect</i>	<i>The actor is obliged to justify or explain conduct.</i>	<i>Actor acceptance of principal's right to control its policies and performance.</i>	<i>Actor awareness that powerful watchdog(s) observe its integrity and check its powers.</i>	<i>Actor commitment to continuous improvement by dialogue-induced focus on outcome achievement.</i>
Assessment	<b>YES:</b> ISSAI 1, Section1: "Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to ... make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent--or at least render more difficult--such breaches."	<b>YES, IN PRINCIPLE:</b> ISSAI 1, Preamble: "whereas ...the communication of information to public authorities and the general public through the publication of objective reports, are necessary for the stability and the development of states in keeping with the goals of the United Nations;"	<b>YES:</b> ISSAI 1, Preamble: "...it is indispensable that each country have a Supreme Audit Institution whose independence is guaranteed by law;"	<b>PARTLY:</b> ISSAI 200: "2.15. A degree of co-operation between the SAI and the executive is desirable in some areas. The SAI should be ready to advise the executive in such matters as accounting standards and policies and the form of financial statements."

The understanding of SAIs as guarantors of constitutional accountability is also reflected in the United Nations General Assembly Resolution A/RES/66/209<sup>80</sup> on “*Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions*”, adopted in December 2011. This path-breaking resolution stresses that SAIs need to be “*independent and protected against outside influence in order to accomplish their tasks objectively and effectively*”. The General Assembly resolution, which was initiated under the leadership of INTOSAI reflects the increased self-confidence of SAIs today. The development of this self-confidence or empowerment of SAIs started with INTOSAI’s strategic plan of 2005, whereby INTOSAI decided to complement its focus of mutual exchange facilitation among SAIs with a strengthening of its external profile and communication. This increased self-confidence of SAIs is also reflected in the endorsement of the Mexico Declaration on SAI Independence in 2007<sup>81</sup>, in the Johannesburg Accords and the South African Declaration on the ISSAIs, both of which were adopted during the XX. INCOSAI in November 2010 in South Africa<sup>82</sup>. Equally, in the January 2012 issue of the INTOSAI Journal on Government Auditing<sup>83</sup> Terence Nombembe, Chairman of the INTOSAI Governing Board and Auditor General of South Africa, identified the main purpose of SAIs as being “*an independent voice of reason*”, again highlighting the main objective of SAIs to be a powerful watchdog of government as defined by the constitutional purpose of accountability.

This exercise shows that the tool by Bovens, Schillemans and ‘T Hart (2008) facilitated a systematic and nuanced assessment for defining the type of accountability arrangement that corresponds to SAIs. I now will point out some caveats and limitations of this exercise. Bovens, Schillemans and ‘T Hart acknowledge that the three perspectives of accountability assessed above do not completely assess all normative ideas of public accountability. The authors give two additional aspects of accountability, which have not been taken into account. The first analyzes accountability relationships for its effects upon the legitimacy of the political system at large and the second meaning of accountability which has been neglected is the process of account giving in order to provide public catharsis after natural disasters or political injustices.

Secondly, my analysis is not immune to the usual challenges of research. There may be errors of operationalization, wrong causal attribution and bias. Precisely because my interest is in proofing that SAIs are accountability arrangements, otherwise they could not serve as a case study for my overall research question, I might have been inclined to

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<sup>80</sup> <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N11/471/36/PDF/N1147136.pdf?OpenElement> (Last Accessed April 18, 2012)

<sup>81</sup> [http://www.issai.org/media\(626,1033\)/ISSAI\\_10\\_E.pdf](http://www.issai.org/media(626,1033)/ISSAI_10_E.pdf) (last accessed on 16 Sept.2011)

<sup>82</sup> <http://www.intosai.org/blueline/upload/jhbaccordsen.pdf> (last accessed on 16 Sept.2011)

<sup>83</sup> <http://www.intosaijournal.org/> (last accessed January 31, 2012)

oversee arguments falsifying my hypothesis. Santiso (2009:37) for instance argues that SAIs are “oversight agencies or agencies of restraint, and not accountability institutions.” He defines accountability as entailing “the power to sanction non-compliance with rules” and oversight as being “primarily concerned with controlling, informing and restraining”. According to his view, SAIs are primarily auxiliary institutions to legislatures, which are ultimately responsible for enforcing accountability and imposing political sanctions on the government. My analysis of the self-understanding of SAIs as laid out in the ISSAIs only partially agrees with his view. While SAIs in principle should support democratic accountability, they can also be considered as accountability arrangements in their own right. They should have the power to publish reports, thereby creating negative publicity for the government, a powerful sanction at its own right. And the ISSAIs specify that SAIs are not mere agents of parliament but independent institutions, with the power to approach parliament and demand that it follows up on its findings. Furthermore, those SAIs which also have judicial powers clearly qualify as accountability arrangements as they have direct sanctioning powers.

Bovens (2005, 2007a) also discusses the accountability purpose of audit offices (SAIs). He explains that due to the fact that in the last decade many audit offices have taken on new tasks, most importantly the conduct of performance auditing, which also requires new skills and new dilemmas, auditors find it difficult to combine both the traditional auditing role and the new role of management consultant. Originally these institutions and other agencies were considered to be a form of *diagonal accountability*, whereby they are meant to foster parliamentary control, but are not part of the direct chain of principal-agent relationships (Magnette et al. 2003:836, qtd. in Bovens, 2007a:196). These agencies were instituted to help the political principals control the great variety of administrative agents, but with time they have acquired a legitimacy of their own, they have become independent accountees in the sense of horizontal accountability (see Bovens, 2007a:197).

The third limitation of my analysis concerns its reliance on “a *monocentric, state-oriented mode of governance*” while recent research on European governance and public-private partnerships point out “the *increasingly pluricentric, multilevel, networked, hybrid and fluid nature of governance*” (Bovens, Schillemans and ‘T Hart, 2008:239). The same reservations qualify for governance in developing countries, where donor influence and informal networks in a situation of weak rule of law question the explanatory potential of the assessment tool.

### 3.4. Summary and Conclusions

To conclude, the objective of this chapter was to assess whether SAIs qualify as accountability arrangements and to define what accountability purpose (democratic, constitutional, learning) they pursue. I have come to the conclusion, that SAIs committed themselves in the ISSAIs to serving public accountability in all three senses, whereby their main rationale is to be a guarantor of constitutional accountability, in the sense of a “*powerful government watchdog*” (Bovens, 2006, 2007a, 2007b, 2008).

This tool can also be useful for the analysis of particular SAIs as part of a requirements analysis at the initiation stage of capacity building projects. Indeed, without having assessed how the head and staff of a SAI understand the purpose of the SAI, it will be impossible to develop a common understanding of the scope of a capacity building project. Different stakeholders have different perspectives and understandings. This not only concerns differences across SAIs but also the fact that different stakeholders have different perceptions of the very same SAI.

The constructivist approach in political science recognizes that reality is always selective and therefore unreal. For the individual person, and every person needs to develop an understanding of its own self, it is however real. Nevertheless, this reality is constructed and not real in the holistic sense. Hence, many different realities or comprehensions of the world exist, that can stay in tension to each other. (Filzmaier et al. 2006:98) From a constructivist approach, the purpose of a SAI can therefore also be seen as a social construct. In the face of reform initiatives, the various stakeholders do not only act according to their rational interests (realist school) but are also strongly influenced by psychological processes. The central question from a constructivist point of view according to Filzmaier (et al. 2006:98) is, how societies adopted and developed their identities and interests. Transferring this question to our case, the question is then, how different SAIs adopted and developed different conceptions of their accountability purpose. Here I have already anticipated some of the points which will be discussed further down this dissertation. I assume that SAIs do not only differ in their technical capacities and institutional designs, but that their roles are equally framed by the social construction of their accountability purpose (their vision, mission and organizational strategy).

Table 3.3 Overview of Research Results of Chapter Three

Part One (Chapters 3.1. and 3.2.)	
qual data collection	qual data analysis
<b>Procedures:</b> <ul style="list-style-type: none"> <li>Literature reviews</li> </ul>	<b>Procedures:</b> <ul style="list-style-type: none"> <li>Thematic development</li> <li>Theory analysis</li> </ul>
<b>Products:</b> <ul style="list-style-type: none"> <li>Literature summaries</li> </ul>	<b>Products:</b> <ul style="list-style-type: none"> <li>Thematic analysis of the role and function of SAIs</li> <li>Definition of the concept of public accountability and development of a method to assess the accountability purpose of SAIs</li> </ul>

Part Two (Chapters 3.3. and 3.4.)	
qual data collection	qual data analysis
<b>Procedures:</b> <ul style="list-style-type: none"> <li>Read ISSAIs</li> </ul>	<b>Procedures:</b> <ul style="list-style-type: none"> <li>Deductive qualitative content analysis of ISSAIs – code the ISSAIs by using the assessment tool (table 3.1.)</li> </ul>
<b>Products:</b> <ul style="list-style-type: none"> <li>Decision which ISSAIs to use</li> </ul>	<b>Products:</b> <ul style="list-style-type: none"> <li>Coded ISSAIs</li> <li>List of ISSAI quotes which fit into each (sub-)category</li> <li>Discussion of results</li> </ul>

## 4. Taking Stock – The Power of SAIs World-Wide

- 4.1. Measuring the Accountability Practice of SAIs
- 4.2. The Gap – a Literature Review
- 4.3. A Comparative Assessment of the Power of SAIs
- 4.4. Summary and Conclusions

*“[S]upreme audit institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence;”<sup>84</sup>*

### 4.1. Measuring the Accountability Practice of SAIs

So far I have developed the overall research question, namely: “How do institutions providing for public accountability develop, consolidate and endure?” I have also decided to conduct a case study of Supreme Audit Institutions. I have introduced the reader to SAIs and to the concept of public accountability. An assessment of the accountability purpose of SAIs has revealed that both the SAIs’ self understanding as agreed in the *International Standards for Supreme Audit Institutions* (ISSAIs) and the recent *United Nations General Assembly* resolution representing the agreements by the heads of states clearly recognize the important role of SAIs as serving constitutional accountability. While there is official consensus on the purpose of SAIs, the question now is whether this accountability understanding is also institutionalized in the form of standards implementation.

In a next step I therefore will compare the accountability practice of SAIs across countries. In order to compare SAIs I first need to decide the criteria by which I will compare them. My specific objective is to analyze to what extent the practice of SAIs reflects their commitment to guarantee accountability as laid out in the ISSAIs. I expect that there will be quite some difference between the formal commitment to guaranteeing constitutional accountability by SAIs as laid out in the ISSAIs and the practice of auditing.

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<sup>84</sup> 66th United Nations General Assembly, Security Council Resolution A/66/209 on “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions”; December 22, 2011; <http://www.un.org/en/ga/66/resolutions.shtml> (Last Accessed on January 23, 2012)

In order to measure the accountability practice of SAIs, I am interested in not only looking at *de jure* provisions but at the *de facto* application of these provisions. In many countries there is a huge gap between laws and regulations and their actual application – *de jure* often does not reflect *de facto* practices. SAIs but also other accountability arrangements (anti-corruption bodies, the judiciary, ombudsmen, electoral commissions etc.) often fail to investigate abuses of power in the public or private bodies over which they exercise jurisdiction for reasons of weak rule of law leading to both elite capture and political bias.<sup>85</sup> The budget process is particularly prone to capture and rent seeking,<sup>86</sup> which makes public finance control extremely difficult and explains why there is often a gap between the formal and the actual power of SAIs. SAIs thus face a difficult challenge. They need to assert themselves against powerful groups within the state, which try to keep privileges and the status quo unchanged. In order to measure the accountability practice of SAIs I therefore not only need to compare the national situation with the provisions in the ISSAIs but to also take the gap between the *de jure* and the *de facto* situation into account.

*De facto* applies if specific rules of the game do not only exist by law but are also practiced, i.e. when they are actually institutionalized. Andrews, McConnell and Wecott (2010:52) develop a simple model explaining the five stages in a change process. The five stages are pre-conceptualization, conceptualization, initiation, transition and institutionalization. Based partly on Isabella (1990), Schein (1996) and Armenakis and Bedeian (1999) they define institutionalization as the final stage in the process of change, where the change becomes

*“the de facto reality, through reinforcement of the new ideas, processes, etc. (in formalized authorizing mechanism, organizational narratives and ability profiles, for example), measurement of results (particularly against the needs identified as a reason for change), and refinement of the change.”*

I call the *de facto* strength of SAIs their power. Basically, I consider the power of SAIs as their capacity to conduct audits without systematic political bias or capture. The concept of power is one of the main contested termini in political science, as it is not only subject of controversial debates but it is also developed from descriptive-analytically different perspectives. There exist a wide range of theoretical approaches debating the concept of power (for an overview see Nohlen and Schultze, 2005:522-530).

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<sup>85</sup> See Goetz and Jenkins (2005) for a detailed discussion of the meanings of *capture* and *bias*.

<sup>86</sup> Economists often define rents as excess returns above normal levels in competitive markets. More specifically, rent is “a return in excess of the resource owner’s opportunity cost.” (Tollison, 1982)

I use power in the sense of “*the action oriented concept*” whereby power is conceived as a “*practical-technical opportunity of having an impact supported by instruments*”.<sup>87</sup> According to this concept, power can be understood as the “*current resources to obtain some future apparent Good*”<sup>88</sup> and as “*each chance, within such a social relation to impose your own will, also against resistance, regardless of what this chance relies on*”<sup>89</sup>. It is particularly this second part of this definition derived from Weber (1921, qtd. in Nohlen and Schultze, 2005:522) which is most relevant to me.

The means which enable social stakeholders to realize their objectives can be understood as power resources. They include legitimacy, expertise, information, authority and the possibility to reward and sanction<sup>90</sup> and thus resemble the definition of an accountability arrangement (see chapter 3.2, particularly figure 3.1). These power resources and the criteria as defined in chapter three can serve to construct indices comparing the “power of SAIs” across countries. Thus, the power of SAIs can, as generally conceived, be measured by their output (such as the delivery of end of year reports on time) or by their capacity (such as their number of staff, infrastructure, audit methodologies applied), but most importantly it should be measured by their power resources, i.e. whether public organs are obliged to justify and explain their conduct to the SAI.<sup>91</sup>

I started developing a framework with detailed survey questions for assessing and ultimately ranking the power resources and accountability practice of SAIs. However, before going on to develop a ranking of SAIs and comparing their power across countries,

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<sup>87</sup> Author’s translation from German into English: “... der handlungstheoretische Begriff von Macht als instrumentell verstärkte praktisch-technische Wirkungsmöglichkeit.“ (Nohlen and Schultze, 2005:522)

<sup>88</sup> Author’s translation from German into English: „gegenwärtigen Mitteln zur Erlangung eines zukünftigen anscheinenden Guts.“ (Hobbes: Leviathan, chapter 10 qtd. in Nohlen and Schultze, 2005:522)

<sup>89</sup> Author’s translation from German into English: „jede Chance, innerhalb einer sozialen Beziehung den eigenen Willen auch gegen Widerstreben durchzusetzen, gleichviel worauf diese Chance beruht“ (Weber 1980:28, first published 1921/22 qtd. In Nohlen and Schultze, 2005:522)

<sup>90</sup> While traditional models of power relationships have concentrated on the analysis of a hierarchical power relationship, new dependency and network models (including coalition and negotiation models) acknowledge the complex process of power transformation and circulation, which seems more adequate for the analysis of modern systems. (Nohlen and Schultze, 2005:523)

<sup>91</sup> The most important aspects of the power resources of a SAI (i.e. information provision and consequences, see figure 3.1) have been defined by the INCOSAI in the INTOSAI Mexico Declaration for SAI independence (ISSAI 10, endorsed in 2008). The eight crucial principles for de facto independence and power of a SAI are: „1. *The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework* 2. *The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties.* 3. *A sufficiently broad mandate and full discretion, in the discharge of SAI functions.* 4. *Unrestricted access to information.* 5. *The right and obligation to report on their work.* 6. *The freedom to decide the content and timing of audit reports and to publish and disseminate them.* 7. *The existence of effective follow-up mechanisms on SAI recommendations.* 8. *Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources.*“ [http://www.issai.org/media\(626,1033\)/ISSAI\\_10\\_E.pdf](http://www.issai.org/media(626,1033)/ISSAI_10_E.pdf) (Last Accessed on November 01, 2012)



I will first of all conduct a literature review. What data do other studies use and what do they conclude? To what extent have SAIs implemented the ISSAIs and to what extent have they realized their roles as accountability arrangements? Which countries have succeeded in implementing the ISSAIs quite well and which countries have the largest gap between the ISSAIs and national implementation?

## 4.2. The Gap – a Literature Review

Recent studies and data reveal major weaknesses in government auditing in many countries. The 2010 Open Budget Survey (IBP, 2010:6) suggests that overall SAIs are rather weak. Among the 94 countries assessed in the 2010 Survey, the average score for the strength of SAIs was just 49 of 100. Only 24 of the 94 countries surveyed have strong SAIs while 32 countries have weak SAIs. Some of the challenges of SAIs as presented in the Open Budget Survey 2010 are<sup>92</sup>:

- A lack of independence from the Executive:  
In 24 countries the executive decides the SAI head. In 35 countries the executive also decides the budget of the SAI, of which 19 SAIs consider the funding not to be sufficient. In 11 countries the SAI has limited freedom to decide what it will audit.
- A lack of follow-up by the legislature:  
In 21 countries there is no follow-up at all and in 19 countries there is only minimal follow-up on the audit findings by the legislature.
- This leads to the fact that audit reports risk having no consequences:  
In 78 countries the executive does not reveal steps taken to the public and in 72 countries neither the SAI nor the legislature reports steps taken.
- In 34 countries the public is not informed about the annual accounts of its government as the final audited accounts are not completed within 24 months after the end of the fiscal year or they are not released to the public.
- Furthermore, in 45 countries the public cannot give input to the SAI's work as the SAI does not maintain formal mechanisms of communication with the public.

Other studies and data also reveal major weaknesses in government auditing in many countries. For example, de Renzio (2009) analyzing PEFA<sup>93</sup> data shows that while most

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<sup>92</sup> Covering 94 countries and using data as of September 15, 2009; <http://www.internationalbudget.org> (Last Accessed on June 13, 2012). For a detailed discussion of the survey and the ranking see chapter 4.2.

<sup>93</sup> Public Expenditure and Financial Accountability (PEFA) Program was started in 2001 as a multi-donor partnership with the goals goal “to strengthen recipient and donor ability to (i) assess the condition of country public expenditure, procurement and financial accountability systems, and (ii) develop a practical sequence of reform and capacity-building actions.” One important tool

countries fare quite well in regard to the initial stages of the budget process, their performance is rather weak when it comes to the final stages of the budget process including external scrutiny and audit. Similarly, Andrews (2010) differentiates in his study of public finance management (PFM) reforms in Africa between various performance leagues. Thus, some countries are making more progress than others. Still, there are some findings which are typical for nearly all African countries, one of which is that budget preparation processes are comparatively stronger than budget execution and oversight processes.<sup>94</sup>

The INTOSAI Development Initiative's Stocktaking Report (IDI, 2010) also shows substantial variations among SAIs in the different INTOSAI Regions and across World Development Indicator (WDI) classifications as well as some astonishing results<sup>95</sup>:

- While *financial audit* coverage is high among SAIs in AFROSAI-E and ARABOSAI, the corresponding figures for SAIs in CAROSAI and CREFIAF are much lower.
- ... *Compliance audit* coverage appears to be slightly lower than for financial auditing, with the exception of SAIs in the OLACEFS Region.
- While 91 percent of the respondents have the mandate to carry out *performance auditing*, the data suggests that many SAIs are of the view that they do not adequately meet demands, expectations and their own plans in terms of performance auditing.
- ... 75 percent of the respondents, or 130 SAIs, indicated that their annual reports were issued to the legislature or other designated recipients in a timely fashion. *Timeliness* appears particularly high among SAIs in ASOSAI and EUROSAI where no SAIs have reported delays. (IDI, 2010:6-7)

This Stocktaking Report also cautiously questions the current methods of capacity building as not showing clear results. While the success of capacity building of SAIs according to the PEFA indicators seems to vary strongly across countries<sup>96</sup>, the SAIs themselves report largely positive results. This positive effect is confirmed by case studies on the comprehensive follow up by peers on SAI capacity building, which also suggests that SAI support to other SAIs can have a crucial impact. (World Bank, 2010)

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of the PEFA program is the development of PEFA assessment reports of country performances. For more information visit [www.pefa.org](http://www.pefa.org) (Last Accessed March 06, 2011)

<sup>94</sup> Andrews, 2010:1

<sup>95</sup> The Stocktaking Report was distributed to 204 SAIs globally and eight INTOSAI regions and subregions. This includes, in addition to the INTOSAI members, those SAIs that are members of an INTOSAI Region but not INTOSAI, as well as SAIs that are not members of INTOSAI or any of the INTOSAI Regions. It achieved an overall response rate of above 90 percent.

<sup>96</sup> “The overall analysis of PEFA Indicator 26 for the 14 LI and LMI countries that have been assessed twice or more in 2005-2010 shows improvements for five SAIs. The results are however varied, and for six countries the results have remained identical, while three countries have had their scores reduced. “Taking into consideration that the SAIs in all these countries have been recipients of capacity development support during this period, this raises questions about the impact and sustainability of the support. ... These results are also in contrast to the perceived success of capacity development support as reported by both providers and recipient SAIs in the stocktaking, where around 92 percent of projects are categorized as successful.” (IDI, 2010:7-8)

There is thus a discrepancy between positive and negative findings on the success of SAI reforms, the reason for which might be due to the limited sample for the PEFA data used as well as the time aspect of reform. IDI (2010:8) suggests that support needs to be long-term and predictable. Thus it may take more than ten years according to the authors to see any real impact of capacity development interventions. Apart from the time factor, other authors criticize the largely technical approach taken in reforming budget institutions in poor countries.<sup>97</sup> Positive experiences with reforms would then result from political economy approaches, which emphasize a systemic approach to reform. If the SAI is not independent, then the priority of reform might not be improving the internal governance of the SAI but rather strengthening the demand for accountability. Andrews (2010:ii) concludes in his review of PFM reforms in Africa that there needs to be a shift in focus from technicalities to creating reform ‘space’, that reform needs to expand engagements across a larger set of stakeholders and that a stronger emphasis needs to be placed on analyzing the particular political economy of reform, on the basis of which context-appropriate reforms can be developed.

In sum, only recently scholars have started comparing SAIs and their success of reforms across countries and time. This brief literature review has already shown that the political economy of reform is crucial to SAI reform success.

*“Ultimately the success of efforts to build the capacity of the audit body will depend on whether the parliament is prepared to utilize the auditor’s report.”*  
(World Bank, 2010: 33)

Appearances might thus be deceiving. SAIs might be in place in nearly all countries, and some are even granted with large constitutional powers. However, this power might only be in place *de jure*, while *de facto* they might fail to realize their aspired role as accountability arrangements.

To conclude, this brief look at existing studies suggests that there is a variation across SAIs but that very few SAIs qualify to date as powerful accountability arrangements. Next, I will further examine this statement which resulted from a literature review of SAIs by looking more closely at survey data of SAI performance. Chapter 4.3 will now review and compare existing data on SAIs and based on these findings develop, construct and compare indices measuring the power of SAIs.

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<sup>97</sup> such as Allen (2008, 2009); Santiso (2006, 2009); Pretorius & Pretorius (2008); Shah (2007); Stapenhurst et al (2008)

### 4.3. A Comparative Assessment of the Power of SAIs

There exists a wide range of data on public finance transparency and accountability (such as the World Bank IDA's Country Profile and Institutional Analysis (CPIA)<sup>98</sup>, Transparency International's Corruption Perception Index, Kaufmann Governance Data etc.), but data specifically on SAIs has only recently been developed by a number of organizations. The problematic of measuring SAI indicators is very similar to the general problems which have been identified for measuring "the rule of law" and other governance indicators. Haggard and Tiede (2011:676) on the example of rule of law data explain that we can differentiate between two basic groups of indicators: subjective and objective ones. The subjective indicators include aggregate indices and are based on evaluations of experts, investors, or citizens. The purportedly objective indicators include discrete features of political institutions that are however subject to measurement error and proxies designed to capture features of the institutional and legal environment. The authors further elaborate that the difference between subjective and objective indicators has been an ongoing point of controversy. While some scholars (Glaeser et al, 2004; Kurtz and Schrank, 2007; qtd. in Haggard and Tiede, 2011:676) argue against subjective measures because of the risk of bias, others have demonstrated that subjective measures may capture interesting gaps between *de jure* and *de facto* institutions (Woodruff, 2006; Feld and Voigt, 2003; Rios-Figueroa and Staton, 2008; qtd. in Haggard and Tiede, 2011:676).

The power of Supreme Audit Institutions has mainly been measured through subjective indicators, there are only a few institutional features (one such example is the question for the legal basis of the SAI, thus whether external auditing is enshrined in the constitution, legal framework or based on internal rules of the government) which have been measured and could by themselves serve as indicators for SAI power.

Originally I planned to construct my own ranking of SAIs based on the theoretical insights above and using data from various surveys. However, I had to accept that the data availability for individual indicators was very diffuse across surveys. Even for questions which were asked in similar fashions by several surveys, there was wide inconsistency across countries, probably due to slightly different ways of asking the question and dif-

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<sup>98</sup> The World Bank's IDA Resource Allocation Index (IRAI) is based on the results of the annual CPIA exercise that covers the IDA eligible countries. The CPIA rates countries against a set of 16 criteria grouped in four clusters. Particularly criteria 16 on "Transparency, Accountability, and Corruption in the Public Sector" includes judgments on the effectiveness of external audit institutions. For each of the 16 criteria, countries are rated on a scale of 1 (low) to 6 (high). The ratings depend on *de facto* implementation of legislation rather than on the legislative provisions *per se*. The CPIA is an annual exercise and reflect the judgments of the World Bank staff. <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21359477~menuPK:2626968~pagePK:51236175~piPK:437394~theSitePK:73154,00.html> (Last Accessed October 31, 2011)

ferent respondents. Furthermore, some countries were covered by only one survey for one year while others were analyzed by up to four surveys with strongly differing results per survey. For these reasons I decided to abandon the idea of a comprehensive index of the power of SAIs and to instead test my hypotheses on separate indices which are based on the following surveys:

- (1) The Open Budget Surveys
- (2) The Global Integrity Reports
- (3) The Public Expenditure and Financial Accountability (PEFA) Assessments
- (4) The OECD International Database on Budget Practices and Procedures
- (5) The INTOSAI Development Initiative Stocktaking Report (IDI, 2010)
- (6) Others

I will now discuss each of these surveys in turn, the methods used, the questions covered and the rankings which have been developed on the basis of these data sources. I will test my hypotheses on seven separate indices measuring the de facto power of SAIs. In order to increase the country coverage three of the rankings combine data for several years.

### *The Open Budget Surveys*

The research and publication of the biannual *Open Budget Surveys (OBS)* are an important activity of the *International Budget Partnership (IBP)*. The International Budget Partnership (IBP) was formed in 1997 within the Washington based *Center on Budget and Policy Priorities* to “collaborate with civil society to undertake budget analysis and advocacy in order to improve governance and reduce poverty.”<sup>99</sup> The Open Budget Survey is based on a questionnaire containing 123 questions, which are filled out by an individual or a group of civil society researchers or academic institutions in each surveyed country. The 2010 OBS covers a sample of 94 countries that vary across country income levels and geographic location. The 2008 OBS covered 85 countries and the first round in 2006 covered 59 countries. The results for each country were analyzed by IBP staff, sent to peer reviewers and the respective governments for comments before the final scores were decided. Each survey is based on data up to September 15<sup>th</sup> of the previous year, thus the OBS 2010 is based on data, which was available on September 15<sup>th</sup>, 2009. The scores range along an ordinal scale of 0 to 100 with possible scores at 0, 33, 67 and 100. The higher the scores assigned, the better is the country’s performance. (IBP,2010:1)

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<sup>99</sup> <http://internationalbudget.org/who-we-are/history/> (Last Accessed on October 29, 2012)

The OBS 2010 and 2008 contain 14 questions that concern external auditing legislation and practices (the OBS 2006 contained 12 such questions). The IBP-team measured the averages of the responses to 10 out of the 14 questions<sup>100</sup> on SAIs to calculate a “strength” score for Supreme Audit Institutions. IBP acknowledges that the dataset of questions on SAIs is not as comprehensive as is the data on issues of public access to information (which is the main objective of the survey) and thus the measures of SAI’s institutional strength are meant as indicative data only. (IBP, 2010:3) A more detailed analysis of the power of SAIs could assess a large number of power resources, as for instance identified in the *Institutional Capacity Building Framework* (ICBF), which was developed by AFROSAI-E.<sup>101</sup>

Overall, the ten questions contained in the Open Budget Survey largely correspond to my definition of power resources that are necessary for SAIs to fulfil their role as accountability arrangements (figure 3.1, Bovens, 2007). Several survey questions (particularly Q.116 but also Q.114, Q.117, Q.118 and Q.119) assess the power resources to *obtain information* and the actual practice of *information provision*. There are no questions contained in the Open Budget Survey which assess whether there is *an opportunity for debate* between the forum and the actor. On the other hand, the more important aspect of the practice of audit *consequences* is well assessed by this survey (Q. 120, Q.121, Q.122, Q.123 but also Q.111).

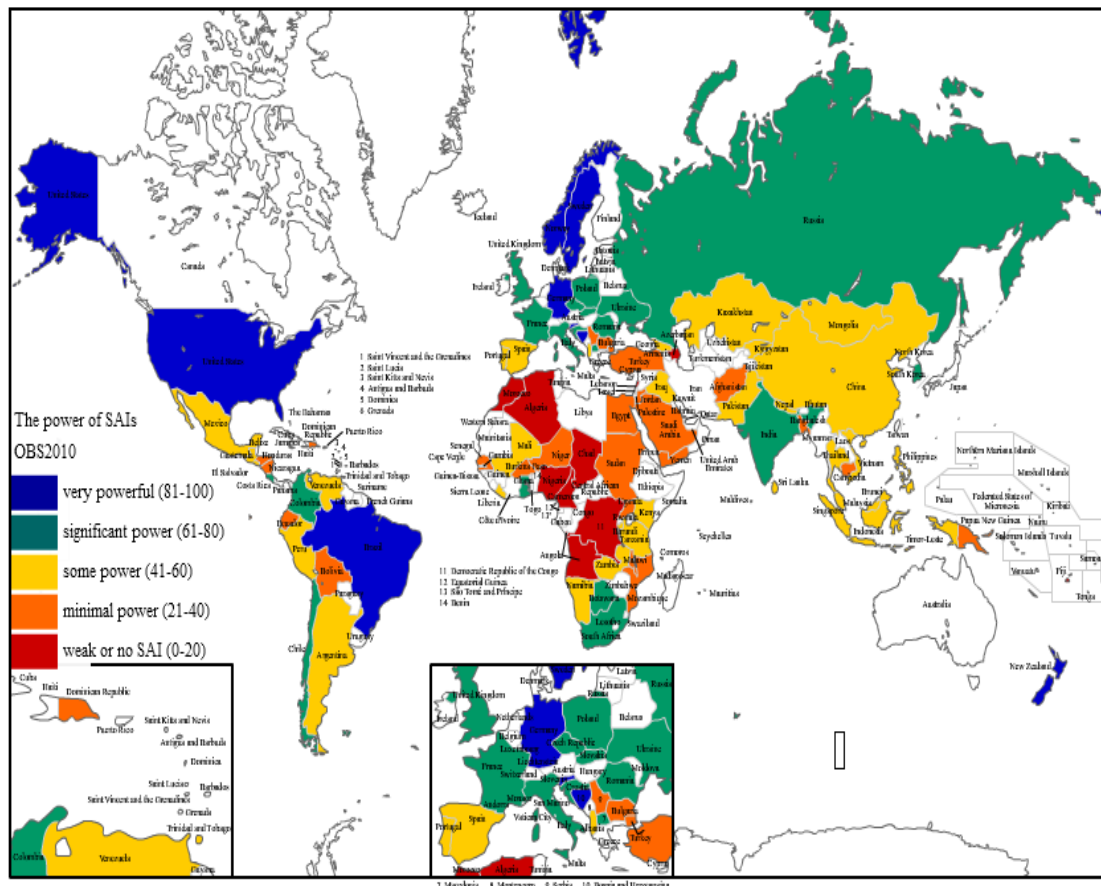
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<sup>100</sup> The OBS measure for SAI strength (2010, 2008) is based on the following 10 questions (IBP, 2010:3). The OBS measure for SAI strength (2006) was based on only 8 questions (questions 118 and 119 below were missing). Q.111: How long after the end of the fiscal year are the final annual expenditures of national departments audited and (except for secret programs) released to the public? Q.114: Must a branch of government other than the executive (such as the legislature or the judiciary) give final consent before the head of the Supreme Audit Institution (SAI) can be removed from office? Q.116: Beyond the established year-end attestation audits, does the Supreme Audit Institution (SAI) have the discretion in law to undertake those audits it may wish to? Q.117: Who determines the budget of the Supreme Audit Institution? Q.118: Does the Supreme Audit Institution employ designated staff for undertaking audits of the central government agencies pertaining to the security sector (military, police, intelligence services)? Q.119: Does the Supreme Audit Institution maintain formal mechanisms of communication with the public to receive complaints and suggestions to assist it in determining its audit program (that is, to identify the agencies, programs, or projects it will audit)? Q.120: Does a committee of the legislature view and scrutinize the audit reports? Q.121: Does the executive make available to the public a report on what steps it has taken to address audit recommendations or findings that indicate a need for remedial action? Q.122: Does either the Supreme Audit Institution or the legislature release to the public a report that tracks actions taken by the executive to address audit recommendations? Q.123: Are audit reports of the annual accounts of the security sector (military, police, intelligence services) and other secret programs provided to the legislature (or relevant committee)? The following questions also concern external auditing but are not included in the OBS SAI ranking: 102, 112, 113, 115. For the full questionnaires with all potential answers see <http://internationalbudget.org/what-we-do/open-budget-survey/research-resources/guides-questionnaires/> (Last Accessed on October 21, 2011).

<sup>101</sup> <http://afrosai-e.org.za/institutional-capacity-building-framework> (Last Accessed on November 05, 2012)

Graph 4.1 shows the power of SAIs according to the OBS2010 in the form of a world map.<sup>102</sup> Countries colored in blue have very powerful SAIs (81-100 points), green countries have SAIs with significant power (61-80), yellow countries have some power (41-60), orange countries have SAIs with minimal power (21-40) and red countries have very weak SAIs (0-20).

Figure 4.1 The Power of SAIs According to the OBS2010 (Open Budget Survey, year of data collection 2009, 94 countries, 14 questions)



This figure shows that there is a great variation in the power of SAIs within all regions, but also that there are very few powerful SAIs, as blue countries are rare. The weakest SAIs seem to be in francophone Africa and in Arab States. On the other hand, the SAIs in Southern Africa do have some power. Russia, which is not known for effective democratic institutions, has a SAI with significant power according to this survey.

### *The Global Integrity Reports*

*Global Integrity* is a non-profit organization, founded in 2001 at the *Center for Public Integrity*, a US non-for profit investigative news organization. Today *Global Integrity*

<sup>102</sup> This type of presentation including the choice of colors and categories has been adopted from the Open Budget Survey.

works with a network of more than 1,200 in-country experts in more than 100 countries. The Global Integrity Report understands itself as “*a tool for understanding governance and anti-corruption mechanisms at the national level.*”<sup>103</sup> It is written by local researchers and journalists, and consists of both a qualitative “reporter's notebook” and a quantitative “integrity indicators scorecard” assessing the “*existence, effectiveness, and citizen access to key governance and anti-corruption mechanisms through more than 300 actionable indicators*”. Scorecards take into account both existing legal measures and de facto realities. They are scored by a lead in-country researcher and blindly reviewed by a panel of peer reviewers, a mix of other in-country experts as well as outside experts. The Global Integrity Report has been annually published since 2004, covering different countries each year. The last Report 2010 assesses data up to June 2010 for 31<sup>104</sup> countries or territories. The scores range along an ordinal scale from 0 to 100, with possible scores of 0,25,50,75 and 100; whereas the score of 100 indicates the best performance.<sup>105</sup> The Global Integrity Report includes 25 sub-questions<sup>106</sup> on Supreme Audit Institutions. The Global Integrity Report also calculates a score on the strength of Supreme Audit Institutions, which is based on the mean of three sub-indices (questions 58, 59, 60). However, question 58<sup>107</sup> only asks whether a SAI exists in the country. This question is always answered with “yes” and scored with 100 points. It thus strongly influences the SAI score, with the effect that the SAI index of the Global Integrity Report is constantly higher than the Open Budget Survey's SAI index. I have adapted the

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<sup>103</sup> <http://report.globalintegrity.org/methodology.cfm> (Last Accessed on October 29, 2012)

<sup>104</sup> Global Integrity reports to have assessed 36 countries or territories for the Global Integrity Report 2010, however the scorecard and downloadable data only includes data for 31 countries or territories. Thus, although the methodology white paper indicates that there should be data for an additional 5 countries, they are actually missing in the data file and in the online country overview. Data for the following countries was found missing: Ecuador, Japan, Kyrgyz Republic, Thailand, Timor-Leste. <http://www.globalintegrity.org/report>; <http://www.globalintegrity.org/report/methodology/white-paper> (Last Accessed on October 24, 2011)

<sup>105</sup> <http://www.globalintegrity.org/report/methodology/white-paper> (Last Accessed on October 24, 2011)

<sup>106</sup> Q.58 In law, is there a national supreme audit institution, auditor general or equivalent agency covering the entire public sector? Qu58a: In law, is there a national supreme audit institution, auditor general or equivalent agency covering the entire public sector? Q.59: Is the supreme audit institution effective? 59a: In law, the supreme audit institution is protected from political interference. 59b: In practice, the head of the audit agency is protected from removal without relevant justification. 59c: In practice, the audit agency has a professional, full-time staff. 59d: In practice, audit agency appointments support the independence of the agency. 59e: In practice, the audit agency receives regular funding. 59f: In practice, the audit agency makes regular public reports. 59g: In practice, the government acts on the findings of the audit agency. 59h: In practice, the audit agency is able to initiate its own investigations. Q.60: Can citizens access reports of the supreme audit institution? 60a: In law, citizens can access reports of the audit agency. 60b: In practice, citizens can access audit reports within a reasonable time period. 60c: In practice, citizens can access the audit reports at a reasonable cost. The following questions also concern external auditing but are not used to calculate the SAI index: 20e, 20f, 21d, 21e, 22f, 29d, 29h, 33d, 33g, 38c, 38g, 46e, 46i. See <http://www.globalintegrity.org/information/downloads> (Last Accessed on October 24, 2011)

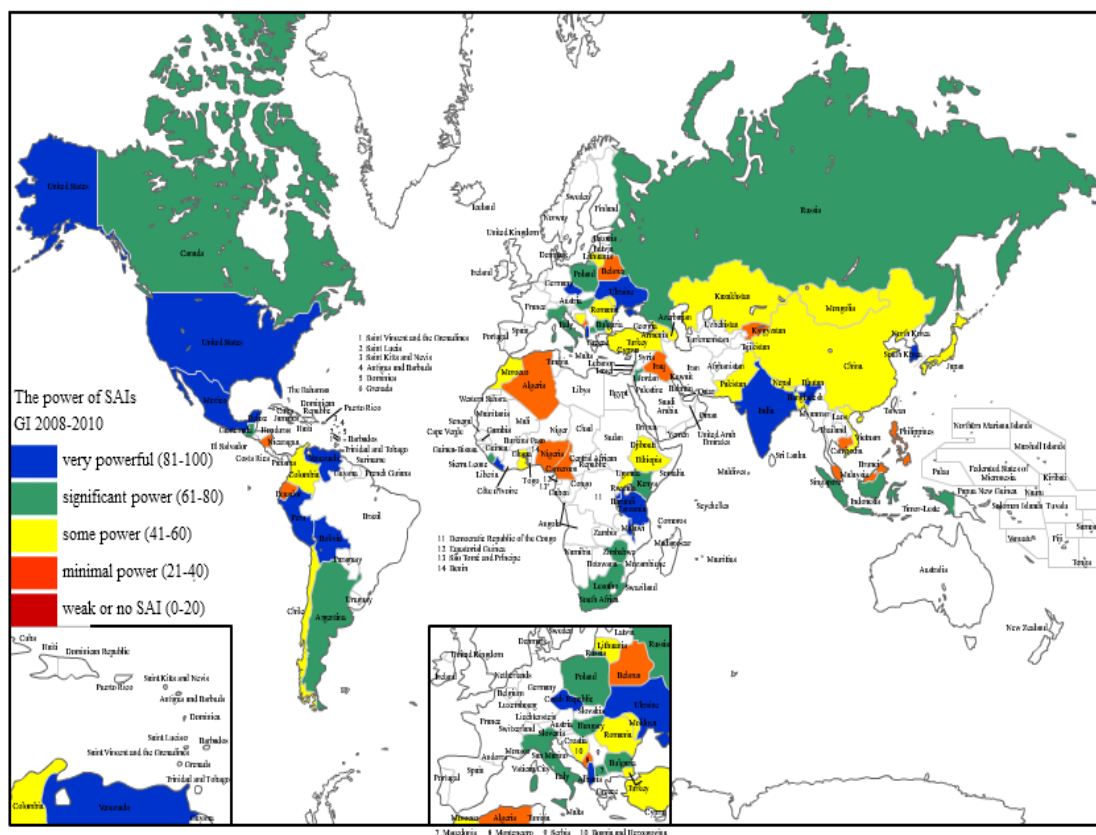
<sup>107</sup> Question 58 concerns the Global Integrity Report 2010, for the other years, the same problem exists, but the question numbers have changed, while not the wording of the questions.



GI index by calculating a new GI-SAI index, which is only based on the mean of the high-level questions 59 and 60.

Another problem of the Global Integrity Report is the limited number of countries covered per year. Therefore I have calculated a new index which covers the years 2008, 2009 and 2010 (thus the period June 2007 to June 2010) and a total of 70 countries. As some countries have been evaluated twice during this period, I had to take a decision how I would deal with this problem, to use the last data available or to calculate the average of the available data per country during this period. I opted for the second option and calculated country means for the period under consideration.

Figure 4.2 The Power of SAIs According to the GI08-10 (Global Integrity, years 2008-2010, 70 countries, 11 questions)



What is particularly interesting in figure 4.2., depicting the power of SAIs according to the Global Integrity Report, is the fact that there are hardly any weak SAIs. Furthermore, surprisingly Canada is not rated as being a very powerful SAI, while India and some Latin American SAIs are. Again, Southern and Eastern Africa seem quite strong compared to what their level of economic and democratic development would suggest.

*The Public Expenditure and Financial Accountability (PEFA) Assessment Reports*

The PEFA Program is a multi-donor partnership founded in 2001. It is governed by a steering committee and a secretariat, which is located in the World Bank headquarter offices in Washington, DC. The PEFA Program developed the PFM Performance Measurement Framework (known as the PEFA Framework)

*“to assess and develop essential PFM systems, by providing a common pool of information for measurement and monitoring of PFM performance progress, and a common platform for dialogue.”*<sup>108</sup>

The final version of the PEFA Framework was approved for publication by the PEFA Steering Committee in June 2005 and is currently being revised. It can be downloaded in 13 languages online.<sup>109</sup>

The PEFA Assessment Reports can be initiated by a variety of stakeholders, and are usually filled out under the leadership of donors or governments. The lead agency establishes an oversight team (OT) for that purpose.

*“The members of the OT would be drawn from the leading government entity in the assessment (typically the Ministry of Finance), other government agencies involved and non-government stakeholders, such as the Auditor General’s Office, Parliament, and development partners.”* (PEFA, 2009:4)

The PEFA Assessment Report incorporates a PFM performance report and scores for 28 high-level indicators (and three additional indicators assessing donor practices, which are clearly only relevant for assessments of aid-dependent countries). It measures performance of PFM systems, processes and institutions. The PEFA Assessment is considered as one of the elements of a *strengthened approach*<sup>110</sup> to supporting PFM reforms. (PEFA, 2011:1-9)

By October 2010, 206 PEFA assessments had been finalized or substantially completed for 129 countries or overseas territories.<sup>111</sup> However, not all reports are publicly available. In both 2009 and 2010, well over 60% of reports were not published, compared to

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<sup>108</sup>

<http://web.worldbank.org/WBSITE/EXTERNAL/PEFA/0,,contentMDK:22677693~menuPK:7313158~pagePK:7313176~piPK:7327442~theSitePK:7327438,00.html> (Last Accessed on October 29, 2011)

<sup>109</sup> The PFM Performance Measurement Framework can be downloaded here: <http://web.worldbank.org/WBSITE/EXTERNAL/PEFA/0,,contentMDK:22677693~menuPK:7313158~pagePK:7313176~piPK:7327442~theSitePK:7327438,00.html> (Last Accessed on October 29, 2011)

<sup>110</sup> *“The Strengthened Approach has three components (i) a country led PFM reform strategy and action plan, (ii) a coordinated IFI-donor integrated, multi-year program of PFM work that supports and is aligned with the government’s PFM reform strategy and, (iii) a shared information pool. The Performance Measurement Framework is a tool for achieving the third objective.”* (PEFA, 2005:1)

<sup>111</sup>See Lawson and Folscher (2011:23-24)

approximately 40% in each of the previous three years. (Lawson and Folscher, 2011:33) By October 29, 2011 a total of 98 PEFA assessment reports which assessed the national level were available online (own research<sup>112</sup>).

Performance indicator (PI) 26 in the PEFA Framework analyses “*the scope, nature and follow-up of external audit in a country*”.<sup>113</sup> More specifically, it assesses the following dimensions of external auditing:

“(i) *Scope/nature of audit performed (incl. adherence to auditing standards), (ii) Timeliness of submission of audit reports to legislature, (iii) Evidence of follow up on audit recommendations.*”<sup>114</sup>.

I used indicator PI-26 to calculate a ranking of the strength of SAIs which can be compared across countries and years. I first had to convert the PEFA letter scores to a numeric system along an ordinal scale with higher scores denoting better performance (from A=100 to D=0).<sup>115</sup> I then calculated a simple average of the replies to PI-26 (i),

<sup>112</sup> PEFA assessment reports can be downloaded here:

<http://web.worldbank.org/WBSITE/EXTERNAL/PEFA/0,,contentMDK:22687152~menuPK:7313203~pagePK:7313176~piPK:7327442~theSitePK:7327438,00.html> (Last Accessed on October 29, 2011)

<sup>113</sup> In addition to PI-26, a number of other indicators also ask about the practice of external auditing. Particularly PI-10 on public access to key financial information, PI-25 on Quality and timeliness of annual financial statements, and PI-28 on Legislative scrutiny of external audit reports. (PEFA, 2005)

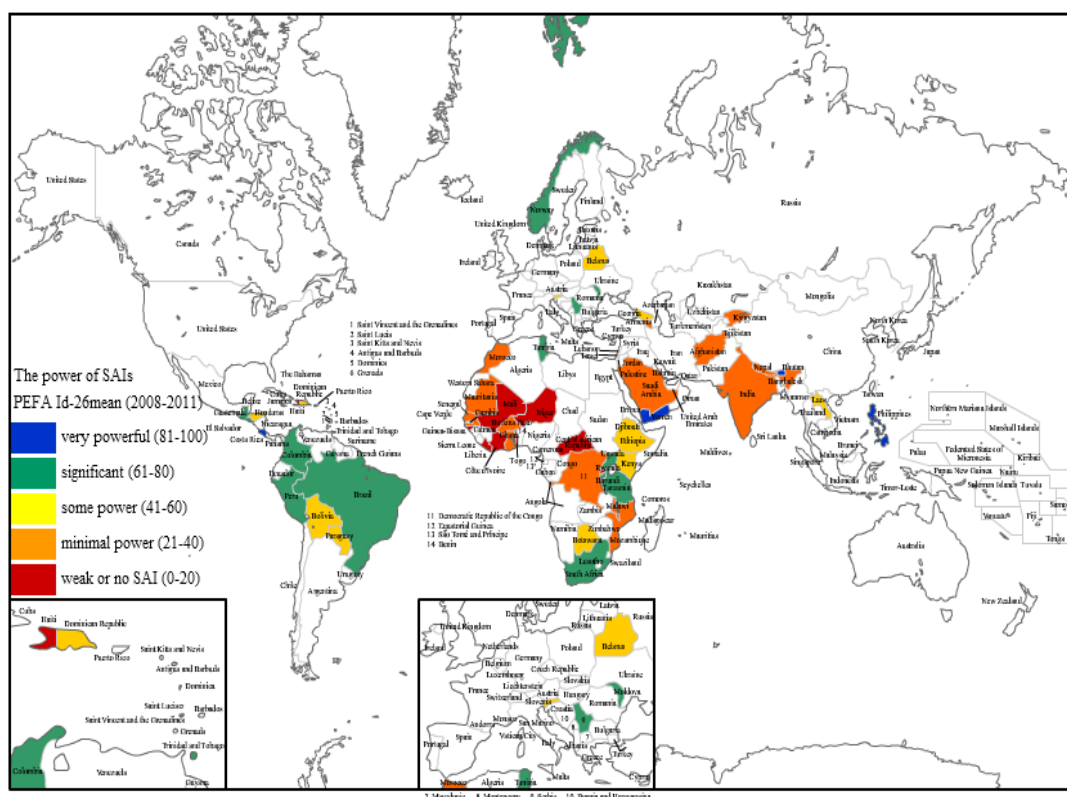
<sup>114</sup> PEFA Table showing the various dimensions of question 26 (PEFA, 2005:47)

Score	Minimum requirements (Scoring methodology: M1)
<b>A</b>	(i) All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues. (ii) Audit reports are submitted to the legislature within 4 months of the end of the period covered and in the case of financial statements from their receipt by the audit office. (iii) There is clear evidence of effective and timely follow up.
<b>B</b>	(i) Central government entities representing at least 75% of total expenditures <sup>12</sup> are audited annually, at least covering revenue and expenditure. A wide range of financial audits are performed and generally adheres to auditing standards, focusing on significant and systemic issues. (ii) Audit reports are submitted to the legislature within 8 months of the end of the period covered and in the case of financial statements from their receipt by the audit office. (iii) A formal response is made in a timely manner, but there is little evidence of systematic follow up.
<b>C</b>	(i) Central government entities representing at least 50% of total expenditures are audited annually. Audits predominantly comprise transaction level testing, but reports identify significant issues. Audit standards may be disclosed to a limited extent only. (ii) Audit reports are submitted to the legislature within 12 months of the end of the period covered (for audit of financial statements from their receipt by the auditors). (iii) A formal response is made, though delayed or not very thorough, but there is little evidence of any follow up.
<b>D</b>	(i) Audits cover central government entities representing less than 50% of total expenditures or audits have higher coverage but do not highlight the significant issues. (ii) Audit reports are submitted to the legislature more than 12 months from the end of the period covered (for audit of financial statements from their receipt by the auditors). (iii) There is little evidence of response or follow up.

<sup>115</sup> The PEFA data has amongst others already been analyzed by De Renzio, 2009; De Renzio & Dorotinsky, 2007; Andrews, 2009, 2010 and De Renzio et al, 2010. They all use a similar conversion system, namely A=4, B+ = 3.5, B=3, C+ = 2.5, C=2, D+ = 1.5, D=1. De Renzio, 2009:3 explains that “*the 1-4 scale is of course somewhat arbitrary, but is meant to reflect the fact that a “D” score in many cases denotes a deficient system, not a non-existent one... It is difficult to assess the impact of missing scores on overall averages, but without any doubt these introduce a potential bias. It could be argued that non-scoring due to lack of information should be included in the rating scale, but this has not been done because it is not certain if non-scoring should be converted to a “D” level (=1) or even lower (e.g. =0)*” I checked the replies to the reports where they were marked as “D” and came to the conclusion, that a “0” score would be appropriate as it indeed mostly marks a non-operational SAI, see f.i. Niger. As I want to compare the PEFA rank-

(ii) and (iii) for the period 2008 – October 2011, using the 61 national PEFA reports that were publicly available for this period. Two countries have conducted two PEFA assessments during this period. Rwanda conducted PEFA assessments in 2008 and 2010 and Kosovo conducted PEFA assessments in 2009 and 2011. For these two countries, the mean of the scores of the two years were calculated. Secondly, I also used the PEFA high-level indicator PI-26 as an ordinal variable.<sup>116</sup> To summarize, while the methodology of the PEFA assessment reports assures credibility through a comprehensive review process, there is only a limited number of country data publicly available per year and there is only a limited focus on the examination of the functioning of SAIs.

Figure 4.3 The Power of SAIs according to the PEFA-26mean (PEFA indicator 26, years 2007-2011, 61 countries, 3 questions)



ing to the OBS and GI ranking, it also makes sense to start with a 0 score marking non-operational and very deficient SAIs. I thus changed the numeric scores to a range of 0-100 accordingly: D=0, D+ = 16,5; D=33; C+=50; B=67; B+ =83,5; A=100. My sample included only two reports which had missing scores in the PI-26 ranking, these are the Philippines (PEFA report 2010) and Togo (PEFA report 2009). The Philippines missed a score for PI-26 (ii), which was commented in the report as N.A. (not applicable) and thus I did not assign a 0 score but left it out of the computation. In Togo the score was not rated as the SAI was not operational at the time of the assessment, and thus it deserves a “0” rating. See also PEFA (2009b) for a discussion of issues regarding aggregating PEFA scores and comparing them across countries and particularly paragraph 36. on issues of “no scores”. According to the PEFA Framework, the scoring method which is to be used for the aggregation of high-level indicators is the scoring method M1, whereas the worst score has a disproportionate strong weight on the aggregate score. (PEFA, 2005)

<sup>116</sup> see Andrews (2010)

Figure 4.3. shows the ranking of SAIs according to PEFA indicator 26. Francophone Africa and Arab States are again very weak, while the Latin American SAIs fare particularly well. What is astonishing here is the strong power of the SAIs in Yemen and the Philippines, as well as of Bhutan and Costa Rica (which are difficult to spot).

#### *OECD International Database of Budget Practices and Procedures*

The *OECD International Database of Budget Practices and Procedures*<sup>117</sup> contains the results of the 2007 OECD survey of budget practices and procedures in OECD countries, the 2008 World Bank/OECD survey of budget practices and procedures in Asia and other regions, and the 2008 CABRI/OECD survey of budget practices and procedures in Africa. It includes information on budget institutions from 97 countries and territories. The *Budgeting and Public Expenditures Division* of the OECD first conducted a survey of budget practices and procedures in 2003 in co-operation with the World Bank. The second edition of the survey in 2007/2008 was extensively revised. The online survey was completed by official government representatives being aware that the full survey will be made available to the public. Thus, the limitations concerning this survey are related to the fact that the survey was not peer reviewed or commented and only presents the official perspective of governments. In addition, unlike the PEFA Assessment reports, government officials did not get training before filling out the questionnaire. It seems that many questions were interpreted in diverse ways by officials from different countries and thus the replies are not consistent across countries.

The survey contains 99 questions which cover the entire budget cycle: preparation, approval, execution, accounting and audit, performance information, and aid management within developing countries. I have identified six questions (questions 4.1., 67, 68, 69, 70, 72) in the survey that ask about aspects of external auditing procedures and practices. The possible replies to the questions are not scored along an ordinal scale but are categorical variables, thus text replies which needed to be ticked and could be commented on in a separate field. I have developed a ranking for the power of SAIs by transforming five<sup>118</sup> categorical variables into numerical scores along an ordinal scale and calculating the mean of the scores. First I calculated an aggregate score for each of the five questions, by assigning numerical scores along an ordinal scale for each possi-

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<sup>117</sup> <http://www.oecd.org/gov/budget/database> (Last accessed on October 27, 2011)

<sup>118</sup> I did not include question “Q.67: Approximately what percentage of central Government spending is annually subject to performance or value-for-money audits by a Supreme Audit Institution?” in the index as the replies were extremely inconsistent across countries with most replies being at the extreme ends of the scale (less than 1% and 100%). Some countries replied to the question in the comments section as if they had understood which percentage of government accounts was audited at all and not the percentage of government accounts which was subject to performance audits. <http://webnet.oecd.org/budgeting/Budgeting.aspx> (Last accessed on October 27, 2011)

ble reply.<sup>119</sup> In a second step I calculated the mean of the five questions to develop my OECD ranking for the power of SAIs.

Figure 4.4 The Power of SAIs According to the OECD (Budget Practices and Procedures Survey, years 2007/2008, 97 countries, 6 questions)

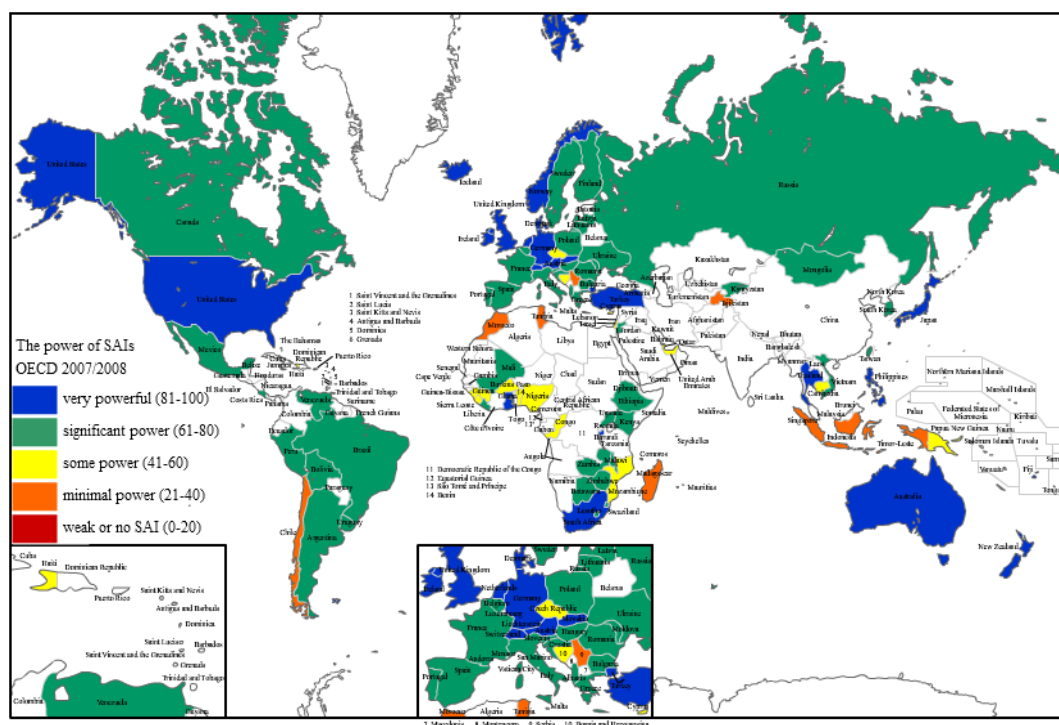


Figure 4.4. depicts the results from the ranking of SAIs based on the OECD budget survey. As we can see, in comparison to the other rankings, the OECD ranking is very positive about the power of SAIs. The few weak SAIs are once again found in Central and Northern Africa. Surprising are the weak SAIs of Chile and Indonesia, which fare much better in the other rankings. On the other hand, the Turkish SAI has been rated as very powerful, while it is depicted as quite weak in the other rankings.

<sup>119</sup> I calculated the scores for each question included in my OECD ranking on the strength of SAIs according to the following method, which has been adapted from Blume and Voigt (2010:6) and is based on PEFA best practice criteria:

Q.4.i: Requirement for audit of Government accounts by the Supreme Audit Institution: Constitution=100, Legislation=67, Internal=33, No answer, missing, other=0

Q.68: According to the relevant legal provisions, to whom does the Supreme Audit Institution principally report? Principally report to Legislature=100, Judiciary =67, Executive, missing, no answer=0

Q.69: Are the findings of the Supreme Audit Institution available to the public? Always=100, most=67, rare=33, never, missing, other=0

Q.70: When are the accounts audited by the Supreme Audit Institution publicly available? 1-6m=100, 7-12m=67, >12m=33, no, missing, other=0

Q.72: What types of evaluations are commissioned and/or conducted by the following institutions?- Supreme Audit Institution: 20 points for a yes for each sub question: "Q.72.a Review of ongoing programmes, Q.72.b Ex post review of programmes, Q.72.c Review of new initiatives or programmes, Q.72.d Sectoral reviews."

*The IDI Stocktaking Report (2010)*

The INTOSAI-Donor Cooperation commissioned the INTOSAI Development Initiative (IDI)<sup>120</sup> to conduct a global stocktaking of SAIs with the goal to develop an overview of current SAI capacities, support and needs. (IDI, 2010) The stocktaking population encompassed 204 SAIs<sup>121</sup> and the eight INTOSAI regional bureaus and sub-regions. The overall response rate was above 90%. According to IDI, this extremely high response rate can be attributed to “*the efforts of the Regional Secretariats in distributing and soliciting responses from their members, and the interest in the initiative*”.

However, the fact that the survey was completely confidential also played an important role for SAIs to accept handing out crucial data on their capacities. While this clause helped to gain a high response rate, it is obviously a disappointment for researchers. I sent a request to get access to the data for research purposes to IDI, which presented the request to the Steering Committee of the INTOSAI-Donor Cooperation, responsible for the Stocktaking Report. However, the steering committee insisted that the data needed to be kept fully confidential. IDI was so kind to arrange a fully anonymous version of the data for me, which I analyze in chapter 6.4.

The stocktaking questionnaire includes more than 35 high-level questions organized in six overall categories (institutional facts; strategic and development action plans; receipt of capacity development support; indicative needs assessment and funding gaps; provision of capacity development support; additional information) and can be accessed together with the full report online.<sup>122</sup>

The variable “*IDI SAStrength*” is a composite variable, which I calculated from the mean of the variables “legal base”, “audit types” and “time limit”:

*Legal base:* This variable was calculated from the mean of the two questions:  
1.2 Does your SAI form part of the Constitution? (yes =1, no/other/missing=0),  
1.3 Is there a specific national law on public sector auditing? (yes=1, no/other/missing=0)

*Audit types:* This variable was calculated from the mean of the following five questions (each question was coded as follows: yes=1, no/other/missing=0):

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<sup>120</sup> The IDI is a non-profit organization that acts as the capacity building secretariat of the International Organization of Supreme Audit Institutions (INTOSAI). IDI aims to “enhance the institutional capacity of Supreme Audit Institutions in developing countries through needs-based, collaborative and sustainable development programmes in INTOSAI regions and groups of SAIs to meet the existing and emerging needs of stakeholders.” <http://www.idi.no/artikkel.aspx?MIId1=91&AIId=547> (Last Accessed on October 28, 2011)

<sup>121</sup> This includes, in addition to the INTOSAI members, those SAIs that are members of an INTOSAI Region but not members of INTOSAI itself, as well as SAIs that are not members of INTOSAI or any of the INTOSAI region. (IDI, 2010:6)

<sup>122</sup> <http://www.idi.no/artikkel.aspx?MIId1=24&AIId=407> (Last Accessed October 28, 2011)

1.6.a Does your SAI have a legal mandate to carry out Financial audit (as part of regularity audit), 1.6.b Does your SAI have a legal mandate to carry out Compliance audit (as part of regularity audit), 1.6.c Does your SAI have a legal mandate to carry out Performance audit, 1.6.d Does your SAI have a legal mandate to carry out IT audit, 1.6.e Does your SAI have a legal mandate to carry out Other specialized audits.

*Time limits:* 1.8 When was the latest consolidated annual audit report from your SAI issued to Parliament (or other recipients of the audit report as determined by law)? The replies were coded as follows: Within the stipulated legal time limit: 1; within one year after stipulated legal time limit: 0.5; more than one year after stipulated legal time limit: 0; other/missing:0.

The variable “*IDI 1.8.time.limit.new1*” is a binomial variable, based on question “1.8. When was the latest consolidated annual audit report from your SAI issued to Parliament (or other recipients of the audit report as determined by law)?” The replies were coded as follows: “Within the stipulated legal time limit: 1”; “Within one year after stipulated legal time limit: 0”; “More than one year after stipulated legal time limit: 0”; “Other/missing:0”.

The variable “*IDI 1.8.time.limit.new*” is a multinomial SAI variable based on question 1.8 When was the latest consolidated annual audit report from your SAI issued to Parliament (or other recipients of the audit report as determined by law)? The replies were coded as follows: Within the stipulated legal time limit: 1; within one year after stipulated legal time limit: 0.5; more than one year after stipulated legal time limit: 0; other/missing:0.

### *Other surveys and data sources on SAIs*

In this section I present and briefly discuss alternative studies which have collected data on SAIs.

#### *INTOSAI*

As part of the activities of the INTOSAI Working Group on IT Audit, the SAI of India has prepared an electronic compilation of the mandates and statutes of INTOSAI members. The data covers the legislative framework of 142 SAIs and was first compiled in 1998 and updated in 2001 and 2004.<sup>123</sup>

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<sup>123</sup> <http://www.intosaiitaudit.org/mandates/> (28 Oct. 2011)



INTOSAI under the leadership of the SAI of Canada conducted a survey on the “Independence of SAIs” over the period June 01, 1999 to March 30, 2001.<sup>124</sup> The survey reached 126 SAIs and 113 (90%) responded. However, there seems to have been little assistance in filling out the survey. The final report acknowledges f.i. that it was difficult for the project team to differentiate between “no” responses and responses that have been omitted in the survey. (INTOSAI, 2001:4). The final conclusion of the report is little surprising in that it states

*“a considerable number of the SAIs surveyed are not really in a position to fulfill their mandates in a manner consistent with the requirements of the Lima Declaration of Guidelines on Auditing Precepts.” (INTOSAI, 2001:18)*

### *European SAIs*

Clark et al. (2007) examine the legislation of 25 EU member country Supreme Audit Institutions and the European Court of Auditors as of March 2003.

Milagros García Crespo (ed.) (2005) presents theoretical discussions and case study research of external auditing practices in EU member states and within the EU framework.

Pollitt et al. (2002) compare performance audit practices in a qualitative study covering five EU member countries.

While these studies can serve as reference documents for comparing European SAIs, they are not optimal for a construction of a dependent variable measuring the power of SAIs as these studies only cover specific aspects of SAIs and only cover European SAIs.

### *Latin American SAIs*

Melo et al. (2009) conduct econometric tests on a unique data set of 33 local Brazilian audit institutions explaining political and institutional factors which determine the performance of SAIs. They do not construct a single variable for the power of SAIs but test various independent variables on four characteristics of SAIs.<sup>125</sup> They basically conclude their study in line with empirical evidence in the comparative scholarship on judi-

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<sup>124</sup> The project report can be accessed online at: <http://www.intosai.org/blueline/upload/1indepe.pdf> (Last Accessed on October 28, 2011)

<sup>125</sup> Melo et al. (2009) develop four dependent variables measuring the power of SAIs, namely (1) general activism of the audit courts measured as the ratio of the number of audit cases performed by each court and the number of administrative units under its jurisdiction, (2) endogenous self-initiative of an audit court measured as a dummy variable with the value of 1 if the court has a senior auditor (which according to their argument increases activism) and 0 otherwise, (3) appointing of a senior auditor by the governor measured as a dummy variable with the value of 1 if the court of account has an independent senior auditor on board and 0 otherwise, (4) propensity to reject the executive or legislature’s accounts measured as the number of episodes of recommendations for the rejection of accounts rendered by mayors and governors.

cial independence and rational choice institutionalism (see chapter 5.6) that *elite competition* is crucial to explaining the emergence of effective audit bodies in Brazil.

Santiso (2006, 2009) develops an index for the strength of SAIs in ten Latin American countries based on four sub-indices, namely (i) independence, (ii) credibility of audit findings, (iii) timeliness of audit reports, and (iv) the enforcement powers of audit agencies. The data sources are presented in detail in Santiso (2009:68) and mainly include own internet research in the year 2005 and survey results from Lavielle et al. (2003) and UNDP (2004).

#### *African SAIs*

Moussa (2004) compares 12 francophone African public expenditure management (PEM) systems with the French system and against each other. The study is based on an IMF-led study including the organization of two seminars with country representatives and the conduct of a survey, with 49 questions on expenditure management, which was filled out by senior officials from 12 African countries and was reviewed by IMF experts at headquarters. This study does not develop an index for strong auditing practices, but only analyzes the extent of similarities between PEM systems. It concludes inter alia that the francophone African audit and external control systems differ widely from the French reference model and also highly differ among themselves.

The *Collaborative Africa Budget Reform Initiative* (CABRI) in cooperation with the *African Development Bank* has conducted a survey in 26 African countries on budget practices and procedures (CABRI and ADB, 2008) along the OECD budget survey methodology and framework and has been integrated into its *International Database on Budget Practices and Procedures* (see above).

#### *SAIs as the independent variable*

Blume and Voigt (2010) conducted a quantitative study which analyzes the effect of a SAI's organizational design on three groups of economic variables, namely on (1) fiscal policy, (2) government effectiveness and corruption and on (3) productivity. The authors do not calculate a dependent variable "SAI strength" but instead use six SAI characteristics as independent variables and individually test their effect on economic variables. The authors use SAI data from the World Bank/OECD survey on budget practices and procedures for the year 2003 and an INTOSAI survey "from the early 1990s".<sup>126</sup>

Schelker and Eichenberger (2003, 2007) also analyze the effect of SAIs on economic variables. Particularly, they conduct econometric analyses of local audit institutions from 26 Swiss cantons and come to the conclusion that

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<sup>126</sup> The authors were so kind and provided me with their data set, which I used to cross-check my own data on SAI institutional models.

*“the extent of the rights of auditing institutions has a systematic and highly relevant negative effect on the tax burden and on public expenditures”.* (2007:37)

Thus, they propose to generally enhance the rights of SAIs in order to make them strong competitors to governments.

#### *Standardized qualitative information on SAIs*

Apart from individual case studies by researchers, articles in the *INTOSAI Journal on Public Auditing*,<sup>127</sup> peer reviews by SAIs and project reports, the following organizations provide regular qualitative reports on external auditing procedures and practices:

The International Monetary Fund and the World Bank regularly publish *Reports on the Observance of Standards and Codes* (ROSC) of member countries.<sup>128</sup> These reports do not include scores but provide useful country analyses based on qualitative research. In the aftermath of the Asian financial crisis of the late 1990s, the *Standards and Codes Initiative* was launched in 1999 as part of the international community's efforts to strengthen the international financial architecture.<sup>129</sup> Of particular interest here are IMF reports on the *Code of Good Practices on Fiscal Transparency* (2007), particularly code “4.3 Fiscal information should be externally scrutinized”<sup>130</sup> and the World Bank reports on the *ROSC Accounting and Auditing* (2004).<sup>131</sup>

The global non-governmental network *Transparency International* (TI) was founded in 1993 and has developed a number of tools to assess corruption practices around the world, of which the Global Corruption Perception Index is the best known but unfortunately does not include any questions on SAIs. TI however also publishes assessments of the *National Integrity System* (NIS), which are based on extensive qualitative research by country teams. The NIS country reports present the results of the NIS assessment including an assessment of the country's supreme audit institution. Since 2001, TI has conducted more than 70 NIS country assessments, as well as a number of related regional overviews.<sup>132</sup>

<sup>127</sup> <http://www.intosaijournal.org/> (31 Oct. 2011)

<sup>128</sup> Reports can be accessed at: <http://www.worldbank.org/ifa/rosc.html>;  
<http://www.imf.org/external/NP/rosc/rosc.aspx?sortBy=Topic&sortVal=Fiscal%20Transparency>  
(Last Accessed on October 31, 2011)

<sup>129</sup> <http://www.imf.org/external/np/sec/pn/2011/pn1138.htm> (Last Accessed on October 31, 2011)

<sup>130</sup> “4.3. Fiscal information should be externally scrutinized: 4.3.1 Public finances and policies should be subject to scrutiny by a national audit body or an equivalent organization that is independent of the executive. 4.3.2 The national audit body or equivalent organization should submit all reports, including its annual report, to the legislature and publish them. Mechanisms should be in place to monitor follow-up actions.” <http://www.imf.org/external/np/fad/trans/code.htm> (31 Oct. 2011)

<sup>131</sup> [http://www.worldbank.org/ifa/rosc\\_aa.html](http://www.worldbank.org/ifa/rosc_aa.html) (31 Oct. 2011)

<sup>132</sup> [http://transparency.org/policy\\_research/nis/nis\\_reports\\_by\\_country](http://transparency.org/policy_research/nis/nis_reports_by_country) (31 Oct. 2011)

#### 4.4. Summary and Conclusions

In order to investigate to what extent the formal agreement of SAIs as accountability arrangements have been institutionalized at country level, I first discussed the criteria for comparing SAIs. I then conducted a literature review of previous qualitative and quantitative studies on SAIs and developed and constructed rankings measuring the power of SAIs. Now I will discuss the findings in order to decide which indices can serve as my dependent variable measuring the power of SAIs for the econometric analysis of this dissertation (chapter 6).

Based on the available survey data, I have developed the following five main indices. In order to increase the country coverage the rankings combine data for several years<sup>133</sup>:

1. The ranking “**OBS2010**” presents results of the last OBS survey, which is based on data up to Sept. 15, 2009 and covers 94 countries.
2. The “**GI08-10**” ranking covers 70 countries and is based on the GI reports 2008, 2009 and 2010 covering data from the periods June 2008 up to June 2010. 37 countries were covered more than once during this period, for which the mean of all annual scores was calculated. As discussed above this ranking is calculated without question 58.
3. The PEFA index includes data for 61 countries covering the period 2008-2011. There are basically two versions of this ranking, “PEFA-26” consists of a numerical conversion of PI-26 while “**PEFA-26mean**” is an average of the scores PI-26 (i), (ii) and (iii). Two countries have conducted two PEFA assessments during this period. Rwanda conducted PEFA assessments in 2008 and 2010 and Kosovo conducted PEFA assessments in 2009 and 2011. For these two countries, the mean of the scores for the two years were calculated.
4. The “**OECD**” ranking provides the data for 97 countries for the period 2007/2008, which was calculated as discussed above.
5. The IDI dataset offers three possible indices: the composite, numerical variable “**IDI-SAIstrength**”, the binomial variable “1.8.time.limit.new1” and the multinomial variable “1.8.time.limit.new”

Tables B.3-B.10 in Annex B show the SAI rankings. Of particular interest is table B.9., which compares the OBS2010 results with the Global Integrity, the PEFA and the OECD rankings. The scores in all tables have been rounded for better readability. In the econometric analysis I use the exact scores, including decimal figures.

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<sup>133</sup> For a discussion of the survey methods and the questions included in each survey, see chapter 4.2.

Table B.1. provides an overview of the descriptive statistics of these SAI rankings and table B.2. depicts the histograms and kernel density curves of the variables. The OBS2010 covers a high number of countries and territories (n=94), the mean is 48.35 with a median of 50, a minimum value of 0, a maximum value of 100 and quite a high standard deviation of 24.27. It is not strongly skewed and its small kurtosis points to a normal distribution. Variable GI0810 is skewed to the right, which is also reflected in the high mean of 56.36, the median of 56 and the minimum value of 14. Another problem is the unequal distribution with some values being disproportionately little represented (see histogram). Variables PEFA-26 and PEFA-26mean have very low means, which derives from the fact that most data stem from developing countries. Another problem is the high standard error and large discrepancies between the mean and the median value pointing out to the existence of large outliers. As Andrews (2010) points out it might be better to treat the PEFA data as ordinal data instead of numerical data, which is particularly valid for the PEFA-26 indicator. I will thus also conduct tests on the PEFA-26 variable treating it as an ordinal (or even categorical) data. Finally, the variable OECD has a large number of observations (n=97) but also a very high mean and median values (68.72 and 71 respectively), and a minimum value of only 31, all of which reflects the problem of this specific survey. Government officials were filling out the survey without support by the organizers and without checks through a peer review mechanism, thus I suspect that some might have overestimated their country's performance. From this analysis of the descriptive statistics I would conclude that the OBS2010 is the most appropriate variable to measure the power of SAIs.

I also conducted pair-wise correlations of the SAI variables to explore the similarities among the different indices (table B.11). There are many different types of tests of the association/correlation between paired variables, of which the Pearson's product moment correlation coefficient, Kendall's *tau* and Spearman's *rho* rank order correlation coefficients are the most commonly used measures. There are several issues that I thus needed to take into account before choosing which type of correlation test would be adequate for my data. In general, the Kendall and Spearman tests are said to be more robust to outliers and are more adequate for ordinal data.<sup>134</sup> First of all, the indices are

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<sup>134</sup> Pearson's *r* measures the strength and direction of the linear relationship between two interval or ratio variables. While a strong monotone association between two variables usually leads to high correlation coefficients for all three measures, the values of the correlation coefficients differ. Kendall's and Spearman's correlation coefficients can be used for either ordinal or continuous data. They are non-parametric measures of correlation between variables and assess how well an arbitrary monotonic function could describe the relationship between two variables, without making any assumptions about the frequency distribution of the variables. The Kendall tau correlation coefficient and the Spearman rank correlation coefficient are thus considered to be used on similar data. While Spearman rank correlation coefficient is like the Pearson correlation coefficient but computed from ranks, the Kendall tau correlation rather represents a

not true interval variables. They are aggregate indices based on ordinal scales and PEFA.26 even remains an ordinal scale. Furthermore, the descriptive statistics have shown that their distributions are not truly normal. This tendency is even reinforced when observations are deleted due to missing pairs. This suggests that the Spearman or Kendall correlation tests are more adequate than the Pearson correlation test. My indices cover different countries. For this reason it was also not possible to calculate a correlation matrix from a complete table where all missings are excluded (only 13 observations would remain). Instead, I used a method called pair-wise complete observations.<sup>135</sup> I conducted all three types of correlation tests and got similar results for each test. The correlations between the indices are not very strong in all three tests and do not attain a degree of association of 50% (apart the correlation between the very similar indices PEFA.26 and PEFA.26mean). This confirms my previous analyses that the indices differ considerably. They measure different aspects of the power of SAIs and they use different research methods. Another observation is that the indices based on the OECD and the PEFA data show relatively strong correlations. The reasons for this similarity could be that both are mainly based on government information and on similar questions. When comparing the results for each SAI index, I again conclude that the OBS2010 seems to be the most adequate SAI index to be used as my main dependent variable. It has the strongest similarities with all other SAI indices, all coefficients are statistically significant and no correlation coefficient goes below 0.28. I will thus use the OBS2010 as my main dependent variable and the other indices as alternative dependent variables. The OBS2010 is the most adequate variable for reasons of both theoretical compatibility with the concept of SAIs as an accountability arrangement (guaranteed independence, transparent reporting, and effective follow-up) and for statistical reasons such as the number of observations, its statistical distribution and its correlation with the other indices.

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probability. The Pearson product moment correlation furthermore is a powerful test for normally distributed data only. For non-normal data (large skewness or curtosis, usually caused by one or more strong outliers), it is usually not recommended. The Spearman and Kendall correlations prove to be more robust to outliers. See <http://www.statisticssolutions.com/resources/directory-of-statistical-analyses/correlation-pearson-kendall-spearman> (Last Accessed on August 31, 2012); Chok, 2008; Bolboaca and Jantschi, 2006; Croux and Dehon, 2010

<sup>135</sup> The following number of observations thus remained for each pair: OBS2010-GI08.10: n=57; OBS2010-OECD: n=57; OBS2010-PEFA.26/PEFA.26mean: n=38; GI08.10-OECD: n=43; GI08.10 – PEFA.26/PEFA.26mean: n=24; OECD-PEFA.26/PEFA.26mean: n=26; PEFA.26-PEFA.26mean: n=61

Table 4.1 presents data values of the OBS2010 organized by country rank<sup>136</sup>, illustrating two main research findings:

- There is an implementation gap. Few countries have very powerful SAIs or SAIs with significant power. Most SAIs thus do not realize their role as accountability arrangements.
- There is a strong variation across countries, which at first sight cannot be easily explained by per capita GDP, the level of democratization or regional affiliation of a country.

Why does the young country Timor-Leste have no SAI while the young country of Macedonia has a SAI with significant power? Why does the SAI of Mozambique have only minimal power while the SAI of Botswana has significant power? Why does the SAI of Trinidad and Tobago have some power while Fiji has a SAI with very weak power? What factors explain that the SAIs of Indonesia and the Philippines are stronger than the SAI of Malaysia? Why is the Peruvian SAI stronger than the Argentinean one? Why is the Russian SAI slightly stronger than the French SAI? And why does Saudi Arabia have a SAI with only minimal power? Why do Norway, Slovenia and the USA have the highest scores? Next, in chapter five, I will develop the argument proposing seven potential determinants for powerful SAIs, which explain the different scores of these SAIs.

To conclude, this chapter has illustrated that there is a great variation in the power of SAIs across data sources. Some of the problems can be associated to the subjectivity of the data, to different years and methods used. The main research problem stemming from this analysis is: There is an implementation gap between the formal commitments as laid out in the ISSAIs and the accountability practice of SAIs. The implementation of the ISSAIs is a challenge for most SAIs. Furthermore, there is a strong variation across countries. Assuming that all SAIs have tempted to implement reforms to align themselves with the ISSAIs, starting with the adoption of the Lima Declaration in 1977, I find that these reforms show different results across countries. This leads to the **specific research question** of this dissertation:

***Why does citizen-focused, independent external public auditing thrive in some countries and fail in others?***

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<sup>136</sup> This type of presentation including the choice of colors and categories has been adopted from the Open Budget Survey. Countries colored in blue have very powerful SAIs (81-100 points), green countries have SAIs with significant power (61-80), yellow countries have some power (41-60), orange countries have SAIs with minimal power (21-40) and red countries have very weak SAIs (0-20).

Table 4.1 The Power of SAIs Across Countries According to the OBS2010 (Legend: Blue: Very Powerful, Green: Significant Power, Yellow: Some Power, Orange: Minimal Power, Red: Weak or No SAI)

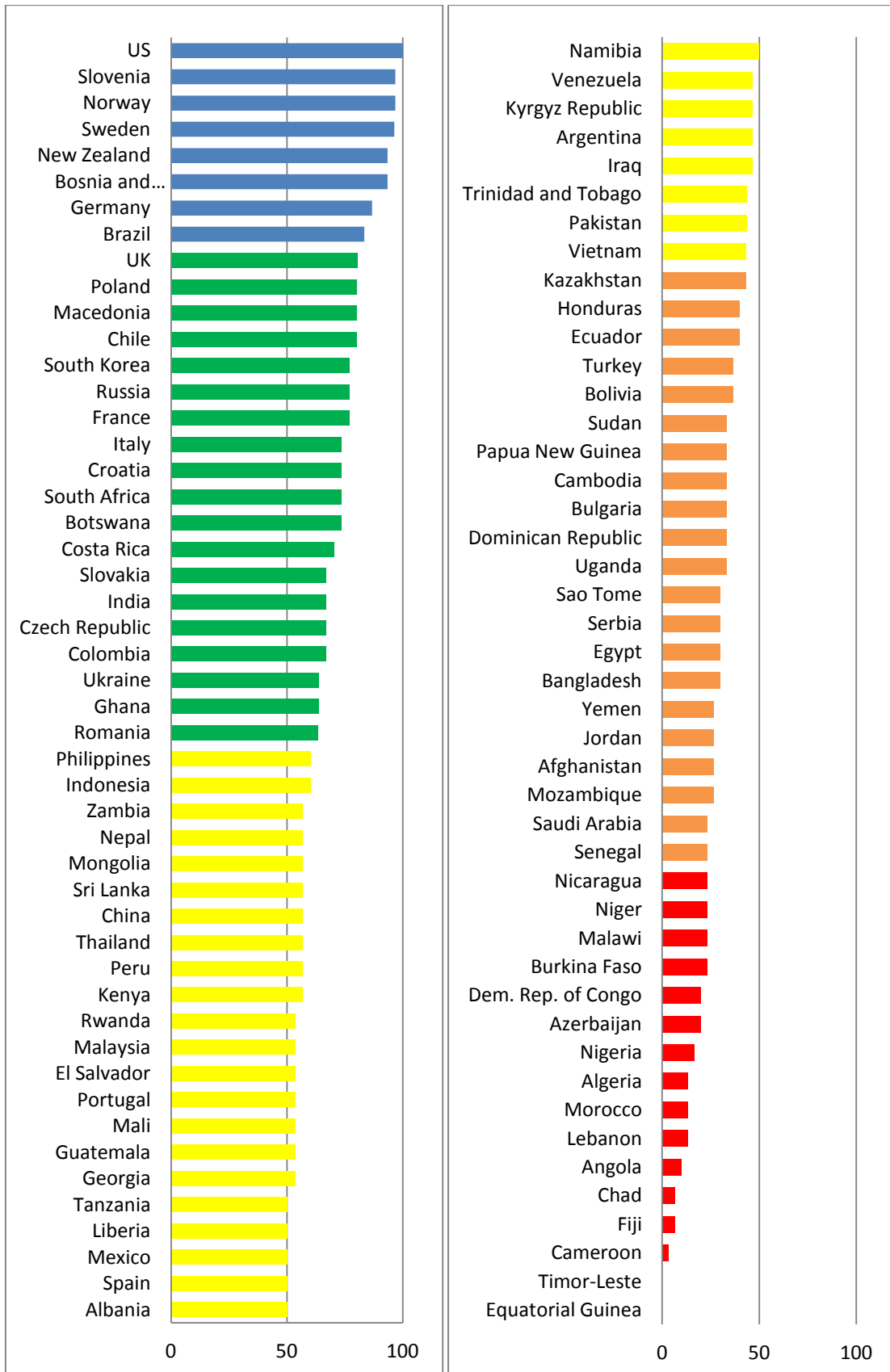




Table 4.2 Overview of Research Results of Chapter Four

Part One (Chapters 4.1. and 4.2.)	
qual data collection	qual data analysis
<b>Procedures:</b> <ul style="list-style-type: none"> <li>• Research literature on how to measure the accountability practice of SAIs</li> <li>• Research secondary literature on SAI power across regions</li> </ul>	<b>Procedures:</b> <ul style="list-style-type: none"> <li>• Develop a measure for the power of SAIs based on the concept of public accountability, the concept of power, the concept of de facto institutionalization and the ISSAIs</li> <li>• Compare secondary literature on SAIs across regions and look for patterns</li> </ul>
<b>Products:</b> <ul style="list-style-type: none"> <li>• A literature review discussing the required components of an index measuring the power of SAI</li> <li>• A literature review discussing the accountability practice of SAIs according to secondary literature</li> </ul>	<b>Products:</b> <ul style="list-style-type: none"> <li>• Components of a measure for the power of SAIs based on theoretic insights developed</li> <li>• Thematic analysis of the accountability practice of SAIs based on a literature review</li> <li>• Decision that there is a research gap which needs to be filled</li> </ul>

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Part Two (Chapters 4.3. and 4.4.)	
quan data collection	quan data analysis
<b>Procedures:</b> <ul style="list-style-type: none"> <li>• Research availability and suitability of data on SAIs</li> </ul>	<b>Procedures:</b> <ul style="list-style-type: none"> <li>• Research methods used in existing surveys and discuss which surveys are most suitable to serve as a dependent variables</li> <li>• Develop and construct seven dependent variables based on 5 datasets</li> <li>• Compare the dependent variables measuring the power of SAIs concerning their theoretic validity and statistical suitability</li> </ul>
<b>Products:</b> <ul style="list-style-type: none"> <li>• A list of surveys and standardized qualitative data sources which measure various aspects of SAIs</li> </ul>	<b>Products:</b> <ul style="list-style-type: none"> <li>• A decision not to develop own ranking of SAIs based on several sources as the sources cannot be easily combined</li> <li>• Seven rankings (dependent variables) measuring the power of SAIs</li> <li>• A discussion of the dependent variables, a decision on the most suitable variable (OBS2010) and a graphical presentation of the dependent variables and thus the power of SAIs across regions in the form of world maps.</li> </ul>

## 5. The Argument - Seven Determinants for Powerful SAIs

- 5.1. Institutional Model Theories
- 5.2. Theories on the Source of National Income
- 5.3. Theories on Institutional Diffusion
- 5.4. Modernization Theories
- 5.5. Conventional Institutional Capacity Theory
- 5.6. Rational Choice Institutionalism
- 5.7. Organizational Theories of Leadership-Led Change
- 5.8. Summary and Conclusions

*The same institution produces different results depending on the context.*<sup>137</sup>

The next step of my research investigates what potential explanations exist to explain the variation in the *de facto* power of SAIs across countries. Why does citizen-oriented independent external public auditing thrive in some countries and fail in others? Why do some countries succeed in closing the implementation gap between the *de jure* and the *de facto* power of SAIs? Why do some countries succeed in establishing rule of law and strong institutions providing for public accountability and others fail to do so?

There exist numerous explanations and no consensus in the scholarly debate on the potential determinants for the effective institutionalization of public accountability. I will now proceed to discuss some of the arguments in turn.

### 5.1. Institutional Model Theories

*H1a: Although the institutional model and linked to that the colonial heritage do have some influence (with court/Napoleonic institutions performing worst and the monocratic/Westminster model performing best), institutional features are not the main determinants for the variation in SAI power.*

Several authors have conducted research on the effect that the institutional design of SAIs can have on their strengths per se as well as on national economic features. Existing qualitative research (f.i. Santiso, 2009) supports the hypothesis that the institutional

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<sup>137</sup> North, 1990: 54

model, although influential to some extent, is not a main explanatory factor for the variation of SAI's political strengths. Blume and Voigt's quantitative study (2011) suggests that the court model is associated with higher levels of corruption. However, the authors also believe that the reason behind is the relative lack of parliamentary and public involvement in the auditing process under the court model and not the institutional model per se. The advantage of the monocratic system seems to be the assignment of clear personal responsibility and thus leadership to one person.<sup>138</sup>

*H1b: Countries with electoral rules supporting strong personal competition are more likely to also have effective SAIs.*

The political economy of fiscal institutions indicates that institutional design of fiscal institutions matters for fiscal performance. This strand of research also shows that different political and constitutional environments demand different institutional solutions. Of particular importance seem to be electoral rules and the degree of decentralization, next to budgetary procedures. Van Hagen (2006:468 quoting Persson and Tabellini 2004; Milesi-Ferretti, Perotti, and Rostagno 2002; Lizzeri and Persico 2001) supports the hypothesis that plurality electoral rule is stronger associated with personal accountability by politicians, particularly in small districts and if votes are cast for individual candidates. On the other hand, proportional representation is less associated with personal competition by candidates and thus there is less inclination to putting a check on rent extraction, corruption as well as excessive public spending.<sup>139</sup>

## 5.2. Theories on the Source of National Income

*H2a: The higher is the share of Oil endowments in a country's national income, the less likely accountability systems including SAIs work properly.*

The literature exploring the so called "resource curse" is very rich but also inconclusive. New insights (Haber and Menaldo, 2011) suggest that the supposed link between natural resources and the large probability of an authoritarian regime might be mistaken. Instead of natural resource endowments causing authoritarianism, authoritarian governments decide to invest in natural resource exports as this highly specialized industry sector cannot easily be expropriated and used by potential opposition forces. Despite the question of what causes what, there seems to be a strong correlation between large rents

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<sup>138</sup> There is no research so far on the effect of decentralized SAIs. Some countries have a SAI for each region, others have regional branches with or without decision making powers. There is thus scope for further research in this area, starting with data collection.

<sup>139</sup> See Wehner and de Renzio (2012) for a more in depth discussion of the literature on the effect of institutional design and public finance transparency.

stemming from natural resource endowments and authoritarian regimes, and by definition also weak independent public auditing.

*H2b: Public financial management support is associated with stronger SAI power if it the country is truly committed to implementing reforms.*

Apart from the effect of natural resource endowments, scholars also study the effect of aid on institutional development. In the “Paris Declaration on Aid Effectiveness” (OECD, 2005), donors committed themselves to strengthen “good governance” in recipient governments. The World Bank particularly focuses on analyzing and supporting governance reforms in recipient countries through the mechanism of “Poverty Reduction Strategy Papers”. Many donors have also committed themselves to supporting and particularly also rewarding good governance by the introduction of “General Budget Support” as aid mechanism. Of particular interest for this study, is not only whether the amount of aid is correlated to strong or weak SAIs, but whether aid that was specified for the strengthening of public financial management systems has had any effect in strengthening the power of SAIs.

The question whether aid plays a role in the development of accountability is currently a hotly debated issue.<sup>140</sup> There is no consensus in the (particularly US-American based) academic debate on the role of aid on macro-development and democracy. Furthermore, a generalization is difficult as we have to differentiate between various aid modalities and priorities. For the purpose of this study, I suppose that the share of PFM aid only has an effect on the de facto power of SAIs, if the country is truly committed to reform, i.e. if it is implementing broad overall reforms.

*H2c: The higher is the share of tax endowments of a country’s national income, the more likely the SAI is effective.*

The early development of Supreme Audit Institutions was part of a long process of economic and political institutional development in Europe and the USA. State theories (f.i. Tilly, 1992) explain how through the process of institutionalizing taxation, wars were financed and states were formed. There is a broad scholarship investigating the question whether the source of national income has an influence on the institutions that a state develops and on the way these institutions function. For instance, the recent study by Broms (2011) compares the effect of tax systems and incomes on the governance of African states. He suggests that it is not the tax level per se but the type of taxation which makes a difference, whereas direct tax (income tax) as a percentage of GDP

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<sup>140</sup> See also chapter 2.3. *Donors realize the difficulties in building institutions.*

should have the strongest impact on the quality of government. Indirect taxes such as VAT (value-added tax) on goods and services also contribute to a bargaining process in society (particularly in democratic developing countries). Furthermore, the collection process of direct/indirect taxes tends to be more demanding than taxes on trade and natural resources and therefore supports the need for rationalization of the bureaucracy, and thus a step towards increasing state capacity.

### 5.3. Theories on Institutional Diffusion

*H3a: The stronger is the regional influence by good performers, the more likely a country implements similar reforms.*

Theories on the diffusion of democracy suggest that external influence in several ways can have a strong effect on the probability for the creation and endurance of democracy. The strand of transformation literature first of all argues that the stronger the regional influence of good performers is, the more likely a country is to also adopt reforms of accountability. This *snowballing* effect explains how early transitions stimulate and provide models for subsequent efforts at democratization and are particularly important within regions or among culturally similar countries. (Diamond, 2009:108 quoting Huntington, 1991a:2 and Huntington 1991b:101)

*H3b: The more influence the international community has in building state capacity (i.e. in a post-conflict situation with international involvement) the more likely it is that institutions of accountability can effectively be put in place.*

Under this rubric I also classify the concept of institutional inertia caused mainly by “path dependency”<sup>141</sup>. Here it is assumed that some exogenous shock at different critical junctures sets a state or institution on its development trajectory. The more influence the international community has in building state capacity (i.e. in a post-conflict situation or after a total regime change such as South Africa, Rwanda, Liberia, Kosovo etc.) the more likely it is that institutions of accountability can effectively be put in place as there is less resistance from powerful elite groups as they have been substantially weakened through the conflict. (Andrews, 2010:3; Diamond, 2009)

*H3c: Countries comply to international norms only formally, and do not transform these values into de facto institutions.*

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<sup>141</sup> North 1990; Putnam, 1993; Acemoglu et al., 2001.

Finally, “world society” or “decoupling theory” argues that countries choose institutions to comply to international norms, even if those institutions do not meet the countries’ needs but because they want to seem modern. (e.g. Meyer et al. 1997)

#### 5.4. Modernization Theories<sup>142</sup>

*H4a: The higher is the level of socio-economic development of a country the more likely is the country to become democratic and to stay democratic once democracy has been established, thus the more likely institutions for accountability develop and work effectively.*

*H2b: The stronger is a society’s demand for accountability, the more likely it is that the ruling elites will make democratic concessions. Thus, the stronger is a society’s capacity to understand and request audit reports and to organize campaigns, the more likely are SAI reforms and thus the stronger is a SAI in the country.*

Modernization theories and other structural accounts of democratization occupy a large share of scholarly research on the development of democracy including public accountability.<sup>143</sup> Basically, the assumption is that economic and social development of a country is both a prerequisite for the development and for the endurance of democracy. In this perspective an educated middle class demands more voice in society, which sets the conditions that ultimately lead to democratic institutions. The policy consequence would then be to support socio-economic development in poor countries and build the capacity of the wider public to demand their rights. Thus, the stronger is society’s demand for accountability, its capacity to understand and request audit reports and to organize campaigns, change national discourse and norms, the more likely it is that the SAI will gain in power.

#### 5.5. Conventional Institutional Capacity Theory (function follows form)

*H5a: The technical capacity of a SAI including staff number and professionalism as well as infrastructure has a positive effect on the development of de facto SAI power.*

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<sup>142</sup> I adopted the following three types of classifications from Krasner (2009, 2011a,b) who differentiates between modernization theory, institutional capacity theory and rational choice theory as the three main paradigms in the current aid debate.

<sup>143</sup> Lipset, 1959; Przeworski et al, 2000; Boix and Stokes, 2003; Sachs, 2005, 2008; Inglehart and Welzel, 2008

According to institutional accounts of development, development is only possible with political institutionalization. The essence of the institutional capacity theory is that development will only occur if states succeed to build effective autonomous institutions able to organize politics. Samuel P. Huntington famously wrote: “*The most important political distinction among countries concerns not their form of government but their degree of government.*” (Huntington, 1968:1) The institutional capacity approach has emerged in the aid debate after the influential comparative study of democratic transitions by Linz and Stepan (1996), the World Development Report - *The State in a Changing World* (World Bank, 1997), and the insights by Fukuyama (2004). He explained that although it was necessary to limit the scope of state functions in poor countries as part of structural adjustment programs during the 1990s, it was a mistake to also reduce state capacity. The mainstream of development policy today follows this institutional capacity approach and stresses the need for building capacity of state institutions in order for them to become effective and for development to occur. Thus, while modernization theory believes that economic development will lead to political development, institutional capacity theory stresses that states need to build political institutions first in order to develop.

*H5b: Different measures of capacity building have different effects on SAI power.*

The literature review in chapter 4.2. has shown that capacity building needs to be predictable and needs to take the political economy into account. The most effective capacity building programs are then those that are long-term and include activities that aim to strengthen the external relations of the SAI.

#### POLITICAL WILL

While modernization theory and institutional capacity theory assume that the provision of enough external support will lead to development, I agree with North et al (2009a; 2009b) and others that there is no such teleology and that we need to put politics at the heart of development processes. In my opinion political will to institutionalize accountability develops not automatically if there is the demand for public accountability (just think of the various developments as a result of political revolts during the ongoing Arab spring). The demand for public accountability (be they led by public outcry, donor conditionality or within the elite itself) is met *de facto* as well as *de jure* only if there is 1) the presence of specific inter-elite relationships which are conducive to reform as proposed by rational choice institutionalism and 2) if there is (SAI) leadership that creates a momentum for reform as explained through organizational theories.

## 5.6. Rational Choice Institutionalism

*H6a: The more the doorstep conditions of North, Wallis, and Weingast (2009a; 2009b) are realized the more reforms of institutions of accountability can succeed.*

Rational choice institutionalism investigates the question why democratic institutions at times do not work. This work can be allocated among the ‘new institutional economics’ literature, which studies the role of institutional designs on economic performance. However, the main focus of North, Wallis and Weingast (2009ab) is on studying how these institutions come about, and by doing so they touch on a very topical debate in current development scholarship and practice. Their work is part of a new approach to studying the integrated political economy of democracy and capitalism, institution-building, state-development and authoritarianism: *rational choice institutionalism*.<sup>144</sup> In recent years, the rational choice institutionalist literature has exploded, particularly in the US political science academia.<sup>145</sup> This approach agrees with institutional capacity theory that institutions are a prerequisite for development but criticizes its focus on institutional functionality rather than possession. Rational choice sees economic growth and effective governance as the result of decisions taken by key stakeholders, who are self-interested. As individuals and groups act according to their available options, the results of various political deals are always open and not linearly defined. Contrary to conventional institutional capacity theory, for rational choice scholars institutions can never be autonomous and a concentration of power is detrimental. Instead, institutions must be embedded in the interests of all powerful elite groups to make them stable. Consequently, contrary to the assumption of the conventional policy approach of institutional capacity building, democratic institutions will not work only because enough resources have been provided for organizational development, training and infrastructure. Instead, institutions will work if they are in the interests of the elites because they have been put into a position, where they lose less by making democratic concessions than by holding on to power. This stream of research gained in prominence in the USA since the mid 2000s, partly as a response to the negative experiences of “building democracies” in Iraq and Afghanistan.

One of the most influential studies in this stream of research was Acemoglu and Robinson (2006). Their study is based on the fact that most sustainable democracies were de-

<sup>144</sup> North, Wallis, and Weingast (2009:269) have called this stream of research an “*integrated political economy approach*”, Iversen (2006:617) has defined it as “*new structuralism*” and Krasner (2009a,b, 2011 a,b) has named it “*rational choice institutionalism*”.

<sup>145</sup> see f.i.: Acemoglu and Robinson, 2006; Fisman and Miguel, 2008; Collier, 2009; Carothers, 2002; Grzymala-Busse and Jones Luong, 2006; Greif, 2006; Haber et al., 2003, 2006; Persson and Tabellini, 2000, Spiller and Tommasi; 2007; Magaloni, 2008; Khan, 2005, 2006, Fisman, 2001; and Meisel and Ould Aoudia, 2008



veloped by elites. They then ask why elites give up power to non-elites? The authors develop four ideal-typical development paths to democracy or dictatorship and illustrate their theory by the example of the development paths of Great Britain, Argentina, South Africa and Singapore. They conclude that elites make democratic concessions, when they fear to lose privileges anyway and believe that they lose less through democratic reforms than through a revolution. Democracies are only sustained over time if they are in the interest of the elites themselves, i.e. when they are based on voluntary concessions by the elites who need to give up privileges. Otherwise democracy collapses and authoritarian rule is established again or a pseudo-democracy develops.

North, Wallis, and Weingast (2009a; 2009b) build on these insights but explain that the elites are not a unified group and thus cannot intentionally decide on anything. North and his colleagues point out that the crucial aspect for understanding democratic transitions is to analyze various types of inter-elite relationships as these condition success or failure of reform. The authors address the problem identified by Fukuyama (2004) and others who acknowledge the importance of institutions for development but do not provide answers on how a state can develop effective institutions.<sup>146</sup> The main research problem which North, Wallis, and Weingast address is that

*“despite a great deal of attention and effort, social science has not come to grips with how economic and political development are connected either in history or in the modern world.”* (2009a:55)

Their main research aim is to explain *“why poor countries stay poor.”* (2009a:57) They start their investigation by conducting a statistical analysis of per capita income for 184 countries between 1950 and 2004 and concluded that

*“poor countries are not poor because they grow more slowly; they are poor because they experience more years of negative income growth and more rapid declines during those years.”* (2009a:57)

Thus, the main thesis of their paper is that poor countries stay poor not because they grow more slowly but because they are less able to adapt to crises and change. In their words,

*“...modern development is not the result of faster growth per se, but instead results from new forms of political, economic, and social organization that make a society much better able to handle change.”* (2009a:57)

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<sup>146</sup> *“Michael Woolcock and Lant Pritchett talked about the problem of “getting to Denmark,” where “Denmark” stands generically for a developed country with well-functioning state institutions. We know what “Denmark” looks like, and something about how the actual Denmark came to be historically. But to what extent is that knowledge transferable to countries as far away historically and culturally from Denmark as Somalia or Moldova?”* (Fukuyama, 2004:30 citing Woolcock and Pritchett, 2002)

They then develop their argument through a detailed historic analysis of the development paths of primarily Great Britain, the USA and France but also make reference to other country examples. The central points of their argument are:

- The state is not a single actor and thus cannot intentionally decide to do anything, is “*an organization of several stakeholders rather than a single actor.*” Doing so, they address one of the main criticisms of the framework by Acemoglu and Robinson (2006). (2009a:59)
- “*The process of controlling violence is central to how individuals and groups behave within a society and how a coalition emerges to structure the state and society.*” (2009a:59)
- They point out that the patterns of social order differ fundamentally in so called “open access orders” and “limited access orders”.
- The transition from a limited to an open access order has two stages and is not a linear process. The transition starts with the realization of three so called door-step conditions, which result in the development of impersonality among elites as the most important characteristic of open access orders.

Before I will go on to explain each of these points in more detail, I will discuss the main argument their theory builds on a bit in detail, namely that sustainable political orders and institutions with *de facto* power must be self-enforcing and pareto-improving. They are the result of a conclusion of mutually beneficial bargains as they solve commitment problems.

*Democracy endures only if it is self-enforcing. It is not a contract because there are no third parties to enforce it. To survive, democracy must be an equilibrium at least for those political forces which can overthrow it: given that others respect democracy, each must prefer it over the feasible alternatives.*” (Przeworski 1991, qtd. in Przeworski, 2006:300)

This logic of a self-enforcing equilibrium contradicts the contractarian theorem that democracies develop out of constitutions<sup>147</sup>. Rational choice scholars see institutions as mechanisms that can make political bargains stable and enduring, in the sense that *form follows function* and not the other way around.<sup>148</sup> Thus, there needs to be a political pro-

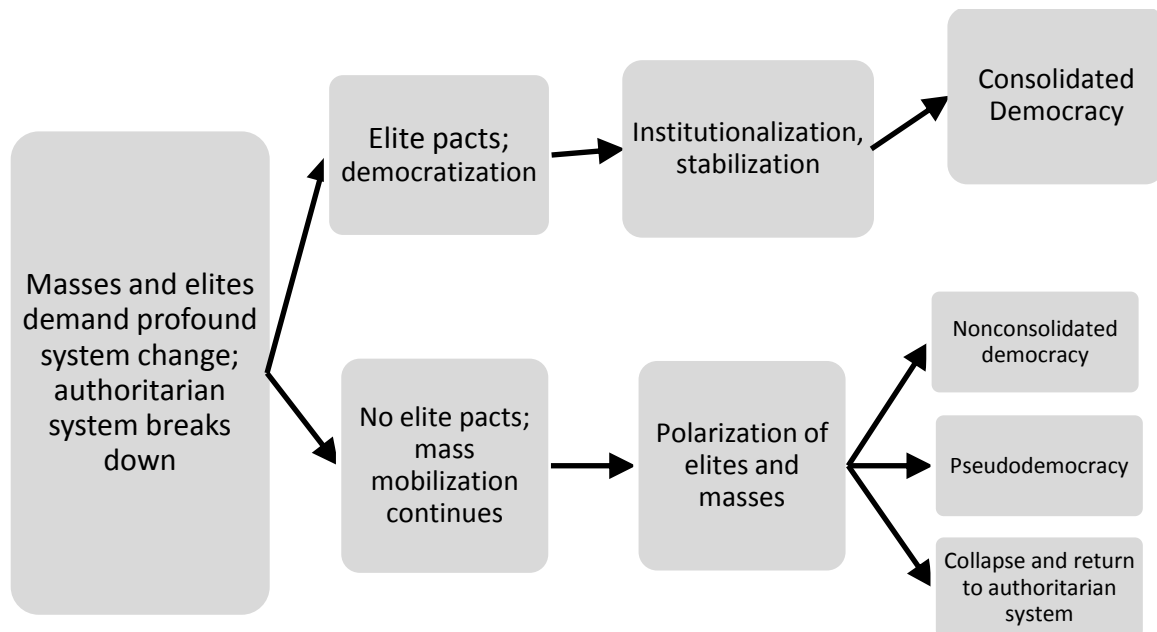
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<sup>147</sup> “*Constitutions are not necessary because democracy survives not because of exogenous rules but for endogenous reasons, they are self-enforcing. The rules that regulate the functioning of a democratic system need not be immutable or even hard to change. When a society is sufficiently wealthy, the incumbents in their own interest moderate their distributional zeal and tolerate fair electoral chances. Democratic governments are moderate because they face a threat of rebellion. Democratic rules must be thought of as endogenous.*” (Calvert, 1994, 1995, qtd. in Przeworski, 2006:320-321)

<sup>148</sup> As explained above, institutional capacity theory assumes that *function follows form*.

cess which leads to bargains and commitments, to so called “elite pacts”, which are then institutionalized.

Figure 5.1 Democratization With and Without Elite Pacts (Merkel, 2010:92 based on Burton et al. 1992)



North, Wallis, and Weingast (2009a; 2009b) explain that the transition from authoritarian to democratic structures must be consistent with the logic of the current social order.<sup>149</sup> The authors differentiate between social orders with open and such with limited access orders, meaning access to both political and economic activities. Social orders with limited access, also labeled natural states, exist on a continuum ranging from fragile states, characterized by political instability and violence, at one extreme, to mature natural states—such as emerging markets—that are close to satisfying the doorstep conditions. The new contribution of their framework is the concept of how societies reduce or control the problem of violence. They first explain that the control over violence is disbursed in many groups in natural states, which would make them very fragile to civil wars. However, natural states solve the problem of violence through rent-creation, granting powerful individuals and groups’ privileges so that they have incentives to cooperate rather than fight. The resulting rents, limits on competition, and limited access to organizations hinder long-term economic development. In contrast, open access orders use competition, open access to organization and institutions to control violence and are characterized by rent-erosion and long-term economic growth.<sup>150</sup> The

<sup>149</sup> cf. Huntington’s distinction of countries according to their political order, 1965, 1968, see above

<sup>150</sup> While I agree basically with this classification of political orders, and I also acknowledge the fact that the authors mentioned in their book that no country has achieved full open access, I think the authors could have said more about the political order in the so called open-access countries. While equality before the law and other features of open access orders are definitely more secure in the

idea that Western institutions cannot easily be transferred to other contexts is not new but the theory why the dynamics in developing countries at times resist the development and consolidation of democratic institutions or transform them to hollow institutional shells (namely to prevent violence) is new.

According to North, Wallis, and Weingast (2009a; 2009b) in order to trigger a transition to an open access society, it is important to create preconditions that put the elites in a position where it is in their own interest to transform personal and privileged deals among themselves into impersonal laws, so that all members of the elite groups are treated the same way. In a second step it can then be possible that elites transform their unique and personal rights to impersonal rights for all citizens.

*“The natural tendency of powerful groups faced with uncertainty and novel situations, is to consolidate privileges, not to expand them to include more elites. The transition proper is the process by which elites open access within the dominant coalition, secure that open access through institutional changes, and then begin to expand access to citizenship rights to a wider share of the population.”*  
(North et al. 2009:190)

Thus, contrary to modernization theory, there is no direct link between public demand and the development of sustainable democratic institutions but the public demand is only met if the elites are put into a position where it is in their own interest to make these concessions and make the institutions work. North, Wallis, and Weingast (2009a; 2009b) call the preconditions for open access for elites to develop the “doorstep conditions”. They are:

*DC#1: Rule of law for elites.* (The objective is to separate personal identity from privilege and thus to contribute to new ways for impersonal exchange and trade.)

*DC#2: Perpetually lived organizations in the public and private spheres.* (These are sophisticated organizations that last and are not tied to one specific person, which increases impersonal exchange as one can count on the firm or public entity to last and therefore one is more inclined to invest in or trade with this organization or to take on the regulations of this public entity.)

*DC#3: Consolidated control of the military.* (This is important to prevent the disbursement of violence among various groups and get stability for economic and political development.)

To sum up, North, Wallis, and Weingast (2009a; 2009b) provide a conceptual framework for understanding social orders. The authors show that the analysis of violence, institutions, organizations, and beliefs is central for an understanding of economic and political development processes. They base their insights on detailed historic analysis,

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rich industrialized OECD countries than in the rest of the world, here too, I think, inequalities persist and crises (such as the recent financial crisis and the debt crisis) reveal vulnerabilities of the apparently stable political order.

mainly of the USA, Great Britain and France. While this method allows them to paint a clear picture of the processes in concrete historic contexts, it is not clear to what extent the same processes can be observed today (and even less so whether it is a desirable development). Furthermore, even in their historic analysis they leave out several aspects such as the international political economy and the role of the non-elites, including the role of gender relations, for development. Despite these limitations<sup>151</sup>, I consider their framework a useful tool for the analysis of inter-elite relationships.

*H6b: The power of SAIs in autocracies differs depending on the strategy that the autocrat uses in order to stay in power.*

Recent scholarship on authoritarianism agrees with rational choice institutionalism. This scholarship first of all observed that many autocracies have created façade democratic institutions, which however leave the autocratic essence of the regimes unchanged.<sup>152</sup> Why are some appearances deceiving? Interviewee 5 (see chapter seven) described the practice of public auditing in his country as a farce. Although the institution is fully independent from the executive by law, in fact it is not and everybody knows that it is only an “empty-shell” institution. He expressed this situation with the following proverb, “*A camel hides his head behind a tree and thinks nobody sees it, but in fact everybody does.*”

Many of the SAIs that lack independence and perform poorly can be found in such semi-authoritarian regimes. Thus it is my main interest to particularly explore potentials for reform in (semi-) authoritarian regimes. Under what conditions do (semi-) authoritarian regimes successfully implement accountability reforms? What strategies do (semi-) authoritarian regimes employ to successfully resist reforms?

Haber, Razo, and Maurer (2003) explore the question of who can threaten a dictator with removal from power, and the mechanism that they use to do so. A major threat to dictators constitutes political entrepreneurs who lead organized groups. This presents us according to Haber (2006) the autocrat with a paradox: if dictators fear political entrepreneurs and the groups they lead, why don't they simply stamp them out? Haber (2006) suggests that there is an inevitable set of strategic interactions among dictators and the organized groups that launch them to power. Haber (2006) as well as Magaloni (2008) claim that there are three distinct political equilibriums, depending on the power struggles between the dictator and what Haber calls the “launching organization”. In the first scenario, the dictator eliminates the power of the launching organization through terror, torture, and purges. The second strategy is one of collusion, where the

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<sup>151</sup> For a critical discussion of this book see f.i. Hartzell (2010), Elsthain (2010), Diamond (2010) or Snider (2010).

<sup>152</sup> See also chapter 3.2.

dictator ensures a stream of rents to leaders of the launching organization. A third political equilibrium is characterized by organizational proliferation, whereby the dictator encourages the creation of competing organizations to increase the costs of collective action by the launching organization.

Each of the three strategies applied by autocrats generates quite different property rights systems, and each of those property rights systems has consequences for economic growth, distribution and accountability reforms. Dictatorships in which the power of the launching organization was curbed by terrorizing or co-opting its leadership tend to allocate property rights to a restricted set of individuals. As a result, the economies of these countries tend to grow very slowly, and public accountability is impossible. Dictatorships in which the power to the launching organization was curbed by proliferating yet more organizations, however, tend to allocate property rights to a much larger set of individuals. As a result, the economies of these countries tend to grow more rapidly. Accountability reforms are more likely, therefore, to be successful in those countries in which a dictatorship was characterized by organizational proliferation, rather than terror or co-optation. These accountability institutions can gain strength in situation of political conflict. (Haber, 2006)

To summarize, I assume that the three strategies have the following effect on the development of powerful SAIs<sup>153</sup>:

Strategy 1: In autocracies with high levels of terror, there might be a SAI in order to control subordinates but the SAI will never be independent or very powerful.

Strategy 2: In autocracies where the autocrat deals with the “launching organization” mainly through rent creation and clientelism, the SAI will function very badly.

Strategy 3: Autocrats who apply the strategy of organizational proliferation might also establish SAIs, which however remain façade institutions.

## 5.7. Organizational Theories of Leadership-Led Change<sup>154</sup>

*H7a: Leadership commitment by heads of SAIs is associated with stronger SAI power.*<sup>155</sup>

<sup>153</sup> This hypothesis also includes the statement, that reform can be easier in post-conflict countries as the local elites have been weakened. Another argument goes that the doorstep conditions are more relevant in large than in small countries. In large countries elite groups have a stronger incentive to formalize their relationships and an authoritarian leadership has a stronger incentive to formalize accountability of low and mid level officials.

<sup>154</sup> This title is an adaptation of Andrews et al. (2010) who entitle their report “Development as leadership-led change”

<sup>155</sup> This hypothesis was not part of my original hypotheses as developed on the basis of the literature review. Instead it was one result of the expert interviews, conducted at a later stage of the re-

*H7b: Long periods of reform commitment foster progress.*

The second theory that my argument on the development of political will builds on is organizational theory and more specifically, leadership as an important driver of change. I adopt the approach by Andrews, Mc Connell, and Wescott (2010b) for understanding the role of leadership in the process of change. Their definition of leadership is based on an extensive literature review and a qualitative study comprising 140 in-depth interviews covering 14 development projects in fragile countries. They define leadership as involving

*“the set of actions that intentionally creates change space and mobilizes people, ideas, meaning and resources to achieve a change purpose”* (Andrews, McCon-  
nell, and Wescott, 2010b:13)

This definition speaks about leadership and not leaders because the authors consider leader plurality as important, thus they talk more about groups than individuals. This definition is driven by the functional approach to leadership, thus leaders are identified more because of their functional contribution to change than their personal traits or authority. In answering the question what leadership does in the change process, they mainly refer to transformational, transactional and relational leadership models.

According to Andrews, McConnell and Wescott (2010b:14), change space develops when the three A's are present, i.e. if leadership (1) builds Acceptance (by managing attention and meaning, framing facts, coaching, etc.), (2) ensures that appropriate Authority and accountability structures are established (by empowering followers, delegating responsibilities, buffering the organization from external influences, etc.) and (3) when leadership enhances Ability (by fostering new productive relationships, accessing new finances, etc.). Change space can then emerge at the intersection of these three conditions (see the AAA model in figure 5.2.)

Space does not have a static importance in their model, but emerges as important in a process where different stages have different space requirements. In early stages of reforms the major challenge may be to facilitate contextual acceptance while in later stages it might be to introduce new abilities or formal or informal authorization mechanism to institutionalize the change. (Andrews, Mc Connell, and Wescott, 2010b:9, Andrews, 2008b ) I understand this concept of *space change* as resembling the idea of a momentum of change as defined by the sociological term of *tipping points*.<sup>156</sup>

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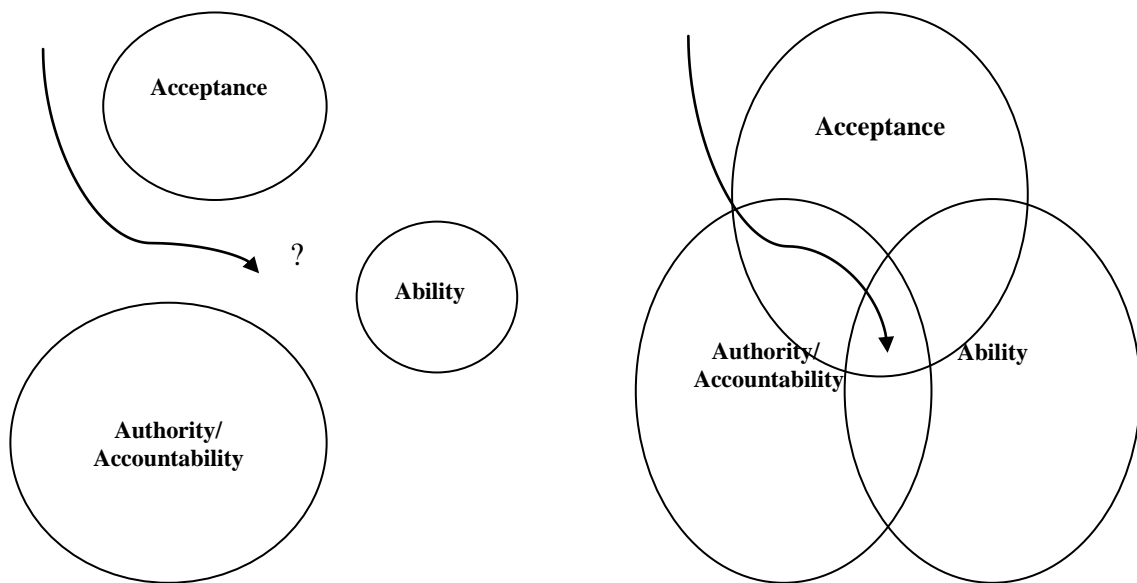
search project. The SAI leaders themselves pointed out that leadership abilities and commitment by SAI leaders is one of the main factors that explain success or failure of SAI reforms.

<sup>156</sup> Research on tipping points: Grodzins, 1958; Schelling, 1972; Granovetter, 1978; Gladwell, 2000.

Figure 5.2 The AAA Model of *Change Space* (Andrews, Mc Connell, and Wescott, 2010b:6)

No change space exists because the AAA's are all deficient and/or non-convergent.

Some change space exists because the AAA's are all sufficient in size and converge.



According to Andrews, Mc Connell and Wescott (2010b), in the development context, it is vital to ask whether the psychological issues and learning dimensions of change receive enough attention and particularly also whether the change process addresses a problem which has been identified by the persons who should lead the change process, and thus whether there is local ownership of the process. Referring amongst others to North (1995<sup>157</sup>) this study also considers aspects of the rational choice institutionalism theory in that contextual factors affect the costs of exercising leadership that leads change:

*“...contexts are not always ready for the type of leadership we believe leads change. ...some contexts were more flexible than others and accommodated the move from change initiation to transition more readily... Where contextual factors make it too costly to either initiate change or to ensure it is sustained, leadership will be lacking. Where contextual factors make it less costly or allow cost sharing across a team, coalition or network, such leadership will be more apparent”* (Andrews et al., 2010b:49-50)

Despite these context specificities, successful leadership-led change events shared a number of key characteristics in their study, namely plurality, functionality, problem orientation and change space creation (Andrews, Mc Connell and Wescott, 2010b:9, Andrews, 2008b):

- Plurality indicates that leadership is more about groups than individuals

<sup>157</sup> Qtd. explicitly in Andrews et al. 2010b: endnote xxiv



- Functionality is important because ‘leaders’ have been identified more because of their functional contribution to change than their personal traits or authority
- Problem orientation and change space creation defines leadership which contributes to the acceptance for change, which grants authority to change, and introduces or frees the abilities necessary to achieve change.

To summarize, leadership actions are required at all stages of the reform process to expand *change space* and by doing so they create the political will necessary for a *de facto* institutionalization of SAI reforms. And this leadership most importantly has to come from the heads of SAIs themselves. But there can also be leadership by parliamentarians, political parties, the media, public pressure groups and of course external stakeholders such as INTOSAI bodies, donors and regional organizations.

## 5.8. Summary and Conclusions

This chapter has outlined the argument explaining the variation in the de facto power of SAIs to hold to account. Seven strands of theory and their proposed hypotheses for potential determinants of powerful SAIs have been presented and discussed. I conclude this chapter with my **main argument**:

*While the institutional arrangements for government auditing, the nature of the source of national income, the external influence on reform, the local demand for public accountability and the technical and organizational capacities of SAIs matter, the political economy of inter-elite relations and the existence of plural, functional and problem-oriented leadership creating reform space ultimately explains the development, consolidation and endurance of powerful of SAIs.*

In a next step, I will test my argument by exploring the potential relationships between my independent variables and the power of SAIs through econometric analyses.

Table 5.1 Overview of Research Results of Chapter Five

qual data collection	qual data analysis
<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>● Semi-structured expert interviews (see chapter 2)</li> <li>● Feedback loop from semi-structured expert interviews (see chapter 7)</li> <li>● Literature reviews</li> </ul>	<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>● Argument/hypotheses development through in depth literature analysis</li> </ul>
<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>● Interview transcripts including recommendations for further study, potential hypotheses</li> <li>● Literature summaries</li> </ul>	<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>● Argument consisting of seven main hypotheses with many sub-hypotheses</li> <li>● Discussion of strand of theoretic literature of several disciplines (democratization/transitology, development studies, international relations, political economy, authoritarianism, organizational theories)</li> </ul>

## 6. The Objective View – Exploring Relationships Through Econometric Analyses

- 6.1. Model Building
- 6.2. Model Testing
- 6.3. Data Analysis
- 6.4. Exploring INTOSAI Data
- 6.5. Mini-Case Analyses
- 6.6. Summary and Conclusions

*„All models are wrong but some are useful.”<sup>158</sup>*

### 6.1. Model Building

The introductory quote from the famous statistician George Box on the one hand points out that models are just models and therefore can never fully reflect the complex social world but that at the same time they are useful tools in the social sciences. The statistical models that are used to analyze social data – and particularly the models used in this dissertation – are, in contrast to social reality, quite simple. The assumption of this chapter is then that simple statistical models can help us to understand a complex social reality. (Fox, 2008:1)

After the preliminary research phase, which resulted in the formulation of the specific research question and according hypotheses, this second phase of the dissertation project consists of the so called “objective construction of the object”, that is, the construction and testing of an explanation from an observer’s perspective through the use of statistical techniques. According to Bourdieu (1973 and Bourdieu, Chamboredon, and Passeron 1991, both qt. in Harrits, 2011:156) this outside perspective presents a view of the research object (or subject) not accessible to itself and thus it can be seen as an epistemological advancement within the social sciences compared to purely phenomenological knowledge, which only describes or reconstructs meanings and experiences. This research phase in Bourdieu’s words then constructs the “*opus operatum*”, that is the way things operate, the structures and regularities that we can find behind a problem.

This understanding of causal mechanisms is founded within the paradigm of critical realism (George and Bennett 2005, qt. in Harrits, 2011:155). Harrits (2011:155) refer-

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<sup>158</sup> George Box, 1979:202 qt. in Fox, 2008:1

ring to Bashkar (1978) explains that this scientific approach is based on a three-layered ontological model including the empirical domain, consisting of experiences; the actual domain, consisting of events; and the real domain, consisting of causal mechanisms. Thus the realist ontological model accepts continuity between the actual domain (events) and the real domain (mechanisms). There is however also a lot of criticism of this ontological model and approach. Critics mainly point out the problems associated with the establishment of causality, such as controlling for spuriousness and establishing the causal order, and more fundamentally the problem of causal heterogeneity and causal complexity. (Collier & Mahoney, 1996; Ragin, 1987; both qtd. in Harrits, 2011:155)

Despite the acknowledged limitations, deductive theory testing may offer an insight into potential regularities. According to Hendry and Richard (1983 in Gujarati and Porter, 2009:468) the selection of a model should be data admissible, consistent with theory, should have weakly exogenous regressors, exhibit parameter constancy and data coherency and be encompassing. This said, it is actually very difficult to develop such a model, particularly if there are few (or as in my case hardly any) studies available to build on and if the data that is to be used is not fully reliable and robust. The statistical inferences that I will draw are based on samples and as I have discussed in chapter 4 contains subjective methods and measurement errors. There remains a substantial risk that my data is quite far away from a random sample so that the statistical probability of the inferences from this sample will not reflect the total observations.<sup>159</sup> There is particularly a problem of measurement error or bias. Finally, the model specification can be erroneous and the ontological assumptions underpinning the whole model might also be deficient or even flawed, which will be partly captured by the error term in the model.

To conclude, there are many potential problems when testing theory through econometric techniques in general and particularly as in my case when the tests are based on subjective data and on data which has been measured only one point in time (see chapter 4.2.).<sup>160</sup> However, within these limits I can explore the data and critically reflect on the results. I thus primarily consider my regression diagnostics as a tool to explore and de-

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<sup>159</sup> Globally, there are 189 national SAIs which are members of INTOSAI. I trust that in the future data will become available for the total population of SAIs, and so future research will not have to think about the random nature of the sample anymore.

<sup>160</sup> The development of powerful SAIs is a process which occurs over time, thus it would be most appropriate to examine whether that time series process actually occurred. Unfortunately there is only very limited data available on SAIs today and thus all that is possible at this stage is to examine the variance between countries at one point in time. Another method which would be more appropriate is structural equation modeling, whereby the researcher actually examines the causal relationships that exist among all variables, including the independent ones. This indeed seems to be a promising method, and is envisaged by the author for post-doctoral research. Another possibility would be to apply qualitative comparative analysis (QCA). However, while QCA has the advantage of using qualitative data and thus potentially could use variables for which there is currently no quantitative data available, it also has the problem that there is no error term in the regression specification, and thus all the errors are integrated into the coefficients.

scribe the data, to generate some stylized facts and relationships, which always have to be perceived from an angle of uncertainty. The main objective of this chapter is then not to prove causality but to engage in hypotheses exploration, the results of which can then serve as a basis to engage in more specific quantitative and qualitative research.

This chapter is organized as follows. Overall, the aim of this chapter is to apply a simple nested analysis approach, simple because the small-N verification will only consist of short literature analyses of several mini-cases (while the small-N analysis could also consist of extensive qualitative case studies including field research and interviews). At the expense of comprehensive small-N case study verification, I decided to conduct expert interviews with an inductive research approach as proposed by the mixed-method strategy of “praxeological knowledge”. I thus incorporate qualitative research not primarily as a way of testing the quantitative results but instead as a means to incorporate reflexivity into objective knowledge (see chapter seven).

After an introductory discussion of the method used, I present the main model based on the hypotheses as discussed in chapter five (chapter 6.1.) I then conduct diagnostic tests of my main table (chapter 6.2.) before I engage in an analysis of the findings and a detailed discussion of each of the hypotheses (chapter 6.3.). In a next step I test some of my hypotheses on the anonymized dataset from the IDI Stocktaking Report 2010 (chapter 6.4.). Based on the findings from the econometric tests I then test my findings through mini-case analyses (chapter 6.5.). Finally I summarize the overall findings of this chapter and draw conclusions (chapter 6.6.).

To start, I first tested each hypothesis as presented in table 5.1. in preliminary simple (mostly bivariate) regressions and graphical examinations on a large set of independent variables. Basically, the preliminary regressions largely confirmed my hypotheses. But how do the variables perform when put together, i.e. when testing each variable while holding the others constant? As discussed above, I am using observational data and therefore must be aware that what I am actually finding are only conditioned correlations between two variables. This does therefore not mean that the relationship which I am finding between variables is necessarily causal. Particularly when comparing countries, the demonstration of causality becomes very problematic. The variance between countries could be caused by many other factors than the ones I am testing. And these factors might be at the root of both my dependent and my independent variables.

In general, a multiple regression model can be expressed as follows:

$$Y_i = \beta_1 + \beta_2 X_{2i} + \beta_3 X_{3i} + u_i \quad (\text{Eq.6.1.})$$

where  $Y$  is the dependent variable and measures the power of SAIs (as discussed in chapter four). The  $X$ s are the explanatory variables,  $u$  is the stochastic disturbance term, and the  $i$  indicates the  $i$ th observation and  $t$  indicates the year the data was measured. As you can see, I use data for the independent variables which is measured two years be-

fore the SAI data. By doing so I take into account the time lag that any condition will need to have an impact on SAI reforms. Wherever data is available I do not only use data from 2007 (two years before the SAI data), but a mean of the years 2004-2007 (please see table B.12 in Appendix B for a list and description of all variables cited). The  $\beta_1$  is the intercept term (also called *constant*) and gives the mean effect on Y of all the variables excluded from the model. The  $\beta$  -coefficients are also called the partial regression coefficients. Their meaning is as follows:  $\beta_2$  measures the change in the mean value of Y per unit change in  $X_2$ , holding the value of all other X constant;  $\beta_3$  measures the change in the mean value of Y per unit change in  $X_3$ , again holding the value of all other X constant, and so on. That is, a partial regression coefficient gives the “direct” or “net” effect of a unit change in the corresponding X on the mean value of Y, net of any effect that all other X may have on mean Y. (Gujarati & Porter, 2009:188-191)

My model as suggested by my main argument can then be expressed as follows:

Main Model:

$$Y(\text{de\_facto\_SAI\_power\_to\_hold\_to\_account})_i = b_1\text{SAI\_Monocratic\_SAI\_model}_i - b_2\text{Oil\_reliance}_i + b_3\text{External\_influence}_i + b_4\text{Public\_demand}_i + b_5\text{SAI\_staff\_capacity}_i + b_6\text{Favorable\_inter\_elite\_relationships}_i + b_7\text{SAI\_leadership}_i + b_8 + u_i$$

The main test of the hypotheses is an OLS multiple regression on the dependent variable OBS2010 presented in table 6.1. below. Unfortunately, due to a shortage of data and concerns of multi-collinearity between some of the independent variables, it was not possible to include all independent variables in the same regression. I therefore compute and discuss additional tests of several hypotheses as I go along in the data analysis.

Table 6.1. is organized as follows: You can see four regression calculations. Regression (1) includes all observations for which data was available. Regression (2) only includes non OECD member states. Haggard and Tiede (2011:677) suggest that “*the components of the rule of law “hang together” in very different ways in advanced industrial and developing countries.*” This argument corresponds to the argument of North, Wallis, and Weingast (2009a; 2009b) that the logic of political processes in limited and open access orders differ fundamentally. Following Haggard and Tiede (2011:676), I exclude OECD member states from my model in regression (2) to compare the effect. Regressions (1b) and (2b) exclude influential cases with large values in a test of Cook’s Distance for the models (1) and (2) respectively. As we can see, their exclusion did not substantially change the results, but increased the significance of the coefficients and the measure of the overall model fit ( $R^2$  of 89%).

Table 6.1 "The Main Table": OLS Regression of All Hypotheses on OBS2010 SAI Power

Regressions:	(1) All	(2nonOECD)	(1b)	(2b)
H1a:	47.79 *	54.42 ***	53.34 **	56.15 ***
SAImodel_09Board	(2.51)	(4.13)	(3.46)	(5.74)
H1a:	42.51 *	51.82 ***	42.72 **	47.92 ***
SAImodel_09court	(2.25)	(3.89)	(2.82)	(4.93)
H1a:	56.25 **	64.61 ***	60.00 ***	64.53 ***
SAImodel_09monocratic	(3.00)	(4.95)	(3.97)	(6.76)
H1b: dpi_checks	3.14 **	2.76 *	4.23 ***	4.07 ***
Political competitiveness	(2.85)	(2.28)	(4.57)	(4.43)
H2a:	-0.42 ***	-0.47 ***	-0.48 ***	-0.55 ***
Oil_02.07	(-3.83)	(-3.93)	(-5.30)	(-6.05)
H2b:	-13.14 **	-13.69 **	-11.37 **	-11.10 **
IMF_1	(-2.96)	(-2.97)	(-3.09)	(-3.17)
H3a:	-12.14 *	-14.51 **	-13.08 **	-15.18 ***
INTOSAIregionAFROSAI-E	(-2.51)	(-2.73)	(-3.36)	(-3.88)
H3a:	-22.51 ***	-26.31 ***	-22.67 ***	-26.27 ***
INTOSAIregionARABOSAI	(-3.59)	(-3.83)	(-4.53)	(-5.22)
H3a:	-8.07 .	-13.19 *	-9.54 *	-14.21 ***
INTOSAIregionASOSAI	(-1.75)	(-2.41)	(-2.55)	(-3.53)
H3a:	-25.29 *	-25.32 .	-29.78 **	-29.98 **
INTOSAIregionCAROSAI	(-2.03)	(-1.88)	(-2.98)	(-3.04)
H3a:	-12.29 .	-16.82 *	-14.21 **	-19.25 ***
INTOSAIregionCREFI AF	(-1.91)	(-2.35)	(-2.74)	(-3.61)
H3a:	-6.32	NA	-3.91	NA
INTOSAIregionNRM	(-0.47)		(-0.36)	
H3a:	-10.86 *	-11.61 *	-13.74 ***	-14.01 ***
INTOSAIregionOLACEFS	(-2.63)	(-2.56)	(-3.95)	(-4.00)
H3a:	-46.05 ***	-46.20 ***	-47.91 ***	-47.44 ***
INTOSAIregionPASAI	(-5.20)	(-4.87)	(-6.79)	(-6.85)
H3b:	0.003 ***	0.003 ***	0.003	0.002
battledeaths_02.08	(-3.52)	(3.61)	(1.12)	(1.00)
H4b: log(fh_press)	-5.29	0.94	2.37	12.97 *
Press restriction	(-1.16)	(0.14)	(0.55)	(2.12)
H6a: ciri_injud1.	9.07 **	9.99 **	11.53 ***	13.04 ***
Partially indep. judiciary	(2.79)	(2.73)	(4.33)	(4.69)
H6a: ciri_injud2.	11.44 *	15.08 *	21.36 ***	29.58 ***
Generally indep. judiciary	(2.20)	(2.50)	(4.27)	(5.23)
H7a:	1.19 **	0.99 *	0.92 **	0.67 *
SAIleader_total1	(3.40)	(2.54)	(2.94)	(2.11)
Constant (Ref. category:	10.20	-18.92	-24.69	-68.37 *
SAImodel_09. ministry;	(0.40)	(0.65)	(-1.09)	(-2.68)
INTOSAIregionEUROSAI;				
IMF_0; ciri_injud0.Not indep.)				
N	85	73	79	67
Multiple R <sup>2</sup>	0.8212	0.7806	0.8929	0.8902
Adj. R <sup>2</sup>	0.769	0.7074	0.8585	0.8491
F-statistic p.value	< 2.2e-16	5.777e-12	< 2.2e-16	<2.2e-16

Significance levels reported as: '\*\*\*' p < 0.001; '\*\*' p < 0.01; '\*' p < 0.05; '.' p < 0.1; t-values in brackets. Model tests: Multi-collinearity tests  $GVIF^2(1/(2*Df)) < 2 = \text{True}$ . Outlier tests and influential observations: Examination of qq-plots and leverage plots satisfying, no studentized residuals with Bonferonni  $p < 0.05$ , Largest |rstudent|: Bulgaria. Large Cook Distance reported for Bulgaria, Iraq, Brazil, Mexico, Malawi and Sri Lanka. However an exclusion of these influential cases did not substantially change the results but increase the significance of the overall model (see models 1b and 2b). Non-normality: graphical examination of distribution of studentized residuals, QQ plots. Non-constant error variance: BP test no significance reported, plots of studentized residuals (and their squares) vs. fitted values show outliers but no heteroscedasticity. Nonlinearity: scatterplots and component and residual plots examined, independent variables accordingly linearly transformed. Non-independence of errors: DW and BG tests not significant. Assessment of the linear model assumptions using the global test on 4df: all assumptions acceptable. The variables of hypothesis 5 were not included here because the number of observations is very small, the data is unreliable and not significant.

Table B.13 (see Appendix B) shows the same regressions as table 6.1 but uses standardized<sup>161</sup> continuous variables to facilitate the comparison of the relative importance of slope coefficients as part of the data analysis. However, as I find it more interesting to discuss the relationship between variables in their original units of measurements instead of standard deviations and because my main model includes many categorical variables, which cannot be standardized, I prefer to primarily discuss the results of table 6.1. When analyzing the regression results, I concentrate on the direction and statistical significance of the slope coefficients. Secondly, I am interested in gaining a large overall model fit.

In order to test the robustness of my model, I also computed it on the alternate variables measuring the power of SAIs, namely the GI08-10, the OECD and the PEFA variable as presented in chapter four (see table B.14). The problems associated with these dependent variables have already been discussed. As a consequence of the unreliability of these variables, the results are not as clear as in table 6.1. and the measures of the overall model fit ( $R^2$ ) are much lower (65% for the GI0810, 50% for the OECD variable and 74% for the PEFA variable). Despite these limitations, I argue that the main conclusions from table 6.1 also hold in table B.14.

## 6.2. Model Testing

The classical normal linear regression model was used to estimate model coefficients and test my hypotheses. This model is based on ten assumptions, which need to be tested for the model to be considered as valid. These are (Gujarati and Porter, 2009:315, Italics in Original):

- “1. The regression model is linear in the parameters.
2. The values of the regressors, the X’s, are fixed, or X values are independent of the error term. Here, this means we require zero covariance between  $u_i$  and each X variable.
3. For given X’s, the mean value of disturbance  $u_i$  is zero.
4. For given X’s, the variance of  $u_i$  is constant or homoscedastic.
5. For given X’s, there is no autocorrelation, or serial correlation, between the disturbances.

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<sup>161</sup> „A variable is said to be standardized if we subtract the mean value of the variable from its individual values and divide the difference by the standard deviation of that variable.” (Gujarati and Porter, 2009:157) The regression coefficients of the standardized variables, denoted by  $\beta_1^*$  and  $\beta_2^*$ , are known in the literature as the beta coefficients and are interpreted as follows: If the standardized independent variable increases by one standard deviation, on average, the (standardized) dependent variable increases by  $\beta_2^*$  standard deviation units. Also note that there is usually no intercept in a model with standardized variables, however as I also include categorical variables, which of course cannot be standardized, the intercept remains present. (Gujarati and Porter, 2009:157-8)



6. The number of observations  $n$  must be greater than the number of parameters to be estimated.
7. There must be sufficient variation in the values of the X variables.
8. There is no exact collinearity between the X variables.
9. The model is correctly specified, so there is no specification bias.
10. The stochastic (disturbance) term  $u_i$  is normally distributed.”

*ad Assumption 1: Linear parameters:*

$$Y_i = \beta_1 + \beta_2 X_{2i} + \beta_3 X_{3i} + u_i \quad (\text{Eq. 6.2.}^{162})$$

The term linear refers to linearity in the parameters and not necessarily in the variables.<sup>163</sup> I have computed a linear regression model in the parameters, which has several advantages to nonlinear regression models, most importantly that the mathematics and the theory of inference are easier. There was no theoretical or practical reason for using another method (see also Gujarati and Porter, 2009:535).

*ad Assumption 2: Fixed versus stochastic regressors:*

In multiple regression analysis, we assume that the X's (regressors) are fixed (nonstochastic, i.e. they assume fixed values in repeated sampling) and that we predict the values of the Y. The X's values thus need to be independent of the error term. This means we require zero covariance between  $u_i$  and each X variable.

$$\text{cov}(u_i, X_{2i}) = \text{cov}(u_i, X_{3i}) = 0 \quad (\text{Eq.6.3.}^{164})$$

However, in political science unlike physical sciences, we generally have no control over the data we use. This is also the case for this research, which depends on secondary data. I cannot be sure that the regressors are nonstochastic, still the results of the regression analysis are conditional upon these given values. Measurement errors in the explanatory variables thus pose a serious problem as they make consistent estimation of the parameters impossible, they create biased estimators. The strategy suggested is to use instrumental or proxy variables. This is why I tested each of my hypotheses on a large number of similar explanatory variables. I will discuss the alternative variables which I tested in the discussion of each hypothesis.

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<sup>162</sup> Gujarati and Porter, 2009:188

<sup>163</sup> “A function is said to be linear in the parameter, say,  $\beta_1$ , if  $\beta_1$  appears with a power of 1 only and is not multiplied or divided by any other parameter (for example,  $\beta_1\beta_2, \beta_2/\beta_1$ , and so on).” (Gujarati and Porter, 2009:38, *Italics in Original*)

<sup>164</sup> Gujarati and Porter, 2009:189

*ad Assumption 3: Zero mean value of disturbance  $u_i$ :*

$$E(u_i | X_{2i}, X_{3i}) = 0 \quad \text{for each } i \quad (\text{Eq.6.4.}^{165})$$

If assumption 3 is not fulfilled, we cannot estimate the original intercept  $\beta_1$  but a biased estimate of it. However the intercept is of little actual importance, the more meaningful results are the slope coefficients, which remain unaffected by a biased intercept. (Gujarati and Porter, 2009:64, 189, 317)

*ad Assumption 4: Homoscedasticity or constant variance of  $u_i$ :*

$$E(u_i^2) = \sigma^2 \quad i=1,2,\dots,n \quad (\text{Eq.6.5.}^{166})$$

Homoscedasticity is the assumption of equal (homo) spread (scedasticity) or equal variance. The variation around the regression line is the same across the X values. If this assumption is violated we speak of heteroscedasticity, or unequal spread or variance. Heteroscedasticity does not destroy the unbiasedness and consistency properties of OLS estimators, but these estimators are no longer efficient; they are not BLUE (Best Linear Unbiased Estimators<sup>167</sup>). Non-constant error variance can be caused by outliers, model misspecification, skewness of the regressors and incorrect data transformation. The most common methods of detecting heteroscedasticity are based on the examination of the OLS residuals  $\hat{u}_i$  which we can observe, whereas the disturbances  $u_i$  are usually not known. (Gujarati and Porter, 2009:365-401)

I examined the residuals and plotted them against the fitted values. I discovered several outliers (which were subsequently excluded in models 1b and 2b) but no systematic relationship between the estimated mean value of Y and the (squared) residuals. I also conducted the Breusch and Pagan (1979) test of heteroscedasticity, which was not significant in all models.

*ad Assumption 5: Autocorrelation or correlated error terms*

The classical linear regression model assumes that there is no autocorrelation in the disturbances  $u_i$ , i.e. that the disturbance term relating to any observation is not influenced by the disturbance term relating to any other observation.

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<sup>165</sup> Gujarati and Porter, 2009:189

<sup>166</sup> Gujarati and Porter, 2009:365

<sup>167</sup> The Gauss-Markov Theorem states that “[g]iven the assumptions of the classical linear regression model, the least-squares estimators, in the class of unbiased linear estimators, have minimum variance that is, they are BLUE.” (Gujarati and Porter, 2009:72)

$$\text{cov}(u_i, u_j | x_i, x_j) = E(u_i u_j) = 0 \quad (\text{Eq.6.6.}^{168})$$

I conducted the Durbin-Watson test<sup>169</sup> and the Breusch-Godfrey<sup>170</sup> test for serial correlation, which were not significant.

*ad Assumptions 6, 7 and 8: Multicollinearity or correlated regressors*

These assumptions are closely related and are therefore discussed together. If there is an exact or approximately exact linear relationship among the X variables, then we speak of multicollinearity. Micronumerosity or the smallness of sample size (Goldberger, 1991 in Gujarati and Porter, 2009:321) and having independent variables with small variances also has the same effect as multicollinearity, namely they remain BLUE. The problem is that the estimators in the presence of multicollinearity have large standard errors, which makes precise estimation difficult. (Gujarati and Porter, 2009:320-351)

I tested the regressions in table 6.1. for multicollinearity by calculating partial correlation coefficients and by calculating the variance inflation factor, which did not suggest any multicollinearity between the regressors.<sup>171</sup>

*Ad Assumption 9: Model specification*

The most frequent specification errors are omitting a relevant variable, including unnecessary variables, adopting a wrong functional form, committing measurement errors, incorrectly specifying the error term and assuming that the error term is normally distributed even though it is not (see also assumption 10).

I particularly tested my models for the correct functional forms through scatter plot analysis between the regressors and the regressand and then adopting the functional form (in table 6.1., the variable restriction of press freedom (fh\_press) was transformed by taking its logarithm). Another important topic in econometric modeling is to detect outliers, and residuals with strong leverage and influence. I examined QQ-plots<sup>172</sup> and

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<sup>168</sup> Gujarati and Porter, 2009:413

<sup>169</sup> Gujarati and Porter, 2009:434ff

<sup>170</sup> Gujarati and Porter, 2009:438ff

<sup>171</sup>  $\text{GVIF}^{1/(2 \cdot \text{Df})} < 2$  is true in all models of table 6.1. The VIF cannot assess collinearity for sets of related regressors such as a set of dummy regressors. The generalized variance inflation factor (GVIF) however, can accommodate sets of related regressors. The adjusted GVIF =  $\text{GVIF}^{1/(2 \cdot \text{Df})}$  also accounts for degrees of freedom. We see here that collinearity is not a problem - the GVIF is moderate, thus the standard error is not really affected.

<sup>172</sup> A Quantile-Quantile plot (or Quantile Comparison plot) is a probability plot, which is a graphical method for comparing two probability distributions by plotting their quantiles against each other. See Fox, 2008:268ff.

leverage plots<sup>173</sup> and detected some influential residuals. However the exclusion of these did not substantially change the results, It however increased the significance of the overall model (see model 1b and 2b, table 6.1.)

*ad Assumption 10: Normality of the disturbance term  $u_i$*

If the objective of the multiple regression exercise is estimation only, then this assumption is not essential. The OLS estimators are BLUE no matter if the  $u_i$  are normally distributed or not. However, the objective of this chapter is hypothesis testing, for which the regression coefficients need to follow the *normal* distribution.

$$u_i \sim N(0, \sigma^2) \quad (\text{Eq.6.7.}^{174})$$

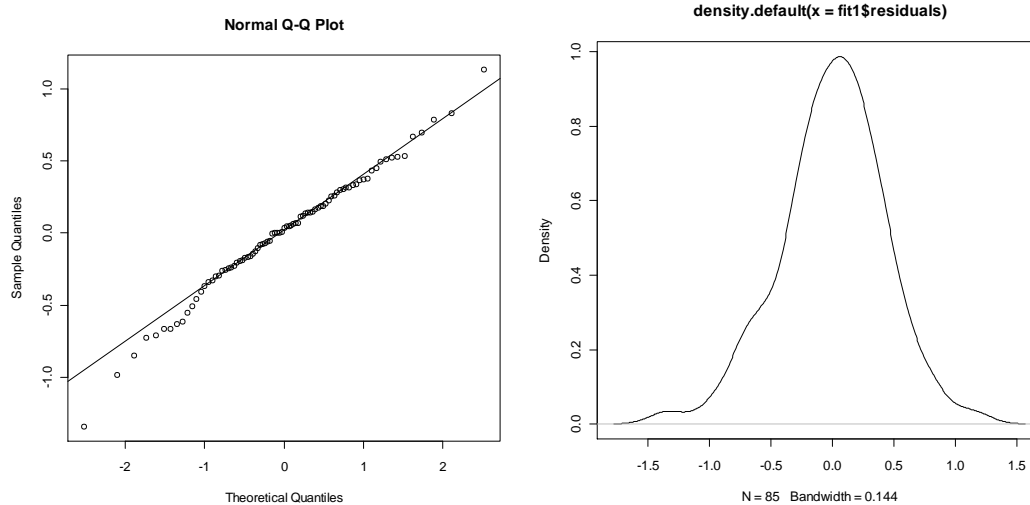
The normal linear regression model thus assumes that each disturbance term is distributed ( $\sim$ ) following the normal distribution (N) with 0 mean and constant variance. (Gujarati and Porter, 2009:130) If the assumption of the normality distribution of the residuals does not hold, then the usual t and F statistics may not follow the t and F distributions. Non-normal error distribution, such as skewed and multimodal errors, compromises the interpretation of the least-squares fit and threatens the efficiency of the estimation. Non-normality can best be detected by examining the distribution of the residuals and frequently can be corrected by transforming the data. (Fox, 2008:270) Due to the bounded nature of the dependent variable, I expect that there is a problem with the normality of the errors. The tests however showed that the left tail and the pointed kurtosis are only minimal and that the residuals are within the 95% confidence interval of the normal distribution. Data transformation (such as taking the log of Y, the square root of Y or the power of the X) did not correct the problem and would make the interpretation of the coefficients more difficult. I thus decided to neglect the problem (see figure 6.1.).

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<sup>173</sup> See Fox, 2008:263ff quoting Sall (1990)

<sup>174</sup> Gujarati and Porter, 2009:98

Figure 6.1 QQ-Plot and Density Plot of the Residuals of Model 1, Table 6.1.



### 6.3. Data Analysis

The main objective of this chapter is to analyze the results of table 6.1. I will now discuss each hypothesis in turn. Are my hypotheses confirmed or falsified? I will explain how I measured the hypothesis and what could be instrumental variables. Also, how do the findings compare with findings in table B.14, which tests the same variables on my alternative dependent variables? And which inferences can be drawn from additional regressions?

*H1: Institutional model theories*

*H1a: The institutional model and linked to that the colonial heritage partly explain the variation in SAI power (with court/Napoleonic institutions performing worst and the monocratic/Westminster model performing best).*

I created a categorical variable differentiating between SAI institutional models – SAImodel\_09 (please refer to table B.12 in appendix B for a detailed description of all independent variables cited). I adopted the basic classification of SAI institutional models as proposed by the IDI Stocktaking report (2010), consisting of the following four categories: board (collegiate) model, court (Napoleonic) model, ministry (auditing is part of the executive's tasks) and monocratic (Westminster) model. Preliminary regressions as well as my main model as presented in table 6.1. confirm the hypothesis; SAIs which are organized along the monocratic institutional model (Westminster model) have a higher statistical probability of ranking high on the OBS2010 SAI index than SAIs with a Board model (collegiate model) or court model (Napoleonic model).

The monocratic model (Westminster model) predicts a value for the power of SAIs of between 46 points higher than the reference category ( $56.25 - 10.20 = 46.15$ ; see model (1), table 6.1.).<sup>175</sup> The monocratic model is followed by the board model (collegiate model) with a predicted Y value of around 38 percentage points higher than the ministry model. The court (or Napoleonic model) fares worst with only 32 points higher than the ministry model. All three results for the effect of the institutional models are statistically significant. These findings also confirm my hypothesis as discussed and presented above. Thus, holding all other variables constant, there is a difference of around 14 percentage points in the SAI power between the court and the monocratic institutional model in this regression; a finding, which was confirmed in many other regression specifications.

I also tested a categorical variable differentiating between SAIs with and without judicial function<sup>176</sup>, which also confirmed the hypothesis. The negative effect of the court system is reinforced, once I exclude Brazil (see f.i. models (1b) and (2b) in table 6.1.). The Brazilian SAI has a judicial function and a board decision making structure, but receives high scores in the OBS and other rankings. The tendency of a positive effect of the monocratic SAI institutional design is very robust across regression specifications and was even confirmed when regressed on the three alternate dependent variables, although with weaker statistical significance (see table B.14).

I furthermore tested the effect of colonial heritage<sup>177</sup> and the origin of commercial legal codes<sup>178</sup>. All confirmed with statistical validity that French colonial history and legal codes are associated with weaker SAIs. However, these findings do not automatically confirm that the link between French colonial history and weak SAIs is due to the court system of the SAI. There might be other factors, omitted in this regression, which are specific to former French colonies and affect the power of SAIs. As Moussa (2004) concluded in his comparative study of francophone African SAIs, they differ widely from the French reference model and also highly differ among themselves. I could also observe, although not with such strong statistical validity, that countries with Belgian and Spanish colonial heritage, which also often have the court model of auditing, are equally more strongly associated with weak SAIs than are countries with Anglophone and German/Scandinavian colonial heritage. To conclude, overall the institutional model and the colonial history do partly explain the variation in SAI power.

*H1b: Countries with electoral rules supporting strong political competition are more likely to also have effective SAIs.*

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<sup>175</sup> The reference category SAI<sub>model\_09ministry</sub> stands for SAIs which are part of the executive or ministry of Finance and is measured by the Constant.

<sup>176</sup> Measured through the variable *SAI<sub>jurisdiction</sub>*

<sup>177</sup> Tested through *ht\_colonial*

<sup>178</sup> Tested through *lp\_legor*

I first tested whether a plurality electoral system has a positive effect on the power of a SAI, which could not be confirmed. The effect was at times even contrary to what I expected and was in all regressions minimal.<sup>179</sup> When testing the type of regime<sup>180</sup>, parliamentary democracies fared best, but there was no clear result concerning the difference and the extent of the effect of mixed democracies or presidential democracies as well as between various types of authoritarian regimes. Thus, I suggest that the existing regimes cannot easily be classified into the various categories but instead there are many mixed types.

I therefore opted for a variable (*dpi\_checks*) which counts the number of veto players in both the executive and the legislature, and thus the overall political competitiveness, in any regime.<sup>181</sup> This variable showed a stable positive and significant effect in table 6.1. and on a range of alternative specifications on the OBS2010. On the other hand, the positive effect could not be confirmed when regressed on the alternative SAI variables (see table B.14). Taking into account the unreliability of these alternative SAI variables, I still suggest that the institutional hypothesis based on the public finance literature (van Hagen, 2006) might be true, i.e. a larger number of veto players and thus stronger personal political competitiveness reduces corruption or otherwise put, increases the probability that a powerful SAI develops.

## *H2: Theories on the source of national income*

*H2a: The higher is the share of Oil endowments in a country's national income, the less likely accountability systems including SAIs work properly.*

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<sup>179</sup> Tested through the *dpi\_pluarlity* and *dpi\_pr* variables for the year 2007. What might explain the lack of effect? One explanation is that the model is wrong, otherwise put the hypothesis might be wrong. A second explanation is that the type of electoral system only has an effect in consolidated democracies. In a next step, I tested the same variables only on countries which are classified as “free” by the freedom house classification of regime types (*fh\_status* = ‘1. Free’). The signs of the coefficients now showed in the expected directions, but the coefficients were still not statistically significant and the measures for overall model fit ( $R^2$ ) were extremely low for both variables (*dpi\_pr* and *dpi\_pluarlity*). I also conducted a model test where I put the variable measuring the type of electoral system in interaction with the measure of political freedom. This method has the advantage that I can test my hypothesis on a larger number of observations than the previous method, where all countries that were not classified as ‘free’ were excluded. Again, the interaction was not statistically significant. However, countries which are considered as ‘free’ and have plurality electoral systems had a large positive coefficient. The test of ‘free’ countries in interaction with proportional systems resulted in a smaller but still positive coefficient. I conclude, that there is no evidence, that the type of electoral system has a direct effect on the power of a SAI.

<sup>180</sup> Tested through the *chga\_hinst* variable for the year 2007

<sup>181</sup> cf. to Wehner and de Renzio, 2012 for a more in depth discussion of this hypothesis and variable alternatives

Table 6.1 shows that the effect of a large share of Oil rents (as % of GDP) is indeed associated with weaker SAIs.<sup>182</sup> This effect is highly statistically significant and very stable across all types of regressions (on the OBS2010 but also the other dependent variables, see table B.14). We can also see that Oil resources only explain a small part of the variation across SAIs; an increase in one percentage point on the share of Oil rents in a country's GDP decreases the SAI power by 0.4 percentage points, holding all other variables constant (see model (1), table 6.1.)<sup>183</sup>. Furthermore, as suggested by Haber and Menaldo (2011) the correlation between resource reliance and weak accountability does not automatically confirm the resource curse. It is not clear whether it is the abundance of resources which causes bad governance or whether bad governance and particularly autocratic regimes, tend to concentrate on natural resource extraction only.<sup>184</sup> To conclude, overall my tests confirmed the hypothesis H2a, that the larger is the oil reliance the lower is the probability of a strong SAI.

*H2b: Public financial management support is associated with stronger SAI power if the country is truly committed to implementing reforms.*

Model 6.1. does not truly test this hypothesis. The presence of an IMF led *Poverty Reduction and Growth Facility (PRGF)*<sup>185</sup> (IMF) is associated with a decrease in SAI power by 13 percentage points in table 6.1. This can be explained by the fact that countries that qualify for an IMF led PRGF have high levels of public debt which is generally due to low levels of income and/or bad public financial management. Both of these factors would suggest a weak SAI. Thus, what I have tested is actually not the effect the IMF support has had on SAI power but the existence of a relationship between the two

<sup>182</sup> I also have to take into account, that the way I measure natural resource dependency affects the regression. Resource reliance was also tested through the dummy variable "HMResRel" which measures resource reliance as defined by Haber and Menaldo (2011) and showed a positive and statistically significant result. Their criteria exclude resource-rich, mature democracies, whereas it includes authoritarian countries that produce trivial quantities of oil, gas, and minerals. On the other hand, the variables 'Oilmineral' and 'resourcespc\_02.07' do not have any effect on the power of a SAI. The variable 'resourcespc\_02.07' includes revenues derived from 'coal' and national endowments from coal, measured through coal\_02.07, actually had a positive effect on the power of SAIs. I assume that this effect is caused by the high probability that it is particularly emerging economies and industrialized countries which extract carbon for the production of power. Thus, carbon might have the effect of being a proxy for high level of industrialization. This test would then also be a confirmation for hypothesis four, namely that economic development is associated with stronger accountability systems.

<sup>183</sup> The R<sup>2</sup> for bivariate regressions of all these natural resource variable on the OBS2010 are very low, namely HMResRel (R<sup>2</sup>=0.05), Oilmineral (R<sup>2</sup>=0.02), resourcespc\_02.07 (R<sup>2</sup>=0.002), Oil\_02.07 (R<sup>2</sup>=0.11), log(coal\_02.07) (R<sup>2</sup>=0.35)

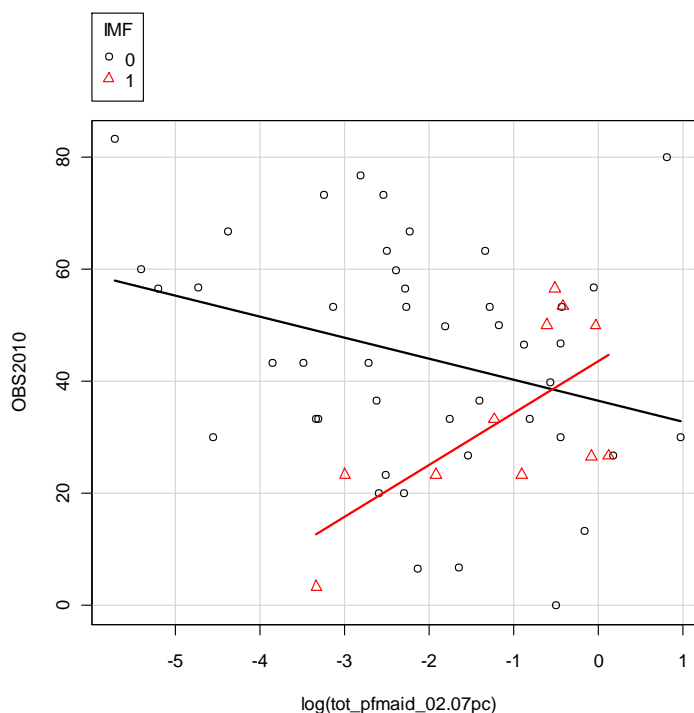
<sup>184</sup> There is ample scope for further research; particularly interesting would be analyses that test whether the introduction of the *Extractive Industry Transparency Initiative (EITI)* mechanism has any effect on the relationship between oil revenues and weak SAIs.

<sup>185</sup> The IMF Poverty Reduction and Growth Facility (PRGF) is usually framed around a World Bank Poverty Reduction Strategy Paper (PRSP). In 2010 the IMF replaced the PRGF with the "Extended Credit Facility". See <http://www.imf.org/external/np/exr/facts/pdf/prgf.pdf> (Last Accessed October 29, 2012).



variables.<sup>186</sup> The results from the alternative dependent variables (table B.14) are also inconclusive as they showed a positive effect and in the case of the GI0810 even with large statistical significance.

Figure 6.2 The Combined Effect of Per Capita Aid for Public Financial Management Reforms and an IMF Led Poverty Reduction and Growth Facility Program on SAIs<sup>187</sup>



I then included targeted Public Financial Management (PFM) support<sup>188</sup> in the regression and interacted it with an IMF led Poverty Reduction and Growth Framework (IMF PRGF) or a World Bank Poverty Reduction Strategy Paper (WB PRSP) and indeed, the coefficient of the interaction term turned positive. This suggests that PFM support benefits SAI reforms particularly at the presence of comprehensive poverty reduction reforms (see figure 6.2.). Still, the conclusions are not very robust and there is need for further research, ideally using time series analysis.<sup>189</sup>

<sup>186</sup> It would be more appropriate to test the effect of particular aid mechanisms on the power of SAIs through time series analysis or structural equation modeling, which the author plans to do in post-doctoral research.

<sup>187</sup> See regression (8), table B.15.

<sup>188</sup> I owe gratitude to Jack Mills and Paolo de Renzio for providing me with the data on PFM support, which they analyzed in de Renzio et al. (2010).

<sup>189</sup> I tested this hypothesis through additional regressions. First I regressed the total share of aid (as % of GDP) on OBS2010 SAI power, which was negative but not statistically significant. However, when I took the per capita share of total aid (as a % of GDP) and regressed it on OBS2010 SAI power, the coefficient turned significant but stayed negative. Second, I tested the effect of the total amount of PFM-aid (US\$m/year) on OBS2010 SAI power, which was positive but not statistically significant. When taking the per capita share of PFM-aid (US\$), the coefficient turned negative and significant. De Renzio et al. (2010) refrain from taking the per capita share of PFM-aid but instead to weigh the regression results by country size. I calculated a regression of  $\log(\text{tot\_pfmaid\_02.07})$  regressed on OBS2010 and weighing the results by country area and pop-

To conclude, my test can neither confirm nor falsify any effect of aid on the de facto power of SAIs. My tests point out that there is a statistically significant probability that in general the presence of a country wide reform program (IMF) suggests that the country also has a weak SAI. Furthermore, among countries that are recipients of specific PFM support, the regressions suggest that the larger the PFM support, the stronger is the SAI, but only if the country is part of a country-wide reform program.

*H2c: The higher is the share of tax endowments of a country's national income, the more likely the SAI is effective.*

The main reason why I did not include any of the taxation variables in the main regression table 6.1 is the limited number of observations available, which would reduce the overall dataset while it does not add any significant explanatory power. Overall, the effect of taxation on the power of a SAI was confirmed in preliminary regressions, although with quite low explanatory power.<sup>190</sup> However, particularly interesting are the results from tests where I tested the combined effect of taxation with the status of political freedom. Graphical examination also strongly supports the hypothesis H2c, i.e. large shares of tax endowments, but only in politically free countries, increases the incentives

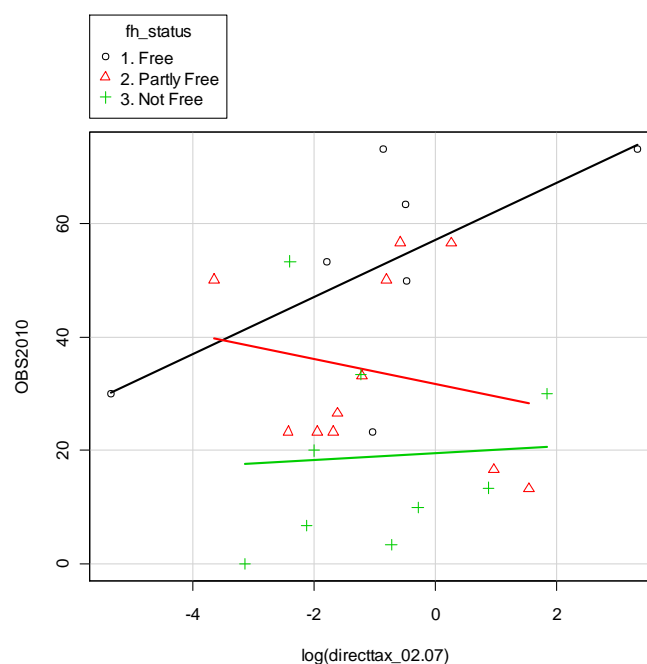
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ulation size respectively, which resulted in positive, although statistically largely insignificant, coefficients. The statistical significance of both coefficients – total share of aid as well as PFM-aid – increases further when excluding Macedonia, an influential outlier. The amount of general budget support (GBS) as a % of official development assistance (ODA) also resulted in a negative, although not statistically significant, coefficient. Two more tests, namely dummy variables for IMF and PRSP support respectively, also received negative effects, which were also statistically significant. All of these results would suggest that aid is associated with weak SAIs. In a next step, I argue that countries, which have completed a PRSP during at least one year in the period 2002 to 2006 and have received large amount of PFM support, should have strengthened their SAIs. I test the interaction of the two variables, which results in a positive although not statistically significant coefficient. I get however statistically significant coefficients when interacting the share of GBS with the presence of a PRSP. This finding however does not necessarily test the positive effect of GBS support or a PRSP, but might instead demonstrate that countries which have relatively good governance also qualify for GBS and PRSP support. The positive effect of per capita total PFM support becomes even more statistically significant when I interact it with the presence of an IMF-led PRGF program. However, we have to take into account that the statistical significance of the overall model (F-statistic) is comparably low in all models, which might point out to model specification errors or a violation of OLS assumptions. See table B.15 for all regression results.

<sup>190</sup> I tested the following tax variables: *CPIArevenues\_05.07*, *tax\_02.07*, *directtax\_02.07* and *EFW5Cvii*. The largest explanatory power and also large statistical significance has the variable ‘*CPIArevenues\_05.07*’ which measures the effectiveness of revenue mobilization in aid recipient countries. The caveat is here on the one hand that this variable has only been tested on a quite low number of observations (n=41) and secondly, that this variable might actually not measure the relationship between revenue collection and external auditing, but instead proxies such as the general organizational capacity of a state or the level of corruption. “Tax compliance (EFW5Cvii)” as measured by Economic Freedom of the World showed a positive and significant effect on OBS SAI power. However this variable might also be a proxy for rule of law as it actually measures the cost of tax compliance and not tax endowments per se. I then tested the hypothesis on tax revenues as a percentage of the GDP (*tax\_02.07*) and found a positive effect. However, this variable has many outliers, of which Algeria showed particular strong leverage and was subsequently excluded, which strengthened the effect.

for public accountability. This relationship is strongest when testing the effect of direct taxation in politically free sub-Saharan countries. This confirms Broms (2011), who suggests that it is not the level of taxation per se but particularly the level of direct taxation (income tax) which influences the degree of good government, including strong SAIs. Figure 6.3 shows that the larger is the share of direct taxation in a politically free sub-Saharan African country, the stronger is the probability that it also has a powerful SAI.

Figure 6.3 The Effect of Direct Taxation (as a % of GDP) and Political Freedom on OBS2010 SAI Power in 27 Sub-Saharan African Countries<sup>191</sup>



### *H3: Theories on institutional diffusion*

*H3a: The stronger is the regional influence by good performers, the more likely a country implements similar reforms.*

The region a country belongs to does have a strong effect on the power of a SAI. In table 6.1 (as in the table B.14) we can see that there is a very high statistical probability that holding all other variables constant, the SAIs in countries belonging to the Pacific region have the weakest SAI. In concrete terms, the regression results point out that these countries on average have a SAI score in the OBS2010 which is 48 percentage points below the average for countries belonging to the EUROSAI region (measured by the constant). The Pacific region is characterized by small, economically weak and po-

<sup>191</sup> See regression (1), table B.16

litically undemocratic states, which also lack a strong influence by good performers.<sup>192</sup> However, these findings refer to the year 2009 and I have seen on the website of PASAI<sup>193</sup> that a number of projects have been initiated to change this situation.

The fact that an INTOSAI regional body can have a strong effect on its member SAIs becomes particularly clear when looking at Sub-Saharan Africa (SSA). It is said that South Africa has taken on a strong leadership role and together with INTOSAI partners and the donor community has put a lot of effort in building the capacities of AFROSAI-E and recently also of CREFIAF. And really the results suggest a better performance of the SAIs in AFROSAI-E than for other regions which might face similar challenges concerning poverty and authoritarianism, namely ARABOSAI and CAROSAI, but also ASOSAI and OLACEFS (see particularly regression (2b) in table 6.1 but also table B.14).

Figure 6.4 shows how a countries' SAI power differs according to its membership in a specific INTOSAI regional group. SAIs in countries with a similarly high child mortality rate<sup>194</sup> perform differently depending on which INTOSAI region they belong to.<sup>195</sup> Members of AFROSAI-E perform much better than SAIs from the other regions or without regional membership, with nearly all regions showing statistical significance. AFROSAI-E performs best according to this regression specification. This positive effect of belonging to the AFROSAI-E region holds very robustly in all kinds of regression specifications; even after excluding South Africa itself, which has a very powerful SAI (OBS2010=73.3).<sup>196</sup>

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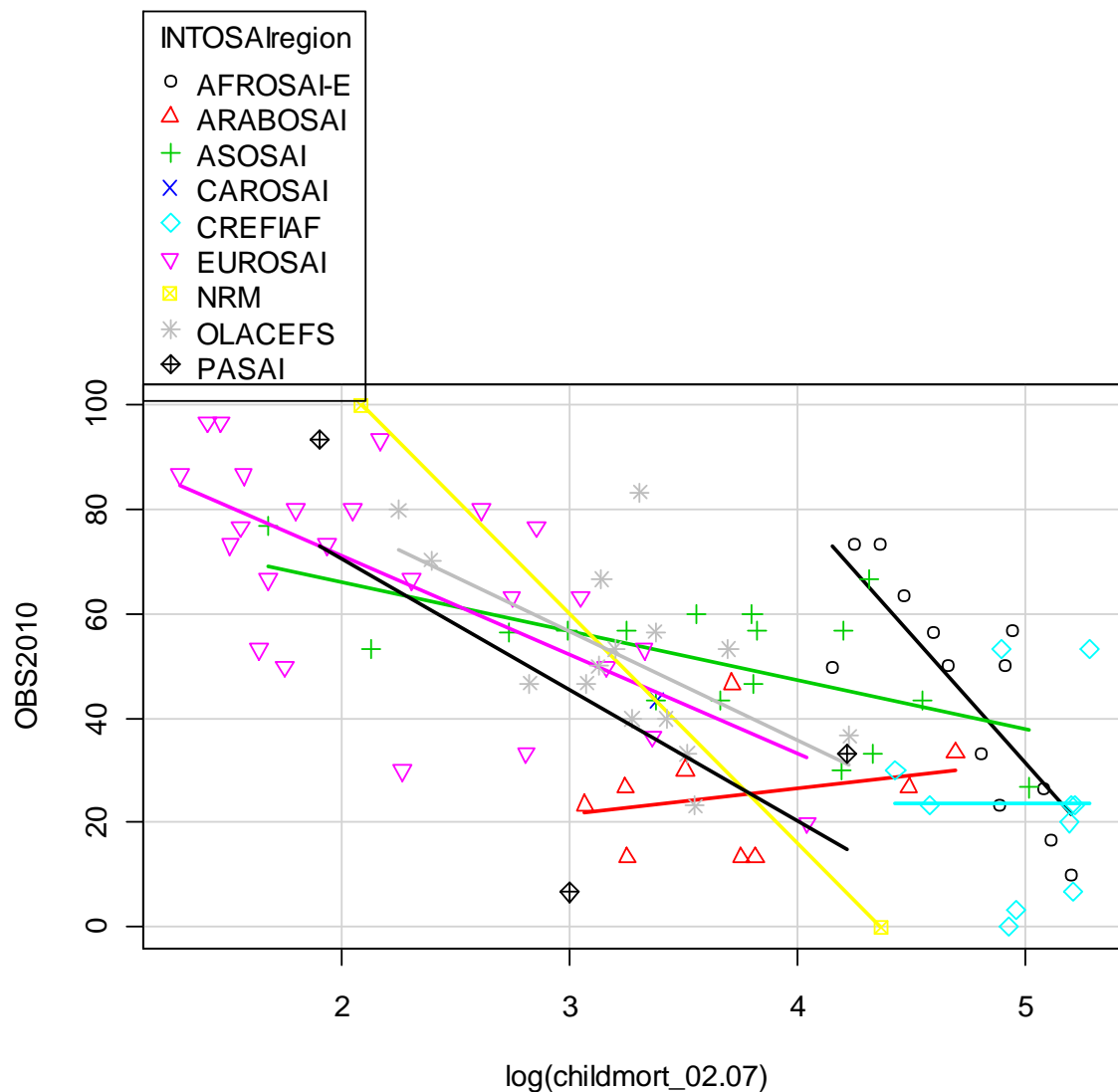
<sup>192</sup> New Zealand, a strong SAI in the PASAI region, has been excluded because of missing data for the dependent variable. Australia primarily associates itself with ASOSAI, besides the data on the dependent variable is missing and it is not included in the dataset.

<sup>193</sup> <http://www.pasai.org>, last accessed on May 25, 2012

<sup>194</sup> This regional effect is most clear at  $x = 4.2-4.5$ , which corresponds to a child mortality rate of around 67-90 (the logarithm of 67=4.2 and the logarithm of 90 = 4.5).

<sup>195</sup> Several SAIs belong to more than one INTOSAI regional body. Please refer to table B.12 for a discussion of the methods and sources used and a list of all SAIs and their main regional INTOSAI affiliation.

<sup>196</sup> I also tested the effect of belonging to *ht\_region*, a variable measuring the effect of politico-geographic regions, which resulted in similar findings. SAIs in North Africa and the Middle East perform worse than their peers with similar levels of GDPpc or child mortality rates. SAIs from Eastern Europe and post-Soviet Union perform very well, as do SAIs in South-East Asia, and relatively also SAIs in Sub-Saharan Africa. I suggest that the regional ties and influence from the EU, East Asia and South Africa respectively can explain these findings. I decided to use the INTOSAI regional membership variable in table 6.2. instead of the *ht\_region* because the INTOSAI regional measure also differentiates African countries between AFROSAI-E, CREFIAF and ARABOSAI for an SAI's main regional membership.

Figure 6.4 The Effect of INTOSAI Regional Membership and Child Mortality Rate on OBS2010 SAI Power<sup>197</sup>

To conclude, table 6.1., table B.14 as well as the graphical examination suggested that H3a can be confirmed, i.e. regional affiliation has a strong effect on the power of an SAI, even when holding economic or democratic development constant.

*H3b: The more influence the international community has in building state capacity (i.e. in a post-conflict situation with international involvement) the more likely it is that institutions of accountability can effectively be put in place.*

The second part of the diffusion theories pointed out that a post-conflict situation might be an opportunity for institutional development as elite relationships are weakened and

<sup>197</sup> See regression (2) in table B.16

the influence of the international community can be particularly strong. This positive effect is depicted in table 6.1 through a measure of the number of battle-related deaths during the period 2002 to 2008.<sup>198</sup> Although this variable is highly statistically significant in table 6.1 (while not in table B.14.) its coefficient is very low. For an increase by one battle-related death, the SAI power increases on average by 0.003 percentage points on the OBS2010, holding all other variables constant. Thus, a conflict which resulted in 1000 battle-related deaths would suggest an increase by 3 points on the OBS2010, holding all other variables equal. In chapter five, I argued that the vacuum of stable elite relationships can be exploited by a committed SAI leader and the international community and facilitate reform efforts. On the other hand, a post conflict situation is also a particularly challenging environment for a SAI to operate in and is characterized by the lack of all three doorstep conditions, a lack of human capacities as large shares of the educated middle class will have moved abroad and by disrupted social structures. I also observed that conflict measured through the number of battle-related deaths has the strongest effect on the power of SAIs in partly free countries.<sup>199</sup>

*H3c: Countries comply to international norms only formally, and do not transform these values into de facto institutions.*

Finally, the third strand of the theories on democratic or institutional diffusion (socialization or decoupling theory) points out that countries only pretend to reform their institutions to comply to international norms, while de facto these reforms are not implemented. I tested whether the ratification of the UN *Convention Against Corruption* (CAC) had any effect on the power of a SAI. I would assume that countries, which ratified the CAC would have taken initiatives to strengthen their SAIs. I developed three

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<sup>198</sup> I also tested this hypothesis through a number of related variables such as the strength of international cooperation as measured by the Bertelsmann Transformation Index (*Q17*). This variable is highly statistically significant, has a positive effect and explains around 16% of SAI variation ( $R^2$  of 0.16). I also tested the effect of the presence of UN peace keepers in the country (*un\_combined* and *unpresence\_n*, two variables that are based on de Renzio et al. (2010)) which were not significant. However, these variables left out important conflict sites such as Afghanistan where UNPK operations started in 2009 with 20 persons only, whereas there were 2424 battle related deaths counted for the period 2002-2008 in Afghanistan.

<sup>199</sup> See regression (1) in table B.17. I also tested the effect of external intervention as measured by the Failed States Index (*FSIext*) and it showed a negative and statistically significant effect on the power of SAIs. I then tested the combined effect of *FSIext* with an aggregation of countries by their World Development Indicator country income classification (*WDIclass*). And now *FSIext* turns positive for all income groups (see regression (2), table B.17). This regression furthermore confirms previous reflections, namely that the positive effect of external intervention is not equally relevant for all types of countries but strongest for low middle income countries (LMI), probably as there is some administrative infrastructure present and a basic level of HDI, but very weak political structures, which the international community can then influence. Again, these are only indicative findings and there is ample scope for further research because it is not clear what the power of the SAI was before the intervention. I have only compared the power of SAIs between countries with and without intervention.

dummy variables for CAC ratification before the end of the years 2005, 2007 or 2009 respectively<sup>200</sup>. However, none was significant. This indeed points out a lack of CAC de facto implementation. This finding inevitably brings us back to the quote at the beginning of this thesis (p.VI); the main challenge today lies not in the establishment of international law but in its implementation. I did not include the CAC variables in table 6.1. to avoid including unnecessary variables.

To summarize, all three parts of H3 on institutional diffusion were confirmed by my statistical tests.

#### *H4: Modernization theories*

*H4a: The higher is the level of socio-economic development of a country the more likely is the country to become democratic and to stay democratic once democracy has been established, thus the more likely institutions for accountability develop and work effectively.*

Preliminary statistical tests revealed a strong correlation between the level of the socio-economic development of a country<sup>201</sup> and the power of a SAI. The strongest explanatory strengths have the variables ‘child mortality’ and ‘Human Development Index’, as each explains by itself about 43% of the variation in a SAI’s power.<sup>202</sup> I did not include any of these variables in table 6.1. in order to avoid problems of multicollinearity with other variables.

*H2b: The stronger is a society’s demand for accountability, the more likely it is that the ruling elites will make democratic concessions. Thus, the stronger is a society’s capacity to understand and request audit reports and to organize campaigns, the more likely are SAI reforms and thus the stronger is a SAI in the country.*

I first tested this hypothesis on a large number of independent variables including variables measuring the expected years of education, the level of ‘voice and accountability’, ‘empowerment’ and the attainment of associational and organizational rights and civil

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<sup>200</sup> See variables *CAC2005*, *CAC2007*, *CAC2009*

<sup>201</sup> Measured through the variables *childmort\_02.07*, *HDI\_00.07*, *GDPPC02\_07*, *phone\_lines\_02.07*, *netusers\_02.07*, *severs\_02.07*

<sup>202</sup> It would be interesting to test this hypothesis on time series data in order to show that an increase in the living standards is indeed associated with an increase in the power of a SAI. Furthermore, there is scope for further research on the effect of economic growth rates and other macroeconomic data (such as inflation, debt rate) in a time series analysis with the development of the level of a SAI’s power. As Haggard and Tiede (2011) demonstrate, it can be expected that particularly the volatility of the growth rate has a strong effect on the power of a SAI and not the growth rate per se. Thus, a non volatile growth rate indicating steady, uninterrupted growth facilitates the development of rule of law (Haggard and Tiede, 2011) and probably also powerful SAIs.

liberties.<sup>203</sup> All tests confirmed my hypothesis with very high statistical significance and large measures of model fit. All of this confirms the modernization theory that socio-economic development as well as political rights and civic liberties go along with the development and endurance of institutions providing for public accountability.<sup>204</sup>

However, as we can see, table 6.1. could not reliably confirm this hypothesis. If we assume as the modernization theory suggests, that powerful SAIs develop out of public demand, freedom of the press (measured through the Freedom House measure of press restriction *fh\_press*) becomes particularly important. However, press restriction is mostly insignificant, when tested together with other political variables and at times even changes the sign.<sup>205</sup> The same is true for many other features of political freedom, social or economic development, they lose explanatory power when put together with other seemingly more important variables.

I argue that this insignificance is not due to multicollinearity but suggests that powerful SAIs indeed do not develop simply because of the public's capacity to demand accountability, but only if public demand meets a specific set of elite relationships. This finding was also confirmed in the expert interviews (see chapter seven below). Several interview partners suggested that SAI reforms were not implemented because of direct public demand. The main reason for this might be the technical nature of public auditing. The large part of the society might not know about public auditing and its potential benefits for public accountability. This does however not indicate that investigative journalism and civil society budget groups do not have a role to play. On the contrary, I suggest that the public has not yet effectively taken up its role and that there is thus a need to raise public awareness on the potential role SAIs can play. Case study research clearly points out the positive effect of public campaigns (see f.i. Robinson, 2008; [www.internationalbudget.org](http://www.internationalbudget.org)) on the effective functioning of SAIs, where they already enjoy some independence. Where there are no functioning democratic institutions public demand clearly can put pressure on the elites to make democratic concessions, and

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<sup>203</sup> Measured through *education.exp\_02.07*, *fh\_press*, *wbgi\_vae*, *ciri\_empinx*, *fh\_aor*, *fh\_cl*

<sup>204</sup> Modernization theory claims that the higher the economic development of a country, the larger is also the probability that it will be democratic and particularly, that it will stay democratic, once democratic institutions have been established. I suggested that the same mechanisms might work for the establishment of powerful SAIs. My tests could not investigate the modernization theory in detail and particularly I could not investigate, whether, once established powerful SAIs remained powerful if there was also social empowerment. Instead, what I found is that there is indeed a strong positive relationship between high economic development, social empowerment and the power of a SAI.

<sup>205</sup> The higher is the score of *fh\_press*, the more restricted is the press. Table 6.1 confirms in regression (1) that a restricted press has a negative effect on SAIs (see also regression (3) in table B.16 and regression (4) in table B.19), while model (2b) would suggest that a restricted press has a positive effect on SAIs. Tests on alternative SAI variables are also inconclusive. Global Integrity and OECD data suggest a negative influence of restricted press freedom, while the PEFA data suggests a positive influence (see table B.14).



thus change elite relationships (see the ongoing process in the Arab region). In the wake of reforms, the SAI might gain in independence and the right to publish its reports (as was the case for the Tunisian SAI), while some governments also reply to growing public demand for accountability by tightening their means of public control even more firmly (see Syria, Bahrain etc.).

In order to test the effect of public demand on the development of powerful SAIs, I would need differential data particularly measuring public demand that is targeted on strengthening SAIs and time series data to analyze the development of SAIs over time in addition to comparing them across countries. To summarize, although my tests cannot confirm the modernization theory, they also cannot falsify it.

#### *H5: Institutional Capacity Theory*

*H5: Although the technical capacity of a SAI does has a positive effect on the power of a SAI, political economy and management factors are more important.*

I could not include any variable measuring this hypothesis in table 6.1 due to the limited number of observations available and the unreliable nature of the data.<sup>206</sup> I found that the large budgets for capacity building activities of SAIs are negatively related to powerful SAIs and that the length of such capacity building activities on the other hand is positively related to the OBS2010. There are several possibilities for explaining these tentative findings. It is possible that long term commitment does indeed have a positive effect on a SAI's development, while supporting SAIs with budget intensive support (such as infrastructure support) is correlated with low SAI power. My tests however do not prove a causal relationship. Similarly to the tests above on the effect of official development aid, the correlation of SAI capacity building with weak SAIs might also show that very weak SAIs qualify more strongly for budget intensive support.

When looking at particular capacity building initiatives I found that strengthening the capacity to deal with the external environment is positively associated while strengthen-

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<sup>206</sup> The data is based on the INTOSAI Capacity Building Committee's *SAI Capacity Development Database*, which has recently been newly launched and is currently being filled with new data. I use the old dataset, which was online until mid 2011 and was kindly provided to me by IDI, thanks particularly to Yngvild Arnesen. I used data for the years up to 2007 only, which comprises 54 SAIs and 10 variables. The data has to be used with caution, the fact that there are no Capacity Building projects documented for many SAIs does not necessarily indicate that these SAIs did not receive any CB support, as the database is not complete. While acknowledging the unreliability of a full dataset (where the missings were replaced with 0\_no\_CB\_support), I still explored the dataset and received similar results as for the limited dataset which only contains the documented cases. The 10 variables are: *CBC\_y*, *CBC\_budget*, *Organisational.capacity*, *Financial.audit.capacity*, *Performance.audit.capacity*, *IT.audit.capacity*, *Forensic.audit.capacity*, *Other.audit.capacities*, *External.environment.capacity*, *Support.services*

ing the capacity to conduct performance audits is negatively related to powerful SAIs.<sup>207</sup> One explanation, as pointed out by some of my interview partners, might be that SAIs in semi-authoritarian regimes prefer improving their performance audit capacity as this type of auditing is less politically sensitive than financial auditing or compliance auditing. While financial and compliance auditing locates responsibility for financial conduct with a particular person, performance auditing analyzes the efficiency, effectiveness and economy of particular policies and thus locates responsibility within a system or institution.

*H6: Rational choice institutionalism*

*H6a: The more the doorstep conditions of North, Wallis, and Weingast (2009a; 2009b) are realized the more reforms of institutions of accountability can succeed.*

One of the main objectives of this thesis is to explore the effect of the doorstep conditions as defined by North, Wallis, and Weingast (2009a; 2009b) on the power of Supreme Audit Institutions. This strand of theory is part of my main argument that political will is the most crucial prerequisite for the development of powerful SAIs; and that political will depends on the rational choice of elite groups based on the nature of inter-elite relationships and the existence of (SAI) leadership creating change space.

I first tested the composite indicators for the doorstep conditions as developed by Gollwitzer and Quintyn (forthcoming), improving the initial indicators of Gollwitzer and Quintyn (2010).<sup>208</sup> The results of the preliminary regressions are striking. Despite the limited number of observations (n=66) and all the limitations of their data.<sup>209</sup> All the coefficients are highly statistically significant, show in the expected direction and receive very high measures of model fit. Particularly doorstep condition number one stands out for its exceptionally high model fit ( $R^2 = 0.57$ ), which is closely followed by doorstep condition number two with a model fit of  $R=52\%$ . On the other hand, doorstep

<sup>207</sup> See table B.18 and model (5) in table B.19

<sup>208</sup> For the development of their indicators Gollwitzer and Quintyn (2010) use variables from five different databases, mostly for the year 2009, and publicly available information on political institutions, such as constitutions and other pillars of legislation for a total of 77 low, middle and upper middle income countries. (see table B.20 for a description of the variables measuring the doorstep conditions by Gollwitzer and Quintyn).

<sup>209</sup> One of the limitations of their dataset is the bias of country samples as their database does not include high income countries. Another limitation concerns the fact that some variables were only available for a part of their country set and thus where the data was not available it was substituted by similar data from another dataset, which also increases the probability of bias. Finally, their indicators are based on data from several years, mostly 2009, which also increases the probability of bias and which does not allow me to add a time span for the doorstep conditions to have an effect on the SAI reforms. In particular, this means that I can only test their variables on the OBS2010 SAI variable, which uses data as of September 15, 2009, while the other SAI variables also include data of earlier periods.

condition number three did not achieve such exceptionally high scores for the overall model fit ( $R^2 = 0.27$ ). The composite indicator ‘DCOverall’ which combines the effect of all three doorstep conditions, is also highly statistically significant, positive and achieves an extremely high measure for the model fit ( $R=53\%$ ).<sup>210</sup>

In a next step I tested the doorstep conditions through alternative variables.<sup>211</sup> There exist just so many variables which would fit somehow into the broad categories of North, Wallis, and Weingast (2009a; 2009b). It is hardly contested, that functioning SAIs need a functioning justice system, impersonality and perpetual organizations and a stable state. Not surprisingly, all variables are highly statistically significant, show in the expected direction and achieve high measures of model fit ( $R^2$ ).<sup>212</sup>

To sum up, the preliminary regressions indicated that rule of law among the elites (DC#1) has the strongest and most robust correlation with powerful SAIs among the variables measuring the doorstep conditions. I thus decided to include a measure of DC#1 in my main table 6.1. As North, Wallis, and Weingast (2009a,b) pointed out, we can assume that basic rule of law develops only if DC#2 and DC#3 are also satisfied to some point as the three doorstep conditions are interrelated. By not including any measures of DC#2 or DC#3 I avoided the fallacy of including too many variables in a model. The North, Wallis and Weingast (2009a; 2009b) theory also suggests that the development of democratic institutions proceeds in two phases, whereas rule of law for the wider public can only develop if first of all, rule of law for the elites has been realized. I decided to use the Cingranelli and Richards’ measure for the independence of the judiciary (*ciri\_injud*) in table 6.1 as it differentiates between the categories of a ‘not independent’, ‘partially independent’ and ‘generally independent’ judiciary. It measures the extent to which the judiciary is independent of control from other sources, such as another branch of the government or the military as a two-stage process, similar to the framework developed by North, Wallis, and Weingast (2009a; 2009b).<sup>213</sup>

The findings confirm my hypothesis that a growing extent of an independent judiciary partly explains the variation in SAI power. An SAI can only gain in power, independence, impartiality and credibility if there is rule of law. Particularly significant and large

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<sup>210</sup> See table B.21 and model (4) in table B.16. Gollwitzer and Quintyn argue for using this composite indicator because it is particularly the interlocking of all three doorstep conditions which facilitates the opening of access to political and economic institutions and thus the implementation of de facto accountability reforms.

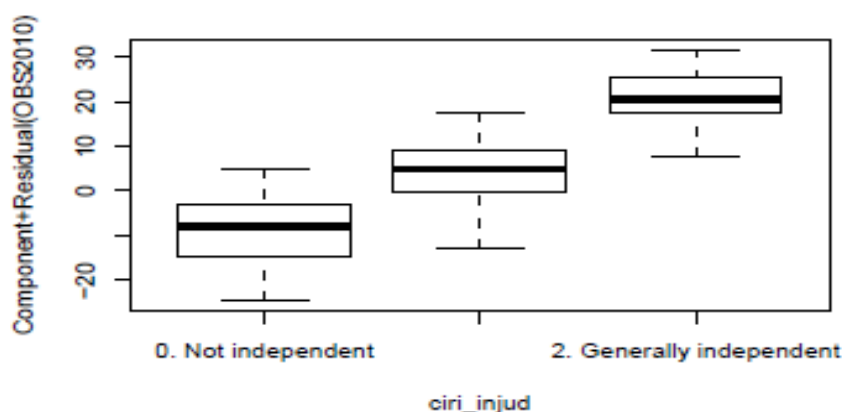
<sup>211</sup> Please refer to table B.22 for a description of the doorstep conditions, which served as a basis to choose variables reflecting several aspects of a doorstep condition.

<sup>212</sup> The same holds for variables measuring the overall institutionalization of democracy such as *p\_polity2*, *p\_democ*, *fh\_ipolity2*, *SI*, *fh\_status*, *fh\_pr*.

<sup>213</sup> There are so many indicators which assess the rule of law of countries, which have all proven highly statistically significant and all show in the expected directions in my regressions. I also tested the following rule of law measures: *fh\_rol*, *wbgi\_rle*, *BTI\_Q3*, *EFW2*, *EFW5Cv*, *ti\_cpi*, *A6010*, *A6032*, *A606*, *B702*, *A3070*, *B710*, *A605*, *Q3.3*. which all are highly statistically significant.

are the coefficients of “*ciri\_injud*” in model (2b in table 6.1; figure 6.5). This model excludes OECD member states and shows that in countries where the judiciary is partially independent of control from other sources, the power of a SAI increases on average by approximately 13 percentage points and by 30 percentage points if the judiciary is considered generally independent, holding all other variables equal. These findings were confirmed by the PEFA data and to some extent by the OECD data. However the Global Integrity data would suggest a negative effect of an independent judiciary (see table B.14).

Figure 6.5 Conditional Variable Plot of Judicial Independence (DC#1) on OBS2010 SAI Power<sup>214</sup>



My tests for DC#2 (the existence of perpetually lived organizations in the private and public domain) and DC#3 (consolidated control of the military) were also positive and statistically significant. One variable measuring DC#2 is the existence of executive constraints as measured through decision rules (*p\_xconst*).<sup>215</sup> As expected it had a positive effect on the power of SAIs. The existence of DC#3 was tested amongst others by the existence of polity fragmentation (*p\_fragment*).<sup>216</sup> The higher is the polity fragmentation the lower is the power of a SAI, holding all other variables constant. However, I also found that very serious fragmentation (>25%) is correlated with very powerful SAIs (see figure 6.6.) This finding also confirms my hypothesis H3b that in situations of

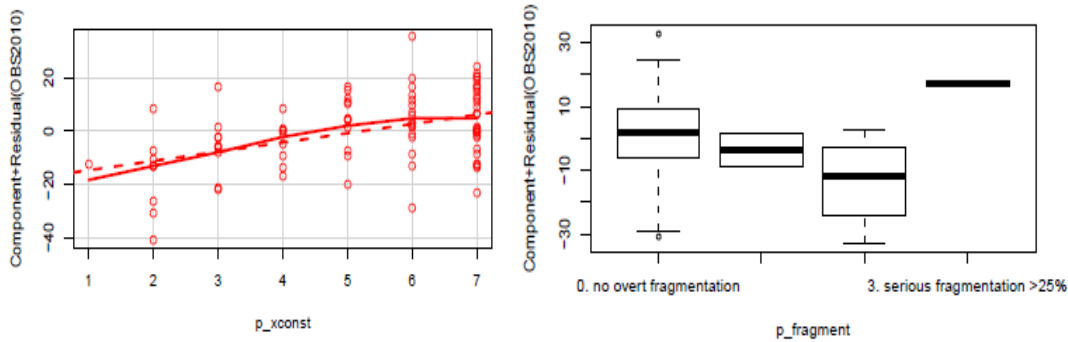
<sup>214</sup> See regression (2b), table 6.1

<sup>215</sup> I also tested the following variables measuring DC#2 components: *p\_durable* (PolityIV Regime Durability), *p\_parreg* (Polity IV Regulation of Participation), *partyage* (DPI Average age of parties), *Q1.4* (BTI basic administrative structures), *Q1.2* (BTI state identity), *Q7.4* (BTI Banking system), *A1001* (IPD Acceptance or contestation of most recent change at highest level of government), *A1000* (IPD freedom and legality of elections), *FSIlegst* (FSI legitimacy of the state), *poleff* (SFI Regime/Governance stability). which all are highly statistically significant when regressed on OBS2010. For a description of the variables mentioned see table 12 in Appendix B.

<sup>216</sup> I also tested the following variables measuring DC#3 components: *EFW2D* (EFW military interference), *defmin* (DPI Defense minister a military officer), *military* (DPI Chief executive a military officer), *p\_fragment* (Polity IV polity fragmentation), *secleg* (SFI Fragility in security legitimacy), *Q1.1* (BTI monopoly on use of force), *A1002* (IPD participation of armed forces in political life), *ffp\_fsi* (FFP Failed States index), *FSIsecapp* (FSI Security apparatus operates as a “state within a state”), *wbgi\_pse* (WBGi Political stability) which all are highly statistically significant when regressed on OBS2010. For a description of the variables mentioned see table 12 in Appendix B

conflict, elite structures are weakened and the international community can set an institution on its development trajectory (the SAIs which qualified here for serious fragmentation were Bosnia-Herzegovina, Iraq and Colombia).

Figure 6.6 Conditional Variable Plots of Executive Constraints (DC#2) and Polity Fragmentation (DC#3) Respectively on OBS2010 SAI Power<sup>217</sup>



*H6b: The power of SAIs in autocracies differs depending on the strategy that the autocrat uses in order to stay in power.*

What is new in the North, Wallis, and Weingast (2009a; 2009b) theory is the idea that economic and political development is really an issue of stabilizing inter-elite relationships through the sublimation of inter-elite violence. Haggard and Tiede (2011) take up this idea and compare different rule of law complexes and their effect on growth:

*“What distinguishes these complexes is not formal institutional arrangements, but corruption, risk of expropriation, and particularly the extent of violence.”* (Haggard and Tiede, 2011:682)

They conclude that in fact “rule of law” itself is driven by other factors, which however are not yet clear. The scholarship on authoritarianism proposes some hypotheses that could in part explain the variation of accountability, property systems and violence in autocracies.

Based on the insights by Haber (2006) hypothesis H6b suggests a number of instrumental variables to test the rational choice institutionalism theory. To be specific, the hypothesis suggests that the power of SAIs in (semi-)authoritarian regimes depends on the strategy that the autocrat uses to stay in power. I tested each of the three basic strategies by autocrats that have been identified in the theory through econometric tests. These hypotheses have not been included in the main model in table 6.1. because they are only relevant for (semi-) authoritarian regimes and the available number of observations of the data is low.

<sup>217</sup> See regression (2b), table 6.1

The first strategy that autocrats can apply, is to keep in power through terror. Table B.23, regression (1) tests the power of SAIs when regressed on ‘political or extrajudicial killings’. As expected, in countries where such killings occur, the power of the SAI is weaker than in countries, where such killings have not been reported. The variable is highly statistically significant and has a large overall fit. It is also interesting to note and in line with our hypothesis that the power of the SAI is particularly weak in countries where political and extrajudicial killings only occur occasionally, while the SAI is stronger in countries where such killings are frequent. In the latter case the SAI is an instrument of the autocrat to control subordinates.

The second strategy applied by autocrats is to keep in power through granting potential challengers privileges and rents. These countries are characterized by particularly high levels of corruption and weak SAIs. Regression (2) in table B.23 tests this hypothesis. In order to test this assumption I first excluded those observations which are rated as “free” by Freedom House in 2007 in order not to confuse with mechanisms of corruption in ‘free’ countries, which leaves me with 55 observations. As expected, I retain a wide range of scores for the OBS2010 SAI power, from a minimal value being ‘0’ for Equatorial Guinea to ‘93.4’ for Bosnia-Herzegovina. This confirms our basic hypothesis that the power of SAIs in (semi-)authoritarian regimes varies substantially. The results of regression (2) reveal that both variables retain significance and the ‘cleaner’ the country, the stronger is the SAI and also that SAIs are stronger in countries which practice frequent political and extrajudicial killings than in those countries where such killings have only been reported occasionally (it is assumed here the autocrat in addition to terror makes use of clientelism and corruption to stay in power).

In a next step I tested the third strategy, organizational proliferation. Similarly to North, Wallis, and Weingast (2009a; 2009b) who suggest that a large number of organizations in the political as well as economic domain are required for states to become open access societies, the assumption here is that a diversified economy facilitates inter-elite competition and thus inter-elite institutionalization of rule of law. I measured economic diversification through the variables “*ecoleg*”, “*newbusdens\_04.07*” and two variables which I developed myself, the level of economic diversification (*sed*) and economic concentration (*sec*) respectively (see table B12 for a description of the variables).<sup>218</sup> We

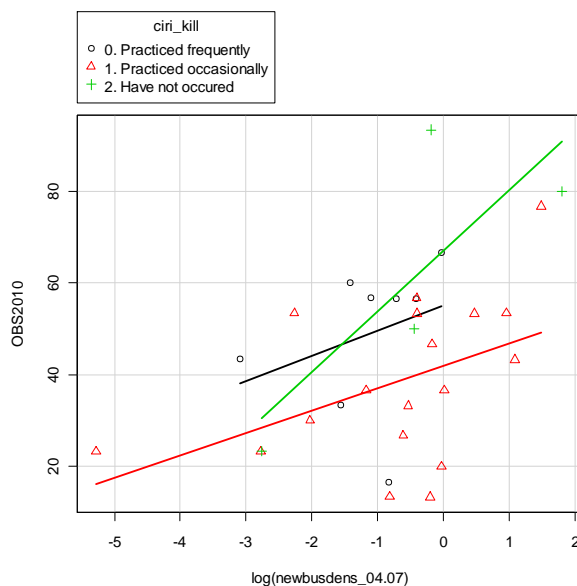
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<sup>218</sup> When first testing *sec/sed* on OBS2010, I got statistically highly significant coefficients but they pointed into the inverse directions. Having had a closer look at the variables, I realized that high diversification of the economic sectors could also be the result of low industrialization and thus weak development of the services and industry sectors, which all are common features of low income countries. I thus added per capita GDP (use the square root of per capita GDP. Per Capita GDP has been linearly transformed after graphical examination in order to better reflect the true relationship between it and OBS2010) to the regression; and by doing so I tested *sec/sed* while holding GDP constant, and really, the signs turned into the expected direction. I attained similar results when adding child mortality rate, the HDI or other development related variables or by excluding OECD member states from the regression

can see in regressions 3-6 (table B.23) that economic diversification is always significant and is positively related to the power of SAIs in (semi-)authoritarian regimes. Thus, in autocratic countries with strong economic diversification SAIs do exist, however, they function deficiently.

This relationship between the strategy of an autocrat and the power of a SAI becomes even clearer when examined through graphical tests. Figure 6.7 shows that those countries which practice occasional political killings (red line) have the worst SAIs. I assume this is because these autocrats practice strategies 2 or 3. In order to stay in power they grant rents and privileges to potential challengers (strategy 2) or they employ organizational proliferation (strategy 3). We see that as the business density increases, they accept the establishment of weak (façade) SAIs. To conclude, this graphs shows that the weakest SAIs are found in (semi-)authoritarian regimes with low levels of economic organizational proliferation and occasional political killings (strategy 2) and the strongest SAIs are found in countries where there are no political killings but high levels of economic diversification (strategy 3). Countries with high levels of political killings (strategy 1) have quite strong SAIs, but never very powerful and completely independent SAIs.

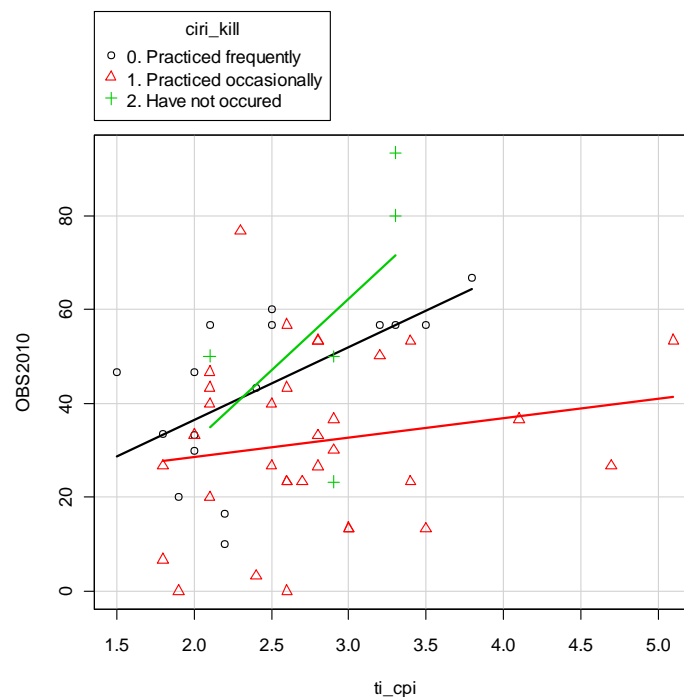
Figure 6.7 OLS Regression of New Business Density and Political Killings (ciri\_kill) on OBS2010 SAI Power ('free' countries have been excluded)<sup>219</sup>



The next figure (6.8) confirms figure 6.7. I find the weakest SAIs in countries which practice occasional political killings combined with high levels of corruption. Countries with high levels of political killings can still have strong SAIs, but never very powerful and completely independent SAIs.

<sup>219</sup> See regression (4), table B.23

Figure 6.8 OLS Regression of status of the corruption perception index and political killings on OBS2010 SAI power ('free' countries have been excluded)<sup>220</sup>



To sum up, I have examined the three commonly known strategies of autocrats to stay in power (Haber, 2006). First, they might apply terror and ‘kill’ potential opponents. In such countries, there might be a SAI in order to control subordinates, but it will never be completely independent and strong (see figures 6.7, 6.8). Secondly, the autocrat might buy off opponents and thus corruption is widespread and the SAI is not functioning at all (see figure 6.8.) Finally, the autocrat might opt for organizational diffusion or proliferation by creating business opportunities for his opponents mixed with occasional killing of very strong challengers. Here the SAI is improving as the economic diversification increases (see figure 6.7.) Autocracies with the lowest SAI power are those, which practice a mixture such as occasional political killings, high corruption and nepotism (measured as low *ti\_cpi*) and low organizational proliferation. To conclude, this section showed that the weakest SAIs are found in (semi-) authoritarian regimes which practice a mixture such as occasional political killings, high corruption and nepotism and low levels of economic organizational proliferation.

Finally, I also tested the variable “*Information on the structure of shareholdings in local firms*” (*B710*) as another instrumental variable. This variable clearly measures relationships among local elites, particularly the impersonality and rule of law of business relations. As discussed in North, Wallis, and Weingast (2009a; 2009b), the main objective of the doorstep conditions is to develop impartiality, first among elites and in a second step among the wider population as well. The structure of shareholdings in local firms

<sup>220</sup> See regression (2), table B.23



clearly is of interest to local economic elites, and thus can serve as a proxy for the presence of the doorstep conditions. The variables new business density (*newbusdens\_04.07*) and transparency of shares (*B710*) are based on the assumption that elite relationships matter for reforms to have an impact, not only de jure but also de facto. If elite groups have other sources of generating rents, then they might more easily accept to open government books. As this is a prerequisite for reforms, these variables are measured several years before the dependent variable in order to take the time lag of reforms into account.

In my multiple regression tests, this variable stood indeed out as one of the most robust and with a strong positive conditional effect on the OBS2010.<sup>221</sup> However, the problem is the limited number of observations available for this variable, which is why I did not include it in the main table 6.1. I also tested the relationship between the transparency in local shares with the OBS2010 through similar variables from the “Protecting Investors Dataset”.<sup>222</sup> Unfortunately here the effect does not hold as the coefficients are not statistically significant. There remains thus ample scope for further research. The problem could be wrong inference or wrong data measurement or conceptualization.

#### *H7: Organizational theories of leadership-led change*

*H7a: Leadership commitment by heads of SAIs is associated with more powerful SAIs.*

In order to measure the effect of the leadership qualities and reform commitment of a SAI head, I created a new variable (*SAIleadership\_total1*). It measures the engagement of a SAI in INTOSAI groups and the number of speeches held at UN/INTOSAI seminars.<sup>223</sup> SAI leadership commitment is the only variable which is statistically significant and positive in all regression models (with exception of the OECD dataset, where it however also suggests a positive effect). A one point increase in SAI leadership (through one additional membership in an INTOSAI work group or a speech at an UN/INTOSAI seminar) increases the power of a SAI by more than 1 percentage point, holding all other variables equal.<sup>224</sup>

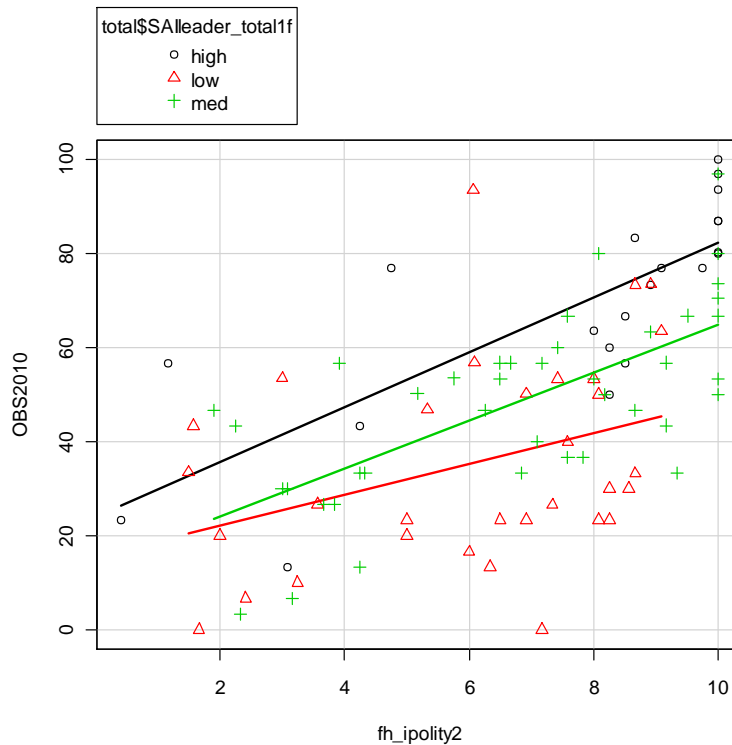
<sup>221</sup> See variable B710, table B.24

<sup>222</sup> The “Protecting Investors” dataset from the World Development Indicators includes the following variables of interest: “Extent of disclosure index”, the “Extent of director liability index”, the “Ease of shareholder suits index” and the “Strength of investor protection index”. <http://www.doingbusiness.org/data/exploretopics/protecting-investors> (Last Accessed on November 05, 2012)

<sup>223</sup> This variable measures the personal engagement of a SAI head. However, it might also measure the influence that INTOSAI has on SAI heads. The more a SAI is involved in INTOSAI the higher is the score on this variable, and thus it can also serve as a proxy for INTOSAI’s positive effect on SAI leaders. (see table B.12 for a description and discussion of this variable).

<sup>224</sup> See table 6.1, table B.14, model (4) in table B.16, table B.19, B.24., B25.

Figure 6.9 OLS Regression of Democratization (fh\_ipolity2) and the Strength of a SAI's Leader (SAIleader\_total1f) on OBS2010 SAI Power<sup>225</sup>



The effect of the SAI leadership becomes even clearer when engaging in a graphical examination (see figure 6.9).<sup>226</sup> Figure 6.9 pictures how as the level of democratization increases, the probability of a powerful SAI also increases. I further discover that the extent of the increase is influenced by the strength of the SAI leader. Thus, for similar levels of democratization the power of the SAI differs according to the strength of its leader. Equally, appendix B.26 shows a graph which depicts a similar effect. As the child mortality rate increases, the probability that the country will also have a weak SAI increases. However, for countries with similar levels of child mortality rates, there are differences in their SAI powers, depending on the strength of the SAI's leader. It is further interesting to note that there are SAIs which have strong and engaged leaders in countries with high child mortality rates. So far I have demonstrated that the strength of

<sup>225</sup> See regression (2) in table B.25

<sup>226</sup> In order to be able to draw these graphs, I transformed the variable SAIleader\_total1 from a numeric to a factor variable. I coded the variable SAIleader\_total1f as follows: "0:1='low'; 1.01:7='med'; 7.01:26='high'". The original variable SAIleader\_total1 had a range of minimum 0 and maximum 26, with a medium of 4.00 and a mean of 4.77. Instead of dividing the variable into three roughly equal parts, which would result in only one observation having "high" leadership, I opted to divide the variable in three parts, whereas the first quartile (1.0) marks the end of 'low' leadership and the third quartile (7.0) marks the beginning of 'high' leadership values. However, the results are also confirmed, with equally high statistical power, when dividing the variable into three equal parts. The graphical examination is then reduced to only low and medium leadership strengths, as there is only one SAI (USA) with high leadership strength in this version.

the SAI's leadership does have a statistically significant impact on the power of the SAI. It remains significant, even if the SAI is poor or only partly free.

Table B.27 shows that leadership by the SAI remains significant, even when holding the level of democratization<sup>227</sup> and the SAI institutional model constant. Model (2) in table B.27 also shows that increasing the democracy variable by  $1\sigma$  suggests that the OBS2010 will increase by  $0.8\sigma$ .<sup>228</sup> The SAI leadership variable is not as influential ( $0.25\sigma$ ), but it also remains significant, holding the other variables constant. This table also confirms that there is a difference between the monocratic and the court SAI model, namely 0.65 standard deviations ( $\sigma$ ) of the OBS2010.<sup>229</sup> This is roughly the same strength as the democracy variable.

To sum up, the regression results suggest that a SAI leader cannot do “miracles”. He or she can still lift up the power of a SAI by a few percentage points.<sup>230</sup> How much more

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<sup>227</sup> I relied on the Freedom House measure of democratization (*fh\_ipolity2*), which is based on the Freedom House measures for political rights and civic liberties and the Polity2 dataset. Hadenius & Teorell (2005 qt. in Teorell et al. 2010:45) show that this average index performs better both in terms of validity and reliability than its constituent parts. Scale ranges from 0-10 where 0 is least democratic and 10 most democratic. Through graphical analysis I realized that this variable is not linearly related to the OBS2010 variable. I thus transformed it by taking its second power (*fh\_ipolity2*<sup>2</sup>). The Polity2 measure of democracy covers three theoretical elements of democracy, which can also be related to the doorstep conditions by North et al. (2009). The theoretical elements of the polity dataset are based on the elaboration by Eckstein and Gurr (1975) and focus on three authority patterns that organize political interaction in modern states: the process by which the government is selected (executive recruitment); relations among branches of government, and between the executive branch and other elements of political society (executive constraints); and the scope and character of political participation (political competition). (Ulfelder and Lustik, 2007:354)

<sup>228</sup> A one point increase on the 10 point democratization scale (*fh\_ipolity2*), increases the expected value of the OBS2010 by 0.66 percentage points, holding the other variables constant. The coefficient of *fh\_ipolity2*<sup>2</sup> is 0.44. As this is the coefficient of the second power of *fh\_ipolity2*, I have to take the square root of the coefficient to get the true coefficient of *fh\_ipolity2*. The square root of 0.44 = 0.66. The beta coefficient of *fh\_ipolity2*<sup>2</sup> is 0.64 (see model (2)). As this is the coefficient of the second power of *fh\_ipolity2*, I have to take the square root of the coefficient to get the true coefficient of *fh\_ipolity2*. The square root of 0.64 = 0.8. Otherwise put, an increase by 1 standard deviation in the democracy variable, the OBS2010 is expected to increase by 0.8 standard deviations, holding all other variables constant.

<sup>229</sup>  $0.65\sigma$  of OBS2010 = 15.78 points

<sup>230</sup> Model (1) in B.27 shows that an increase in 1 point on the SAI leadership variable (by participating in one more INTOSAI work group or by conducting a speech at a UN/INTOSAI seminar), the expected value of the de facto power of SAIs, the OBS2010, increases by 1.3 percentage points holding the other variables constant. Otherwise put, an increase by 1 standard deviation ( $1\sigma=5$  points) in the SAI leadership variable, the OBS2010 is expected to increase by 0.25 standard deviations ( $0.25\sigma$  of OBS2010 = 6.07 percentage points on the OBS2010 scale). The SAI leadership variable also remains significant in model (3) which is regressed on the Global Integrity SAI index. While the SAI institutional variables are not significant in this model, the beta coefficients show in the expected direction and the result resembles the one on the OBS2010. The monocratic SAI institutional model is the strongest, followed by the Board model and the court model while the SAI which is part of the ministry has of course the weakest SAI power. In model (4), regressed on the OECD data, none of the beta coefficients is significant, but they very much resemble the expected result. Finally, model (5) which was regressed on the PEFA variable, the SAI institutional model is certainly wrong, it cannot be true that the ministry model is the best. It is also strange that the democracy variable is not significant and very weak.

difficult and out of direct influence of donors, civil society and the SAI itself is it to change the institutional model (and linked to it the tradition and culture) of a SAI or to increase the overall level of democratic institutionalization of a country!

*H7b: Long periods of reform commitment foster progress.*

Next, I created a variable measuring the broad reform commitment of a SAI on the basis of the existence of a strategic plan (*strategicplan*). Management commitment and the duration of broad reform commitment was assessed through a dummy variable, indicating 1 if the SAI has a strategic plan in place at least since 2009 (and usually the planning process started well before the publication of the strategic plan) and 0 if it has none or if it has not even a website.<sup>231</sup> This variable is not fully reliable as it was not always possible to find out whether the SAI had a development plan in 2009 or before. Many SAIs have strategic development plans published which started from 2010 or 2011 and do not have a previous strategic plan online, thus they were rated with ‘0’. As this problem mainly concerns OECD members, which might have replaced previous plans, I have also regressed the variable “strategicplan” on non-OECD members only, where it becomes statistically significant.<sup>232</sup> The positive effect of the existence of a strategic plan, and particularly a development action plan is also suggested by the IDI stocktaking report dataset (see chapter 6.4.).<sup>233</sup>

*Other control variables*

Before I go on to the next section, which will explore the INTOSAI dataset, I want to comment on a couple of control variables from my multiple regression analyses on the OBS2010 data.

Ethnic fractionalization seems to have a negative effect on SAI power<sup>234</sup>. However, once I test the effect of ethnic cleavages on SAI power while holding *FSIelite* - a com-

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Only the Leadership variable is significant and computed the expected result. I have discussed the deficiencies of the GI08.10, OECD and PEFA datasets in chapter four, therefore I will not analyze the deficiencies of these models here at lengths.

<sup>231</sup> [http://www.intosai.org/en/portal/about\\_us/organisation/membership\\_list/](http://www.intosai.org/en/portal/about_us/organisation/membership_list/) (Last Accessed on December 5, 2011) If there is no website mentioned, I researched on the net whether the respective SAI does have a website or not as this list is not always up to date. Most of the strategic reports are also published in English and on the English version of the SAI’s website. When this is not the case, I also screened the original language (sometimes using Google translator) to look for a strategic plan. See appendix B.12 for a variable description.

<sup>232</sup> See regressions 5 and 6 in table B.25

<sup>233</sup> Finally, I also tested two composite indicators which measure national leadership and reform commitment and thus overall political will, Q14.1 (BTI prioritization) and M (BTI management index). As expected, these two variables are strongly significant and explain large shares of the model fit.

<sup>234</sup> Measured through *Ale.fract*, *Ethnic*

posite indicator measuring the extent of elite cleavages – constant; ethnic fractionalization becomes insignificant.<sup>235</sup>

Country size also is positively related to powerful SAIs. I thus also conducted some regressions weighted by large countries and indeed the significance of the coefficients and the  $R^2$  increases considerably (by 5-10%) while some coefficients lose significance.<sup>236</sup> This indeed suggests that the processes in place in large and small countries differ. I assume that particularly in semi-authoritarian regimes, the need to control subordinates and far-away districts is stronger in large countries than in smaller, where people know each other personally.

### *Conclusion*

The objective of chapter 6.3 was to test and discuss the results from econometric tests for each hypotheses. Most of the hypotheses could be included in my main test, table 6.1 and were also tested on the other dependent variables (table B.14.). The development of this main table was preceded by a large number of preliminary tests of each hypothesis. The scope of this dissertation did not allow me to include the detailed preliminary tests for each hypothesis. But wherever necessary, the results were discussed in footnotes. Some hypotheses were discussed in separate or additional regression tables. Overall, the results suggest that all of my hypotheses can be confirmed. The main conclusion is therefore, that there is ample scope for further research along each of the hypotheses (using larger data samples as it becomes available, more robust data and more advanced econometric methods).

As noted at the beginning of this chapter, I also regressed my main table 6.1. on standardized variables (table B.13). When now looking at the relative importance of my hypotheses in table B.13 I see that the INTOSAI region has the strongest effect on the OBS2010. The difference between belonging to EUROSAI and belonging to PASAI is  $1.9\sigma$  of the OBS2010.<sup>237</sup> On the other hand, the difference between the monocratic and the court model is only around  $0.6\sigma$ . Next the existence of a partially independent judiciary has a strong positive relationship and increases the OBS2010 by around  $0.4\sigma$  compared to a not independent judiciary. Interesting is also the fact that the difference

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<sup>235</sup> The same does not hold for Q16.3 (a composite measure for the minimalization of elite cleavages and thus for the extent of elite unification), where ethnic fractionalization retains some significance, although minimal. It is further interesting to note, that all variables lose their significance when tested on (semi-) authoritarian regimes only, pointing out that other variables might be more important.

<sup>236</sup> See f.i. model (4) in table B.24

<sup>237</sup> The effect of belonging to a specific INTOSAI region is robust and even holds if I add GDPpc to the regression, which results in a difference between EUROSAI and PASAI of  $1.6\sigma$  holding all other variables constant.

between a partially and a totally independent judiciary is only  $0.1\sigma$  in regression (1) while it is much bigger in the other regressions. SAI leadership as the only variable in the model that can be directly influenced compared to all the structural and institutional variables, has a relative effect of  $0.2\sigma$  on the OBS2010. While this is not a very large beta coefficient, it still shows that there is space for reform even in difficult environments.

#### 6.4. Exploring INTOSAI Data

As discussed in chapter four, the data from the INTOSAI Development Initiative's (IDI) Stocktaking Report (IDI, 2010) has been anonymized and thus cannot be combined with external variables. However, as this data is extremely rich on variables (with 35 high level questions and many more sub-level questions) and observations (it covers 183 SAIs), I still decided to use it and test some of the variables contained in it on each other. I start by analyzing table B.28. It depicts the results from four OLS regressions on the dependent variable SAStrength (which is a continuous variable with a range from 0.13 to 1.00 and is calculated from the variables legal base, audit types and time limit<sup>238</sup>).

Regression (1) in table B.28 shows the effect of belonging to an INTOSAI region, the effect of SAI institutional models, of the number of total SAI staff and of the existence of a Development Action Plan (which is always based on an SAI's Strategic Plan). This regression includes 173 SAIs and achieves an overall measure of model fit of around 36%, which indicates that there are still many unexplained factors left out from this regression. Now I will look at each of the coefficients in turn. Starting with the effect of a SAI's belonging to an INTOSAI region, I see that belonging to the CREFIAF region is correlated with the weakest SAIs (although this finding is not statistically significant). The second weakest category is CAROSAI followed by PASAI, and thus roughly confirming the findings from the regressions on the OBS2010, the GI0810, the OECD and PEFA data. However, this regression clearly contradicts the findings from the other dependent variables concerning the effect of membership to ARABOSAI. While in the regressions on the other dependent variables, ARABOSAI membership was associated with particularly weak SAIs, here it is the second strongest category, nearly approaching EUROSAI. One of the reasons for this striking difference might be the way the dependent variables have been constructed. While the other dependent variables and most importantly the OBS2010 include measures for the follow-up of the audit reports and thus

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<sup>238</sup> Please recall chapter 4.3 for a discussion of the data and the three types of dependent variables that I developed on the basis of the data.

some partial measures of its accountability function, the *IDStrength* variable can be better understood as a measure of a SAI's capacity. This is also why I labeled it *SAIStrength* and not *SAIPower*.

Next, I look at the effect of a SAI's institutional model on its strength. The results from regression (1) suggest that the model does not have any significant effect on the strength of a SAI, despite if the SAI is part of the ministry of finance, in which case it performs much worse than other SAIs.

As expected, the number of SAI staff has a statistically significant and positive effect of a SAI. For lack of any other variables in the model which would hold equal the level of country development (such as its *GDPpc*), I cannot be sure whether the effect here actually measures the effect of the SAI staff or whether it is a proxy for a country's development status (with more developed countries having more resources to employ a larger number of SAI staff).

Finally, the existence of a development action plan also has a strong positive effect on a SAI's strength. This result is particularly encouraging for me. It confirms my hypothesis on the relevance of a committed SAI leadership to improve the power/strength of a SAI. Regressions (2-4) in table B.28 only include recipients of capacity building support.<sup>239</sup> For lack of any data on the income status of a country or OECD membership, this allowed me to differentiate between rich industrialized and poorer developing countries. "Recipients" thus are a proxy for non-OECD member states. The regression on non-OECD members roughly gets the same results as when regressed on all observations, although some of the coefficients lose significance.

In a next step (regression (3)), I included various types of capacity building measures to see whether they are related to an SAI's performance. All of the capacity building measures are statistically insignificant, despite activities to strengthen IT audit capacity, which has a negative effect. The reasons why this is so, can only be hypothesized at this point. I suggest, that IT auditing is a very complex activity which in order to deliver usable results, requires the existence of a highly developed IT system in the country, sufficient professional staff and resources. Poor SAIs might be interested in receiving capacity building to conduct IT audits as it might make them look modern and developed and as IT audit might be less politically sensitive as some other types of audit. Finally, regression (4) in table B.28. confirms the positive effect of belonging to

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<sup>239</sup> "Recipients" includes all SAIs which have identified themselves as recipients of capacity building measures in the past, at present or in the planned future. Thus they replied with a "yes" to the following questions: 3.1., 3.2., 3.2.1., 3.5.,4.9. (identified needs?), 4.10. (recipient?). SAIs which were capacity building providers at any times were coded with "0". This includes SAIs which replied with "yes" to the following questions: 5.1., 5.2., 5.7. SAIs which have replied with "no" for both recipients and providers are coded with "0". SAIs which replied with "yes" in both areas, were coded as "both" and have been included in the regressions (2), (3) and (4) above.

EUROSAI, the negative effect of belonging to CREFIAF, the negative effect of being part of the ministry of Finance and the positive effect of a large number of SAI staff. This regression also includes a variable asking whether the recipients considered the capacity building measures as successful. It is however surprising, that there is no clear result for this question. While successful capacity building measures are correlated with stronger SAIs, the difference with not successful ones is very small and both coefficients are not statistically significant.

Now I go on to table B.29, which tests the same independent variables as table B.28 but on a different dependent variable. Instead of conducting an OLS regression on the dependent variable SAStrength, I calculate a logistic regression on the binomial SAI variable “IDI 1.8.time.limit.new1”.<sup>240</sup> Logistic regression is a statistical technique estimating the effect of independent variables on a binary dependent variable, i.e. a categorical dependent variable with two categories (0-1). Whereas the Linear Probability Model (LPM) assumes that the  $P_i$  (=probability that  $Y_i = 1$ , that is, the event occurs), the logit model assumes that the log of the odds ratio is linearly related to  $X_i$ . Thus the dependent variable is in effect the log of the odds ratio.

$$L_i = \ln (P_i/(1-P_i)) = \beta_1 + \beta_2 X_i + u_i \quad (\text{Eq.6.8.}^{241})$$

The coefficients in table B.29 thus measure the rate of change in the log of the odds [ $\ln (P_i/(1-P_i))$ ] for Y (IDI 1.8.time.limit.new1) to be 1, for a unit change in X, given all other X. The model parameters were estimated using maximum likelihood estimation (this is a nonlinear estimation procedure which uses the z statistic). The table tells us the McFadden  $R^2$  which is a measure of goodness of fit and can be compared to the  $R^2$  of an OLS model.<sup>242</sup>

In general, when looking at table B.29 I see that few variables are statistically significant and that overall the results resemble those of table B.28. EUROSAI is the strongest INTOSAI region, PASAI is a very weak region and the number of a SAI staff is positively related to timely submission of the annual audit report. Surprising is the negative and statistically significant effect of the Westminster (monocratic) SAI model, which in all other regressions had a positive effect. Furthermore in regression (2), table B.29 I see that the support of administrative services as a capacity building measure is correlated to timely audit report submission, holding all other variables equal.

<sup>240</sup> To recall from chapter four, the variable “IDI 1.8. time.limit.new1” is based on question “1.8 When was the latest consolidated annual audit report from your SAI issued to Parliament (or other recipients of the audit report as determined by law)?” The replies were coded as follows: Within the stipulated legal time limit: 1; within one year after stipulated legal time limit: 0; more than one year after stipulated legal time limit: 0; other/missing: 0

<sup>241</sup> Gujarati and Porter, 2009:555

<sup>242</sup> For more on qualitative response regression models see Gujarati and Porter, 2009:541-590.



More meaningful interpretations as in terms of the odds ratios, are obtained by taking the antilog of the slope coefficients. For instance, belonging to the EUROSAI region has a log of the odds coefficient of 2.89. If I now take  $e^{2.89} = 18.03$ . Thus SAIs belonging to the EUROSAI region are 18 times more likely to submit the annual audit report within the stipulated legal time limit than those belonging to no INTOSAI region. Or let's look at the effect of the number of total staff. The log of the odds ratio is 0.55 for the SAI submitting its annual audit report on time. The odds ratio is then  $e^{0.55} = 1.73$ . However this is now the odds ratio for the logarithmic function of 1.9. staffing.total, as this independent variable was linearly transformed. I again take the antilog of 1.73, which is  $e^{1.73} = 5.64$ . For each additional staff member, the SAI is 5.64 times more likely to deliver its annual audit report within the stipulated legal time limit, which is truly a huge effect and must be doubted as being correct.

Now let's look at the model effect plots of the regression results (B.30), which will help us to better comprehend the regression results of table B.29. I can clearly see that SAI staff is not linearly related to the likelihood of timely audit report submission. With very few staff, the likelihood is very small, and steeply increases with each additional staff member. However at a certain moment there is a break and the likelihood for timely submission is hardly affected by the staff number, holding all other variables equal. This break seems to be reached at the value of 5000 staff members. But even with around 2000 staff members the likelihood that the SAI submits its annual report on time is very high at about 80%. These are extremely large numbers for SAI staff (the three SAIs with the largest total number of SAI staff have 46,777; 12,000 and 8,535 staff and belong to ASOSAI, ARABOSAI and ASOSAI respectively). It can be questioned if such a large number is necessary and how these SAIs calculated this number (for instance large countries might have included staff of regional SAI branches<sup>243</sup>).

Finally, I come to the last regression table. Table B.31 tests the same independent variables once more but this time on the dependent variable "IDI 1.8.time.limit.new", which is a multinomial variable<sup>244</sup>. The ANOVA table helps us to understand which coefficients are statistically significant. However the ANOVA table does not give us the significance for each category for categorical independent variables. Thus, I see that the INTOSAI region is strongly significant, but I do not know exactly which region is significant. The number of staff is again statistically significant, while the type of SAI

<sup>243</sup> For instance, the SAI of China states on its website that „there are 31 provincial audit offices. The number of audit institutions at the Municipal level and the County level has reached 434 and 3,075 respectively. The staff of audit institutions nationwide has totaled about 80,000.“ [http://www.cnao.gov.cn/main/AboutUs\\_ArtID\\_727.htm](http://www.cnao.gov.cn/main/AboutUs_ArtID_727.htm) (Last Accessed on November 05, 2012)

<sup>244</sup> To recall from chapter four, the replies are coded as follows: Within the stipulated legal time limit: 1; within one year after stipulated legal time limit: 0.5; more than one year after stipulated legal time limit: 0; other/missing: 0. This regression only includes "recipients" of capacity building support.

model in table B.31 is not statistically significant, as is the existence of a Development Action Plan. Among the various types of capacity building initiatives the following are significant: organizational capacity building and capacity building to support the administrative services of an SAI.

In total 141 SAIs were included in this model (table B.31). The McFadden  $R^2$  is 51% and thus relatively high. The two columns to the right of the table give us the coefficients, thus the log of the odds for the probability that  $P=1$  or  $P=0.5$  respectively, versus the baseline category  $Y=0$ . In order to understand the coefficients I have to take the antilog as above. As this is a tedious exercise, I can also look at the effect plot to get an idea of the results. The model effect plot of the multinomial regression (B.32) shows the effects of the INTOSAI region on the probability that an SAI submits its annual audit report within the stipulated legal time limit (first row of the graph). I see that SAIs which belong to no region, ARABOSAI, EUROSAI, OLACEFS and PASAI have the strongest probability here. The second row shows us the probability that an SAI submits the annual audit report within one year after the stipulated legal time limit. The numbers of observations was quite low in this category ( $n=15$ ) and thus no region has a statistically significant probability here. Finally, the third row in graph B.32 shows the probability for belonging to a specific INTOSAI region and to submit the annual audit report more than one year after the stipulated legal time limit. All the results have to be understood as the effect of a specific variable, while holding the other independent variables in the regression constant or equal. I see again, that CREFIAF is the weakest region with the highest probability for late audit report submission.

This section explored the hypotheses as far as possible on an anonymized dataset from the INTOSAI Development Initiative (IDI). The tentative results are inconclusive for the relative importance of the INTOSAI region (H3a), which supports the assumption that SAIs in EUROSAI are strongest and SAIs in CREFIAF are weak. However, the regressions on the IDI Stocktaking report data would also suggest that SAIs in ARABOSAI are strong, which contradicts previous findings. The SAI institutional model (H1a) is not significant, but there the regressions suggest positive relationship of SAI strength with the number of SAI staff (H5a) and with the existence of a strategic development plan (H7b). The number of SAI staff can on the one hand be interpreted as a proxy for the level of economic development of a country, but it also stands for political commitment, otherwise the government would not be willing to finance that many staff. Finally, the existence of a strategic plan supports my hypothesis of the importance of leadership and strategic planning by the SAI head.

## 6.5. Mini-Case Analyses

The case study selection is based on the results of the statistical analysis in the form of a nested analysis as described by Lieberman (2005, see also Harrits, 2011). In nested analysis both types of research QUAN and QUAL are connected to each other and inform each other. The term *nested* refers to the way large-N analysis (LNA) and small-N analysis (SNA) are mixed within a coherent model, depending on the results of previous analysis. The researcher starts with a preliminary Large-N analysis (LNA) and tests it for robustness. In a next step he or she should strengthen the causal inference using confirmatory SNA. In case the preliminary LNA could not confirm the researcher's theoretical model, the researcher should use SNA to build a new model. So far this chapter has engaged in deductive LNA, which largely confirmed the proposed hypotheses.

Therefore according to Lieberman (2005) the next step now is to further test my causal inferences through confirmatory SNA, whereby particularly those cases which are found “on the regression line” should be of interest. The aim of this SNA is to test whether or not the correlation confirmed in the regression model is produced by the causal mechanisms expected by theory, i.e. whether the researcher can trace the processes leading to the outcomes of interest (on the qualitative method of process tracing see especially Bennett & Elmean, 2006, 2007; George & Bennett, 2005, Mahoney, 2005; all quoted in Harrits, 2011:153).<sup>245</sup>

As discussed above according to the ideal method of nested analysis as proposed by Lieberman (2005), case studies should be chosen within those with very small residuals (i.e. the cases which can be found “on” the regression line). Alternatively, the researcher can investigate cases which are far off the line to engage in new model-building activities, i.e. to investigate new theories which have been neglected so far.

Figure 6.10 and figure 6.11 plot the actual dependent variable scores against the regression predicted scores (Lieberman, 2005:444-445). I chose to investigate the cases of the models (1) and (1b) from table 6.1 above. These two are my main models, they include a large number of independent variables (9), large numbers of observations (n=85 for model (1) and n=79 for model (1b)) and also attain a very high measure of model fit ( $R^2=82\%$  for model (1) and  $R^2 = 89\%$  for model (1b)).

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<sup>245</sup> Harrits (2011) criticizes the mixed methods research as nested analysis (Lieberman, 2005) for problems of causality and its inherent ontological model of realism. She points out that relying purely on causal leverage implicitly assumes that the results of the LNA and SNA translate without problems into each other and therefore that conflicting evidence will constitute a falsification of the theoretical model. Instead, she claims, conflicting evidence might point out different aspects of a problem. She therefore suggests the mixed methods approach of praxeological knowledge (Bourdieu, 1973) as a more adequate method to engage in both the explaining of causal patterns and the understanding of subjective interpretations (Harrits, 2011, see also chapter 1).

Figure 6.10 Actual Dependent Variable Scores Plotted Against Regression-Predicted Scores (Table 6.1., model (1))

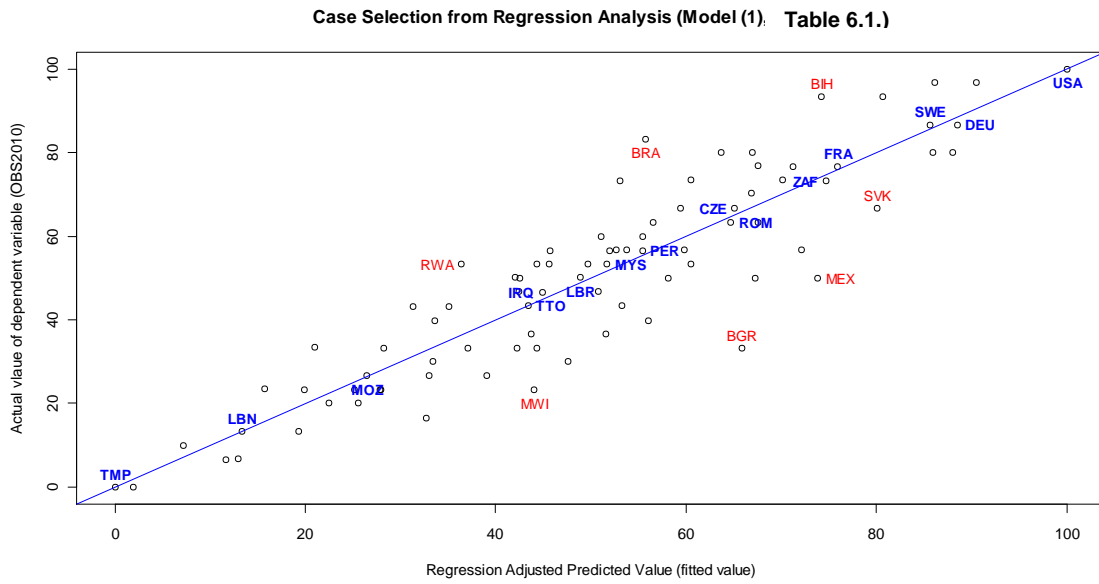
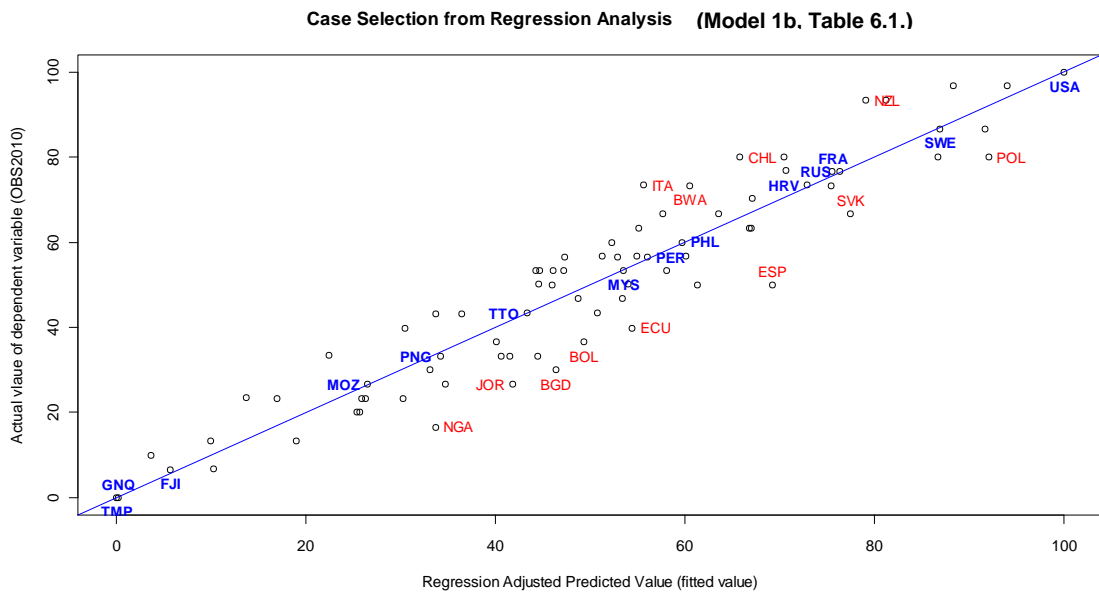


Figure 6.11 Actual Dependent Variable Scores Plotted Against Regression-Predicted Scores (Table 6.1., Model (1b))



Countries that are found on the line (marked in blue) in model (1) are Timor-Leste (TMP), Lebanon (LBN), Mozambique (MOZ), Iraq (IRQ), Trinidad and Tobago (TTO), Liberia (LBR), Malaysia (MYS), Peru (PER), Czech Republic (CZE), Romania (ROM), South Africa (ZAF), France, (FRA), Sweden (SWE), Germany (DEU), United States of America (USA).

In model (1b) the cases on the line are: Timor–Leste (TMP), Guinea-Equatorial (GNQ), Fiji (FJI), Mozambique (MOZ), Papua-Newguinea (PNG), Trinidad and Tobago (TTO),

Malaysia (MYS), Peru (PER), Philippines (PHL), Croatia (HRV), Russia (RUS), France (FRA), Sweden (SWE) and the USA.

Countries that belong to the latter group, i.e. cases which are far off the line instead, are marked in red. These cases “off” the line might point out theories which have been neglected and can be used for model-building activities. They are in model (1): Rwanda (RWA), Malawi (MWI), Brazil (BRA), Bulgaria (BGR), Mexico (MEX), Slovakia (SVK), Bosnia-Herzegovina (BIH).

In Model (1b) the cases “off” the line are: Nigeria (NGA), Jordan (JOR), Bangladesh (BGD), Bolivia (BOL), Ecuador (ECU), Italy (ITA), Botswana (BWA), Spain (ESP), Chile (CHL), Slovakia (SVK), New Zealand (NZL) and Poland (POL).

The scope of this dissertation does not allow me to conduct an in-depth case study and engage in process-tracing research. However, I will now deploy what can be described as “mini-case analyses”, which is a brief examination of typical cases (see Reiter and Stam, 2002; Huth, 1996; qt. in Lieberman, 2005:441). I will first of all present some background information on those eight cases, which have been found “on the regression line” in both models and will then compare their scores on the main independent variables to each other and to the expected results from the hypothesis. The eight cases are: Timor-Leste, Mozambique, Trinidad-Tobago, Malaysia, Peru, France, Sweden and the United States of America. Now follows a short overview of these countries and their SAIs:

Timor-Leste: Timor-Leste is a very young country, which gained independence from Indonesia in 1999 through a UN-supervised referendum. This low income country has a country area of 14,874 sq km<sup>246</sup> and a population of around 984,000<sup>247</sup>. The overall Open Budget Index Score for Timor-Leste is 34%, thus much higher than the score for the power of the SAI (0%). Despite a constitutional mandate for a supreme audit institution, no such institution existed as of September 2009 (the submission date of the OBS 2010 surveys). However, by legislative decree the “Tribunal de Recurso” was finally established in June 2011<sup>248</sup> just a few days before the meeting of the SAIs in Portuguese Speaking Countries held its 15<sup>th</sup> Anniversary in Dili. In October 2011 the SAI was then admitted as a full member to INTOSAI.

Mozambique: Like Timor-Leste, Mozambique is a low-income country, which was colonized by the Portuguese from which it gained independence in 1975. It suffered a 16-year bloody civil war, which was ended by a UN-led peace agreement in 1992. Mozambique has a country area of around 733,000 sq km<sup>249</sup> and a population of around

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<sup>246</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/tt.html> (Accessed on May 28, 2012)

<sup>247</sup> pop\_02.07

<sup>248</sup> INTOSAI Journal, October 2011; <http://www.tribunais.tl/?q=node/48> (Accessed on May 28, 2012)

<sup>249</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/tt.html> (Accessed on May 28, 2012)

20,507,000<sup>250</sup>. Freedom House rated the political status in Mozambique as “partly free” for the year 2009<sup>251</sup>. The overall Open Budget Index for Mozambique is 28%, thus slightly higher than the score for the power of the SAI (26.6%)<sup>252</sup>. The OBS (2010) as well as the Global Integrity Report (2007) stress that the “Tribunal Administrativo<sup>253</sup>” has the legal mandate to carry out the audits it wishes to do but that political interferences are possible. For instance the President of the Republic can remove the head of the SAI without consent by another branch of the government. The executive also determines the budget of the SAI, which has been described as far too low. Therefore, the main constraints this SAI seemed to face up to 2009 was a lack of human resources and capacities. By then the SAI also did not publish any of its audit reports.

Trinidad-Tobago: These two small Caribbean islands have a total population of around 1,313,000 and an area size of only 5,218 sq km. This resource rich, high-income, politically free<sup>254</sup> democracy enjoys high growth rates due to an open investment climate.<sup>255</sup> The Office of the “Auditor General of Trinidad and Tobago”<sup>256</sup> exists since independence from the British in 1962. The Auditor General enjoys the discretion in law to determine the audits she wishes to undertake and the funding is broadly consistent with the office’s needs. The overall score on the Open Budget Index is 33% and thus clearly lower than for the SAI (43.4%).

Malaysia: The current boundaries of Malaysia date back to 1965 and cover an area of 330,000 sq km. This upper-middle income country is a constitutional monarchy and has a population of around 25,817,000. Freedom House rated the political status in Malaysia as “partly free” for the year 2009<sup>257</sup>. The “Office of the Auditor General”<sup>258</sup> was established upon independence from the UK in 1957 and the audit act has not been changed since. The overall score on the Open Budget Index 2010 for Malaysia was 39%, thus considerably lower than the score for the SAI (53.4%). The OBS2010 points out that while this SAI has sufficient funds and discretion to choose its audits, the main challenge remains effective follow-up.<sup>259</sup>

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<sup>250</sup> pop\_02.07

<sup>251</sup> <http://www.freedomhouse.org/report/freedom-world/2009/mozambique> (Accessed on May 28, 2012)

<sup>252</sup> <http://internationalbudget.org/what-we-do/open-budget-survey/country-info/?country=mz> (Last Accessed on May 28, 2012)

<sup>253</sup> <http://www.ta.gov.mz/> (Last Accessed May 28, 2012)

<sup>254</sup> <http://www.freedomhouse.org/report/freedom-world/2009/trinidad-and-tobago> (Last Accessed May 28, 2012)

<sup>255</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/td.html> (Last Accessed May 28, 2012)

<sup>256</sup> <http://www.auditorgeneral.gov.tt/> (Last Accessed May 28, 2012)

<sup>257</sup> <http://www.freedomhouse.org/report/freedom-world/2009/malaysia> (Last Accessed May 28, 2012)

<sup>258</sup> <http://www.audit.gov.my/> (Last Accessed May 28, 2012)

<sup>259</sup> <http://internationalbudget.org/wp-content/uploads/2011/04/Malaysia-OBI2010QuestionnaireFinal.pdf> (Last Accessed May 28, 2012)

Peru: Peru has a size of around 1,285,000 sq. km and a population of approximately 27,388,000. This lower middle income country used to be a Spanish colony and gained independence in 1824.<sup>260</sup> Freedom House rated the political status in Peru as “free” for the year 2009<sup>261</sup>. The “Contraloria de Peru”<sup>262</sup> was created in 1929 and is based today mainly on the constitutional amendment of 1993, whereby the Law on the Controller General of Peru was last amended in 2002.<sup>263</sup> The overall Open Budget Score for Peru is 65% and thus higher than the score for the power of the SAI (56.6%). While this SAI enjoys considerable independence, the main challenges according to the OBS2010 are the lack of follow-up on the audit reports and limited resources.

France: France is a founding member of the European Union, a high income democracy and a member of the OECD. It has an area of 644,000 sq km and a population of 62,753,000. The supreme audit institution is the “Cour des Comptes”<sup>264</sup>. It was created by the law of Sept. 16, 1807 and is a highly respected public body in France. The Court is part of the judicial system and operates independently of the executive and legislative branches of government. Since a ruling by the Supreme Court (*Conseil Constitutionnel*) in 2001, the Court’s independence as well as its institutional relationship with the executive and legislative branches has been protected by the Constitution. A revision of the Constitution in July 2008 incorporated these important principles (article 47-2).<sup>265</sup> It was only then that the independence and statue of the staff of the court was finally increased and adapted to international standards and that the Court’s relationship with the Legislature and public reporting were strengthened.<sup>266</sup> The Court has also expanded its functions from its traditional role of compliance auditing to incorporating other audit types, such as financial auditing (with the adoption of the so called “LOLF” Act in 2001 and another financial law for social security agencies enacted in 2005) and performance auditing. (Queyranne and Moretti, 2012). Finally, only in 2009 for the first time, the

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<sup>260</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/pe.html> (Last Accessed May 28, 2012)

<sup>261</sup> <http://www.freedomhouse.org/report/freedom-world/2009/peru> (Last Accessed on May 28, 2012)

<sup>262</sup> [www.contraloria.gob.pe](http://www.contraloria.gob.pe) (Last Accessed on May 28, 2012)

<sup>263</sup> [http://www.contraloria.gob.pe/wps/portal/portalcgr!/ut/p/b1/04\\_Sj9CPyKssy0xPLMnMz0vMAfGjzOLdXf29TZwNjAwsTNwNDDwD\\_AMCvLx9jdx9jYEKIoEKDHAARwM0\\_X6OrkD9FmZhIR6GhgYhZqTqR7U\\_EKYfSYGBoYGnqbuTI7ersaGZpTHJ-tEVEPB\\_uH4UuhIMF4AV4PMifkeaEFDgbK7v55Gfm6pfbBsaGhphkOmp66gIABnEAKs!/dl4/d5/L2dBIS9nQSEh/](http://www.contraloria.gob.pe/wps/portal/portalcgr!/ut/p/b1/04_Sj9CPyKssy0xPLMnMz0vMAfGjzOLdXf29TZwNjAwsTNwNDDwD_AMCvLx9jdx9jYEKIoEKDHAARwM0_X6OrkD9FmZhIR6GhgYhZqTqR7U_EKYfSYGBoYGnqbuTI7ersaGZpTHJ-tEVEPB_uH4UuhIMF4AV4PMifkeaEFDgbK7v55Gfm6pfbBsaGhphkOmp66gIABnEAKs!/dl4/d5/L2dBIS9nQSEh/) (Last Accessed on May 28, 2012)

<sup>264</sup> [www.ccomptes.fr](http://www.ccomptes.fr); (Last Accessed on November 01, 2012)

<sup>265</sup> Queyranne and Moretti, 2012; <http://www.lenouveleconomiste.fr/partout-ou-de-largent-public-est-engage-la-cour-a-vocation-a-controler-14253/> (Last Accessed on November 01, 2012)

<sup>266</sup> Before that it was at the discretion of the President of the Republic that the President of the Court of Accounts could be removed from office without reason. Furthermore, the Court of Accounts was not allowed to audit the office of the President. <http://www.senat.fr/rap/105-410/105-4100.html#toc0> (Last Accessed on May 28, 2012)

Court at the initiative of President Nicolas Sarkozy audited the expenses of the President of the Republic.<sup>267</sup>

The overall Open Budget Score for France is 87%, thus somehow higher than for the power of the SAI (76.7%). The “Cour des Comptes” today is an independent institution, which according to the OBS2010 and the Global Integrity Report 2007 needs to open up its channels of communication to the public. With the revision of the Constitution in 2008, this situation has changed and in 2012 the Court published 42 reports online. (Migaud, 2012)

Sweden: This high-income democracy and OECD member joined the EU in 1995, but the public rejected the introduction of the Euro in a 2003 referendum. It has an area of 450,000 sq.km and a population of 9,021,000. The “National Audit Office (NAO)”<sup>268</sup> was created only on 1 July 2003 after a constitutional change in which the then Parliamentary Auditors and the National Audit Office were closed and the new National Audit Office was created as a new authority under the Riksdag (legislature). The decision to establish a coherent audit office highlighted the importance of parliament to strengthen its supervisory power in the economic field<sup>269</sup>. Sweden has an Overall Open Budget Score of 83% and a score for the power of the SAI of 86.7%. According to the Open Budget Survey 2010, both the legislature and the SAI in Sweden generally provide strong oversight of the budget. However, legislative scrutiny of audits could be improved. The NAO is governed by a Board of three Auditors General which are appointed by the Legislature. The NAO is now closely linked to the Legislature, which also decides the budget of the NAO upon a proposal by the NAO.

United States of America: The USA is a high-income country, member of the OECD, covers an area of approx. 9,827,000 sq km and counts a population of 294,517,000. The “Government Accountability Office (GAO)”<sup>270</sup> was created in its current form in 1921. The Overall Open Budget Score is only 82% compared to the maximum score of 100% for the SAI. While the OBS2010 does not have anything to object, the Global Integrity Report 2011 analyzes the GAO a little bit more critically by pointing out that the GAO does not have formal organizational independence. In fact it is a subordinate part of the legislature and conducts audits mainly on its behalf. Only sometimes does it also initiate research under the authority of the Comptroller General (who has the discretion in law

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<sup>267</sup> <http://www.lefigaro.fr/conjoncture/2012/02/19/20002-20120219ARTFIG00137-la-cour-des-comptes-elargit-son-terrain-d-action.php>; [http://www.lemonde.fr/politique/article/2009/07/16/controle-de-la-cour-des-comptes-a-l-elysee-nicolas-sarkozy-rembourse-des-depenses-privées\\_1219657\\_823448.html](http://www.lemonde.fr/politique/article/2009/07/16/controle-de-la-cour-des-comptes-a-l-elysee-nicolas-sarkozy-rembourse-des-depenses-privées_1219657_823448.html); <http://www.ifrap.org/Reformer-la-Cour-des-comptes-et-redefinir-sa-mission,904.html>; <http://www.lefigaro.fr/debats/2008/11/19/01005-20081119ARTFIG00030-cour-des-comptes-parlement-la-cooperation.php> (Last Accessed on November 01, 2012)

<sup>268</sup> [www.riksrevisionen.se](http://www.riksrevisionen.se) (Last Accessed on May 28, 2012)

<sup>269</sup> <http://www.riksrevisionen.se/sv/OM-RIKSREVISIONEN/> (Last Accessed on May 28, 2012)

<sup>270</sup> [www.gao.gov](http://www.gao.gov) (Last Accessed on May 29, 2012)



to do so, Legislative Reorganization Act of 1970, see OBS2010 questionnaire). The Global Integrity report however also points out that although the entity is not formally independent from other branches of government, in practice the GAO is subject to reasonable checks and balances and is staffed by nonpartisan employees. The GAO is highly respected for its accurate and impartial work.<sup>271</sup> In a next step, I will now analyze to what extent these eight cases verify my hypotheses by looking at their scores on the main independent variables (see table 6.11).

*H1: Institutional hypotheses:*

Hypothesis (1) assumed that the monocratic model fares best and the ministry model has the worst results, which is confirmed by the cases of the USA and the democratic Republic of Timor-Leste (commonly known as East Timor). I also suggested that the French court model is associated with weaker SAIs. And indeed France has quite a weak SAIs compared to Sweden and the USA. As part of the institutional hypotheses I also suggested that French colonial heritage has a negative effect. Well, none of the cases are former French colonies, but Timor-Leste and Mozambique are former Portuguese colonies with similar legal systems than the French. Both are judicial systems (as discussed the SAI of Timor-Leste was only established in 2011, which is why it has been rated as a ministry entity).

The second part of H1 looked at the electoral system in a country. The number of veto players is indeed higher for those countries which also have high OBS scores. If I now look at the overall electoral system in these countries I cannot find a clear pattern. The USA, Timor-Leste, Malaysia and France use the plurality electoral law while Mozambique, Peru and Sweden use the proportional election system (there was no value in the data for Timor-Leste for the year 2007). Looking more generally at the type of regime (chga\_hinst for the year 2007), I can only observe that democracies have higher scores than dictatorships (MOZ, MYS are classified as civilian dictatorships for the year 2007), but there is no clear pattern between parliamentary (SWE, TTO), presidential (USA, PER) and mixed democracies (FRA, TMP).

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<sup>271</sup> <http://www.globalintegrity.org/report/United-States/2011/scorecard> (Last Accessed on May 29, 2012)

Table 6.2 Overview of Eight Mini-Cases and Their Scores on the Main Independent Variables (ordered by the OBS2010 Score)

SAI	OBS2010	SAImodel_09	dpi_checks (Veto players)	Oil_02.07	IMF	Region	Battle_deaths_02.08	fh_press	ciri_injud	SAlleader_total1
TMP	0	Ministry	2	0	0	NRM	0	38	1.Partially independent	0
MOZ	26.6	Court	3	0	1	AFROSAI-E	0	40	1.Partially independent	0
TTO	43.4	Monocratic	3	13.26	0	CAROSAI	0	23	2. Generally indep.	3
MYS	53.4	Monocratic	4	7.5	0	ASOSAI	0	65	0.Not independent	5
PER	56.6	Monocratic	4	1.48	1	OLACEFS	10.57	44	1.Partially independent	10
FRA	76.7	Court	4	0.02	0	EUROSAI	0	22	2. Generally indep.	13
SWE	86.7	Board	5	0	0	EUROSAI	0	11	2. Generally indep.	11
USA	100	Monocratic	4	0.5	0	NRM	0	17	2. Generally indep.	26

Legend: TMP (Timor-Leste), MOZ (Mozambique), TTO (Trinidad and Tobago), MYS (Malaysia), PER (Peru), FRA (France), SWE (Sweden), USA (United States of America)

## *H2: The source of national income*

Looking at my eight cases I see that the only country with quite a high value of oil rents (as % of GDP) is Trinidad and Tobago, which also has quite a low OBS score. If I look at the measure by Haber and Menaldo (2011), I find a different pattern. As discussed above, their criteria exclude resource-rich, mature democracies whereas it includes developing countries that produce trivial quantities of oil, gas and minerals. According to their data, apart from Trinidad and Tobago I then include Peru and Malaysia as resource reliant countries. However, both of them do not have extremely weak SAIs but rather mid-level SAI powers.

When investigating the tax related variables for these eight cases, I find that Malaysia has the highest value for tax compliance (EFW5Cvii = 8.4) while Peru has the lowest level (EFW5Cvii = 5.2), which does not correspond to our SAI ranking above. If I now look at tax\_02.07 (tax revenue as % of GDP, WDI data, mean for the years 2002-2007) I find that Trinidad has the highest tax revenues (24.5 %) compared to the USA which have the lowest tax revenues (10.86%). However, in the theory large incomes from taxation was only relevant for early state development, thus I should exclude the USA, Sweden and France from this comparison. There is no such data available for Mozambique and for Timor-Leste, but Peru only collects 13.7% of its GDP through tax revenues and Malaysia only 15.6 %, which confirms my hypothesis that tax revenue collection increases the incentives for the development of public accountability in developing countries.

Finally, I looked at the effect of official development aid on the development of strong SAIs. Among the eight cases above, Peru and Mozambique have received an IMF led *Poverty Reduction and Growth Fund*. While both of these countries are quite poor (which also explains why the IMF variable has a negative coefficient), their close relationship with the donors might still be one factor, why their SAIs are not even weaker. Mozambique is also part of the PRSP program and receives the highest amount of per capita PFM aid (tot\_pfmaid\_02.07pc = 0.92 US\$/year), while the per capita PFM aid in Timor Leste and Peru were each 0.6 US\$ and for Trinidad it was 0.02 US\$ respectively. So here again, I cannot see a positive effect of total PFM aid on the OBS2010, Mozambique which has received most PFM aid fares very low.

## *Hypothesis 3: Institutional diffusion*

Generally, I assumed that being part of EUROSAI increases the probability of having a powerful SAI. However, I also assumed that being part of AFROSAI-E increases the

chances of a powerful SAI, which is not supported by our cases. However, the SAI in Mozambique might even be weaker if it was not part of AFROSAI-E.

Next, I said that external intervention as part of a post-conflict situation might be an opportunity to strengthen an SAI. Among the eight cases listed above, only Peru has suffered battle related deaths during the period 2002 to 2008 (mean of the annual number of persons dying in battles for the years 2002-2008). Due to violent conflicts between mostly indigenous groups and the government, 38 persons were killed in 2007 and 36 persons in 2008 in Peru.<sup>272</sup> As a consequence to these violent clashes, which were sparked by corruption accusations and protests over land rights and oil developments, Prime Minister Jorge Del Castillo and his cabinet resigned in 2008.<sup>273</sup> The violent clashes continued in 2009, which then led to the resignation of Prime Minister Yehude Simon.<sup>274</sup> It would be interesting to investigate these events further and trace the processes which might have assisted in strengthening the power of the SAI in Peru. Was there external intervention and of what type? Another case is Timor Leste, which actually had a UN peace keeping operation with 1552 persons in the country during this period. Still, its SAI is very weak which falsifies our hypothesis for this case.

#### *Hypothesis 4: Modernization theory*

Among the eight cases listed above, Malaysia has the most restricted press (fh\_press = 58 out of 100), while Sweden has the freest press (fh\_press = 11). As already discussed elsewhere, there is no clear relationship between political and civic rights and the power of the SAI, particularly when holding other variables constant. I see for instance, that France and Trinidad nearly have the same score on press freedom (22 and 23 respectively).

#### *Hypothesis 5: Institutional capacity theory*

This hypothesis was not included in the regression model of table 6.1.. This is due to the lack of data, as discussed above, the CBC database is not complete. Among the eight cases of interest, there is only information on Mozambique, which has received 7.3 million EUR during the period 2002-2007 by the Swedish National Audit Office. This is a very large sum in comparison to other capacity building programs (range between 0 and

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<sup>272</sup> Battle-related deaths (number of people), World Bank, World Development Indicators. See also [battledeaths\\_02.08](#), Appendix B.12.

<sup>273</sup> [http://en.wikipedia.org/wiki/2008\\_Peru\\_oil\\_scandal](http://en.wikipedia.org/wiki/2008_Peru_oil_scandal); <http://www.freedomhouse.org/report/freedom-world/2009/peru> (Last Accessed on November 05, 2012)

<sup>274</sup> <http://www.freedomhouse.org/report/freedom-world/2009/peru>; [http://en.wikipedia.org/wiki/2009\\_Peruvian\\_political\\_crisis](http://en.wikipedia.org/wiki/2009_Peruvian_political_crisis); [http://en.wikipedia.org/wiki/Yehude\\_Simon](http://en.wikipedia.org/wiki/Yehude_Simon) (Last Accessed on November 05, 2012)

9.2 million EUR with the exception of Bulgaria which has received 3000.15 million EUR to strengthen its SAI!). The years are medium as the range in the data is between 1-12 years. The capacity building program in Mozambique included strengthening organizational, financial and IT audit capacities as well as strengthening so called other support services. This confirms some of our findings, namely that large CBC support is not directly related to powerful SAIs, and that IT audit capacity is related to weak SAIs. There was no strengthening of the capacity to deal with the external environment, which is correlated with stronger SAIs and might also explain why the Mozambican SAI is so weak.

#### *Hypothesis 6: Rational choice institutionalism*

Table 6.2 shows that those SAIs with high OBS ranking are also characterized by a generally independent judiciary with the exception of Trinidad, which has a lower score and should be further investigated. What might also surprise is the case of Malaysia, which despite the lack of an independent judiciary has a medium range SAI. However, as Malaysia is economically quite well off, the lack of the independent judiciary might indicate why it is not even higher up the scale. All of the eight cases “on the line” are classified as having no overt fragmentation ( $p_{\text{fragment}}$ ), thus DC#3 should be fulfilled. Concerning the existence of effective implementation of executive constraints (my main measure for DC#2) I find some variance. While most countries (USA, SWE, PER, TTO, TMP) accept executive subordination, Malaysia and Peru only have 4 out of 7 possible points. With these results it would be difficult to draw conclusions concerning the relevance of the doorstep conditions for the development of SAIs. Therefore, further investigation, particularly through in depth case study research is needed.

#### *Hypothesis 7: SAI leadership*

Finally, our last hypothesis also seems to have the clearest, almost linear results. The stronger is the SAI leadership, the higher is the SAI score.

## 6.6. Summary and Conclusions

My aim, of conducting some exploratory tests have proven highly valuable and have opened up many directions for further, more detailed research on all hypotheses.

The objective of this chapter was to test the hypotheses which were developed in chapter five through the exploration of statistical data. This chapter also builds on chapter four, which discussed the data that is available for measuring the power of SAIs (de-

pendent variable) and concludes that the composite index constructed by the Open Budget Survey (OBS2010) is best adequate for my purposes. I then proceeded by testing each hypothesis individually through mainly bivariate regressions and graphical analysis. This research tool allows the author to investigate a variety of variables which all measure similar aspects of the independent variables she is looking for. The tests suggested that all the proposed relationships between the independent variables and the dependent variables exist. The chapter then continued to conduct multiple regressions, where several hypotheses were tested at once and their effects while holding equal all other factors were analyzed. Finally, this chapter also conducted eight mini-case analyses as part of the mixed methods approach of nested analysis.

The results confirmed all my hypotheses as developed and presented in chapter five (see table 6.3). It showed that that strong SAI leadership and favorable inter-elite relationships are crucial variables explaining the variation in de facto SAI power. My results also suggest that external influence, particularly proximity to and influence by good performers as well as external influence in a post-conflict situation of LMI countries, can explain some of the variation. The institutional model also partly explains why some SAIs are stronger than others, however in some regression specifications this effect vanishes. Public demand for accountability on the other hand could not stand the test, which also confirms the rational choice institutionalism theory that public demand does not automatically facilitate effective institutionalization of public accountability. Public demand needs to encounter inter-elite relationships which are characterized by elite competition and rule of law for elites. I could not clearly show the effect of taxation or aid modalities on the power of SAIs, but large shares of oil rents seem indeed to hang together with weaker SAIs while direct taxation in poor countries seems to facilitate the development of accountability. Finally, institutional capacity, particularly as measured by the number of its staff, does have a positive effect while capacity building seems to have a positive effect if it is provided long-term and with a focus on building the capacity of the SAI to deal with the external environment. To summarize, the three main variables, which proved to be most robust to model specification (on different dependent variables and when conditioned on a wide set of independent variables) were:

- H3a: Geographic proximity to and influence by good performers
- H6a: DC#1: Rule of law for elites
- H7a: Leadership commitment by the SAI head

Regional affiliation had a very strong relationship with the power of a SAI, even when holding per capita GDP or the level of democratic development constant. I argued that this confirms hypothesis H3a, i.e. there is a snowballing effect or direct influence by peers on the development of powerful SAIs.

Judicial independence and other rule of law measures, as well as variables measuring the level of inter-elite competition and other components of the three doorstep conditions as identified by North, Wallis and Weingast (2009a, 2009b) also could not falsified in any regression specification.

Finally, the variable measuring the strength of SAI leadership was also robust to model specifications. This variable measured the membership of a SAI leader in INTOSAI groups and the number of speeches held at UN/INTOSAI seminars. Other variables, which also measuring good SAI management practices, such as the existence of a strategic plan or a development action plan, also confirmed hypothesis H7.

To conclude, while this chapter confirms in general the hypotheses of chapter five, it also identified a number of limitations and points of departure for future research. The main problems identified are related to data scarcity and reliability issues. Thus, there is ample scope for further research as more data becomes available. Furthermore, the eight mini-cases showed that my hypotheses can broadly explain the ranking of various SAIs on the OBS2010. While multiple regression analysis is a powerful tool to detect statistical significance in variable correlations, it cannot explain causation. One of my suggestions for further research is thus to analyze panel data, which also looks at the development over time and to engage in structural equation modeling to detect causal links. However, in order to understand the particular country-context better and to further specify the theory, in-depth country case studies engaging in process tracing would be very useful. The following chapter will compensate some of these limitations by looking at the individual experiences of reform by SAI leaders.

Table 6.3 Summary of Determinants and Their Relationships with SAI Power

<b>Independent variables</b>	<b>Effect on an SAI's de facto power</b>
<u>H1: Institutional model theories</u>	
H1a: Court/judicial SAI model	-
H1a: French colonial heritage	-
H1a: Monocratic/Westminster model*	+
H1b: Electoral system with strong personal competition	+
<u>H2: Source of national income</u>	
H2a: Reliance on oil*, gas or minerals	-
H2b: Public Finance Management Aid as part of a country wide reform program	+
H2c: Income (direct) tax in democratic developing countries	+
<u>H3: International diffusion theories</u>	
H3a: Geographic proximity to and influence by good performers*	+
H3b: Strong international presence (particularly in partly free, LMI countries)	+
H3c: Ratification of Convention Against Corruption	0
<u>H4: Modernization theories</u>	
H4a: Socio-economic development	+
H4b: Level of education, political rights, civic liberties of population	+
<u>H5: SAI capacity and support</u>	
H5a: Number of SAI staff*	+
H5b: Long term SAI assistance	+
H5b: SAI technical assistance includes strengthening external relations	+
<u>H6: Inter-Elite relationships*</u>	
H6a: Attainment of doorstep conditions/institutionalized democratization*	+
H6a: DC#1: Rule of law for elites*	+
H6a: DC#2: Perpetually lived organizations in the public and private spheres*	+
H6a: DC#3: Consolidated control over the military*	+
H6b: Economic diversification in (semi-)authoritarian regimes	+
H6b: Political terror in (semi-)authoritarian regimes	+
<u>H7: Leadership*</u>	
H7a: Leadership commitment by the SAI head *	+
H7b: Reform commitment measured through the existence of a strategic plan	+
<u>Other:</u> Country area	+
Notes: + positive effect; 0 no effect; - negative effect.	
* had the most robust and/or strongest effect among the variables listed.	



Table 6.4 Overview of Research Results of Chapter Six

Part One (Chapters 6.1., 6.2., 6.3. and 6.4.)	
QUAN data collection	QUAN data analysis
<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Research availability and suitability of independent variables</li> <li>• Contact other scholars with the request to provide data on specific variables</li> </ul>	<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Hypotheses testing through bivariate and multiple regression analysis</li> <li>• Model diagnosis tests</li> <li>• Comparison of multiple regression results on five different data sets measuring the dependent variables</li> <li>• Decide on main table and research for typical cases which lie “on the regression line”</li> </ul>
<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• A table of independent variables has been prepared for the statistical computations.</li> <li>• Independent variables which did not yet exist in other databases were developed by the author.</li> </ul>	<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• Coefficients (including size, direction and significance)</li> <li>• Statistical estimates of the robustness of the theoretical models</li> </ul>

Part Two (Chapters 6.5 and 6.6..)	
qual data collection	qual data analysis
<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Research data and information on eight mini-cases</li> </ul>	<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Discussion of eight mini-cases to further verify the hypotheses</li> </ul>
<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• Basic data and background information on eight mini-cases was documented.</li> </ul>	<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• Insights into eight mini-cases</li> <li>• Overall chapter synthesis concluding with three main factors explaining differences across SAIs</li> </ul>

## 7. The Subject's Perspective - What the Heads of SAIs Think

- 7.1. Introduction
- 7.2. How is Reform Initiated?
- 7.3. Which Strategies are Employed?
- 7.4. Which Support Factors Facilitate Reform?
- 7.5. Which Constraints Hamper SAI Reform?
- 7.6. Reform Results
- 7.7. Summary and Conclusions

*"The tendency of many SAIs is to play victim mentality, that is not the way you operate as a leader, leadership is about influencing events, it is not about being submissive to the circumstances, you need to put a lot of effort in building a leader."<sup>275</sup>*

### 7.1. Introduction

This chapter depicts the practice of reform from the point of view of SAI leaders. The main question that this section addresses is,

*"What do SAI leaders think are the main reasons that explain why reforms to strengthen citizen oriented, independent public finance auditing thrive in some countries and fail in others?"*

I want to find out what the *practice of reform* looks like for heads of SAIs, which *stories* they have to tell and how they *feel* about reforms which aim at increasing the political leverage and the *de facto* independence of SAIs. For that purpose, I have conducted 17 semi-structured interviews with SAI leaders<sup>276</sup> from 6 INTOSAI regions during the summer of 2011, which were consequently analyzed from an interpretive perspective, using qualitative content analysis to carve out the expert's "lifeworld" and their logic of political practice.

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<sup>275</sup> Interview 11

<sup>276</sup> I use SAI leaders throughout this chapter, however this term also includes high ranking officials such as deputy chairs, board members and directors of the cabinet of a general auditor for instance. For a complete list of all interview partners see annex C.1.

An 18<sup>th</sup> interview is added, which differs from the other interviews, as it was not an interview as such but an informal phone discussion and email exchange with a staff member of an INTOSAI body.

The “theory of practice” was strongly influenced by Pierre Bourdieu (1973, 1984, 1991 qtd. in Harrits, 2011:157) who defined “*praxeological knowledge*” as a combination of “*explaining*” (Erklären) and “*understanding*” (Verstehen) or as “*bringing the lifeworld back in.*” Harrits (2011:157) explains that

*“this implies the recognition of the fact that if our theoretical model is true, there must be practices producing the regularities that we can observe in quantitative analyses”.*

As Bourdieu (1984) put it, “*Systematicity is found in the opus operatum because it is in the modus operandi*” (p173, qtd. in Harrits, 2011:157). Therefore, the third logical step of the research process involves the explicit investigation of the modus operandi, that is, the logic of the practices that produce the systematic patterns in actions and events that I have observed in the quantitative studies.<sup>277</sup>

The objective of this chapter is thus on the one hand to add valuable information which was neglected in the quantitative study and to test the model produced in phase two with qualitative/interpretive analysis. The deductive part of research has shown that the political economy of reform matters and that particularly the options available to elite groups are crucial in achieving holistic SAI reforms. Qualitative expert interviews are a valuable source of additional information in order to break with the external and static view constructed by the statistical modeling, and to understand more closely the modus operandi of this relationship. This chapter thus intends to present a qualitative study of political practice. As Harrits (2011:160) referring to Benhabib (1986) explains, the essence of praxeological knowledge is to solve the epistemological problem of double hermeneutics, of the outside as well as the inside perspective on social reality.

*“As noted by Benhabib (1986), there is an inherent relationship between arguing that society presents an emergent level of systems or structures, going beyond the interactions and comprehensions of stakeholders in their daily life, and arguing that society must be analyzed from an observer’s perspective, that is, from an outside and explanatory perspective. Complementarily, there is an inherent relationship between the concept of the lifeworld and arguing that society must be analyzed from a participant’s perspective that is, from a perspective within, focusing on “mutual understanding.” Conceptualizing society as a system and lifeworld means, then, that social analysis must be done both from outside and from within, or as Bourdieu argued, that explaining and understanding are one.*

*Furthermore, the possibility of the two perspectives conflicting is inherent within this paradigm. In other words, it should come as no surprise that an objective*

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277 Besides Bourdieu’s “theory of practice” approach (Bourdieu, 2004; 1973; Bourdieu and Wacgant, 1999) other influential approaches in praxeology are the “communities of practice” approach (Lave and Wenger, 1991; Wenger, 1998; Wenger and Snyder, 2000) and the “narrative approach” (Swidler, 1986; Rouse, 1996; de Certeau, 1984). For a further discussion on “praxeology” as a research method, the “practice turn in political science” and a discussion of various approaches of praxeology see <http://practice-theory.net/> (Last Accessed on October 07, 2011).

*model produces a different story about a social reality than what can be explored in an interpretive analysis, since such different "stories" may be inherent to reality itself.*" (Harrits, 2011:160)

Praxeological knowledge as a mixed method strategy is of paradigmatic difference compared to another popular mixed method strategy – nested analysis. Distinct from this deductive approach, praxeological knowledge is set up to address a different epistemological problem, namely to integrate the research subject's own understanding into the research, even if this competes with the researcher's understanding of social reality. (Harrits, 2011:159-162 citing Bourdieu et al., 1999; Bourdieu, 2000, 2004; Giddens, 1993; Pitkin, 1972; Makkreel, 1975; Harrington, 2000; Weininger, 2002; Bachelard, 1968; Fries, 2009) While the quantitative analysis (chapter six) provided objective knowledge from an observer's perspective (Erklären), the qualitative knowledge here provides interpretations from the subjective perspective of SAI leaders (Verstehen). (Harrits, 2011:162).

Bourdieu has developed the terms "habitus" and "field" in his "*theory of practice*", as some argue this was an early attempt to reconcile the dichotomical understanding of the relation between "agency" and "structure". This dichotomy between "structure" and "agency" is a characteristic of decades of sociological and political debate, and has particularly also dominated the scholarship on democratic transitions for many years. While no consensus has been reached in the scholarly debate so far on the preconditions necessary and the processes involved in the creation, evolution and consolidation of democracy and of effective states<sup>278</sup>, there is however a new understanding that research needs to combine both structural and actor-centered approaches. Thus, Bourdieu's attempt to reconcile the concepts of "agency" in the form of "habitus" and "structure" in the form of the "field" very well fits the current scholarship on democratization and state-building.

#### The research method and the process of making inferences:

I conducted 17 expert interviews between 12 July 2011 and 22 August 2011<sup>279</sup>. The interview partners cover 6 INTOSAI regions (AFROSAI-E, ARABOSAI, ASOSAI, CREFIAF, EUROSAI and OLACEFS). I could not get interview partners from the CAROSAI and PASAI region as well as from INTOSAI members without any regional

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<sup>278</sup> Handler (2010:7), referring to lectures and discussions with Stephen Krasner, identifies five main approaches to state- and institution-building processes in the current scholarly debate. These are: 1) Modernization theory, 2) Path dependence, 3) Socialization or decoupling theory, 4) Conventional institutionalization and 5) Rational-choice institutionalism. See also Krasner (2009a,b)

<sup>279</sup> Unfortunately none of my mini-case studies served as an interview partner.

affiliation. The distribution of the interview partners according to their regional affiliation is as follows:

- AFROSAI-E: 3 interviews
- ARABOSAI: 2 interviews
- ASOSAI: 3 interviews
- CREFIAF: 2 interviews
- EUROSAI: 6 interviews
- OLACEFS: 1 interview

The distribution of the SAIs according to their WDI income classification is as follows:

- Low Income: 5 interviews
- Low Middle Income: 5 interviews
- Upper Middle Income: 6 interviews
- High Income: 1 interview

There is also quite a good distribution of the SAIs according to the status of political freedom as indicated by the Freedom House Classification 2011:

- Not Free: 6 interviews
- Partly free: 4 interviews
- Free: 7 interviews

There is however an unequal distribution of interviews according to their institutional model, which also reflects reality, where most SAIs have adopted the Westminster model. As several of my interview partners are leaders of SAIs with mixed institutional designs, I have to explain the three institutional categories as I used them more clearly. The Westminster model stands here for all SAIs which are headed by one person which can take decisions, even if this leader is not called "Auditor General" or if this leader has a small board attached to it acting more as an advisory body. The Board model is used for SAIs where decision taking is done in the framework of Board discussions. The terminus court model is used for all SAIs which have judicial powers.

- Monocratic model: 10 interviews
- Board Model: 4 interviews
- Court model: 2 interviews

The gender distribution of the interview partners is also highly unequal as most SAI leaders are male. In total the 17 interviews involved 20 persons that were replying to my questions, out of which only 2 were female. (In total 30 persons were present during the 17 discussions as five interviews required interpreters and three interviews were conducted in the presence of other people.)

The selection of interview partners was mainly based on the availability of the SAI leaders. I first contacted 71 SAI leaders asking them for a meeting during their stay in Vienna for the 21<sup>st</sup> UN/INTOSAI Symposium, which took place from July 13-15, 2011 at the *Vienna International Centre*. The selection of SAI leaders that were contacted

depended first on the availability of secondary information on their SAI, primarily whether their SAI was analyzed in the OBS survey 2010. As I already got enough replies after a first round of emails, I could not be sure to make available enough time for more interviews in this limited time space and thus stopped to contact the remaining of the 189 full INTOSAI members via email. Later on, once the timetable of the interviews got more precise, I initiated additional interviews during the three days of the conference in the hotel lobbies of the conference participants. Also, some SAI leaders replied to my interview request that they would accept an interview but were not travelling to Vienna, so I conducted the interview on the phone. The interviews have then been transcribed, and analyzed from an interpretive perspective, using qualitative content analysis to carve out the logics of their lifeworld or personal perspective on political practice.

King, Keohane, and Verba in their groundbreaking work of 1994 distinguished between descriptive and explanatory inferences. A descriptive inference “*is the process of understanding an observed phenomenon on the basis of a set of observations*” (p.55, qtd. in Teddlie & Tashakkori, 2009:288). Explanatory inferences on the other hand build upon descriptive inferences, but they go beyond them by “*connecting causes and effects*” (p34, qtd. in Teddlie & Tashakkori, 2009:289). According to Teddlie & Tashakkori (2009: 300ff) the quality of good explanatory inferences should be evaluated in relation to design quality and interpretive rigor. The next section analyses this chapter's research based on the ten research criteria for inference quality by Teddlie & Tashakkori (2009).

#### *Design suitability (appropriateness)*

The main aim of this qualitative part of research was to contribute to the overall research question of this dissertation, namely “Why do reforms to strengthen citizen oriented, independent public finance auditing thrive in some countries and fail in others?” Particularly the expert interviews should provide an insight into the lifeworld of the SAI leaders, thus the perspective and the particular know-how of the SAI leaders themselves on the practice of SAI reform. More precisely, the interviews addressed the following research questions:

- What are the reasons that some SAIs succeed in implementing reforms to strengthen citizen-focused, independent public auditing while others fail to do so?
- How are reforms initiated?
- Which strategies are employed?
- Which factors support reform initiatives?
- Which factors constrain reform initiatives?
- What stories of success/failure do they have to tell?
- How do SAI leaders experience reform?
- How do SAI leaders feel about reforms?

- Why do they engage in reform processes?

Thus, the qualitative research answers broadly the same research question as the quantitative research in chapter six, but includes further sub-questions, which were not and could not have been included in the quantitative part of the research. These additional sub-questions on reform experiences could have also been examined through several intensive case studies, a content analysis of project reports and PFM studies covering several countries or alternatively in the form of a questionnaire.

I opted for the option of conducting expert interviews because of several reasons. First, the fact that a large INTOSAI conference was organized in Vienna where I could get in contact with the SAI leaders and at a time when I was ready to conduct my qualitative research was a unique opportunity which I did not want to miss. Second, I did not have the choice of conducting several case studies for time as well as resource constraints. Third, conducting a content analysis of project reports and PFM studies covering several countries could have been an option but written documents lack the emotional aspects and often present accomplished facts rather than how processes were perambulated. Finally, I had considered conducting a large survey and sent out a trial version to 13 SAI leaders. However, only 4 respondents filled out the questionnaire and despite the stated anonymity it turned out to be more of a self-presentation of their SAI than a critical analysis of their struggles and achievements in their position as SAI leaders. Thus, I did not further proceed with the survey. To conclude, the method of conducting expert interviews with SAI leaders was the most appropriate option for me to answer the specific research questions above.

#### *Design fidelity (adequacy)*

With this quality criterion Teddlie & Tashakkori (2009: 300ff) want to highlight that the qualitative research procedures need to be *“implemented with the quality and rigor necessary for capturing the meanings, effects and relationships”*.

The data collection procedure involved the following steps. First I made contact with the SAI leaders through email introducing myself and my research and asking for a meeting for an expert interview. When there was a general interest in meeting me, I then sent them a list of research questions which I would like to discuss (see Appendix C.2) and a briefing of my research project, including a discussion of several theories and hypotheses. The objective of this method was to get expert feedback on my conclusions so far on the one hand and to be sure to utilize the limited time that experts usually have to spare for an interview to the best by making clear what my research interests are. It turned out that hardly any experts had found the time to read through my project description and could not give feedback on it, but all had appreciated the list of questions

and two respondents even had prepared written replies to the questions. The actual interviews were then conducted on a semi-structured basis, i.e. I did not strictly follow the interview guideline but adapted it so that it was possible to engage with the interviewee's personal experiences and know-how.

Thus the experts were not purely selected randomly but on the basis of availability. The final respondents covered roughly 9 % of all full INTOSAI members and 6 out of 8 INTOSAI regions. The quality of the qualitative design could have been improved through a larger sample or a true random sample. It turned out that the SAIs that were available for an interview were those that had success stories to tell and wanted to present themselves. Some exceptions, i.e. interviews with SAIs which had not succeeded in implementing reforms, could be included because during the conference period I made contact to potential SAI leaders at the hotel lobbies where the conference participants were hosted, thus making it difficult for some respondents to avoid a conversation with me as it was obvious that they had some time to spare at that moment. Secondly, some interviews were made possible by committed SAI staff which supported my work and arranged the interview for their SAI leader at their own initiative. Finally, the fact that I promised full confidentiality to the interviewees increased their cooperation. For instance, interviewee 5 started the conversation by asking me whether I had already conducted an interview with the [country name] SAI. I answered that as I am promising full confidentiality to my respondents I cannot answer this question, but they are of course free to ask their colleagues themselves. Interviewee 5 laughed and said that he had already done this during an official reception the day before. My impression was that my confidentiality helped this interviewee to develop trust and to confide some delicate information on his SAI to me which even surprised the present interpreter and staff member a lot (see also below).

Finally, the data analysis was conducted according to the step model of inductive category development (Mayring, 2000<sup>280</sup>). First the interviews were transcribed into Atlas.ti, then the interviews were coded according to the criteria defined beforehand, based on the research question. I have worked through the material and step by step deduced tentative categories. Within a feedback loop those categories were revised, eventually reduced to main categories and checked in respect to their reliability. Finally, the identified categories are discussed in the conclusion of this chapter and the interviews themselves are presented in the form of a thick description throughout this chapter (7.2.-7.6.).

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<sup>280</sup> For a summary of the book and the research steps see also <http://www.qualitative-research.net/index.php/fqs/article/view/1089/2383> (Last Accessed on October 11, 2011)



*Within-design consistency*

This criterion analyses whether the components of the qualitative design (interview preparation, conduct and analysis) fit together and achieve the intended results. My research design worked out very well. The interview preparation (making contact via email and sending out interview guidelines), the semi-structured completely confidential interview technique and finally the inductive content analysis of the interviews supported my research goal. The interviews were focused on my research question and the interviewees opened up to me and told me at times confidential information and delicate information about the practice of auditing. While I was not sure at the beginning whether it was possible to compare such different SAIs as lessons from one SAI should not be thought of as valid for another SAI, which confronts a different context and thus different challenges. However, it turned out that the SAI leaders did not see this as a problem; on the contrary, they even encouraged the comparison of experiences across SAIs.

To conclude, the comparison of experiences by SAI leaders representing SAIs of different development status, different political, economic and geographic contexts worked out very well. One of the results of this study is thus, that SAIs no matter of which country, primarily identify themselves as technical service providers which are based on commonly shared standards (ISSAIs) and thus believe that their experiences can be compared across countries. As interviewee 11 and 15 put it, no SAI has yet reached the point where it can say that it has fully implemented all ISSAIs and thus all SAIs are still learning and improving and can learn from each other. It was surprising, that the SAI leaders, at least during the time of the conference, identified themselves strongly as being part of the INTOSAI community and thus of an international movement with the objective of strengthening SAIs and that they see huge opportunities for the transfer of experiences across countries.

Finally, the various strands of my mixed-method study also fit together and complement each other. The qualitative research not only complements the quantitative research but is also linked to it and to some extent based on it. The aspect of how these two parts fit together as well as how they are linked to the preliminary part of my doctoral research (see chapter one) is discussed at full length in chapter eight.

*Analytic adequacy*

I considered the data analysis procedures and strategies that were selected and implemented as the most appropriate and adequate to provide possible answers to the research questions for the following reasons: The choice of inductive category development over deductive category development was chosen in order to allow for new ideas to be incorporated into the study.

During the interviews I could so identify new variables which were not included in the original research design and explanatory theories. This had confirmed my original intent that the primary purpose of the expert's interviews was to acquire new inputs and collect stories explaining the relationships between the variables and aspects such as emotions and beliefs which could not be covered in the quantitative research part.

I cross-checked the facts and stories of my interview partners for their adequacy as far as possible through a literature research on the internet before including them in my analysis.

#### *Interpretive consistency*

The inferences of the qualitative research are made on the basis of all interviews. However it needs to be acknowledged that some interviewees are covered more intensely than others. This is because some interviews lasted longer than others and some interview partners were more open and more informative than others. However, the interpretation of the interviews is based on all interviews and there are no interviews or passages of interviews which are left out of the analysis on purpose or which are inconsistent with the analysis.

#### *Theoretical consistency*

To what extent are the inferences consistent with theory and the state of knowledge in the field? To what extent do the findings from these expert interviews confirm or refute my main argument as laid out in chapter five? I will reflect upon these issues in chapter eight, where I will compare the research findings of chapters six and seven.

#### *Interpretive agreement*

This criterion concerns the question whether other scholars would be likely to reach the same conclusions on the basis of the same results and whether the inferences match the participants' constructions. An important feature particularly for qualitative research is that the researcher explicitly acknowledges that "*data are filtered through the researcher's unique ways of seeing the world*" (Rossman and Rallis, 2003 qtd. in Teddlie & Tashakkori, 2009:289). I am fully aware that the same interviews could be analyzed differently by a different researcher who looks at the findings from a different theoretic background as well as personal perspective. Thus, civil society organizations advocating for more transparency and accountability would have probably focused more on the shortcomings of SAIs while donors probably could have praised the results achieved so

far more strongly. My intention was to give a voice to the heads of the SAIs themselves, presenting their struggles on the one hand as well as their achievements on the other hand. Furthermore, my previous professional experience in capacity building, empowerment and advocacy has also shaped the way I make sense of the expert's statements. Finally, in order to reflect the participants' constructions as best as possible, I have deliberately cited many quotes at length in my analysis.

### *Interpretive distinctiveness*

This quality criterion for interpretive rigor asks whether each inference is “*distinctively more credible/plausible than other possible conclusions that might be made on the basis of the same results.*” (Teddlie & Tashakkori, 2009:301) There is a problem that at some points several inferences could be possible on the basis of the same results. Therefore in the conclusion to this chapter, I will conduct a “critical reflection” on my inferences pointing out potential limitations and alternative views. I have also added a “reflective analysis” as a process of identifying and analyzing my own biases to make sure the interpretations do not reflect my own personal biases (e.g. Creswell, 2003, Teddlie & Tashakkori, 2009:305).

### *Integrative efficacy (mixed and multiple methods)*

As the headline already suggests, this quality criterion only concerns meta-inferences after the integration of several parts of a mixed-methods study. Thus I will come back to this criterion later in chapter eight.

### *Interpretive correspondence*

In order not to lose track when discussing the inferences made, the research results should be organized along the main research questions and should explicitly address the purpose of the study, i.e. in my case to depict the lifeworld/perspective of SAI leaders and the practice of reform.

In a next step I will present the research results in the form of a thick description, which is organized along the various steps of reform, i.e. reform initiation (chapter 7.2.), strategy development and implementation (7.3.), factors supporting (7.4.) and factors constraining (7.5.) reform and stories about reform results (7.6.). I have depicted these main categories in appendix C.6. Finally, I am summarizing the research inferences, presenting an overview of the categories that have been identified in the inductive qualitative content analysis and a critical analysis of the research inferences (7.7.).

## 7.2. How is Reform Initiated?

Processes of reform are initiated in multiple ways and by multiple stakeholders. Several interviewees explained that it was external stakeholders such as the regional INTOSAI office or multilateral bodies that gave the first impetus for reform in form of the conduct of a situation analysis showing the weaknesses of the SAI. No interviewee said that the reform was initiated at the request of the government or the public per se, although the political will and public pressure have been identified as crucial to push through the reform process.

### *Political Change as Prerequisite for Reform Initiation*

Some SAIs pointed out that the reform process was initiated because of general political change, thus public pressure to make public finances transparent, combat corruption, mismanagement and/or increase financial sustainability. This public pressure often led to a change in government through revolutions or electoral mechanisms. The new government in place then engaged in anti-corruption and public finance reforms, which are generally accompanied by international support (financial, exchange of expertise etc.). These international bodies then analyze the current situation and point out that external auditing requires reform too.

For instance, Mr. Hadi Poernomo, Chairman of the Indonesian Board of State Audit, also known as *Badan Pemeriksa Keuangan* (BPK) explained how political change affected the status of the SAI during his presentation at the 21st UN/INTOSAI Symposium (July 13-15, 2011, Vienna, Austria)<sup>281</sup>. The BPK was first mentioned in the constitution of 1945, but it operated without a clear legal basis until 1973. The audit law of 1973 however also stated that the SAI could release its audit reports only after approval by the President of the Republic. The legal basis of the SAI was amended in 2003-2004 as part of comprehensive state financial reforms, which had been initiated by the democratization movement of 1998-1999. As Poernomo (2011:1) explains,

*“The rise of the Indonesian public sector auditing started in 2003 – 2004 as a result of the reform movement in 1998-1999. The reform resulted in radical and significant changes in social and political systems, which influenced state-financial management, accountability, and audit. Since 1999, Indonesia introduced a more democratic system, transparent and accountable management, and decentralization. Changes in state finance and auditing was begun by amendments of the Indonesian Constitution. ... In addition, BPK is also further*

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<sup>281</sup> <http://www.intosai.org/blueline/upload/09indonesiene.pdf> (Last Accessed on September 29, 2011)

*strengthened by the enactment of three laws concerning state finance<sup>282</sup> and a law of BPK<sup>283</sup>. The 1999 reform movement relates to public concerns and demand for a clean government, which means free from corruption and good governance. One public expectation of that reform is significant roles of BPK to ensure the achievement of the public concerns and demand. Hence, the Constitution secures BPK's independence, strengthen the relation of BPK and (public) representatives institutions (parliament and regional representative council), and introduce public access to BPK audit results. In order to cope with the changes, especially in maintaining public's trust, BPK carried out public relation and communication strategies."*

Interviewee 2 told me a similar story of how reforms were initiated in his country.

*I2: You know since [year] we have intensified relations with the European Union, you know and since then there have been launched the different projects, programs.*

*K: The SIGMA project also?*

*I2: This is one part, the SIGMA project, but I mean more comprehensive ones, for example the public financial management reform, the European Neighbourhood policy in [year] etc. such types of programs, financial assistance in [year] etc. but the main point of this framework was related to public financial management improvement and there were different components of these reforms for the ministry of finance, treasury etc. some of the most interesting parts of these public financial management reforms was the initiative to build the capacity of the [country name] supreme audit institution.*

*K: So the initiative came from the EU, came from the outside, before there was not even any discussion?*

*I2: Ok, I will explain that the people, ah this was related to building the capacity of all the public administration you know, before [year], before the [name] revolution, the [country name] development rate was very slow, so since this revolution we started to develop everything, the first impetus was the political will of our President, of our government to develop all parts of public administration, to completely rebuild and refresh the system, the public system etc.*

*K: So it was the President ... who started it because of the public revolt and the [name] revolution.*

*I2: Everything, public sector, business eh simplicity etc.*

*K: So the public actually gave the impetus with the [name] revolution*

*I2: Of course.*

*I1: This was the first time from the public, elect a new President and after that the whole process started.*

*I2: And this framework that I mentioned from the EU, this does not mean that it comes from the outside, but this is the instruments we used ... as the tools for our development ...*

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<sup>282</sup> Corresponds to footnote 1 in original document: Law number 17 Year 2003 on State Finance, Law Number 1 Year 2004 on State Treasury, and Law Number 15 Year 2004 on Audit of Management and Accountability of State Finance.  
<http://www.intosai.org/blueline/upload/09indonesiene.pdf> (Accessed on September 29, 2011)

<sup>283</sup> Corresponds to footnote 2 in original document: Law number 15 Year 2006 on the Audit Board of the Republic of Indonesia (<http://www.intosai.org/blueline/upload/09indonesiene.pdf>, Last Accessed on September 29, 2011)

Equally, Interviewee 1 stated that political change was a prerequisite for the reform of his SAI:

*K: How did the new Act come about, when did the discussions start, how did they start?*

*I1: In [year] SIGMA conducted a peer-review of the [SAI] and got a lot of negative findings, this is when the discussions started. The report pointed out that there needs to be adaptations to the legislative framework, there needs to be training of staff, improve the structure, we need PCs and audit software.*

*K: Did the report also analyze the independence and political economy of auditing?*

*I1: They should have also focused on the decision making process and implement change from the very beginning, but it was impossible to even raise this question then because the [name] party, which was part of the ruling coalition had 3 persons on the board [of the SAI]. Then there was a meeting with SIGMA experts in Paris, they recommended us a small board, to adopt the ISSAIs and the internal auditing standards. Then there was an exchange with the Slovenian and the Polish SAIs. The head of the Slovenian SAI and the Polish SAI (who is also President of EUROSAI) came to [country] to meet with the Chair of Parliament and the [country name] Chair of the Parliamentary Budget Committee. The objective of the visit was not primarily to convince but to explain the model and how to change. ....*

*K: Thus the [SAI name] changed because of outside influence?*

*I1: Yes, because of outside influence. It would have been impossible to change by itself. But there was still local ownership of the process because [the Vice President] and the President [of the SAI] supported it....*

*K: What role did the media play?*

*I1: The media was really interested and supported this reform because it opens the SAI to the public.*

The SAI of interviewee 1 was newly established after national political reforms had taken place in 1996, it had benefitted from comprehensive capacity building programs since 2002. But it was only after the SIGMA report of 2006, which pointed out the weaknesses of the SAI, that a national debate on a reform of the SAI was launched within the wider context of corruption scandals and a change of government in 2009. Finally, in 2010 the new national audit organization act was adopted in parliament which improved the decision-making structure, the independence and the mandate of the SAI amongst other issues. Thus the hypothesis that technical capacity building is not sufficient to improve the political strength of the SAI is confirmed. Most important was a change of the legal basis, which was only possible after political change.

### *Initiative from the outside*

As we have seen above, the awareness on the need to reform the SAI has come from external stakeholders in the cases of interview 1 and 2. As interviewees 1 and 2 clearly pointed out, while it is true that the initiative was started by external stakeholders this

did however not mean that the external stakeholders impeded local ownership. On the contrary, from their point of view, it was a deliberate strategy by some national stakeholders to draw on the political support of external stakeholders in order to lobby for SAI reforms nationally.

The INTOSAI Development Initiative (IDI) and the INTOSAI regional bodies have also been identified not only as important supporters of reform but as the actual initiators of reform, particularly in the AFROSAI region. The regional body AFROSAI-E is often cited as the model regional INTOSAI body. It has succeeded in successfully strengthening many of its member SAIs, particularly Tanzania, Zambia, Botswana, Namibia, Ethiopia, Sierra Leone have been cited by interviewee 11 as good examples. The AFROSAI-E secretariat has motivated these SAIs to initiate reforms by educating the politicians in their respective countries about the role of SAIs, *“so as they don't take the SAIs as the last but they should be the first, SAIs are there to work with them.”* (I11) However, while AFROSAI-E can assist by providing advice and motivation, it is up to the SAI leadership to initiate reforms within their national political environment. Thus, a lot also depends on the SAI leadership. According to interviewee 11, Nigeria for example has not been part of AFROSAI-E for a long time because of lack of interest by its leadership. In 2009 the Nigerian federal SAI got a new leadership and was invited to an AFROSAI meeting in 2011. Now they have become an active part of AFROSAI again. Equally, CREFIAF, the regional INTOSAI body for francophone Africa has now *“fully embraced all the practices of capacity building and is implementing them”*. (I11)

Interviewee 16 also explained how the SAIs in francophone Africa have started to initiate reforms after strategic guidance from the AFROSAI and the CREFIAF secretariats. The SAIs in francophone Africa have constantly been among the weakest globally, many of them occupying the last places in SAI rankings. INTOSAI has as objective that the regional bodies should be leading the development of SAIs. IDI started the formation of CREFIAF in 1997. AFROSAI already had substantial experience in strengthening SAIs in Anglophone Africa and then starting to support CREFIAF in developing its member SAIs. CREFIAF has then conducted a study identifying the major weaknesses of its 27 members and on the basis of that study it developed a strategy plan for CREFIAF as well as for each SAI. Currently CREFIAF is developing a White Paper to be used by the SAIs to lobby their national governments. The major weakness identified in the CREFIAF study is the lack of an adequate legal framework for the francophone SAIs. Thus the priority of reform is to change the legal framework of the SAIs, which means strengthening the independence and the mandate of the SAI. As interviewee 16 explains, this White Paper will mainly draw on the rich experience of English speaking African countries. In order to maximize the leverage during the politically difficult negotiations with governments, the SAIs also count on the support of the donors and the public.

*SAI Leadership as Initiator*

The SAI leadership plays an important role during the reform process as a whole and particularly for successful reform initiation. Nearly all interview partners had stories to tell how they overcame resistance to reform. While I will be discussing the various forms of resistance below under “constraints”, it is important to point out that those interview partners that had success stories to tell considered themselves as being principally responsible for this success. All of the interviewees were very humble and did not present the success as their personal achievement. However, when asking them about resistance and how they overcame it, or when asking them about threats of violence or the necessity of leadership, it became clear that they saw the successful implementation of the respective reform largely as their personal achievement.

*K: So does leadership matter for SAI developments?*

*I12: Leadership by the SAI chair matters a lot, I have decided to transform the SAI from a traditional to a modern computerized system!*

Interviewee 12 explained how some auditees and all other board members of his SAI were resistant to the electronic audit system, which he as the Chair of the Audit Board had proposed. Still, he succeeded in convincing all board members, the president of the republic and all other state institutions of the advantages of this system for improving transparency. When I asked him how it was possible that in the end all the other stakeholders supported the new act, he replied,

*I12: “I never accept a No. If someone does not agree with me, I will come back to him again and again until he agrees with me. A “no” is not a possible answer for me.”*

Equally, interviewee 4 became emotional when I touched upon his personal achievements. I asked about the follow up of SAI reports and that this is often one of the main problems that SAIs encounter. He exclaimed “yes, exactly!” and explained that he was responsible for the 2010 report on the state of the national accounts and that he started a reform process of this report to address the low follow-up by parliament. He and his colleagues from the SAI have held many meetings with parliamentarians in order to modify the report and facilitate the follow-up by parliamentary commissions in order for them to understand the end-of-year report and draw conclusions about the implementation of specific policies. While not wanting to appear proud, he clearly stated that this is his personal objective and that it was himself with the support from some colleagues who has started to adapt the report and raise awareness on the part of the parliamentarians. While he agreed that it will be a long process for effective follow-up to take root, he already witnesses improvements today.



Interviewee 2 equally felt proud for having been successful in lobbying parliament to amend the audit act so as to include the right to audit state owned enterprises in the SAI's mandate.

*I2a: Yes, it was also before, but in 2007 the court decided that state owned agencies are independent and you cannot audit and in 2009, 2008 when we changed the law, we bring to parliament, brought to parliament the Lima Declaration, that there is written that the government conducts this activity with ministries and state owned enterprises.*

*K: So it was the initiative of the [SAI name]?*

*I2a: It was ours! We also brought this court decision and we argued that this court decision is not very reasonable.*

*K: So you used the Lima Declaration to lobby for your cause?*

*I2: Exactly, exactly! We just, from the time, we just talked to other stakeholders by the international standards language, ISSAI language, just everything is written, by specifying the points, bullets, paragraphs.*

As we can read in this excerpt, advocates for stronger SAIs do rely on the ISSAIs in their argumentation for SAI reforms. Interviewee 15 explained that in the last few years INTOSAI has realized the importance of the ISSAIs, not only for SAIs to agree among themselves on common standards but also as crucial lobbying instruments. INTOSAI also successfully initiated a UN General Assembly Resolution on strengthening SAIs. INTOSAI has started this advocacy initiative by placing the topic in the CEPA expert committee. INTOSAI has also advisory status with ECOSOC and has raised awareness in the CEPA expert committee that countries need to adhere to the ISSAIs general principles. In 2009 INTOSAI has achieved a CEPA resolution which was lifted to ECOSOC opinion in 2011. This opinion recommends the broad dissemination of the obligations of SAIs. Austria together with Italy and other states then prepared a UNGA resolution on the voluntary commitment by states to strengthen the main principles of the ISSAIs and introduced such a resolution in the GA of 2011. Interviewee 15 also explained that this was a highly political issue, which they cannot communicate loudly to the public. In some countries strengthening the SAIs is a highly contentious and politically sensitive issue. There is also the danger that some countries would like to engage in political bargaining, which Austria, Italy and the other initiators want to avoid. Interviewee 15 explained that,

*“if the ISSAIs are included in international law, they will have another quality and it will be easier for SAIs or other political stakeholders initiating SAI reforms to convince their governments and parliaments to agree to the reforms. It is altogether a different lobbying instrument, if a SAI can refer to a UNGA resolution in their negotiations with governments. They could then argue that in reality the government has agreed to these standards itself.” (I15, own translation into English)*

Interviewee 15 summarized well how the self-understanding of SAIs changed during the last few years.

*I15: "What we are witnessing is the development of INTOSAI from an organization which was largely oriented towards internal development focusing on the exchange of information and experience among SAIs, and which is still important to INTOSAI, but now INTOSAI is more and more focusing on strengthening its external communications, first towards the UN and other international bodies, secondly towards national governments and last but not least towards its own citizens." (I15, own translation into English)*

To conclude, SAI reforms are initiated by various stakeholders and recently INTOSAI itself has taken on a proactive role to strengthen its external profile, its bodies and members. Appendix C.5 shows all the interview quotes which are associated with SAI reform initiation. As we can clearly see there are many quotes which identify the SAI as an initiator of some kind of reform. Secondly external stakeholders such as donors, the EU and INTOSAI bodies also feature prominently. While I have identified some quotes where the public could also be qualified as an initiator, when looking closer at the quotes, the public is not really an initiator of SAI reforms but more of an initiator of general political reforms or a supporter of SAI reforms. Finally, some interviewees have identified the political leadership (president, executive, legislative) as an important initiator of SAI reforms.

### 7.3. Which Strategies are Employed?

I identified four main strategies that the interviewed SAI representatives have applied in order to achieve their goals. These can broadly be classified as follows:

- Change legislation, institutional rules and/or standards (53 quotes)
- Organizational Capacity Building (40 quotes)
- Improve communication (40 quotes)
- Strengthen management (47 quotes)

*Strategy: Change Legislation, institutional rules and/or standards*

In order to strengthen SAIs it is necessary to analyze their legal framework, because for SAIs to work effectively they **need independence** and a broad mandate as outlined in the Lima and Mexico Declarations (INTOSAI 1977, 2007). Thus for many SAIs priority is in improving their legal framework. But how are SAIs going about in order to improve their legal framework? As explained above, the CREFIAF secretariat had conducted a situational analysis of all 23 member SAIs, identifying their weaknesses as specified domains for the strategic development of the SAIs. On the basis of that study,

the CREFIAF secretariat with close participation of its member SAIs then developed a strategic plan for the next five years and a White Paper which serves as the main lobbying instrument for the SAIs in their discussions with governments. Apart from lobbying governments, the CREFIAF secretariat and the individual SAIs are asking donors to use this White Paper in their political dialogue with governments. Interviewee 16 further explained that in the development of that White Paper they were drawing a lot from the experience of the other INTOSAI regional groups, particularly AFROSAI-E. AFROSAI-E has developed a *Manual on the Application of ISSAIs*, specifically to serve as a tool for capacity building and legal reform programs. This manual has been adopted by all members of AFROSAI and is even used by other regional INTOSAI groups. AFROSAI in cooperation with IDI, the Professional Standards Committee of INTOSAI (PSC), and all the regional subgroups has rolled out programs on the implementation of the ISSAIs. As we have already seen above, interviewee 2 from the EUROSAI region equally explained how his SAI succeeded in reforming the law on the audit of state owned enterprises by referring to the Lima Declaration and the ISSAI standards as their main lobbying tool.

Although the context that SAIs operate in differ substantially and the SAIs themselves also differ in their institutional design, capacities etc. what unites all SAIs is their commitment to **the ISSAIs**, which they believe can be implemented with any institutional model. At the 20<sup>th</sup> INCOSAI in South Africa in November 2010, all SAIs committed themselves to the ISSAIs.<sup>284</sup> I wondered, whether there were any debates around the Western origin of the SAI as an institution and doubts about the ISSAIs as truly international norms. Interviewee 11 however firmly rejected this notion.

*K: How would you reply to someone claiming that the ISSAIs are a Western model?*

*III: This person is not in touch with the latest developments. At the last INCOSAI in South Africa in November 2010 the most moving was to see the universal acceptance of the ISSAIs by every country and every SAI. Those criticism are out of pace with the latest developments. Auditing is the same throughout the world. This is the interesting thing about auditing, whether you are auditing in a Court system, Westminster system, the gathering of evidence is the same, the only difference is that they use the report in different ways.*

*K: Would you say the institutional model is not relevant for SAIs to be effective?*

*N: Yes, the institutional model is not relevant!*

Another very important point, which interviewee 11 as well as interviewee 15 raised, is that the ISSAIs are universal also in the sense that no SAI in the world has succeeded to fully implement them. Thus, both believe that it is critical that we don't associate the urgency of ISSAI implementation with developing countries only. The USA and the EU are currently facing debt crises. Interviewee 11 thinks that,

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<sup>284</sup> INTOSAI, 2011b

*“it was only possible to acquire such huge national debt because of the way that these countries disclosed their finances.” (I11)*

He believes that

*“some SAIs have not done enough, particularly they have not been auditing public debt sufficiently. Otherwise the SAIs ought to have discovered the huge debt before.” (I11)*

And really, the website of the Greek SAI<sup>285</sup> is not very informative. There are no reports in English and the latest activity report in Greek language (searched through Google Translator) is available for 2008, the latest audit report that I could find is a special report on the shipping sector, issued in 2003. Mr. Michael Walker, former US Comptroller General (1998-2008) is well known among the INTOSAI community for criticizing the US institutional model of auditing. He faced considerable constraints when intending to audit national debt and then started the *Fiscal Wake-Up tour* (see f.i. GAO, 2007). To conclude, interviewee 11 rightly pointed out that

*“this whole issue of empowering SAIs to audit is a worldwide phenomenon, and does not only concern developing countries.” (I11)*

In the last paragraph, I have discussed that ISSAIs are an important lobbying tool for SAIs and that they are accepted as universal standards. Another point, which has been briefly mentioned, is the role of the institutional design for SAIs to work effectively. When enquiring about the role of the institutional design, most interviewees replied that the institutional design per se was not a crucial aspect for SAI reforms. As explained previously (see chapter 3.1) although there are many different institutional designs for SAIs they can be grouped into three main models.<sup>286</sup> The general agreement is that there is not one best model, but that the ISSAIs can be realized with any model. However, most SAIs when embarking on substantial reforms adopt the General Auditor model, sometimes with a small board attached to it (see f.i. Int.1)

*K: Tell me again; is the institutional model important for gaining independence?  
II: The General Auditor Model is not good for transition countries but a small board. Other countries which have adopted this system are Slovenia, Slovakia, Estonia, Latvia, Lithuania. The reason is that there is one person who decides and thus has no excuses or pressures from elsewhere but at the same time there is some control through the small board.*

Interviewee 4 was an exception in that he very strongly emphasized that the institutional design had a crucial effect on his SAI to work properly. This SAI has a mixed institutional design, it has judicial powers but is still closely linked to Parliament. Decisions

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<sup>285</sup> <http://www.elsyn.gr/> (Last Accessed on September 29, 2011)

<sup>286</sup> In the francophone Africa region there is furthermore the specific challenge that these countries often have two institutions that engage in external public auditing, the General State Inspectorate and the Court of Audit. (Wynne, 2011)

are taken by a President, but there is a Board which is composed of political representatives and professionals. Interviewee 4 stressed that the composition of this board prevents ideological affiliations, bias and capture to take place as all political forces are balanced out.

*Strategy: Capacity Building*

Little surprising, all interviewees agreed that capacity building, including (1) training of staff, (2) provision of adequate office infrastructure and ICT and (3) learning through mutual exchange<sup>287</sup> is crucial for SAIs to develop. Particularly SAIs with a weak political leverage often start their reforms with capacity building measures (see also interviewee 1 in section 7.3.). Thus, there are SAIs where legal reforms are currently not feasible. And there are SAIs, which have an adequate legal framework *de jure* but *de facto* the laws are not applied due to the authoritarian context and weak rule of law. How do heads of SAIs feel in this situation? Interviewee 5 explained that his SAI is independent *de jure* only:

*“The president of the Republic dominates everything, he will not sign laws proposed by the legislature and will not act upon audit reports.” (I5)*

Decision making in his SAI, which has a board model, is always done by unanimous voting. The chair of the board would have two votes in case of equal share of votes, however this is not of any importance as there is not even a debate in the board and consensus is the rule. Despite this political incapacity of the SAI to conduct and enforce unbiased auditing, it enjoys donor support, which focuses on pure technical capacity building.

*I5b: We are involved in capacity building initiatives with the World Bank, the Swedish SAI etc..*

*K: Is this about technical training or also about political reforms?*

*I5b: It is only about technical training. I don't need political support because *de jure* everything is fine, *de facto* is the problem.*

*K: Is there any prospect for change?*

*I5b: No way that things can change for my SAI in the near future if the political landscape does not change.*

*K: What are the prospects for broader political change?*

*I5b: There is no resistance in the country. ... But we have 150 staff, we need to stay optimistic. (He laughs embarrassed. It seems he does not really believe his own words.)*

Although interviewee 5b gave me the impression that he does not really believe in any change as being possible, he also does not want to resign totally. He prefers to speak in

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<sup>287</sup> Mutual exchange is also the motto of INTOSAI: “*Experientia Mutua Omnibus Prodest*” (Latin for “Mutual Experience Benefits All”)

metaphors to depict the situation. One of the stories he told me stresses that man should not simply resign in front of a problem but take initiatives

*“A man asks God for a car. God says he needs to buy a lottery ticket and he will help him win the car.” (I5b)*

Very interesting was also to observe the relationship between my interview partner (I5b) and his interpreter, who is a staff member responsible for external relations of this SAI (I5a). First the interpreter, who had also arranged the interview for me, arrived at the interview and explained that he wanted to come early because he is an academic himself and thus supports my work. He will speak openly to me while my actual interview partner will not do so, he believes. Shortly, probably too shortly, interview partner 5b, who is the deputy head of this SAI, arrives. As the interview proceeds, I5b visibly surprises his interpreter when he talks about the political problems the SAI faces. It was obvious to me that it was the first time that I5b had spoken so openly to his member of staff about how he feels concerning the political stalemate. Both of them were somehow embarrassed. I5b who spoke a lot in metaphors, probably wanted to demonstrate that he is aware that there is a problem and that he supports reform. As he is only the deputy head, his interest might have also been to accuse the Chair of the SAI as the primary person responsible for the lack of resistance.

Furthermore, the interview took place in a hotel lobby during a time when the 21<sup>st</sup> UN/INTOSAI Symposium on Government Audit was ongoing. I was surprised that they had already left the conference for the day and were available so early. During the interview I also got the impression, that the topic of the conference (*“Effective Practices of Cooperation between SAIs and Citizens to Enhance Public Accountability”*) might have also had an effect on I5b and that he was uncomfortable at the conference as he had not much to contribute. What could he say to his colleagues that would make him feel good or make him feel proud? Probably not a lot, he must have rather felt excluded.

I had a similar experience with interviewee 9 who was also back in the hotel quite early, as the conference program was still going on. His SAI is also independent by law but there is no effective follow up and no enforcement of audit reports, which are submitted to the legislature, but the parliamentarians, do not follow up on them. The public of this very poor, war-torn country also is not of any help to this SAI. I9 explained that one of the problems they are facing is that the audit reports are too in arrear and thus not of relevance to the parliamentarians who have many pressing problems to deal with. The strategy adopted by this SAI is also to invest first of all in capacity building. With the help of the EU and other donor assistance, they are currently training 60 staff, they have been provided with computers and there are plans for the construction of a new office building.

There is the interesting account of Brazil (Mainwaring and Welna, 2003:184) which argues that the technical capacity of the TCU had outpaced its political leverage and that it was largely due to the professionalism of its staff, that in 1992 the TCU succeeded to free itself from political bias and capture. To conclude, while institutional capacity building cannot be sufficient for SAIs to become effective accountability institutions, reforms often have to start with the building of institutional capacity.

### Training of staff

Interviewee 1 explained that although his SAI has sufficient staff for the moment, the challenge was the lack of adequate skills of its staff. With the adoption of legal reforms the audit methods had also changed, but many of its staff lacked the capacity and the will to adopt new procedures, mainly due to their advanced age.

*I1a: "...5 years ago 40% of our staff were 3 years before pension. They were afraid of working with PCs. Now 20% are before retirement. So the staff situation will change in the next years."*

Another challenge which my interviewees identified is that it is not always easy to attract the best auditors in the country to work for the SAI. Interviewee 2 mentioned that in their country there is a general lack of qualified auditors, mainly because there is no specified training centre or University program in modern public and private auditing. In addition, many qualified auditors prefer to work for the big international auditing companies<sup>288</sup>, who can offer high salaries and international career prospects. The government has now acknowledged the problem, increased the salaries of SAI staff and is currently creating training opportunities.

*I2: Ah, one of the important issues is, to develop faster, is related to the development of our staff, I mean [SAI name] has new professionals coming from the big four auditing companies, they know the private sector, they are learning now the public sector, but ahm, we are now interested and it is needed to create such kind of training system to develop a ahm professionals from an early stage, communicating with the universities, who may be concentrated on the auditing because it still remains how to say public sector is still lacking auditors, even private sector, so it's quite difficult to find ahm .. a huge number of auditors, it is really competitive with the private as well.*

Equally, interviewee 8 encountered the problem of lack of staff due to the low salary the SAI could offer and how he solved the problem:

*I8: Also the recruitment of quality staff was extremely difficult because of low salaries that we could provide while at the same time requesting high responsibility. In May 2010 we achieved amendments to increase the salary of our staff; all political parties were finally supporting this amendment. We had organized a press conference. We dared to press for changes against several political parties*

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<sup>288</sup> The so called "Big Four" audit firms. They are PwC, Deloitte, Ernst & Young, KPMG.

*and ministries. Then the government composition changed and the amendment was adopted.*

Interviewee 7 proudly explained that their capacity building program was funded by the World Bank and has the reputation for being the most successful of all such programs. The core of this program was a train-the-trainers component and the establishment of a “humble” training centre. Equally, interviewee 4 also pointed out that the training of staff is of utmost importance. He explained that their staff is highly qualified; it has the highest level of training in the country. This SAI has its own corporate University, thus its own training and education program to ensure that there is a constant flow of highly qualified graduates to meet their demands. He praised this University as providing training at high standards and that the fact that there are constantly new graduates coming as one of the crucial aspects for this SAI to perform so well. He considers the quality of his SAI's technical experts as being of the highest standards in the country, they are better qualified than other bureaucrats.

#### Provision of adequate office infrastructure and ICT

It is evident, that without an adequate office infrastructure, the SAI cannot operate effectively. Sometimes one of the first publicly visible signs of reform implementation is the construction of a new office building for the SAI. On the other hand, the government can also impede the work of the SAI indirectly by delaying the provision with premises and adequate staff for the SAI, as interviewee 8 explained:

*I8: The new law has been enacted in 2005. The council has been enacted in September 2007. ... We have had problems obtaining premises for the institution and equipment because government did not provide it for two years. We have been housed in one room in the parliament building for two years. After our first report the government saw our strength and the support started. In October 2009 we have finally been given office premises.*

In 2009 this SAI with only eight auditors working in a single room still managed to send its first audit report to the National Assembly. This was the first time since 2001 that the state budget was audited at all. A SIGMA assessment reveals further concerns, namely that the new office premises of the SAI are provided by the National Bank, one of the SAI's auditees.

Besides the office space, office equipment is equally crucial for an adequate work environment. On the one hand, new laptops and modern office equipment have an effect on staff motivation as interviewee 2 and interviewee 7 proudly explained in their interviews. More importantly even, is the use of ICT for improving auditing techniques, particularly for computerizing audit record management and documentation. Interviewee 12 is convinced that a new multimedia support corridor will improve public accountability in his country. This SAI has more than 2000 audit entities in 33 provinces that



must be audited within a certain time each year, while the number of auditors is limited. To improve its efficiency and effectiveness, this SAI is currently creating an e-audit mechanism with a link and match system, where information is regularly provided electronically by all state institutions and auditees. The auditee data can then be quickly compared and matched to the reported central data information.

At the beginning the President of the SAI encountered only resistance to his suggestion. All seven state institutions including the President of the Republic and the Parliament among others, the auditees and even all other board members were opposed to the introduction of this new data centre. Although the government spent huge amounts of money to build IT systems, those systems are not integrated by themselves, as interviewee 12 explained. He would like to cluster auditee's data requirement and use an interface portal for comparison with centrally provided data. The SAI would then ask the auditee to explain the difference by correspondence and so reduce the interaction between the auditor and auditee. Electronic correspondence thus would also "*provide fewer opportunities for corruption and bias of all sorts.*" After a pilot phase and a lot of political negotiations, the SAI (thus all board members) and the other seven high state institutions finally supported the initiative. The establishment of the data centre including the electronic audit system was concluded in a conference in February 2011.

#### Mutual exchange between SAIs

Finally, organizational capacity is improved through learning from peers and mutual exchange. All interview partners stressed the crucial role of INTOSAI in strengthening individual SAIs. The statements explained how individual SAIs gain from training and exchange programs with other SAIs and the crucial role of exchange and networking with peers during conferences, workshops and seminars organized by INTOSAI and its regional and thematic bodies for the development of SAIs. Here is an excerpt of several statements:

*I2: [The support from the Swedish SAI helped us] a lot. If there was not such kind of assistance, it would be really difficult to move forward. The international support from well experienced people is a great input.*

*I8: ... the cooperation with the Norwegian SAI helped us a lot, membership in INTOSAI also helped us a lot, it strengthens your own profile. Crucial is that we enjoy the awareness and support of the [country] public!!!!*

*I11: Why we are here in Vienna: Seminars like these reinforce these aspects. We can first exchange and learn and secondly create networks that can help us to overcome our shortcoming. Some of this training is about inviting colleagues from a SAI that has implemented reforms. [Through] talking to each other we establish relationships beyond the seminar. [These are] very inexpensive ways to improve SAIs, learning from peers [is] always the best, [we are] working hard within INTOSAI [to support the learning from peers].*

*I13: INTOSAI is very helpful to touch base and learn from each other.*

*Strategy: Improve Communication*

What stories did the interviewees have to tell about their strategies to improve their external communication with the public in general, the executive, the bureaucracy, the legislature and other stakeholders? Interviewee 4 and Interviewee 14 told me how they invested time and efforts into the communication with **parliamentarians** in order for them to better understand the audit reports and as a consequence increase follow up and the enforcement of the audit findings. Interviewee 14 summed up his SAI's success story for me. According to him, five years ago, this SAI was extremely weak, the position of General Auditor was personalized, the law inadequate, audit reports were far arrear, there was hardly any follow-up by the Parliament or the public. Today the situation is completely different. Interviewee 14 explained that the main factors for success were leadership of the SAI coupled with committed political will. He as the head of the SAI has submitted an audit report to parliament and called a full parliamentary meeting with the speaker of the parliament there, which made substantive change.

The parliamentary accounts committee, responsible for discussing and following up on the enforcement of the audit reports submitted by the SAI, was overburdened with too many reports from all levels. Interviewee 14 discussed the problem with the speaker of parliament which led to the formation of two additional parliamentary oversight committees. Thus today there are in total three parliamentary accounts committees (one which oversees central government accounts, one which oversees local authorities and a third one which is tasked with overseeing state owned enterprises). The committees deliberate on audit reports and by law are now also required to write a report, which has substantially improved the situation. Furthermore, the SAI advised the speaker of parliament to open the hearings organized by these committees to the public. They are now screened on TV and there is a lot of coverage and media pressure on the parliamentarians to act on the SAI's audit reports now.

Interviewee 14 saw it as the responsibility of the SAI to strengthen the capacity of the parliament to follow up on their audit reports. He explained that the oversight committees are made out of politicians of different educational backgrounds, not necessarily acquainted to understanding rather technical audit reports. The SAI thus trained the committee members in reading audit reports and prepared them for holding hearings and trained them in interrogation techniques. Finally, the SAI also conducted training to media representatives, so that they too can effectively understand their reports and follow up on their enforcement.

Interviewee 4 also complained that his SAI's major problem is the lack of effective follow-up on their audit reports by the legislature. This is why in 2010 the SAI started an initiative to improve the budgetary capacities of parliamentarians. Interviewee 4 said that the parliamentary accounts committee is very good and strong, but the other tech-

nical committees have not yet understood the significance of the budget and how they can influence the budget process to realize policy implementation. Thus, the various parliamentary committees on education, health etc. do not have the technical expertise to be able to read and analyze the budget and subsequently demand more funds for the implementation of educational or health programs. Interviewee 4 explains that this problem is not related to any political party but that it is a general problem of most parliamentarians. He believes that it is a cultural problem; that most parliamentarians only want to have a job and do not have big political ambitions. That was his experience during his time as a parliamentarian and head of a parliamentary committee himself. Today as one of the eight board members of the SAI, his objective is to improve the relationship between the SAI and the parliamentarians. He personally cultivates the contact with parliamentarians in order to change their culture, as he says. As the responsible for the annual audit report on the end of year accounts for 2010, he changed the structure and style of the report so that it is better understood by parliamentarians. He also organized many meetings with them where he discussed the content of the report with them. He sees some first improvements in their follow-up on government accounts but admits that it is a very long process to fully realize budgetary awareness and oversight by ordinary parliamentarians. Interviewee 4 also referred to positive examples such as the USA, Canada or Germany, where the budgetary follow-up by parliamentarians is stronger.

This last example brings us back to chapter two and the original motivation behind this dissertation, namely how human rights budgeting can be realized. Interviewee 4 pointed out that the responsibility of parliamentarians is not only to pass legislature but also to oversee the budget process. Unfortunately, apart from the budget committee, the other parliamentarians do not live up to this responsibility. They neither have the political interest in following up the budget process nor do they have the technical know-how to do so. This is why he, first as head of one parliamentary committee and later as board member of the SAI, committed himself to improving this situation. His objective is that parliamentarians are able to analyze government accounts and draw conclusions for the implementation of specific policy issues and that they are able to enforce and follow up on the SAI's recommendations.

A similar story was told by interviewee 15. This SAI has changed its annual activity report to make it easier understandable for ordinary citizens. The SAI's activity report now describes the daily business of the SAI, illustrating the effect of the SAI's work, i.e. how many of the SAI's recommendations the government has implemented. This SAI, like most SAIs, can only issue recommendations but cannot enforce audit conclusions and the government is not obliged to implement the SAI's recommendations. The SAI thus relies on the parliament and the public to put pressure on the government to implement the audit recommendations. This SAI can also request further information

where it deems it to be important and after two years of issuing the audit recommendations, it conducts a follow-up examination. Thus the audits remain on the political agenda for several years. The objective of the SAI's activity report is to explain citizens how the SAI's work is organized and how the citizen benefits from it. The SAI has also developed indicators to measure its own work and is so better able to communicate its achievements to the public.

Another story about the role of communication in SAI reforms comes from interview 2. Interviewee 2a explained how external communication was crucial when reforming the audit law in his country at the initiative and with the support of external stakeholders. The SAI explained the members of parliament what they are really going to do. Public auditing is a technical issue and so it was not evident for the ordinary parliamentarians let alone for the public to clearly imagine what this new law was going to create. The SAI used very intensive external communication to explain that they are going to transform the former Soviet type of control into a modern audit institution. Auditing was a completely new concept not just for the parliamentarians and the public but as interviewee 2a said, for themselves as SAI leaders, as well.

*“The former law did not include the word audit but only control, it was about controlling and punishing.” (I2a)*

Similarly the relationship between the SAI and the public needed time to develop. The interviewee recalled that when they first called the media to a press conference, they did not know what to expect and why they should attend. By now, they have become very interested in the work of the SAI, there are many headlines of newspapers on audit issues. This is also the result of special training seminars which the SAI has held in order to raise awareness about its mandate, the content of audits and the way its internal management system works. Finally, this SAI also holds meetings with NGOs to communicate their work to them and cooperate with them in the area of budget tracking. Summary of the audit reports, the audit recommendations and a track up on audit enforcements are published on the website, but not the complete reports. Interviewees 2a and 2b believed that they are too technical for the large public to understand but that anybody can access the full audit reports at request. When I pointed out that their rather moderate ranking in the Open Budget Survey is mainly due to the missing of the full reports on the website they started to reflect about this issue and concluded that in effect it might be a good idea and not too difficult to realize. However, when looking at their website today (October 18, 2011, thus about 3 months after the interview took place) I still could not find any audit reports online but only the short summaries.

Online publishing of audit reports was also one of the main topics of the 21st UN/INTOSAI Symposium on *“Effective practices of cooperation between Supreme Audit Institutions and citizens to enhance public accountability”*, jointly organized by

the INTOSAI General Secretariat and the United Nations (UN) and held in Vienna, Austria, from 13 to 15 July 2011.<sup>289</sup> Some participants from low income countries, e.g. Ethiopia (according to Interviewee 15) apparently criticized the overemphasis of the use of internet in the discussions, while in their context the radio is much more important. This reminds us that in order to develop an understanding of the adequacy of a SAI's external communication strategy it is always important to take the context in which the SAI operates into account.

Besides low literacy and internet connectivity rates, the political context is also important to take into consideration. In this regard, I appreciated that interviewee 5 proudly presented a prize which his SAI had won. This prize is awarded by an independent media monitoring centre for the best official websites of government authorities and municipalities. While from an objective point of view, this website is nothing special and even lacks the most important information, namely audit reports, audit summaries and an audit program, this SAI is a leader in increasing public accountability within its authoritarian context. The website at least informs the public about the SAI's legislative base, its institutional structure, board members, audit methodologies and standards; it regularly updates a news section and publishes a summary report of its annual activities including short statements on audit findings.

Finally, interviewees 16 and 17 accused the media of rendering their work more difficult. Both interviewees reported that their SAI's did not publish audit reports and hold abundant press conferences because of the negative impact journalists have had on their work. In their accounts, journalists in these semi-authoritarian, low income countries, are generally politically biased and acting largely unprofessional. Instead of reporting the audit findings, journalists used to misuse the audit information for political accusations and in that way positioned the SAI with the opposition.

*K: Maybe, I don't know if I understood it right, you said that working with the media and civil society is difficult because they always take sides?*

*I16: ... I said, working with the civil society ahm, we would like to work with them, we shall work with them, but I don't see how effective they are ... to influence and convince the government ... because civil societies take sides in the political arguments in these countries and governments will not be willing to work with someone who takes sides, you know, they are not apolitical. I would expect them to be apolitical, but they don't want that to be, they take sides.*

*... it depends on how the media will treat it, you know it, if the media treats it that the opposition thinks that and wrangles the government on that. You know, the government might think that you take sides.*

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<sup>289</sup> The Conclusions and Recommendations from the 21st UN/INTOSAI seminar as well as the seminar programme and presentations are available at [http://www.intosai.org/en/portal/events/un\\_intosai\\_seminars/preview/vnintprogramm/](http://www.intosai.org/en/portal/events/un_intosai_seminars/preview/vnintprogramm/) (Last Accessed on 22 Sept. 2011)

As many of the SAIs that interviewee 16 is speaking of are not independent by law, critical media reports which use the SAI reports as their information source thus place the SAI on the opposition side. And this leads the SAI to lose the trust from the government, with the consequence that its financial resources might be cut. When I asked him how his SAI can conduct unbiased audits while it is not independent, he replied the following:

*K: So the main challenge if I come back to your main point is to have independence and how to audit the President and the people who are close to the President, that's the main challenge?*

*I16: ..., you see the problem is not auditing the people close to the President, you can audit them. There are basically two areas where audit institutions have problems, the office of the President and the defense ministry. For the rest of the ministries we do audits, if it is the case of [country name], we do audits, and many that have been sent to jail, are people close to the President.*

Thus interviewee 16 pointed out, while his SAI and many other SAIs in this INTOSAI region are conducting audits and are following up on the enforcement of the audit recommendations, which has led to the prosecution of several persons close to the President, the media has not been of any help so far. He explained that it is vital to first have a professional media able to read the audit reports and to use the information wisely, not undermining the work of the SAI. While they as SAIs are going to conduct trainings, he would also very much welcome the donor community to engage in that area.

*I16: ... they are not well trained journalists, ..., I would like them to report on that but when I see, at times when I give them some of the information, but when I see the way they treat them, it is sensational, and through their own interpretation, which has not anything to do with the findings we have had and the analysis we ourselves have done,*

*... they [the donors] should train the media and instead of asking all the time, give it to the media, they should train the media first, because I don't see how the media can help me you know... although I would very much want to hand our reports out to the media, to me, I can, we want to do it, we hope to do it in the near future, but to me, I don't think they can bring about any other fact, to me, they will treat it sensationally, there will be a lot of debate, but to me, you know the most important is the recommendation, what is recommended in our reports, for corrective measures to report, I don't think they would dwell on that!*

To sum up, external communication is a crucial strategy within the reform process of SAIs. SAIs invest time and resources in improving their communication with parliamentarians, with the media and civil society in order to strengthen their public profile and the follow up on their audit recommendations.

*Strategy: Improve Management, integrity*

Why do some countries succeed in strengthening citizen-oriented, independent public finance auditing while others fail? One obvious, but so far neglected variable is SAI management. While the statistics were only taking into consideration measurable macro data, the expert interviews opened up the **role of leadership and management** for successful SAI reforms. Interviewee 11 most sharply put the responsibility on the SAI leaders to reform their SAIs and rejected the notion that the success of SAI reforms depends on the macro context.

*III: The tendency of many SAIs is to play victim mentality, that is not the way you operate as a leader, leadership is about influencing events, it is not about being submissive to the circumstances, [you need to put] a lot of effort in building a leader .*

Interviewee 11 explained that although the independence of SAIs is enshrined in the Lima and Mexico Declarations, these declarations are not implemented by SAIs, because the political support in many countries is not adequate. He believes that the lack of political support is only due to a lack of awareness and not because of a deliberate strategy to prevent a strong SAI. He gives two reasons why he thinks that there is limited awareness of the importance of SAIs at the political level,

*III: First, a lack of leadership as head of SAIs. We are not assertive enough to demonstrate the value of SAIs to our governments. Second, at the same time we don't have a collective approach to promote the value of SAIs as INTOSAI or as regional groupings. So you find that in most instances each country stands alone in dealing with its government. That limits our ability to influence our governments especially the ones that are stubborn. Some SAIs have succeeded on their own in achieving this independence. Where you have strong head of SAIs they have been able to achieve this.*

Thus, interviewee 11 very much stressed the need of SAIs to demonstrate the contribution that SAIs can provide to governments and that they need to be more assertive as SAI leaders and strengthen the collective support through INTOSAI. He further explained that in order to really strengthen SAIs, in addition to classical capacity building programs it is necessary to master the following three aspects: 1) application of the ISSAIs, 2) leadership and management development and 3) strategic plans.

He believes that it is thus necessary that INTOSAI builds the capacity of every SAI to be able to apply these common standards. However, for capacity building measures to have an effect, he thinks it is crucial that heads of SAIs take their own initiative to add value. This is why he stressed that leadership and management development are a crucial aspect of SAI reforms. Finally, he pointed out that SAI leaders need to become experts in developing strategic plans. He explains that strategic plans are

*“the reference point that helps you as a leader to focus, what is reasonable, what is achievable/not achievable. This helps to mould our thinking.” Interviewee sums up that, “if you master these three aspects you can change a SAI.” (I11)*

A number of other interviewees (particularly int. 2, 7, 12, 14, 15, 16) have equally been emphasizing the issue of SAI leadership and the crucial aspect of management skills of the SAI head. Even more interviewees have been dwelling on the related aspect of **integrity** and **professionalism** as being crucial for reform success. Integrity is thus again an obvious issue, which I had neglected in the preceding theoretical and statistical analyses. Professionalism of SAI leaders has been emphasized particularly by interviewees who have themselves a professional background in accounting and auditing and believe that this supports their independence as SAI leaders.

*I1a: ... The President [and we are] independent because we are professionals, we prefer to leave the organization than to go down under.*

Interviewee 1a further explained that in addition to their commitment to public auditing they also have the interest of assuring that accounting is an integer profession. On the other hand, interviewee 15 believed that a professional background in accounting should not be a requirement for SAI heads. In his point of view, it is more important that SAI leaders dispose of management capacities.

SAIs have the difficult role of being a technical service provider, while at the same time they are part of the political institutional setting and are thus often considered as a political player.

*I16: That's it, you see, if you talk about political bias, that's the appreciation of the government, I don't think most of the SAIs work with that in their mind. I think they have their audit book and undertake their audit but it's the appreciation of the government that ... if the SAIs criticize them they are working for the opposition.*

Interviewee 15 pointed out, that

*“particularly in countries where the question in politics and economics is about life or death and where there are personal threats against the SAI leaders, and they still continue doing their work, integrity, is the main aspect for a SAI's success.” (I15)*

Interviewee 6, himself head of a SAI of a country which is currently experiencing high levels of violence and endemic corruption, stressed that the most important reason for him to have been chosen as SAI leader by the President of the Republic was that he was known for his integrity. Interviewee 7 explained that for him the crucial factor for a SAI's success under difficult political contexts is the integrity of the SAI leader and his ability to convey this commitment to impartiality and professionalism to his staff. I think it is worth giving the full quote of how he feels about integrity here, as it is repre-



sentative for so many other statements on integrity which were given by nearly all interview partners:

*I7: Actually the work in ... [country] is an extraordinary one. The situation and the circumstances are extraordinary. We work under a situation which is very much tiring. The country is very much tired of lots of things, ..., actually we work in the absence of legislative and local laws, and also with the absence of political agreements among the parties in the government, and we work with the absence of the institutional administrative government, and with such circumstances we still have to work. Our institutions still have to work. And the main source for our independence is that we have to convince our employees, our staff first, that the commitment to mutuality and professionalism is very much important to keep our institution independent. And we should be very much... clear to and very much faithful with our staff, concerning this issue. Actually this question which you have raised just now brings me back to my first days in office. And if we succeeded in such case, ah, if we succeeded in all that in our institution we can prove them of course by the results of the audit work we do, that this institution [name of the SAI] is a ... purely professional institution. And at the same time this also depends on the administrative leadership of the head of the institution, that others from outside of the institution feel that he is not an enemy for them. And at the same time he is very much eager that they [the administrative government] succeed but in a very right, a very honest way and that their mistakes ... will not be used in burning them politically. You know that means not to destroy their political image and at the same time ... we should be very much clear in our reports, straight, direct, if the ... leader of the institution was able to achieve this in his first year of office, I think that this leader can remain for the rest of his work as a leader of this institution, as an independent leader of this institution.*

But how did this leader go about in practice? What decisions did he have to take? How could he convince the various political parties and his staff of his integrity? The following example shows how interviewee 7 refused to recruit allies out of political or personal reasons and why this was crucial in gaining the trust and thus the support by all political parties.

*I7: in the first months of office, one of the political parties back home requested me to assign or to employ certain individuals, actually my close staff of my office, they know very much that I am against such aspect, it is important to mention that before I resumed this office I was a previous minister and this staff knows my thoughts and my concepts, my staff was already embarrassed to bring up this request because they know my stand against these things, actually my directions is that the work in this institution is different than the work in the past in the ministry and the solution is very much easy, I addressed a letter to that political party, mentioning that I have received their request, their letter and that their letter and their letter is going to be under my care and those who are requesting for the work should follow up the advertisements in the media, TV, radio, there is going to be a need for certain workers and that he will then take their chance like for the others who will apply for the work and that's it and that sort of party did not repeat their request and even other parties did not submit*

*their request for such employments, its , eh, they did not do that, certainly after they discovered that the employment in my institution follows such procedures.*

Next, interviewee 7 recalls how he went about increasing public accountability by opening the audit reports to the public step by step. First he had to win the trust of all government offices, then the trust of the parliament and finally the citizens.

*I7: We consider ourselves as consultants not policemen! We target the mistake not the one who committed the mistakes. We started to publish summary reports first, then we started to add numbers and dates of reports on the website and on TV, we audit all government sides from the president's office to the smallest government unities , this is the first achievement, in the third year we submitted the reports to parliament, to PAC and government institutions, in the fourth year we were talking about important issues, to raise their emotions, that this concerns the [country] citizens, we have specialized teams for the environment, engineers, health etc. we conduct performance audits and specialized audits, before they reach the concerned institutions the reports are already on the website.*

In order to win the trust of the government, interviewee 7 avoided to give the government a reason of believing that the SAI might target it politically. While interviewee 7 would not avoid accusing high government officials of corruption, it would also not take political sides by publishing an explosive audit report during election periods, as this would have had an influence on the election and would have undermined the trust of the government in the SAI.

*I7: For example the 2010 elections, one parliamentary committee, the political background of the head of that committee is with a certain government unit, there were remarks of corruption against that unit, the report was accomplished, but we sent it after the election, our main capital is the trust of the people [politicians], that we will not burn them politically.*

Interviewee 7 recalls one particularly interesting story, which shows the status of his institution as exemplifying integrity in his country.

*I7: ...last month, ... a minster was called to parliament for questioning, he defended himself, his office is excluded from corruption, evidence is that there are no... [SAI name] reports against him, this was the only method [argument] he used to defend himself.*

Interviewee 7 also explains how he created management systems to increase the integrity of his staff; he acted as a good example, motivated them financially, arranged for staff rotation and team auditing and changed the fact that auditors requested the information directly from the auditees. When he took over the office, he stopped that habit but instead decided that he would provide all the information to the auditees.

*I7: We have 2300 staff, more than 1800 laptops, the motivation for staff is very important, in 2004 when I assumed office: auditors could get all the information from the auditee, this was then prevented by me, I will provide them with the information, I also provided them with cars and fuel and equipments and support*

*for the children of my staff. ...we have work papers, and audit teams, employees change position after 5 years, head of team only stays for 3 years. Integrity of our staff is more important than anything else.*

Contrary to interviewee 7, interviewee 15 pointed out that in his SAI they prefer the auditors to request the information directly from the auditees, in order to increase their personal responsibility for the case. If anything was lost it was the auditor's personal fault.

Finally, creating trust is also crucial for the relationship with donors. Interviewee 7 characterized his relationship with the donors as a feeling of embarrassment in the beginning, until his SAI had proven that they were integer.

*I7: We have received support by SIGMA, DFID, GAO, which is still continuing. In the beginning it was embarrassing until we proved that we are integer.*

Several interviewees (particularly int.7 and 16) stressed that **performance auditing** was particularly important, especially for SAIs working under difficult political circumstances, the reason being that performance audits are not targeting individual persons but the institutional performance and thus are less politically sensitive. During the conduct of the performance audit, it is then still possible to detect fraud and other criminal activities.

*K: What is needed for SAIs in authoritarian regimes to evolve?*

*I7: Training, work systems, my personal opinion is to expand on performance audit, because the financial audit focuses more on the one who spent it, the performance audit gives the institution the chance to rehabilitate and not on the person, general knowledge*

To summarize this chapter so far, we have seen that SAI reforms to strengthen citizen-oriented, independent public finance auditing reforms are mostly initiated by external stakeholders in cooperation with the SAI leadership. The main strategies applied to push reforms through are legal strategies, capacity building, improving external communication and strategies focusing on the SAI leadership and management. While ideally a SAI would apply all four strategies, the options available and the chances for success will also depend on external factors supporting and/or constraining the reform initiatives which we will now analyze in the following two chapters.

#### 7.4. Which Factors Facilitate SAI Reforms?

We have already been talking about the role of a supportive national and international environment as well as personal strength by leaders facilitating reforms, in this section I will analyze these various factors in a more structured way.

*Support: Personal strength of SAI leaders*

Connecting up with the previous topic of integrity is the issue of personal strength. Where do successful SAI leaders take their strength to continue their work even under dangerous circumstances? Interviewee 13 draws her strength from her religious belief. Her trust in God helps her to continue even though her job is politically sensitive and could even be life threatening. Interviewee 16 is motivated by his experiences working for the government and travelling all over Africa. He has come to the understanding that

*“most of the civil strife which happens in Africa is because of mismanagement of government funds, the squandering of public funds with impunity.” (I16)*

His objective is to

*“convince people that they can only change government through democratic systems, particularly by empowering SAIs to ensure that accountability is respected.” (I16)*

Personal strength of SAI leaders plays a crucial role for the empowerment of SAIs. My interview partners did not mention personal strength or leadership capacity when talking about themselves or their own achievements but several interview partners did mention this issue when talking about other SAIs. Interviewee 11 mentioned that the change in SAI leadership in f.i. Tanzania and Nigeria made a big difference to these SAIs. Equally, interviewee 16 mentioned that there are good examples of SAI reforms because of their leadership. Several times Iraq was also mentioned by interview partners as a very successful SAI because of the SAI's leadership. Thus, my interview partners do admire and recognize successful SAIs and attribute the success amongst other factors to the SAI's leadership, thus to their peers with whom they directly compare each other.

*Support: National environment*

Several interviewees have assigned value to the **culture and tradition** of auditing in a country. On the one hand, some interviewees believed that if a SAI has a long history this facilitates its acceptance in society and the notion of political accountability. Also, the methods and purposes of auditing have changed over the last decades. These modifications should not only be reflected within national legislation and the SAI itself but also need to be communicated to the wider public. Interviewee 2a explained how his SAI had to change the SAI's purpose but also public image from the Soviet type of control to a modern audit institution.

First, several interviewees (3b, 4, 1a, 6, 12, 13, 7) explained how the long history of their institutions and the related institutional culture within the SAI as well as a tradition of a well developed institutional bureaucracy in their country supports their work.

*I3b: ... institutional culture and historical background are the most important thing I think, because of rules, principles, some vital rules are not enough for independence but culture, institutional culture and background is really important because we have 150 years of history.*

Second, the same is also true for the opposite; the lack of an institutional culture of transparency constrains the development of powerful SAIs. When I talked with interviewee 1a about the debt crisis in Greece and the apparent lack of an efficient SAI there, he explained that Greece does not have effective external and internal auditing and also lacked a culture of accountability. To underline how much this notion of accountability was lacking among the Greek bureaucracy and culture, he narrated an episode from his previous work as the head of internal auditing in his country. When he met with his Greek colleagues at that time to exchange experience on the development of efficient internal auditing, they laughed at him and told him that he was “*crazy to develop internal auditing*”. He understood that his Greek colleagues did not share the notion about the need for a professional, responsive and accountable bureaucracy with him.

Third, interviewees 2a and 2b recounted how for their SAI the most important aspect was not to improve the independence of their SAI but instead the audit methodology. Before the audit reforms, auditors could put fines on public managers who were found to be responsible for misconducts, thus the SAI was also an enforcement agency. It was a Soviet type of control organization, feared for its power to penalize. After the reforms, the SAI now can only issue its observations and recommendations and submits them to parliament for enforcement. Thus, my interviewees explained the biggest challenge was to communicate this new role to the parliamentarians and the public at large.

Next to the institutional culture and tradition, the **public and the media** can play an important role in the empowerment of the SAI. Interviewee 4 explained that the [country name] SAI encountered a big crisis two years ago. The President of the Republic criticized the AI for being too critical about its projects. However, media and the public at large strongly supported the SAI in its endeavors. Thus the SAI's good relationship with the public helped it win the battle with the President and as interviewee 4 accounts,

*“the SAI's insistence on public finance accountability led to an increase of its credibility in society”.*

This case shows that even strong SAIs such as the this SAI with its long history, broad mandate, huge technical capacity and high marks in the OBS and other rankings, can be undermined by the executive if it lacks public support.

Another story of how public support is crucial for a SAI comes from interviewee 13. She called the public “*their eyes and ears on the ground*” and explained how the public supports the work of the SAI's employees. Her SAI has a citizen desk and includes citizen observations and reports in their audits. The public can however also be a threat to

the work of the SAI. The SAI's auditors have been threatened at the local level and according to interviewee 13, extended family ties and personal connections do sometimes get in the way. This is why she believes transparency is even more important. In general, however, she explains that the SAI's staff are very courageous and are inspired by their power to provoke public and congressional debates, leading to charges being filed against persons having unlawfully appropriated public funds. On the other hand, public pressure on a SAI to act can also be very strong in some contexts. Public pressure was the reason that the former Chairman of the [country name] SAI had to resign for alleged misconduct in 2011. (I13)

Thus, so far I have discussed the role of culture and of public support for the empowerment of the SAI; the most important support factor for the prospect of SAI empowerment however, is **political will**. If the executive is not interested in having a strong SAI, it is extremely difficult for the SAI to empower itself and live up to its international commitments as a member of INTOSAI.

One of the most recent events which had a direct and visible impact on the work of a SAI is the revolution in Tunisia in February 2011. As interviewee 11 explained, the SAI of Tunisia has been asked by the interim government of Tunisia to publish its reports in their integrity. Interviewee 11 recalled that the SAI was extremely delighted as it had all those annual reports but was not allowed to put them online. This statement by interviewee 11 is confirmed by a message on the website of the Tunisian SAI.<sup>290</sup>

Another story for how political will was crucial in pushing through reform comes from interviewee 16, who explained how the procurement law in his country was reformed against initial resistance by the government. Initially the procurement law stated that only the minister or government officials managing the case were responsible for a procurement decision. For any government contract above a certain amount there is however a bidding committee assigned which decides on the best bidder and a control committee which will regularly monitor the progress of construction and infrastructure projects. While it is these committees which are most susceptible to corruption and nepotism, it was only the minister or the government official signing the contract which were held to account while the members of these committees were going free (besides the two committees already mentioned there are also other committees which also were immune to prosecution, such as supervisory boards of state owned enterprises etc.). The SAI made the experience in their audit that the government paid for roads that have not

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<sup>290</sup> "Publication des rapports annuels de la Cour des Comptes: Suite à ce qui a été ordonné par Mr.Foued Mbazaa, président de la république par intérim, le 26 avril 2011, concernant la publication des cinq derniers rapports annuels de la Cour des Comptes dans leur intégralité sur son site web, la Cour a procédé à l'insertion de ses rapports annuels, notamment du 21ème au 25ème rapport, dans ce site (seule la version arabe est actuellement disponible)" (<http://www.courdescomptes.nat.tn/template.php?code=3&page=2>, Last Accessed on September 29, 2011)

been constructed or the work has not been completed as provided for by the contract. The SAI recommended that managers and those involved in all those committees had to be punished, which was not possible as according to the existing procurement law only the manager was responsible and the committee members went free. So the SAI initiated a review of that law. As interviewee 16 explained,

*“it took about a year and a half to pass this law because there were so many obstacles.”*

The head of the SAI sent the proposal for the amendment of the procurement law to the Prime Minister to be discussed in government, then to be forwarded to the President of the Republic to sign and finally to be sent to the Parliament for approval. However, as nothing was happening, the Chair of the SAI went to see the President of the Republic directly to ask where this document was. However, according to interviewee 16 the President had never heard about such a proposal as it had been blocked by some individuals who had vested interests to impede the amendment of the procurement law. It turned out that the President was easily convinced by the head of the SAI about the necessity of this amendment and *“suddenly the document reappeared from the draw where it had been kept”*. (I16) As the political weight in this semi-authoritarian country is clearly on the President's side, this bill was passed in Parliament without problems. Thus, it was crucial to gain the support of the President to pass the law.

Finally, support for SAI reforms can also come from Parliament; particularly the Parliamentary Accounts Committee has proven to be an important ally in SAI reforms in many countries. Interviewee 8 explains how the PAC in Parliament was a crucial ally for their empowerment. As the members of this committee are professionals from accounting and finance, it is also in their interest to improve public financial management, including external public auditing. The SAI organized workshops with the PAC and other Parliamentary committees on how to follow up on its recommendations and won the full support by Parliament. This support was crucial for the SAI to empower itself. First it only audited 30% of budget expenses and then it has slowly been able to increase the percentage. As I have explained above because of the lack of political will by the government of this post-conflict, middle-income country, the establishment of the new SAI was delayed for two years and it took another two years until the SAI was provided with adequate premises and started to recruit more staff. According to interviewee 8 the SAI had to press for changes against several political parties and ministries and reform was only possible because finally the government composition changed to their favor. Interviewee 8 believes that crucial for their success was the trust and support from parliament, most importantly the PAC, which they had slowly been building up. Interviewee 8 also recalled that they had also received support from the public, from NGOs such as Transparency International, from the media, from donors (EU, OSCE,

OECD, UNDP, the World Bank etc), from neighboring SAIs as well as from the Norwegian SAI, INTOSAI and EUROSAI.

Interviewees 2a and 2b also recounted how the public, particularly also the NGOs, support their work. Especially in the health sector there are some very active NGOs that conduct evaluations and provide the information to the SAI, they also provide external experts who are more experienced in this domain than the SAI staff itself. Finally, the active involvement of these NGOs in public affairs and their reports gives the SAI directions in what to audit, to find out what the essential issues and the problems are.

I conclude this subchapter with interviewee 15, who reasoned that

*“reforms to strengthen SAIs often succeeded if the interests of several stakeholders in a country meet. These interests differ across countries and their developmental stage, but what is crucial is that the SAI can find partners who share and support its interests.” (I15)*

#### *Support: international environment*

As I have already discussed above all interviewees highly appreciated the support by INTOSAI as well as by its regional groupings, support provided by individual SAIs and by the donor community in general. Thus international support has been identified as being crucial for SAIs during all stages of reform.

My interview partners from EU member states and of states, which aspire EU membership, explained how the anti-corruption framework, the related GRECO monitoring and the pressure by the EU particularly through the monitoring as part of the *Acquis Communautaire* supported their cause. Three of my African interview partners praised the work of AFROSAI, which has also been named by two other interview partners as the most active and successful regional organization. My Asian and Latin American interview partners also supported the idea that international exchange is crucial for SAI reforms but in general I found that they focused less on the international community but more on the support they received from national stakeholders.

Some other interview partners of SAIs which have not been progressing however admitted that the technical support they are receiving by the donors in the form of infrastructure and training is not making a huge difference as the political situation in the country is not about to change and thus they were rather negative about the prospect of success. However, other interviewees from similarly desperate countries were more positive about the prospect of reform.

This leads me to the conclusion of this chapter on factors supporting SAI reforms. It is not necessarily the political and economic situation in the country which is the primary condition for successful SAI reforms, but as interviewee 11 most clearly pointed out, it



is very much about an empowerment process of the SAI. First of all, the head of the SAI needs to empower him/herself from the “*victim role*” and assume a role of leadership. Then it is important that the SAI leadership identifies and gains allies who share and support the SAI's interests. Then it is possible for any SAI to improve its situation *de jure* as well as *de facto*, even under difficult situations as the positive success stories of Iraq and others exemplify.

*K: What about the [country name]? One of my interview partners explained to me the difficult situation of this SAI.*

*III: It is a typical case of playing victim. But look at other very difficult environments like Iraq. The SAI of Iraq has an assertive leader, thus the World Bank is supporting them wholeheartedly, we should not say that the circumstances prevent us from acting; our duty is to assure citizens about the public funds.*

## 7.5. Which Constraints Hamper SAI Reforms?

While the previous chapter looked at factors supporting the political process of SAI reforms, this chapter analyses the opposite side of the coin, thus factors constraining the strengthening of SAIs. Basically, the main constraints which my interview partners identified, concern the national environment and the SAI itself such as its institutional design, the capacity of the SAI and the SAI management. The international environment was not mentioned a single time as a constraining factor but only as a support to the SAI's cause.

### *Constraint: national environment*

As I have discussed several times above, the national political environment is a major obstacle for the development of citizen-oriented independent external public auditing. I have already told most of the stories concerning the constraints from the national environment, such as low awareness on the importance of SAIs among the government, parliamentarians, the media and the public in general, low political participation and interest by the public due to political frustration or other problems such as political instability or poverty.

Interviewee 9 explained that his SAI works in a transparent manner, it is free to inspect everything apart from political parties, the problem is not the access to information or the SAI's independence but the enforcement of its audit recommendations. The impunity of the public officials is the real problem. When the SAI submits its audit report to the Parliament, the parliamentarians do not organize audit hearings because they have so many other more pressing issues to deal with in this large, impoverished, post-war country and because the audit reports are far arrear.

Interviewee 5a is Board member from a SAI which is independent *de jure* and reports to Parliament, but *de facto* the President of the Republic dominates and blocks everything. Thus, the parliament is incapable of following up on the SAIs work. The problem of his country is a lack of rule of law and a President who dominates everything. He believes that the situation for his SAI cannot improve if the political landscape does not improve and that everybody knows about the fake democratic state of his country. *"A camel hides his head behind a tree and thinks nobody sees it, but in fact everybody does."* With this anecdote he wanted to recount that everybody in his country knows that the President only pretends to establish democratic institutions while in reality he continues to dominate everything so that the Parliament, the SAI and other institutions remain ineffective.

While the last stories concerned the general constraints to SAI reforms stemming from the political environment, interviewee 1a and 1b recounted how SAI reforms were actually blocked by three political parties who also held seats in the SAI board. The SAI board consisted of 11 members, of which four were from political parties resisting reforms. Thus, it was only after parliamentary elections which brought a new government, a lot of public and outside pressure that it was possible to finally reform the decision making process in the SAI. The discussions on the reform of the SAI were launched by a SIGMA report in 2006. In 2009 the government changed and in 2010 the new national audit act was finally adopted. Before that there was only technical assistance, training, provision of infrastructure but the crucial aspect concerning the independence and the decision making structure of the SAI were only possible after a change in government.

Interviewee 10 explained how his SAI, which enjoys quite high scores in ratings, only looks good *de jure* while *de facto* it is also constrained by the government. The executive has no interest that the SAI uncovers mismanagement and fraud but has an interest in the SAI doing some work to show off in the public and get re-elected, but the SAI should not have enough resources to be able to look deep into the matter. So the main constraint to the SAI working effectively is financial constraints which are a deliberate strategy by the executive to control the SAI. The performance management system has been introduced between 1999 and 2004, but was by far too ambitious. The head of civil service and the Vice President of the country review if they have achieved their objectives of the year, they use a balanced score card format. In 2005 the SAI started to focus on the conduct of performance audits to measure whether the government has achieved its objectives. The problem was a lack of capacity; the SAI needed economists, statisticians, accountants and specialists for many policy areas.

*I10: Officially we have political support. Let's say 40 million are approved but 50 million would be required to adequately implement the performance auditing. So if the observations are negative of ministries, we cannot properly investigate. We can do only minimal work due to resource constraints.*

Finally, interviewee 17 as well as interviewee 16 both explained that although both of them are pressing for stronger independence for their SAIs, the fact that the President of the Republic appoints the head of the SAI is not a disadvantage per se for them in their political context as it gives the SAI political leverage. Both interview partners are from semi-authoritarian countries which are democratic de jure but where the President of the republic has each served for around 30 years in office and several requirements for true democratic politics have not been implemented. One of these characteristics concerns the independence of the SAI. Interviewee 17 explained that the fact that the President of the republic appoints the head of the SAI gives it “*more moral powers*”, which he considers as helpful within their country context. Interviewee 17 explains that if the SAI was under the control of the Parliament, it would be subject to the control by political parties, which have as their only intention to use the SAI as a stick to hit the government, which in turn would undermine their independence and position them as taking sides. The cooperation in form of access to information and particularly the provision of necessary funds by the executive would then be under threat.

Thus, interviewee 17 explained that their SAI aspires more independence from both the President as well as from Parliament. Concerning the current political crisis, interviewee 17 further explains that the opposition parties have been delaying the parliamentary elections which were due since 2007 with the objective to build some grounds to gain majority. The presidential election is due in 2013 which

*“creates a nightmare for them as up until now they cannot get the confidence that they would succeed. This is why they have pushed another path to seize power”*. (I17)

Interviewee 16 is from a SAI that is even less independent than the SAI of interviewee 17. The head of the SAI is not only appointed by the President and can be removed without any justification, the SAI also has to only report to the President and does not publish reports. However, there is political commitment by the President of the Republic to have a strong SAI and the financial constraints that interviewee 17 faces are much less than those by interviewee 16. This means that the legal status is not the only factor; the work of the SAI is very much influenced by the financial resources that the government provides for it to carry out its work, conduct regular staff training etc. Interviewee 16 explained how their lack of independence only partly affects their work and why he prefers having to report to the President's office rather than to Parliament.

*I16: You see in most of these countries the office of the president was claiming it, so most of them report to the President, in Tunisia it is the same thing, Tunisia was reporting to the President and also reports to the Parliament, Egypt it reports to the President, you see, Parliaments in most of these African countries it is not different from the President because you have one governing party that dominates, that has about 90% of the members in Parliament, 90% of the members in Parliament are members of the same party, so you see there is no effect,*

*you understand what I am saying. ... I am always in favor that they [SAIs] should report to the President ... this is African diplomacy ... and the office of the President is always very powerful and can affect changes as regards the recommendations of the audits and I am seeing that in [country] , you see ... to report to Parliament is a waste of time to me, the Parliament is so weak, and their working methods, their internal regulations, they don't meet every day, they meet 3 times per year, so not even every month.*

*K: And they don't read the reports even if they meet.*

*I16: They don't! They are politicians who don't even understand anything of those reports so if you send it to the office of the President who even has a separate department that deals with those reports it is advantageous to me and I am seeing that in my country.*

I will conclude this section on political constraints with interviewee 14c who said that,

*“in order for an auditor to be effective no matter how good you are, if the executive is not interested, the audit reports will end up in the shelves. As auditors we recommend, so if the other stakeholders are not interested, the audit reports cannot have any effect, so it is very, very important.”*

To sum up, the reform of SAIs depends a lot on the national political context and the political will. In order for SAIs to improve their legal status as well as their de facto power it necessitates broad political reforms consolidating democratization. Furthermore for audit reports to be enforced by parliamentarians these need to be well trained and all political parties need to value and trust the SAI for being apolitical. The fact that SAIs constantly have to prove that they are apolitical and only want to focus on the provision of a technical service seems to be a constant issue for all SAIs to various degrees.

Another issue which came out from the interviews is the issue of **threat, intimidation** and even **violence** against auditors. I was surprised about the extent to which nearly all interview partners raised the fact that auditing is a “*dangerous job*”, that auditors are very “*courageous*” and that there have been “*threats against individuals at low as well as at high levels*”. (Int.1, 6, 12, 13, 14, 15, 16, 17) Even interviewee 15 from a high income, democratic country reported that “*their auditors face intimidation and resistance*”, but because of their strong legal powers, they can still continue their work and access all the information they require to conduct the audit.

### *Institutional constraints*

There are institutional concerns inside the SAI, when there is no clear decision making structure or reforms are blocked by members of the board which put their party affiliations before their responsibility as heads of the SAI. Some studies (Blume and Voigt, 2011, Santiso, 2009) suggest that between the three main SAI models (the auditor general, the board model and the court model), the SAIs with the court model have the least political strength. Traditionally they focused on ex-ante auditing in the form of legality

audits.<sup>291</sup> SAIs with a traditional court system often focus on only one aspect of financial control and do not give any opinion on the efficiency, effectiveness or economy of public financial management. Furthermore they are often considered as being too independent which hampers the enforcement of the audit recommendations. They usually do not submit their reports to Parliament for enforcement but instead dispose of their own judges that organize court hearings on the correctness of the audit reports.

However, the court model is not a problem per se and there are hybrid institutional models that combine the court system with parliamentary control such as it is the case in Brazil. Also, the SAI of [country name] is a case of a court system and very independent institution. Interviewee 3b thinks that it is not good to be too independent because of the weak relations with Parliament. On the other hand he also believes that too close links with Parliament are equally not good. He underlined his statement with the case of the US GAO, which he believes is an office of Congress and conducts the majority of its audits at the request of deputies. Coming back to the case of I3b, he explained that a new national audit act has been adopted by the Parliament in December 2010, which among other issues has as objective to strengthen the parliamentary follow-up of the courts' audit reports.

In order for parliamentary follow-up to become effective, interviewee 3b thinks it will however also be crucial to train the parliamentarians and possibly also to form a specific parliamentary committee dealing with the audit reports. Interviewee 3b explained that in the 1960s there was a special committee in the Parliament dealing with the Court of Accounts. In the 1970s this committee was abolished in order to unite three financial parliamentary committees. While the new planning and budgeting committee became very strong, it soon neglected the auditing reports as it was too busy with the budgeting process.

Another major constraint to a SAI's effectiveness concerns the follow up by public prosecutors. When a SAI discovers fraud or other criminal offences during its audit activity, it usually has to forward the findings to the public prosecutors for follow up. Interviewee 6 told me that in 2010 his SAI detected 250 criminal cases, when they reported them to the Attorney General Office for follow-up, only around 30 persons were penalized. Because of the high levels of corruption and lack of rule of law in his country, it is an easy task for persons who are accused of wrongdoings to bribe the Prosecutor

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291 The traditional task of Supreme Audit Institutions is to audit the legality and regularity of financial management and of accounting. In addition to this type of audit, which retains its significance, there is another equally important type of audit--performance audit--which is oriented towards examining the performance, economy, efficiency and effectiveness of public administration. Performance audit covers not only specific financial operations, but the full range of government activity including both organisational and administrative systems.”, The Lima Declaration (INTOSAI, 1977, Section 4.1. and 4.2.; [http://www.issai.org/media\(622,1033\)/ISSAI\\_1\\_E.pdf](http://www.issai.org/media(622,1033)/ISSAI_1_E.pdf). Last Accessed on October 04, 2011)

and go free. This SAI leader now prefers not to report to the Prosecutor any longer, as this neither helps to deter public officials from committing criminal activities, nor has it brought any money back to the public purse. Thus he now asks the responsible person to correct the mistake, thus to pay the missing amounts. By doing so, he believes, it helps at least to fill the state budget and thus be of a bigger benefit to the taxpayers than if the case is transferred to the Prosecutor.

Similarly, interviewee 16 recalled the same problem of a lack of follow up on criminal cases by the Prosecutors. However, while bribe also seems to be a problem in this country, the main issue which interviewee 16 pointed out is the lack of expertise of financial offences by the Prosecutors. Thus, the SAI started to assist the Prosecutors in preparing the criminal case for the court proceeding. The SAI staff in their role as public finance experts' advice the magistrates in preparing the criminal cases to be judged in court. When the case is then sent to court, the SAI's auditors who worked on the file and did the investigations, sometimes even attend the court session as state witnesses.

To sum up, when SAIs together with their allies go about pushing for reform with the objective to strengthen external public auditing, they often face numerous constraints. Most importantly, they face a lack of awareness of the role and purpose of SAIs, political resistance and finally institutional constraints inside the SAI and within the parliamentary committees and other stakeholders.

## 7.6. Reform Results

Finally, I close this chapter with some stories that interview partners told me about their reform success. When talking about success, I have to start talking about **Africa** as the African SAIs can be proud of having achieved a lot in the last few years. Under the guidance of South Africa, most countries in the AFROSAI-E region have succeeded in implementing SAI reforms, and the SAIs in AFROSAI-F are currently following the example of AFROSAI-E.

Most of the SAIs are still dependent on the finance ministry for funding and have not yet succeeded to have discretion in deciding on their budget needs, still, overall the SAIs of Tanzania, Zambia, Malawi, Botswana, Namibia, Ethiopia, Sierra Leone are all good examples for successful SAIs as

*“they have succeeded in educating the politicians about the role of SAIs, that they should not take the SAIs as the last but should be their first priority.”*  
(Int.11)

Tanzania is a very good case study for successful SAI reforms. The audit reforms in Tanzania were part of comprehensive PFM reforms. The debates about the necessity for

PFM reforms were initiated by the international community, particularly by two critical ROSC reports (IMF, 2002; World Bank, 2005). There was strong political will, led by the President of the Republic, which created the necessary environment for broad reforms. True SAI reform however became only possible because of the appointment of a new, motivated SAI leader in August 2006. Mr. Utouh led the negotiations for a new Audit Act, which was passed in 2008 (Tanzania Public Audit Act, No. 11 of 2008<sup>292</sup>). Mr. Utouh by the way has been appointed as the new Chair of AFROSAI in 2011.

The new law has given him the mandate for recruitment of staff; it requires that when the audit reports get to Parliament, the speaker and the appropriate committees have to act upon. The government has to formally respond to the SAI's observations and recommendations. The SAI also gets a copy of the report which the government has to send to Parliament, this ties the accountability loops. The new law has also improved the SAI's financial independence. Before, the SAI had to send its budget proposal to the Ministry of Finance for approval and inclusion in the general government budget. Now the Ministry of Finance has to hold a consultative meeting with the Parliamentary Accounts Committee to critically go through the SAI's budget proposal. This budget proposal then goes to Parliament for approval. Through this approach the SAI's budget has more than doubled in three years and it is able to do more audits now. The new audit law also gives it also free access to information and documentation. Thus it has become illegal for anybody to hinder the auditors from obtaining information; there is a penalty on it. The public and the media are also very supportive. The Parliamentary hearings on the audit reports are held in public with live TV coverage, which has attracted a lot of public interest. In addition, there are some very active NGOs which have contributed to improving the public interest in audit reports by writing up summaries and publishing them in form of leaflets. Finally, the new law also regulates how the SAI itself is audited. The PAC chooses a private auditing firm which has the task to audit the SAI.<sup>293</sup>

In several countries, the SAI was able to create strong public support, amongst others through the engagement of citizens. With the help of participatory audit the South African SAI has been able to convince the executive, the legislative and citizens to be part and parcel of the audit process. The social audits have helped to increase the level of participation and the level of confidence in South Africa, but also in the Philippines, in India and in the Republic of Korea (UN DESA, 2007).

Concerning the SAIs in the CREFIAF region, my interview partners were also optimistic. Interviewee 16 f.i. believes that the "*time will come*" where the President's of the francophone African countries will also accept to be audited. He further underlined that the SAIs are "*very enthusiastic now and fully embrace SAI reforms.*"

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<sup>292</sup> [http://nao.go.tz/?page\\_id=25](http://nao.go.tz/?page_id=25) (Last Accessed on October 29, 2012)

<sup>293</sup> [http://nao.go.tz/?page\\_id=25](http://nao.go.tz/?page_id=25) (Last Accessed on November 05, 2012)

*K: And what encourages you that you will overcome these problems?*

*I16: Ah, first of all with the engagement of the SAIs themselves, they are so enthusiastic, ah, there is a wide attention and adherence to our strategic plan because everybody was consulted, second we have ah, the donors are prepared to help us finance most of our activities, and then the CREFIAF itself as an organization is starting to become well respected in our region.*

However, while he is positive that the political leaders are realizing that the time of self service from public resources without impunity has come and the SAIs enjoy a high respect in the public, their work is not evident as auditors continue to face threats.

*K: the rate of prosecution as increased dramatically last year, what lead to that?*

*I16: ... and it is on the basis of our reports.*

*K: What led to that?*

*I16: Well, I think the political state, the government, the president, they have realized that they ... shall stop impunity because if you have a lot of corruption in a country, corruption will thrive if there is a lot of impunity, and most of our reports who have been calling on that and on the politicians, impunity shall stop and so they started to act upon that - that's it.*

*K: Is there not a threat of violence if you uncover some difficult fraud or corruption cases, are you not of violence?*

*I16: Ah, we are not really afraid, you know we , our SAIs , I think we are respected, if not feared now, ah, there has never been any case of violence but there have been threats, but never violence as of now.*

*K: But threats against the auditors, low level auditors, technical auditors or threats against the leaders?*

*I16: Everybody, low level as well as much as high, threats against auditors' low level and high level and managers, everybody, there have been threats to individuals.*

Interviewee 8 explained that there is a lot of progress in the Balkan region. The Slovenian SAI is a huge success and role model for many other SAIs. In Croatia and Macedonia, they have passed a new law in 2011 to become independent and in Serbia the parliament passed a new law in 2011 to include auditing of political parties and auditing of defense spending.

I want to close this chapter with a story underlining the importance of ICT in the SAI's efforts to fight political capture. Interviewee 12 told me a story which regards a disagreement between the SAI and the mayor of a city regarding the spending of a construction project. The auditee took this case to court to defend himself. There was even political pressure from Parliament to the auditors as the mayor tried to clean his image. Finally, the SAI won the case and key for the success was the evidence that the SAI had gathered. The SAI had even scanned the evidence to have electronic documentation, which it has to keep for 18 years.

Coming now to the failure of reform efforts, my interviewees had much less stories to tell. While they were obviously talking a lot about the problems they are facing and the factors constraining reform efforts, hardly anybody had a story to tell where actual re-



form efforts failed. Interviewee 17 was in effect the only one who told me at length how his SAI had initiated legal reforms, but which failed due to the political crisis which developed in the meantime in his country. Interviewee 17 explained how constitutional amendments improving the status and the independence of their SAI were halted due to political unrest. This SAI has initiated legal reforms to strengthen the independence of the SAI, particularly concerning the appointment and removal of the head of the SAI, which would give it additional leverage to demand for financial resources and carry out the SAI's mandate.

The SAI proposed an amendment to the Constitution of the Republic to the President of the Republic, which approved the amendments and forwarded them to his consultative council, which in turn also approved it and forwarded the proposed amendments together with other proposed amendments of the Constitution to Parliament for approval. The proposed amendments to the Constitution regarding the independence of the SAI were discussed in Parliament and approved by all political parties without any objections. In order for these amendments to come into effect, they need to be approved by the citizens in the framework of a referendum. However, the package of proposed amendments to the Constitution also included one disputed proposal concerning the term of office of the President of the Republic, which was not approved in Parliament.

As a consequence of these political debates, which also coincided with the Arab Spring, a political crisis developed in the country and the referendum could not be held. This political crisis has also affected the SAI in its daily work. According to interviewee 17, power shortages, fuel shortages and other political constraints have however not prevented it from continuing its auditing tasks altogether. The SAI staff is extremely committed to carrying out its work even under difficult conditions and to issue their individual audit reports to the respective government entities that are subject to the SAI's audit. Also, the SAI is determined to submit its annual audit of final accounts to the Parliament.

## 7.7. Summary and Conclusions

Why do reforms to strengthen citizen-oriented, independent public finance auditing thrive in some countries and fail in others? The research design in the form of confidential expert interviews was confirmed to be highly suitable for answering this research question. The SAI leaders were willing to contribute to my study. They were speaking openly about their achievements, the constraints they are facing, the process of reform but also about their impression on the situation in other countries and their analysis of crucial factors for the successful implementation of comprehensive SAI reforms. In total, I identified 124 categories and assigned them to the 17 interviews (see appendix C.4

for a list of all category codes). Consequently I analyzed the findings with the help of graphical network views of the categories and corresponding quotes (see appendix C.5 for an example of a network view). Concerning the groundedness within the quotes, i.e. how often a code has been applied, the following codes stand out:

*STRATEGY\_legal\_institution* (19 quotes): This category was assigned if the interviewee pointed out that the SAI needs legal reforms in order to change its institutional design, mandate or independence.

*INITIATOR\_SAI* (17 quotes): This category was assigned if the interviewee identified the SAI itself as being responsible (by itself or together with partners) for the initiation of SAI reforms.

*SUPPORT\_national\_environment\_political will* (15 quotes): This category was assigned when the interviewee identified the political will as a crucial support factor for the successful completion of SAI reforms.

Despite these interesting results, I have to acknowledge that the groundedness of the codes is neither important for me nor can it give any reliable information as the interviews have different lengths and reflect neither a statistically significant nor random sample of all SAIs. Next I will summarize the main research results of chapters 7.2.-7.6.

#### *How is reform initiated? (chapter 7.2.)*

- Most interviewees said that external influence as part of broader public financial management reforms or INTOSAI networking and capacity building initiatives gave the first impetus for SAI reforms.
- In a second step, there needed to be some committed individuals, usually SAI leaders themselves, who take on responsibility, look for allies and convince national stakeholders of the need for SAI reforms.
- Finally, several interviewees explained how comprehensive SAI reforms were not possible until the political leadership changed, or how comprehensive public financial management reforms including SAI reforms were only possible because of a more general political change in the country.

#### *Which strategies are employed? (chapter 7.3.)*

- Most respondents started by pointing out the prerequisite of legal reforms in order to strengthen a SAI. These reforms should focus on the independence of the

SAI according to the Lima and Mexico Declarations, the adoption of the ISSAIs in general and thirdly the rules for the recruitment of SAI staff.

- Capacity building, including staff training, provision of adequate infrastructure and ICT as well as the learning through the exchange with other SAIs, has also not sparked any controversy but has been agreed to by all respondents as important features for the strengthening of SAIs.
- The communication with the parliament, the government and the public at large are also important features of a successful reform program.
- The crucial importance of management strategies in the sense of strategically developing the SAI's empowerment was a variable which was neglected during the hypothesis development and quantitative study. Several of my respondents, particularly the successful ones though, assigned the success of their SAIs to the strategic choices, the personal assertiveness/leadership, the personal integrity/professionalism, the successful identification of stakeholders to align with in the reform process, the motivation of SAI staff and the strategic choice of audit types and methods according to the context by SAI leaders. These management strategies guide the actual empowerment of the SAI and the successful implementation of other reform strategies such as improving the external communication, capacity building and most importantly the successful implementation of legal reforms.

*Which factors facilitate SAI reforms? (chapter 7.4.)*

- The national environment and here particularly political will, but also culture/history, an active civil society/media, support by the Parliamentary Accounts Committee, change of the political system per se (in form of a democratization process) and economic growth can support SAI reforms.
- The international environment has been stated as the second most important factor supporting reform processes and here particularly the support SAIs gain through INTOSAI and the benefits through their common standards (ISSAIs) but also support through donor, EU and GRECO observations and conditionality.
- Finally, SAI leaders draw support from their personal motivation, engagement and strength, at times even guided by religious belief.

*Which constraints hamper SAI reform? (chapter 7.5.)*

- Again, the national environment has been cited most frequently and most intensely. Again political will is the most important answer in this respect. Other factors hampering reform implementation are poverty/illiteracy, low awareness of SAI importance, weak rule of law, lack of protection of auditors against threats and low political interest by the public.
- My respondents have not identified a single constraint stemming from the international level.
- Several respondents believed that the institutional characteristics of the SAI itself prevent successful reform implementation. This includes the institutional design, a lack of adequate capacities and weak management.

To sum up and come back to my main research question, while all interviewees agreed that the political (but also the socio-economic) environment of the SAI is the single most important factor for some SAIs succeeding and others failing in transforming the SAI into a citizen-oriented, independent external audit institution, some SAI leaders pointed out that it is also in the power of the SAI itself to empower itself and strengthen its legal framework as well as its reception in society. The term “empowerment” of the SAI, was not introduced by me but by interviewee 11, who very much insisted on the power of the SAI leaders to transform their SAIs. When having a closer look at the individual accounts of reform initiation, strategy and success, it becomes clear that it is not leadership by the head of the SAI alone. Instead, I find that reforms were successful if there was “*plural, functional and problem-oriented leadership*” in the sense of Andrews, McConnell and Wescott (2010, see hypothesis seven, chapter 6.5). This includes the aligning of the head of the SAI with external and internal stakeholders. The qualitative research thus has identified two main variables which explain the success or failure of SAI reforms:

- “Political will”
- “SAI Leadership”

Critically reflecting on these most important factors for success I have to admit the following limitations to my study. First, the interview guideline which was sent out to my interview partners already pointed out my hypothesis that the de facto independence and leverage of SAIs depends on the political environment, particularly the political will. Also during the interviews themselves, I used to come back to this hypothesis and thus it is not surprising, that it has been discussed and confirmed by all respondents.

Concerning the importance of SAI leadership for SAI empowerment and consequently the strengthening of their political leverage, this variable probably featured strongly

among my respondents as this concerned their own roles, thus assigning importance and value to their work. On the other hand, SAI leaders which could not show any positive results of reform initiatives might incline to accord all responsibility to the political leadership and refuse to see the potential for agency by the SAI head to initiate reforms.

It is questionable if interviews with donors, parliaments or civil society would have equally pointed out the importance of the SAI's leadership. Civil society might instead criticize their SAI for not taking enough agency and cooperating with a potentially corrupt government, thus considering any investment supporting the capacity development of their SAI as a waste of funds. Donors on the other hand might want to point out the improvements which their technical support has brought about within the SAI staff, which can in the medium run become an initiator and carrier of reform. Alternative views on the conditions for the strengthening of SAIs have been discussed in chapter five (development of the argument). They include inter alia the influence of international donors, the institutional design, technical capacities and the resource base of the SAI. My own biases which might have been filtered into the process of making inferences concerns my interest in SAIs as important institutions, and my personal belief in their agency to transform institutions and political developments through empowerment and the implementation of advocacy strategies. However, personally, I would have also liked to assign a stronger role to civil society as a motor for change, which was not reflected in the expert interviews. On the contrary, several interviewees (Int. 16, 17) pointed out the problems which civil society organizations and the media have brought about.

To conclude, in order to discard my inferences, negative case analysis would be helpful. If there are any cases, where despite a favorable political environment and/or despite strong SAI leadership, the SAI did not succeed to empower itself and improve its political leverage, my inferences could be refuted. As I have not come across any such case so far, there is no reason for me to believe so at this point. Finally, on the basis of the research findings of this chapter I have developed a theoretic model which links causes with effects, i.e. it explains how SAI political reforms can succeed in order to transform the SAI into true accountability arrangements as intended by the ISSAIs (improving the legal status of the SAI, its independence, access to information, follow-up, transparency). As this model concerns the point of view of experts and thus the strategies employed by individual stakeholders, I have used the perspective of rational choice (which particularly addresses the perspective of individuals) to develop my model. Rational choice methodology puts preferences, beliefs and constraints in the centre of its analytic models.<sup>294</sup>

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<sup>294</sup> The Rational Choice Methodology is based on psychological studies and assumes that persons act instrumentally rational. Stakeholders choose the alternative out of a range of options, that best

Table 7.1 Model Based on QUAL Research - "How SAI Political Reforms Can Succeed"

<b>SAI reform succeeds if:</b>	
<b>a) The SAI's leadership</b>	
<ul style="list-style-type: none"> <li>• prefers to truly commit to SAI reform</li> </ul>	Due to personal commitment
	Due to peer pressure
	Due to external pressure
	Due to internal pressure
<ul style="list-style-type: none"> <li>• and has the belief that it is possible</li> </ul>	Because of learning through peers
	Because of personal experience that a lot is possible
	Because of religious beliefs
<ul style="list-style-type: none"> <li>• and can overcome existing constraints.</li> </ul>	Through aligning with parliamentarians
	Through aligning with civil society and the media
	Through aligning with external partners
	Through employee motivation, institutional rules and capacity building
	Through new technologies
	Through improving management and strategic planning
<b>and/or b) The political leadership</b>	
<ul style="list-style-type: none"> <li>• prefers to implement SAI reform (de facto as well as de jure)</li> </ul>	Because of personal commitment
	Because not doing so will cost votes
	Because not doing so might cause revolts
	Because it is required through donor conditionality or EU conditionality
<ul style="list-style-type: none"> <li>• and has the belief that lost privileges will be compensated through new opportunities</li> </ul>	Such as EU membership or donor aid
	Votes
	Business opportunities
<ul style="list-style-type: none"> <li>• and can overcome existing constraints.</li> </ul>	Through winning the national discourse
	Through aligning with other stakeholders and building up internal pressure
	Through aligning with other stakeholders and building up external pressure

This model suggests that if third party stakeholders with the intent to support SAI reforms in a country (i.e. civil society groups, media, donor agencies) should analyze the current preferences of a SAI leadership and political leadership in a country, their belief systems, including their understanding of the role, vision and mission of the SAI. What is the accountability purpose of the SAI (see chapter 3)? And on this basis develop strategies how existing constraints can be overcome.

To conclude, the objective of this chapter was to present the practice of reform from the perspective of the subjects themselves, i.e. the SAI leaders. Their accounts have provided us with useful information which has explained the relationship between variables such as external influence, empowerment of the society, democracy, a favorable busi-

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suites their preferences (or „desires“) – given the „constraints“ (amongst others the ability of stakeholders) and the „beliefs“ (kausal opinions). (Dür, 2011:2; see also Beck, 2006, Weingast, 2002)

ness environment and strategies of elite groups in their countries. This chapter has also opened new variables to this study, particularly the impact strong SAI leadership can have on SAI reforms, even in politically unfavorable environments. Finally, this chapter has closed with a theoretic model that explains the conditions which are prerequisite to successful SAI reform from a rational choice perspective.

Table 7.2 Research Results of Chapter Seven

<b>QUAL data collection</b>	<b>QUAL data analysis</b>
<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Semi-structured interviews (n=17)</li> <li>• Screening of country-specific background literature</li> </ul>	<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Feed transcripts, interview notes and background literature into software for qualitative data analysis</li> <li>• Create quotations in interviews</li> <li>• Inductively develop codes</li> <li>• Coding of the transcripts and interview notes</li> <li>• Develop network views</li> <li>• Analyze and discuss themes identified in the interviews</li> <li>• Screening of the questionnaires and cross-check with results from interviews</li> <li>• Development of theoretic model</li> </ul>
<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• 17 Transcripts and interview notes</li> <li>• Literature summaries</li> </ul>	<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• 17 coded interviews</li> <li>• 239 quotations</li> <li>• 124 codes</li> <li>• 29 memos</li> <li>• 13 network views</li> <li>• Cross-case themes identified</li> <li>• Thematic analysis written</li> <li>• Overall chapter synthesis concluding with two main factors explaining differences across SAIs</li> <li>• Development of theoretic model depicting "how effective SAI reforms can succeed"</li> </ul>

## 8. Discussion and Conclusions

### 8.1. Triangulation of Findings

### 8.2. Synthesis

### 8.3. Conclusions

*"[T]he particularity of the social sciences requires [the researcher] to work ... towards constructing a scientific truth capable of integrating the observer's vision and the truth of the practical vision of the agent as a point of view which is unaware of being a point of view and is experienced in the illusion of absoluteness."<sup>295</sup>*

### 8.1. Triangulation of Findings

The introductory note exemplifies that the mixing of the quantitative and the qualitative research has as objective to address “the basic epistemological problem of the social sciences, namely, that the research object is a research *subject*”. (Harrits, 2011:159, *Italics in original*) The people we study (in my case leaders of Supreme Audit Institutions) have their own understanding of their social reality that might compete with my understanding based on objective knowledge. This is the problem of double hermeneutics, whereby researchers face the question whether they should rely on the reasons people give for their actions (interpretative knowledge) or whether they should causally explain people’s behavior independently of what they might think they are doing. (Harrits, 2011:160 citing Bourdieu, 2000, 2004; Giddens, 1993; Habermas, 1981; Behabib, 1986; Tönnies, 1964) Whereas the mixed methods strategy of nested analysis (Lieberman, 2005, see also chapter 6.5.) solves the epistemological problem of causal inference by supplementing qualitative and quantitative data in the attempt to gain causal leverage, the epistemological problem of double hermeneutics is solved by praxeological knowledge.

This strategy suggests that quantitative analysis can supply an objective or observer’s perspective that can then be reflexively contextualized by an interpretive perspective based on the views of the subjects themselves. (Harrits, 2011:161) The objective of this chapter is to integrate the research findings as in the strategy of praxeological knowledge and then to draw the overall conclusions of this dissertation. This chapter

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<sup>295</sup> Bourdieu, 2004:116 qt.in Harrits, 2011:159



first triangulates or converges the findings of chapters six and seven into a common discussion or interpretation. In the second part of this chapter, it will then develop a synthesis or summary of the overall findings of this dissertation, which will lead the reader to the final conclusions.

This chapter starts with a discussion of the research methods; i.e. how I am going about to mix the quantitative and qualitative data. Creswell (et al. 2007:7) explain the problem of mixing quantitative and qualitative data,

*“it is not enough to simply collect and analyze quantitative and qualitative data; they need to be “mixed” in some way so that together they form a more complete picture of the problem than they do when standing alone.”*

The authors further point out that

*“a study that includes both quantitative and qualitative methods without explicitly mixing the data derived from each is simply a collection of multiple methods.”* (Creswell et al., 2007:83)

They then propose several methods to mix the data such as embedding, connecting or merging the datasets, all of which has been applied in this study and will be discussed in turn now.

#### *Embedding data at the design level:*

I have embedded qualitative case studies (the mini-case analysis) into the design of the quantitative data analysis. The results were discussed in chapter six.

#### *Connecting from data analysis to data collection*

This connection can occur in various ways such as in specifying research questions, selecting participants, or developing an instrument or other materials. I have applied this method several times in this dissertation. (Creswell et al, 2007)

The first part of this dissertation (chapter 2-4) was based on qualitative research which led to the identification of the specific research question and to the design of the other two research methods, including the selection of variables and participants and the development of instruments and materials.

Second, after having conducted large parts of the statistical analysis of chapter six, I conducted the expert interviews for chapter seven. Although the selected interviews were semi-structured and the method of analysis was inductive, it was inevitable and at points also intended that certain insights which had been obtained through the statistical analysis filtered into the interviews as well as their analysis. One of the results from the

quantitative data was that the doorstep conditions of North, Wallis, and Weingast (2009a; 2009b) did indeed matter for the development of powerful SAIs. Thus, during the expert interviews I also sometimes asked about the business environment in the country and of aspects of the three doorstep conditions such as contract viability among elites, transparency in shares and the threat of violence against SAI employees.

Finally, I also connected the results of the qualitative research of chapter six with my quantitative research. One of the results from the expert interviews with SAI leaders was that SAI leadership matters. Thus, some experts defended the view that even in challenging semi-authoritarian country environments, it is possible for SAIs to develop factual independence, if only the SAI leadership is determined to stand up for it, find partners to align with and advocates for the development of a more powerful SAI. Although I was aware of the necessity for strong SAI management, I had neglected the idea of leadership being a crucial variable for institutional development in my first statistical analysis. After the analysis of the expert interviews of chapter seven, I thus went back to chapter six to finalize the statistical analysis. In order to do so, I developed some new variables measuring the strength of the SAI's leadership and management and included the findings in my regressions and analyses.

To summarize, this research project consists of four distinct research parts, which are connected to each other (see also chapter 1.3. Research design).

### *Merging data sets*

Finally, I will now take the two datasets (quantitative data of chapter six and qualitative data of chapter seven) and explicitly bring them together in a common discussion or interpretation. Thus, the results of the two data sets are brought together into a common results section in order to draw valid conclusions about a research problem based on data from various methods. This methodological design is also called triangulation design or convergence model (Creswell et al, 2003, qtd. in Creswell and Plano Clark, 2007:62) and has the objective "*to obtain different but complementary data on the same topic*" (Morse, 1991:122, qtd. in Creswell and Plano Clark, 2007:62) in order to better understand the research problem. Teddlie and Tashakkorie (2009:37) provide a very general definition of the triangulation method, which could address both epistemological problems (ie. causality and double hermeneutics),

*"Triangulation refers to the combinations and comparisons of multiple data sources, data collection and analysis procedures, research methods, investigators, and inferences that occur at the end of a study."* (Teddlie and Tashakkori, 2009:37)

*Converging the findings of chapters six and seven*

The convergence model is the traditional model of a mixed methods triangulation design.<sup>296</sup> In this model, the different results of the quantitative and the qualitative research are converged or merged by comparing and contrasting the different results during the interpretation with the purpose to end up with valid and well-substantiated conclusions about a single phenomenon.

I have cross-tabulated/converged three main findings from the QUAN research (H3 regional/international influence, H6 open access for elites and H7 plural SAI leadership, see chapter six) with quotes and interpretations from the QUAL research (see table C.7 in appendix C). I find that the three main findings from the QUAN research are supported by interview quotes from the QUAL research. This convergence table proves that both research methods *confirm* the hypotheses that external influence is a major driver for reform, that strong and reform-committed leaders can make a difference even in difficult environments and that political will can develop if there is not only public demand for accountability but even more importantly if the pattern of relationships among elites supports the development of rule of law among elites, of organizational proliferation and of a state monopoly on the use of force.

Equally, table 8.1. depicts how the QUAL findings *confirm* the main QUAN findings. It investigates whether the causality as suggested in the econometric tests has been supported by my interview partners. While table C.7 provides the full quotes, table 8.1 summarizes and analyzes the QUAL findings in relation to the three main variables as proposed in my argument and tentatively confirmed in chapter six (H3, H6, H7).

Table 8.1. *confirms* that political will is crucial for the success of SAI reform. Interviewees painted different pictures of their SAI's power and how it got there. Many interviewees could tell stories of SAI reforms, most of which were introduced as part of broader political reforms in the country. In the wake of overall political reforms constitutional amendments often become possible. However, my interviewees also confirmed the hypothesis that it then still takes a lot of effort to ensure that the legal provisions also become effective in practice. When analyzing the reform context I find that SAI reform was possible not only in societies which are characterized by open access for elites but also in very fragile countries. In these countries the implementation of comprehensive SAI reforms was however only possible if there was particularly strong SAI leadership and strong external support.

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<sup>296</sup> The other variants of the triangulation design are the data transformation model, the validating quantitative data model, and the multilevel model. (Creswell and Plano Clark, 2007:64)

Table 8.1 Convergence Table Explaining the Role of Political Will in Reform and How It Develops

Int. Nr.	SAI Reform Successful?	Political Will Important?	Open Access for Elites? (H6)	SAI Led Reform Process? (H7)	Other Leaders - External Stakeholders? (H3, H4)
1	✓ Yes, new SAI Act approved in 2010	✓ Yes, new Act was delayed until change of composition of parliament	✓ Yes, lately lots of efforts to curb corruption	✓ Yes, two board members led the reform process.	✓ Yes; EU study, other SAI leaders, political party
2	✓ Yes, new SAI Act approved in 2008	✓ Yes, governance reform is led by President of the republic	✓ Yes, strong economic growth, overall democratic reforms	?	✓ Yes, revolution started democratic process, EU neighborhood support
3	✓ Yes, new SAI Act approved in 2011	✓ Yes, delays due to opposition in Parliament	✓ Yes, strong economic growth, overall democratic reforms, political consolidation of the military ongoing	✓ Yes.	?
4	✓ Yes, audit reform in 1988, subsequent gradual implementation	✓ Yes, overall constitutional reforms	✓ Yes, overall democratization, strong economic growth	?	✓ Yes, recent SAI reforms were part of overall democratic reforms.
5	No, audit reform in 1999 but only <i>de jure</i> , <i>de facto</i> not implemented	✓ Yes, blockade by President of the republic	No, semi-authoritarian regime, no rule of law for elites, high corruption, strong growth but largely due to petrol exports.	No, SAI Board members are complacent.	There is no resistance from the public.
6	✓ Yes, new SAI Act adopted in 2011 but not yet fully implemented	✓ Yes, President of the republic resisted reform for a long time	No, very fragile country with ongoing violent conflicts	✓ Yes, SAI pushed for reform	✓ Yes, strong support by external stakeholders and the public
7	✓ Yes, SAI Act amended in 2004	✓ Yes, post-conflict situation, overall governance reforms	No, very fragile country	✓ Yes, SAI gained trust by pol. parties, also internal culture of integrity, slowly increased <i>de facto</i> power.	✓ Yes, strong support by external stakeholders
8	✓ Yes, new SAI Act enacted in 2005 but only came into effect in 2007	✓ Yes, executive delayed implementation for years (first draft of Act was presented in 2001)	No, post conflict country, slowly implementing democratic reforms	✓ Yes, SAI led process	✓ Yes, external stakeholders, parliamentarians and public pressure groups supported the reform

Int.	SAI Reform Successful?	Political Will Important?	Open Access for Elites? (H6)	SAI Led Reform Process? (H7)	Other Leaders ?
9	No, no SAI legal reform initiated.	✓ Yes, lack of political support impedes reform.	No, very fragile country with ongoing conflicts.	No.	Donor support for SAI capacity building has been initiated.
10	No, SAI scope has been reformed in 1999 but still not implemented properly.	✓ Yes, executive only officially supporting but <i>de facto</i> blocking SAI work.	Partly.	?	?
11	✓ Yes, comprehensive SAI reforms adopted in 1992-1995.	✓ Yes, reform part of overall change of political system.	✓ Yes.	?	✓ Yes, external pressure and internal pressure led to democratization.
12	✓ Yes, overall SAI reforms in 2004, new monitoring system launched in 2010.	✓ Yes, SAI reforms part of overall democratic reforms	Partly, strong growing economy, successfully consolidating democratic reforms	✓ Yes, SAI led reform process and had to overcome many constraints	✓ Yes, the public supports reform.
13	✓ Yes, constitutional reforms in 1984, in 2011 dismissal of head of SAI due to public outcry.	✓ Yes, President of the republic ordered change of SAI head.	✓ Yes, but weak rule of law for the wider public.	Not clear about SAI's role in 1984 but SAI leader resisted his dismissal in 2011.	✓ Yes, public outcry led to change of head of SAI.
14	✓ Yes, new SAI Act adopted in 2008	✓ Yes, President of the republic supported reform	Partly, consolidated control over the military, few organizations, improvements in governance.	✓ Yes, SAI led the reform process.	✓ Yes, regional INTOSAI support, donor support, public support.
15	✓ Yes, new SAI strategy launched in 2004 to increase its public profile.	✓ Yes, interviewee confirmed hypothesis when speaking about other countries.	✓ Yes, OECD member.	✓ Yes, SAI improved end of year audit and supports public admin. reforms.	✓ Yes, INTOSAI, learning from peers, support from parliamentarians and the public.
16	No, SAI legal reforms not yet achieved but gradual improvements such as a new procurement law approved in 2011.	✓ Yes; President not yet supports reform of SAI but supported new procurement law; proposal was first blocked by Prime Minister.	Partly, semi-authoritarian regime with high levels of corruption and weak rule of law but organizational proliferation.	✓ Yes, procurement law reform was led by SAI and current efforts for SAI legal reforms are led by the SAI.	✓ Yes, support by INTOSAI. SAI plans to approach donors. Media counter-productive. Parliament dominated by one party.
17	No, constitutional reforms were approved in parliament but could not be adopted due to national political crisis.	✓ Yes, all parties supported SAI reform.	No, fragile country with ongoing violent conflicts, semi-authoritarian system, low growth.	✓ Yes, SAI initiated reform.	✓ Yes, support by all political parties but political context impeded reform implementation.

Table 8.1 also shows that SAI reforms were not initiated or could not be implemented in countries which were neither characterized by open access for elites nor strong SAI leadership initiatives. In accordance with our definition of leadership, the interviewees have confirmed that leadership always involved multiple stakeholders who aligned behind a common issue and so created a momentum for reform (*change space, tipping point*).

When *contrasting* the findings of chapter seven and chapter six, I find that chapter six identified three main variables while chapter seven concluded with two main variables explaining the success or failure of SAI reform. As I have already discussed in the conclusion of chapter seven, this is because the definition of the leadership concept differed between the quantitative and the qualitative research parts. While chapter six defined leadership only through two measurable activities by the head of the SAI (participation in INTOSAI groups and speeches at UN/INTOSAI seminars), the qualitative research used the comprehensive concept of leadership as it was originally discussed in chapter five. It showed that reform was possible where “*plural, functional and problem-oriented leadership created reform space*” (Andrews, McConnell, and Wescott, 2010). While chapter six concluded that institutional diffusion, particularly the proximity to good performers (H3a) was one of the main variables, regional peers and other stakeholders are contained in the concept of plural leadership in chapter seven.

The findings also *contrast* each other in that the quantitative research resulted in the listing of many variables which have an influence on SAIs while the qualitative research discusses strategies which have been tried to solve the problems of SAIs; how these strategies have been developed, which kind of support or constraints facilitated or hampered reform and what the result of the reform was. The two parts also contrast each other in that the findings from the quantitative research give very general statements while most of the statements from the interviewees concern particular events and situations. The interviewees were generally hesitant to make generalizations and would refer to the particularity of each country and circumstance in which a SAI finds itself. To come back to my research question, while all interviewees agreed that the political (but also the social, economic) environment of the SAI as the most important factor for some SAIs succeeding and others failing in transforming the SAI into a citizen-oriented, independent external audit institution, some SAI leaders pointed out that it is also in the ability of the SAI itself to empower itself and strengthen its legal framework as well as its reception in society. The term “empowerment” of the SAI, was not introduced by me but by interviewee 11, who very much insisted on the power of the SAI leaders to transform their SAIs.

Thus, leadership by the SAI head was identified by some interview partners as an essential variable explaining the success or failure of SAI reforms. This relationship was confirmed by the econometric tests. However, the effect does not seem to be as strong as

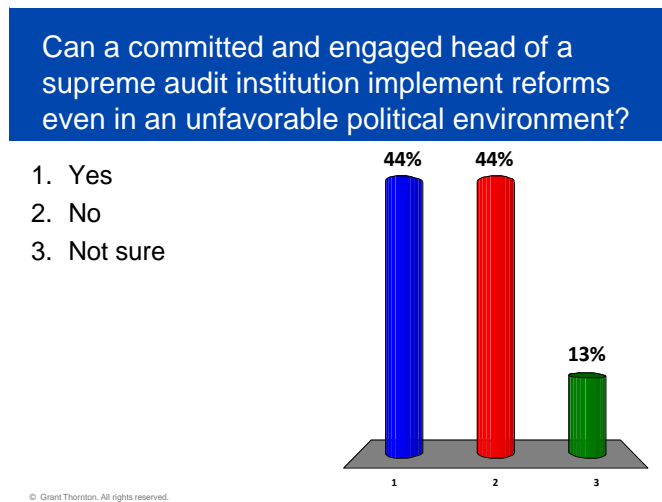
suggested by the subjective feeling of some interview partners. The variable measuring the SAI leadership strengths was very robust to model specifications and always showed in the right direction and kept its statistical significance. However, the existence of SAI leadership increases the power of a SAI only minimally while regional affiliation or judicial independence had a much stronger relationship. This is an example of “double hermeneutics” when analyzing a particular phenomenon. The two findings in fact, do not contract each other. If I only look at the size of the coefficients, SAI leadership is not the strongest variable. On the other hand, this variable is very strong from a subjective point of view, because it can easily be influenced by a SAI leader himself/herself. A SAI can not influence the regional dynamic, the source of national income, the level of judiciary independence or even the institutional model of a SAI or its number of staff. On the other hand, management practices and agency by the SAI leaders themselves is something they can and have observed as influential variable.

In addition to confirming the QUAN research, the QUAL research *complements* the QUAN research in that it captures the practice of reform as a subjective experience of SAI leaders and by explaining the relationship between variables. For instance, while the QUAN research only showed that the level of democratization of a country, including the level of the attainment of civil and political rights, the level of social empowerment including expected years of education do have an influence on the power of a SAI, the influence of these kind of variables vanish when put together with variables measuring the attainment of rule of law among elites and other doorstep conditions. The interviews provide us with further information. All interviewees recognize the important influence that the public has on political developments including SAI reforms. However, they also pointed out that the political will of the executive and the general political game in place strongly condition whether the public demand is met or not. Furthermore the interviews revealed that in a number of countries it is the SAI which raises the awareness of the public of its role and potentials and not the other way around. Thus public auditing for its technical nature is often little known by the public which then also leads to low levels of public demand for stronger SAIs.

The findings of the quantitative research and the qualitative research also *build upon* each other. After a first round of statistical tests, I conducted the qualitative interviews. One of the revelations of the interviews was that SAI leadership turned out to be a crucial variable to explain the difference across SAIs. As a consequence I developed a variable which could capture this aspect and tested it on the statistical data. It turned out as statistically significant and confirmed the positive influence on SAIs. There was also influence the other way around. During the interviews, I also at times asked concrete questions about the attainment of the doorstep conditions. Thus although the objective of the qualitative research part was inductive theory building, there was also some space to engage in deductive theory testing.

In order to further test my hypotheses, I also engaged in a final round of feedback from the practitioners. I presented my research findings at the 26<sup>th</sup> Annual International Conference of the International Consortium on Governmental Financial Management (ICGFM), which took place from April 29 to May 4, 2012 in Miami, Florida, USA. The feedback to my presentation was extraordinarily positive. Many conference participants approached me (including the representatives of the SAIs of the USA, Uganda, Pakistan, Cameroon) to tell me how important they consider my research. I also received several invitations for publication. At the conference, there is also a possibility for the speakers to receive direct feedback on specific questions from the audience. The conference organizers provide the speakers with an interactive response technology that allows yes/no or multiple choice questions to be posed to the audience. The conference participants can anonymously vote on the answers with individual voting devices that are distributed each day. Their cumulative responses are then displayed immediately. I incorporated this technique into my presentation before giving any information on my own hypothesis or research findings on the role of SAI leadership. I posed the following question during my presentation:

Figure 8.1 ICGFM Participants' Opinion



The polling result clearly shows that the participants were inconclusive.<sup>297</sup> There might be several reasons for this. Maybe the question was not clearly formulated. It should have said initiate reforms or create political will instead of suggesting that the head of the SAI can fully implement the reforms. Another reason might be the different experiences by the participants themselves. As suggested above, those conference participants with positive records of reform might be inclined to vote “Yes”, while those with negative personal records might be inclined to vote “No”. I also need to note that this was not a conference of SAI leaders but of PFM specialists. While some of the participants were SAI leaders, others probably drew on their personal reform experiences from other

<sup>297</sup> The percentages were rounded, which explains why they do not add up to 100%.



PFM institutions. To conclude, the polling results were indecisive, which points out a need for further research.

To sum up, the choice of a mixed methods design to investigate explanations on the variation across SAIs was an adequate method as it yielded very interesting findings. In addition this project benefits from the strength of each method and has to some extent leveled out the weakness of the other method. Finally, the comparative analysis of SAIs serves as a case for studying institutionalization processes of public accountability. This research has indeed helped me to draw general inferences on the proposed hypotheses, which should also contain validity for other arrangements providing for horizontal accountability, most importantly anti-corruption bodies.

## 8.2. Synthesis

Now I will discuss the overall results of this dissertation. This subchapter shows how my findings confirm, refute or modify existing theory. This discussion will then lead to the overall conclusions and suggestions for further research.

The original motivation behind this dissertation was the interest in understanding how the gap between human rights commitments and the often appalling factual situation on the ground can be closed. Based on an advocacy perspective my original question asked how citizens can participate in budget processes in order to claim the realization of their rights not only in the form of laws but also in the form of budget allocations that actually reaches the intended purpose. Instead of right away engaging in detailed field research I conducted what Harrits (2011 quoting Bourdieu, 1973) calls a break with common sense. I tested the validity and innovative nature of my preliminary question through twenty semi-structured interviews with experts in various fields of research in England and at Stanford University. The outcome of this preliminary phase of research was that I changed my overall question and the research design. I had realized that institutions matter. Instead of asking how the newly created participatory mechanisms can be institutionalized, it first of all makes sense to understand how the existing formal institutions created to assure public accountability can become more effective. Citizen pressure on the government and citizen cooperation with these institutions can of course play an important role. However, as I discovered in the preliminary interviews, other factors too might influence the effective institutionalization of public accountability. I concluded chapter two with the formulation of the adapted overall research question: *How do institutions providing for public accountability develop, consolidate and endure?* Otherwise put: *How is public accountability institutionalized?*

The objective of chapter three was to justify the method of case study research, particularly the choice of a comparative analysis of Supreme Audit Institutions (SAIs) from a

global perspective as a case study. Chapter three started with an introduction of the role and function of SAIs and a discussion of the concept of public accountability. Based on this background information, I then assessed whether SAIs can be understood as accountability arrangements. I conducted a content analysis of the *International Standards of Supreme Audit Institutions* (ISSAIs) and so examined whether SAIs understand themselves as accountability arrangements and if yes what accountability purpose they aim to serve. I concluded this chapter with the following insights: SAIs have a common understanding of being accountability arrangements, mainly providing for constitutional accountability, but partly also guaranteeing democratic accountability and increasingly also taking on roles for assuring a learning accountability. Therefore, SAIs qualify as a case study for the research on the effective institutionalization of public accountability arrangements.

Chapter four then took stock of the current situation of SAIs from a global, comparative perspective. A first literature review concluded that there is hardly any research on SAIs available and therefore instead of quickly going to developing a theory-based argument, I first needed to take time to develop some more background information. I therefore conducted a cross-national assessment of the power of SAIs world-wide. I developed seven rankings based on five surveys and analyzed the results. I compared the methods used and the distribution of powerful SAIs across regions. I concluded this section that there is a wide variation of powerful SAIs across countries but also within regions. Based on this insight I developed the specific research question of this dissertation, “*Why does citizen-focused, independent external public auditing thrive in some countries and fail in others?*”

These three chapters constitute the first phase of the research, i.e. the background or thesis on which my own research builds. The development of the background actually already comprised several original pieces of research: the preliminary expert interviews on the state of research and potential research gaps, the definition of SAIs as accountability arrangements through a content analysis of the ISSAIs and the cross-national assessment of the power of SAIs through the development and comparison of SAI rankings.

I then proceeded to chapter five or phase two of the research. In chapter five I developed the argument. Again, due to the lack of previous similar studies available, I devoted a whole chapter to the discussion of potential determinants for the development, consolidation and endurance of powerful SAIs. I developed hypotheses which are based on seven strands of theory. Based on a review of these theories, my main argument suggested that,

*while the institutional arrangements for government auditing, the nature of the source of national income, the external influence on reform, the local demand for public accountability and the technical and organizational capacities of SAIs*

*matter, the political economy of inter-elite relations and the existence of plural, functional and problem-oriented leadership creating reform space ultimately explains the development, consolidation and endurance of powerful SAIs.*

In chapter six, I investigated the argument through econometric models. The objective of chapter six was to explore relationships between potential determinants and the power of a SAI from an objective view. This chapter used the data developed in chapter four on the rankings of SAIs as the dependent variables. While the low quality of the data and the fact that the model is only tested one point in time does not allow drawing reliable causal inferences, it provides an exploration of the data and the development of tentative conclusions. These conclusions can be investigated through more elaborate econometric research; once more data on SAIs become available. This overall exploration of the data gives a bird's view, an overview, of the potential causes for the variation in SAI power around the world. While the scope of this dissertation did not permit to conduct in depth-case study research of one SAI, I chose to conduct mini-case analyses in order to carry out a limited form of nested analysis (Liebermann, 2005). Overall, this chapter confirmed my main argument. I suggested that the three variables which were most robust to model specification were regional influence (H3a snowballing effect), the level of independence of the judiciary (H6a rule of law for elites) and SAI leadership (H7).

In a next step, I explored the research question through qualitative, interpretative research. The objective of phase three, or chapter seven, was to learn about the subject's perspective. What do the heads of SAIs think are the main factors explaining the variation across SAIs and how do they experience the reform process? How do they think institutions for public accountability develop, consolidate and endure? The objective of this part of the research was not primarily to test the argument, but to gain additional information. And indeed, while the interviewees confirmed many hypotheses that were already developed before, they also contrasted some of the findings, and most importantly they added new insights, not only on the actual process and their personal, subjective views but also a new hypothesis, which I had neglected before (i.e. the role of leadership). I then went back to chapter five and six and developed and tested the final hypothesis.

Chapter eight is the final part of the research. Instead of simply adding up the various pieces of research, I mixed the research parts through triangulation methods. I used the main findings from the QUAN research and contrasted them with findings from the QUAL research. The convergence tables (C.7 and 8.1) show that both research parts can be united as they support and confirm each other. The quantitative research tested the existence and the direction between variables and the qualitative research explained the processes in place. I concluded, that overall, the two main factors explaining the variation of the power of SAIs across countries are (1) the political economy of inter-elite relations (rule of law for elites) and (2) the existence of plural, functional and problem-

oriented leadership (led by the head of the SAI, but also involving peers, donors, media, civil society, parliamentarians etc.) creating reform space. Finally, I also engaged in another round of feedback from the practitioners (by holding a presentation at an international conference). Here again, my argument was not falsified.

To sum up, I started this dissertation with a discussion of the concept of accountability and first analyzed whether SAIs qualify as accountability arrangements. I could show that SAIs as defined in the ISSAIs clearly aspire to be accountability arrangements, particularly providing for constitutional accountability. I continued with a literature review and analysis of descriptive statistics of SAIs and concluded that SAIs often lack the power to implement their accountability aspirations in practice. The main reason for this gap in many countries despite the lack of capacity and resources is the lack of political will to implement reform. I then proposed three main factors which condition the development of this political will, namely external influence and support (by peers and donors), specific inter-elite relationships, particularly characterized through open access relations among elites, and plural, functional and problem-oriented leadership (by the head of the SAI) creating space where reforms can take place. I tested these propositions through multiple regression analyses and semi-structured expert interviews, which were analyzed from an interpretative perspective using inductive qualitative content analysis. Both research methods verified or at least did not falsify my main argument.

The main findings of this thesis then are:

- The question how institutions guaranteeing public accountability develop, consolidate and endure is an important research gap from a human rights, development and public finance perspective.
- Supreme Audit Institutions have evolved to understanding themselves as accountability arrangements in all three aspects (democratic accountability, constitutional accountability, learning accountability) and thus as crucial links within the chain of public finance accountability.
- However, there are huge differences across countries and when comparing the *de jure* situation with the *de facto* implementation of legal requirements.
- Recent research points out that political economy factors are the most important determinants for the *de facto* institutionalization of independent external audit institutions. Based on an extensive review of seven strands of literature, I developed a main argument.
- The QUAN analysis confirmed hypothesis H1. Holding other variables constant, the court institutional model of a SAI is associated with weaker SAI power. However, the QUAL research pointed out that the institutional model does not matter and that the experience of Brazil as well as recent reforms in France and

Turkey show that SAI's with a court system have opened themselves up to the public, increased their cooperation with the legislature and expanded their auditing roles.

- The QUAN and QUAL analyses confirmed, although with weak statistical validity and view interview responses, hypothesis H2. The nature of the source of national income matters, whereby natural resource endowments are associated with weak SAIs and high levels of income tax are associated with stronger SAIs in the context of developing countries. Public finance management support seems to be associated with stronger levels of SAI power if they are part of country wide reform programs.
- The QUAN and QUAL research also confirmed the hypothesis H3 on international diffusion. The snowballing effect through the proximity to good performers matters a lot, while international commitments do not automatically translate into national implementation, and a post-conflict situation can be an opportunity for reform.
- The richer and the more democratic a country is, the more likely it is also that its SAI is strong (H4). The QUAL research revealed mixed experiences by SAIs with civil society and the media. Several SAIs mentioned the public as an important ally in the struggle for reform. Some SAIs pointed out that they had bad experiences with publishing the reports because journalists did not have the capacity to make use of them and instead misused the reports for party propaganda. Again another SAI pointed out that the public was too illiterate to be able to engage in such technical issues as public finance oversight.
- QUAL research supported the hypothesis that technical capacity building was essential for SAIs to succeed in their reform efforts (H5). The results from the QUAN research tentatively pointed out that capacity building was associated with stronger SAIs if it is provided on long term and if it incapacity building on how to deal with the SAI's external environment.
- Overall, both the QUAN and the QUAL research confirmed my main argument. The findings have been converged and contrasted. The expert interviews provided an insight into the practice of reform, explaining processes linking various variables. The quantitative model was confirmed through the inductive theory building in chapter seven. The main factors explaining the variation in SAI strength according to the experts were political will and SAI leadership, which included the support by external and internal stakeholders. Some interviewees highlighted that while the political, social and economic environment matters for the effective institutionalization of SAIs; assertive leaders can find partners and mobilize support and finally still be successful, even in difficult settings.

- Although it is important to recognize the specificities of each reform context, this study has succeeded to develop some general models. They can help to conduct a situational analysis as a basis for the development of adequate, context-specific reform strategies.
- This dissertation has confirmed the theory by North, Wallis, and Weingast (2009) and other studies on authoritarianism and rational choice institutionalism, which suggest that the nature of the relationship among elites is more important for the institutionalization process of public accountability than are public demand or technical capacity.
- This dissertation has equally confirmed the validity of theories on development as leadership-led change (Andrews, McConnell, and Wescott, 2010).

### 8.3. Conclusions

*„When I had all the answers, the questions changed...“<sup>298</sup>*

This dissertation investigates the topical issue of public accountability and how it is effectively institutionalized. How do institutions providing for public accountability develop, consolidate and endure? In order to answer this overall research question a case study approach was chosen. Supreme Audit Institutions are an example of a formal institution with the purpose to guarantee public accountability. A comparative assessment of the power of SAIs world-wide has revealed that there are strong differences across countries. Based on this insight, I asked the specific research question, why does citizen-focused, independent external public auditing thrive in some countries and fail in others? This dissertation has shown that while the institutional arrangements for government auditing, the nature of the source of national income, the external influence on reform, the local demand for public accountability and the technical and organizational capacities of SAIs matter, the political economy of inter-elite relations and the existence of SAI leadership ultimately conditions the effective institutionalization of SAIs as accountability arrangements. This dissertation's reply to its overall research question is then: Institutions providing for public accountability develop, consolidate and endure if there is plural, functional and problem-oriented leadership strategically advocating for reform and if elite groups are brought into a situation where they lose less by accepting reform than by resisting reform.

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<sup>298</sup> Coelho, 2004:28

This research addresses a huge research gap as Supreme Audit Institutions have largely been neglected in practice and particularly also in research. This dissertation has however not only contributed to the literature on SAIs but more generally on the scholarship on development, democratic transition and public expenditure management.

The development literature has in the last few years been highlighting the need for more studies from the disciplines of political economy and new institutional economics, and for adopting a positivist approach. Instead of focusing on what should be realized in an ideal world, several research institutes now stress that it is crucial to first understand why things are the way they are. Development defined as the realization of all human rights for all requires effective state institutions. But, why do formal institutions providing for public accountability often not work effectively? This study has shown through qualitative and quantitative methods that the institutionalization of public accountability is primarily a political and an agency problem and that external influence matters. What is particularly interesting and provocative is the notion that changing inter-elite relationships may be more important than creating pressure from below for SAI reforms to succeed. In the past, citizen participation has been praised as a solution to many development problems. However, today several scholars stress that political will, local ownership and elite relationships are the most crucial factors for governance reforms to succeed. Furthermore, this dissertation also suggests that adopting a political economy approach for aid programs seems promising. One of the statistical findings was that where donors had included the aspect of building the capacity of SAIs to deal with their external environment, the SAIs were stronger than where capacity building measures did not include this aspect, holding all other variables constant.

Second, this dissertation contributes to advancing the scholarship on democratic transitions, including the scholarship on authoritarianism. This field of research has been highlighting the hybrid nature of many regimes; with democratic institutions that are *de jure* in place but *de facto* do not deliver on their promises. The quantitative and the qualitative data have confirmed this observation. There are hardly any very powerful SAIs, not in old and in new democracies. The question how the three doorstep conditions develop remains a very topical and largely unresolved one. Equally, the role of the threat of violence in society generally and versus auditors in particular is an important field of further research.

Third, this dissertation has contributed to the literature on public expenditure management. This field of study has highlighted the need for transparency and accountability and thus for an effective institutional environment where PEM reforms can take place. This field of research has also highlighted in recent years the need for a systemic approach to reform and for more studies on the inter-institutional linkages. Few studies have linked research on PFM reforms with the literature of transitology and the political economy of development.

Now that I have answered my research questions, new ones open up. This dissertation suggests that there is a promising potential for further research on institutionalization processes in general and SAIs in particular. There is a huge need of in depth country case studies and historic analyses of SAI developments. As Acemoglu and Robinson (2012:462) point out in their new book, whether public demand for accountability is met and ultimately durable political reform occurs, depends a lot “*on the history of economic and political institutions, on the many small differences that matter and on the very contingent path of history*”. Instead of open access they use the term inclusive in their book. Specifically, they speak of inclusive development and of inclusive institutions. This brings me back to the starting point of my thesis, where I asked how budget processes can be made inclusive. Acemoglu and Robinson (2012) argue that inclusive institutions are the result of open societies and open economies. They show that small institutional changes matter and that critical junctures can put countries on a certain developmental path. I therefore strongly encourage future research to engage in historical analyses of SAIs’ developmental paths. Andrews (2012) also argues in his recent blog entry that lessons from Sweden’s success in PFM reforms are “*less about the mechanisms and systems and rules they have in place today, and more about the processes they went through to find and fit these mechanisms, systems and rules.*”<sup>299</sup>

Furthermore, there is equally a huge need for more statistical data and analysis, particularly time series analysis. There is a need for anthropological studies such as studying elite motivations to agree or resist the institutionalization of public accountability. There is also scope for research within the discipline of political economy, particularly game theoretic and spatial models of rational choice in order to develop more elaborate explanatory models on the decision making processes.

Prospective future research should test my main conclusions. Does leadership truly matter, even in difficult political environments? Is the nature of the inter-elite relationship indeed more crucial for the success of reform initiatives than public demand? Does international influence, pressure and support indeed make a difference to the success of reform initiatives? Future research should also explore the question how more effective synergies between formal and informal institutions of public finance accountability can be developed. Particularly, what are the opportunities and challenges for a stronger collaboration of civil society organizations with Supreme Audit Institutions? There is scope for the study of SAI reforms including policy auditing and how such reforms can

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<sup>299</sup> Andrews, Matthew. *The past leads to the future in PFM reform: More on Sweden*. Posted on his blog on November 25, 2012. <http://matthewandrews.typepad.com/mattandrews/2012/11/the-past-leads-to-the-future-in-pfm-reform-more-on-sweden.html> (Last Accessed on November 28, 2012) see also Andrews, Pritchett, and Woolcock (2012).



be linked to donor strategies and human rights monitoring processes<sup>300</sup> in line with an analysis of the inter-institutional linkages, particularly a stronger cooperation with civil society organizations.

I close this dissertation with a number of recommendations for strengthening SAIs. I suggest five main strategies for a comprehensive approach to consolidate SAIs as powerful accountability arrangements that endure:

- I. Analyze the problem correctly.
- II. Invest in capacity building.
- III. Empower the SAI leadership.
- IV. Build up coordinated pressure from all sides
- V. Nurture and spread a culture of integrity.

*I. Analyze the problem correctly:*

In order to be successful in strengthening the power of any SAI, first of all it is necessary to analyze and understand the problem correctly. Sok (2012), Budget Director, Cambodian Ministry of Economy, highlighted at his speech at the 26<sup>th</sup> Annual International Conference of the *International Consortium on Governmental Financial Management (ICGFM)*, “*First you need to understand the problem correctly. Then 50% of the problem is solved.*” Andrews, Pritchett and Woolcock also “*call for development projects that are (i) problem driven, (ii) iterative--where future steps build on lessons learned from past steps, and (iii) involving many agents working together across space and time.*”<sup>301</sup>

Any reform program should therefore be based on a profound problem analysis. This problem or situational analysis should not only examine the capacities and internal organization of the SAI and its direct environment (parliamentary budget committee, internal audit department, ministry of finance, public pressure groups), but it also needs to include an overall analysis of how elite groups currently preserve social order and how they prevent violence.

INTOSAI, under leadership of the *INTOSAI Working Group on the Value and Benefits of SAIs (WGVBS)*, is currently developing a *SAI Performance Measurement Framework (SAI PFM)*. The draft structure of the SAI PFM suggests that performance will be measured by indicators in seven domains and a narrative report, which will analyze “*external factors like country context and political economy, which may enable or hamper*

<sup>300</sup> There are some discussions (f.i. UN, 2007:18; Elson, 2006) on how SAIs should adopt a more proactive stance in examining national commitments to international conventions and treaties including pro-poor policies such as the MDGs and socio-economic rights.

<sup>301</sup> Andrews, Matthew. *The past leads to the future in PFM reform: More on Sweden*. Posted on his blog on November 25, 2012. <http://matthewandrews.typepad.com/mattandrews/2012/11/the-past-leads-to-the-future-in-pfm-reform-more-on-sweden.html> (Last Accessed on November 28, 2012) see also Andrews, Pritchett, and Woolcock (2012).

*the SAI's performance.*" (INTOSAI-Donor Cooperation, 2012:2) Such an approach is very promising and will help the SAI and donors identify which areas need strengthening and where they should target efforts.<sup>302</sup>

## *II. Invest in capacity building*

The qualitative interviews but also tentative results from the statistical analyses confirm that there is no question about the fact that SAIs need competent staff and adequate infrastructure.

It is very encouraging to see that the INTOSAI-Donor Cooperation has launched a wide range of new programs to strengthen the capacity of SAIs worldwide. It has established a global pooled fund for SAI capacity development, launched the ISSAI Implementation Initiative (*3i programme*) and the *SAI Capacity Development Database*.<sup>303</sup> However, this research project has also shown that capacity building by itself is not enough. So, donors should not stop there.

## *III. Empower the SAI leadership*

The qualitative interviews suggested that SAI leadership capacity and commitment is crucial for a SAI's reform success.<sup>304</sup> This was consequently tested and confirmed through statistical analyses. I therefore claim that the empowerment of the SAI leadership, to believe in reform success, to engage in learning processes and to build alliances with partners and create a momentum for change ("change space") is indeed essential for strengthening SAIs.

INTOSAI is currently implementing a number of programs and activities to support the empowerment of SAI leaders, including management workshops for SAI leaders. The interview partners suggested that the networking opportunities in working groups, regional groups and at the international level and visiting other SAIs are very important tools in this respect. The *INTOSAI Journal on Government Auditing* also provides a popular space for SAI leaders to publish their achievements and promote their cause.

## *IV. Build up coordinated pressure from all sides*

Today all studies on PFM reforms (see chapters 2.3., 4.2.) as well as the results of this dissertation suggest that a political economy approach to reform is necessary. However, this is more easily said than practiced. It is easier for donors to implement technical ca-

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<sup>302</sup> The SAI PFM seems to build on the Institutional Capacity Building Framework (ICBF), which was developed by the secretariat of AFROSAI-E and used for its own programs of strengthening African SAIs. <http://afrosai-e.org.za/institutional-capacity-building-framework> (Last Accessed on November 05, 2012)

<sup>303</sup> see the Website of the INTOSAI Development Initiative for an overview of capacity building initiatives: [www.idi.no](http://www.idi.no) (Last Accessed on October 31, 2012)

<sup>304</sup> Steger (2012) on the Austrian experience of introducing Gender Responsive Budgeting also points out that Leadership, which creates awareness, fosters alliances and uses windows of opportunity, is essential for any reform success.

capacity building programs than programs which are based on a political economy approach to reform. My own experience as project coordinator of a large advocacy project in Tanzania taught me the lesson that such projects are risky, need to be based on a long time frame and that the outcome of political and social processes is by definition always uncertain. It requires a lot of effort and know-how to implement an advocacy project with the objective to strengthen the independence and role of a SAI at the national level. The SAI could develop alliances with the donor community in its country, civil society, the media, academia and private business, but of course most importantly with parliamentarians and the political parties. It needs to convince key persons of the need to strengthen its independence as well as inform the public on its mission and role. The crucial point however is that SAIs cannot be autonomous from the elite structure in the country; they need to be embedded in their interests. They need to be pareto-improving and self-enforcing; otherwise they risk becoming so called “empty-shell” institutions. Thus powerful groups actively resisting reforms need to be put into a position where the benefits outweigh potential costs of accepting reforms. This can be achieved if there is pressure from above and below, exit strategies in the form of rewards or incentives and above all leadership advocating for SAI reform.

My outlook on developing such pressure for strengthening the independence and legal framework of SAIs, overall is promising, despite the global trend of declining political rights and civil liberties. In the policy area of public finance transparency and accountability, there seems to be a momentum for change as a consequence to the global financial, economic and debt crises. The interview partners were also overwhelmingly positive and motivated and recent INTOSAI initiatives, above all the first UN General Assembly resolution on SAIs<sup>305</sup>, suggest that there are reasons to be cautiously optimistic on the future of SAIs worldwide. The UN resolution is part of INTOSAI’s efforts to strengthen the independence of SAIs. It is a very powerful advocacy tool for SAIs as the Lima and Mexico Declarations have for the first time been recognized by all UN member states. This initiative supports two strategic priorities of INTOSAI, as laid out in its Strategic Plan for the period 2011-2016, namely to “Help Ensure Independence of SAIs” and to “Demonstrate the Value and Benefits of SAIs”.<sup>306</sup> It is very encouraging

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<sup>305</sup> On December 22, 2011 the 66th United Nations General Assembly adopted the Resolution (A/66/209) "Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions".  
[http://www.intosai.org/fileadmin/downloads/downloads/0\\_news/2012/UN\\_Resolution\\_A\\_66\\_209\\_E.pdf](http://www.intosai.org/fileadmin/downloads/downloads/0_news/2012/UN_Resolution_A_66_209_E.pdf) (Last Accessed on October 31, 2012)

<sup>306</sup> The six key strategic priorities of INTOSAI, as laid out in its Strategic Plan for the period 2011-2016 are: 1. Help Ensure Independence of SAIs, 2. Implementation of ISSAI Framework, 3. Strengthen Capacity Building of SAIs, 4. Demonstrate the Value and Benefits of SAIs, 5. Further the Fight against Corruption, 6. Enhance INTOSAI Communications. These strategic priorities support INTOSAI’s four strategic goals, namely 1. Professional Standards; 2. Institutional Capacity Building; 3. Knowledge Sharing/Knowledge Services; 4. Model International Organization. See INTOSAI, 2010.

that INTOSAI has developed such a proactive and comprehensive approach to strengthening the power of SAIs on a national level but also as a community of like minded institutions world-wide. Given the success of the INTOSAI-Donor cooperation, INTOSAI could also envisage developing other partnerships to strengthen its advocacy work on the national and international level. It could strategically engage with parliamentarians through the *Inter-Parliamentary Union (IPU)*<sup>307</sup> and with governments and civil society through the *Open Government Partnership (OGP)*<sup>308</sup>, the *Global Civil Society Movement for Budget Transparency, Accountability, and Participation (BTAP)*<sup>309</sup> and the *Global Initiative for Fiscal Transparency (GIFT)*<sup>310</sup>. Finally, while INTOSAI actively maintains its website and publishes news and case studies of public sector auditing reforms in its freely available *International Journal of Government Auditing*<sup>311</sup> it has not yet been active in social media networks (such as facebook, twitter and others). Such an engagement could however help bringing INTOSAI closer to citizens and support its international activities.

#### *V. Nurture and spread a culture of transparency and integrity*

Informal norms, belief and habits do matter. North, Wallis, and Weingast (2009a; 2009b) provide a conceptual framework for understanding social orders. They show that the analysis of violence, institutions, organizations, and beliefs is central for an understanding of economic and political development processes. The importance of personal beliefs, motivations but particularly also organizational and national culture, tradition and history has been highlighted by many interview partners. INTOSAI has the important function to act as role model and to support the promotion of SAIs that are role models in their region and understand themselves as arrangements whose mission it is to guarantee public accountability. Donors are particularly challenged in this respect to implement their own commitments to transparency, integrity and mutual accountability as signed in the 2005 Paris Declaration on Aid Effectiveness<sup>312</sup>, the 2008 Accra Agenda for Action<sup>313</sup> and at the 4<sup>th</sup> High Level Forum on Aid Effectiveness, 29 Nov-01 Dec,

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<http://www.intosai.org/uploads/intosaispenglishv9web.pdf> (Last Accessed on September 20, 2012)

<sup>307</sup> <http://www.ipu.org/> (Last Accessed on November 20, 2012)

<sup>308</sup> INTOSAI and its work groups should register as expert organizations in the Open Government Partnership Roster or organizations that are available to work with governments on developing and implementing their Open Government Commitments. <http://www.opengovpartnership.org/suppliers> (Last Accessed on October 31, 2012)

<sup>309</sup> <http://www.makebudgetspublic.org/> (Last Accessed on September 20, 2012)

<sup>310</sup> <http://fiscaltransparency.net/> (Last Accessed on November 20, 2012)

<sup>311</sup> <http://www.intosaijournal.org/> (Last Accessed on November 20, 2012)

<sup>312</sup> <http://www.oecd.org/dac/aideffectiveness/parisdeclarationandaccraagendaforaction.htm> (Last Accessed on September 20, 2012)

<sup>313</sup> <http://www.oecd.org/dac/aideffectiveness/parisdeclarationandaccraagendaforaction.htm> (Last Accessed on September 20, 2012)

Busan, Korea where 150 countries and 45 international organizations signed the new *Global Partnership for Effective Development Cooperation*.<sup>314</sup>

It is the task of future research to evaluate to what extent these five strategies proved valid for effectively strengthening the independence, capacity and value of SAIs.

To sum up, structural factors, technical capacities and institutional design have been identified as important factors explaining the variation across SAIs. However, this does not mean that SAIs can hide behind the constraints inherent in their set up or stemming from an unfavorable socio-political environment. As interviewee 11 pointed out, head of SAIs should empower themselves and courageously initiate reforms:

*I11: "The tendency of many SAIs is to play victim mentality that is not the way you operate as a leader. Leadership is about influencing events, it is not about being submissive to the circumstance. You need to put a lot of effort in building a leader."*

I close this dissertation by encouraging everybody who is working on making external public auditing more citizen-focused and independent, to stay persevering like interviewee 12 when convincing others of the need to reform,

*I12: "I never accept a "no". If someone does not agree with me, I will come back to him again and again until he agrees with me. A "no" is not a possible answer for me."*

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<sup>314</sup><http://www.oecd.org/dac/aideffectiveness/49650173.pdf>;

<http://www.oecd.org/development/aideffectiveness/> (Last Accessed on October 31,2012);  
See also Atwood (2012) on the process that led to the formation of the Global Partnership.

Table 8.2 Research Results of Chapter Eight

<b>qual data collection</b>	<b>qual data analysis</b>
<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Research potential triangulation methods</li> <li>• Present and discuss research findings with experts at an international conference and discuss research findings with conference participants during the five days</li> <li>• Prepare a question for the conference poll and use an interactive response tool to ask a question during the conference presentation</li> <li>• Send the conference paper to interested persons for feedback</li> </ul>	<p><b>Procedures:</b></p> <ul style="list-style-type: none"> <li>• Converge the research findings from chapters 6 and 7 by cross-tabulating QUAN with QUAL results</li> <li>• Analyze how the two main data sets support each other or differ</li> <li>• Develop an overall synthesis combining findings of all chapters</li> <li>• Develop overall conclusions</li> </ul>
<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• A list of potential triangulation methodologies and methods available</li> <li>• Notes from informal discussions with participants at the international ICGFM conference</li> <li>• 1 question asked and instantly replied by conference participants</li> <li>• Written feedback on conference paper by two experts</li> </ul>	<p><b>Products:</b></p> <ul style="list-style-type: none"> <li>• Convergence tables 8.1. and C.7 combining QUAN + QUAL results</li> <li>• Discussion of how variables relate to each other</li> <li>• Discussion of benefits of merging to different data sets</li> <li>• Discussion of how my research validates, falsifies or modifies existing theory</li> <li>• Feedback from SAI leaders and other experts at an international conference</li> <li>• Answering the research question in the conclusion and providing directions for research and policy development</li> </ul>

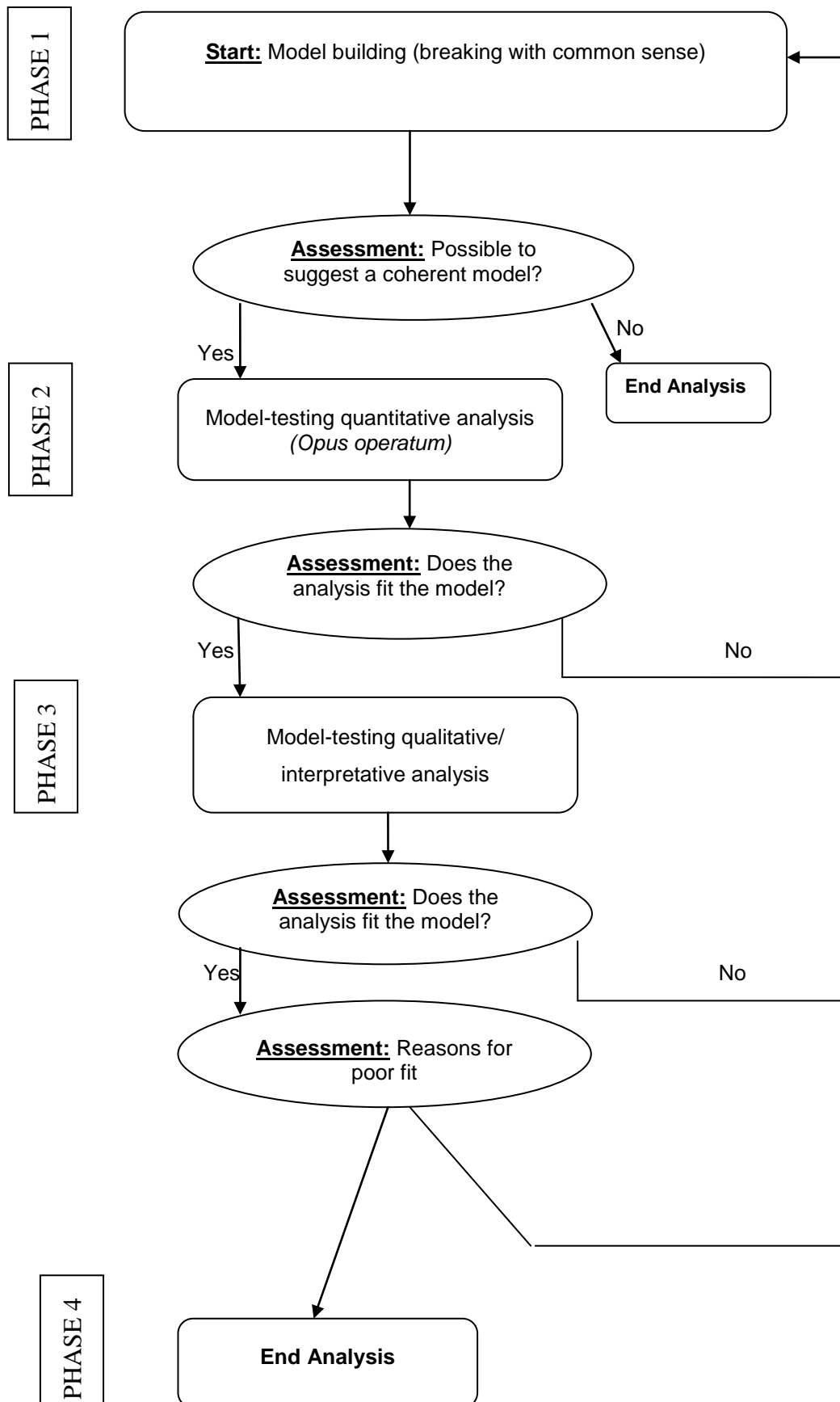
# Appendices

## A) Appendices to Chapters One - Three

Appendix A. 1 Common Elements of Worldviews and Implications for Practice (Creswell and Clark, 2007:24 based on Lincoln and Guba, 2000; Creswell, 2003)

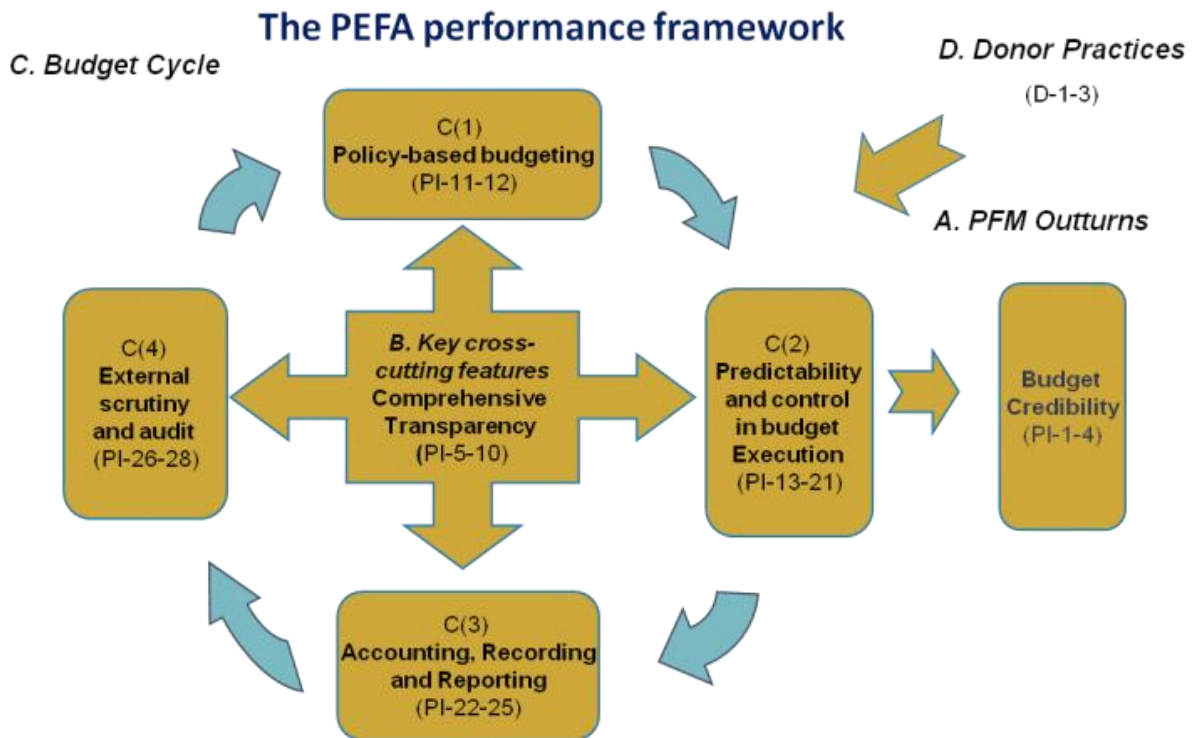
<b>Worldview Element</b>	<b>Postpositivism</b>	<b>Constructivism</b>	<b>Advocacy and Participatory</b>	<b>Pragmatism</b>
Ontology (What is the nature of reality?)	Singular reality (e.g., researchers reject or fail to reject hypotheses)	Multiple realities (e.g., researchers provide quotes to illustrate different perspectives)	Political reality (e.g., findings are negotiated with participants)	Singular and multiple realities (e.g., researchers test hypotheses and provide multiple perspectives)
Epistemology (What is the relationship between the researcher and that being researched?)	Distance and impartiality (e.g., researchers objectively collect data on instruments)	Closeness (e.g., researchers visit participants at their sites to collect data)	Collaboration (e.g., researchers actively involve participants as collaborators)	Practicality (e.g., researchers collect data by “what works” to address research question)
Axiology (What is the role of values?)	Unbiased (e.g., researchers use checks to eliminate bias)	Biased (e.g., researchers actively talk about their biases and interpretations)	Biased and negotiated (e.g., researchers negotiated with participants about interpretations)	Multiple stances (e.g., researchers include both biased and unbiased perspectives)
Methodology (What is the process of research?)	Deductive (e.g., researchers test an a priori theory)	Inductive (e.g., researchers start with participants’ views and build “up” to patterns, theories, and generalizations)	Participatory (e.g., researchers involve participants in all stages of the research and engage in cyclical reviews of results)	Combining (e.g., researchers collect both quantitative and qualitative data and mix them)
Rhetoric (What is the language of research?)	Formal style (e.g., researchers use agreed-on definitions of variables)	Informal style (e.g., researchers write in a literary, informal style)	Advocacy and change (e.g., researchers use language that will help bring about change and advocate for participants)	Formal or informal (e.g., researchers may employ both formal and informal styles of writing.

Appendix A. 2 Mixed Methods Research as Praxeological Knowledge (Harrits, 2011:158) (“Phases are my own addition”)

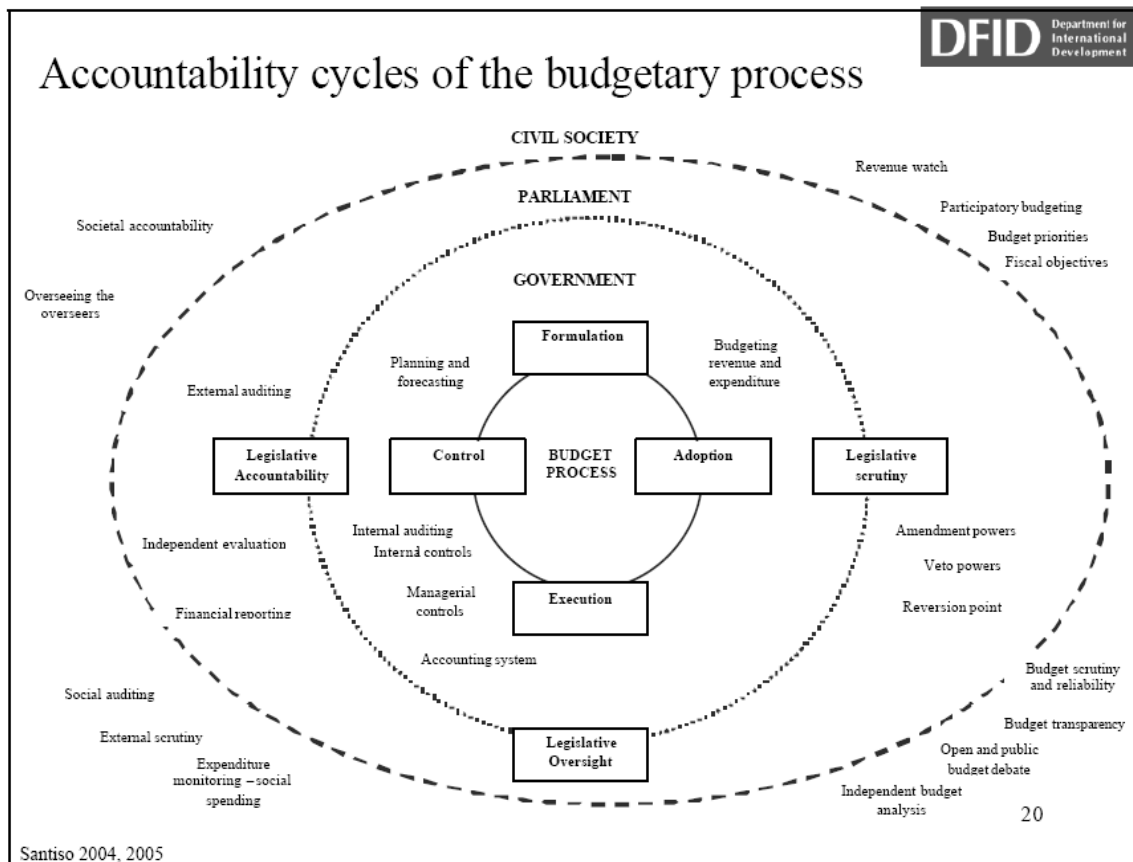




Appendix A. 3 The PEFA Performance Framework<sup>315</sup>



Appendix A. 4 Accountability Cycles of the Budget Process (DFID, 2005)



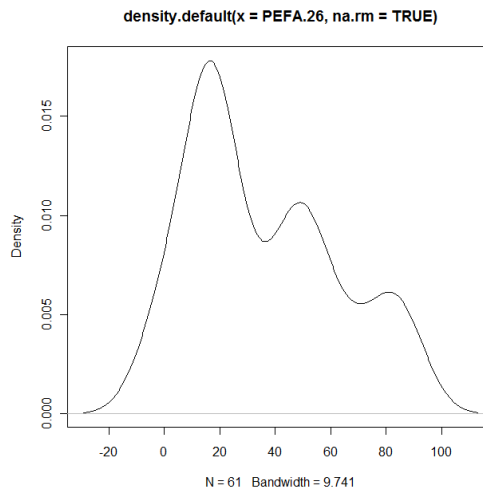
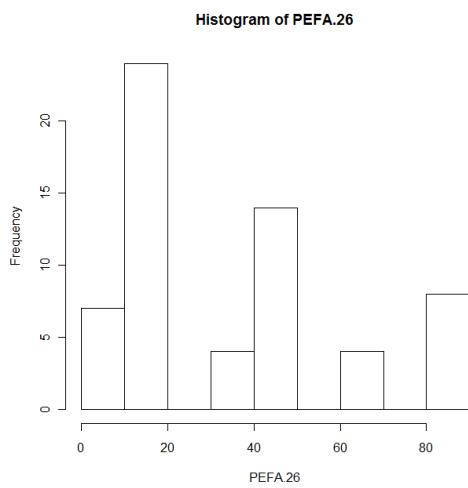
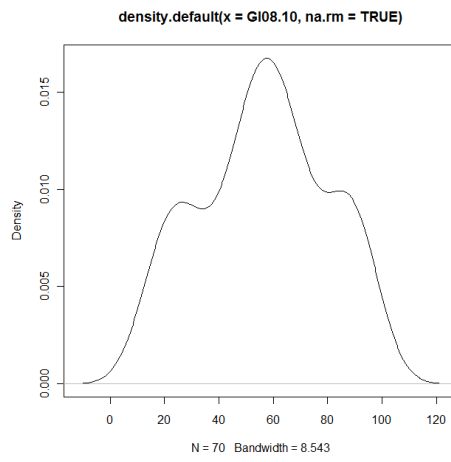
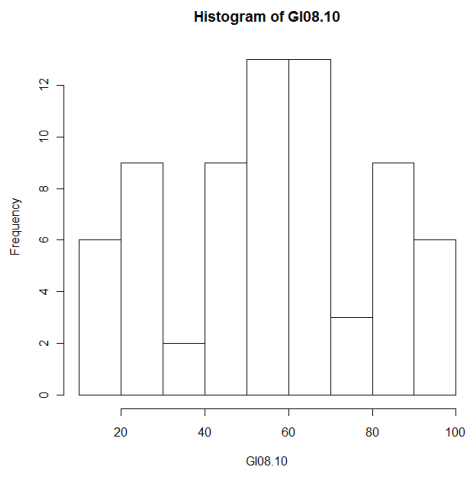
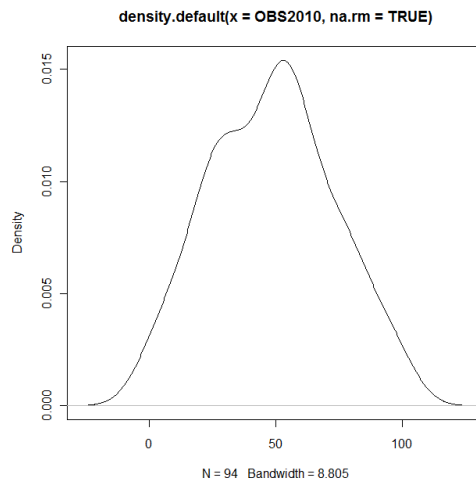
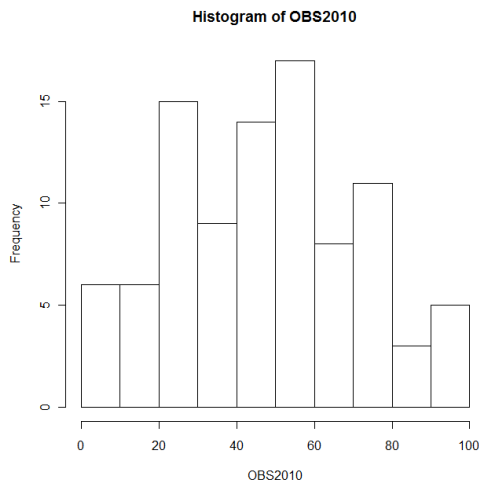
<sup>315</sup> <http://www.pefa.org/en/content/pefa-framework> (Last Accessed on August 20, 2012)

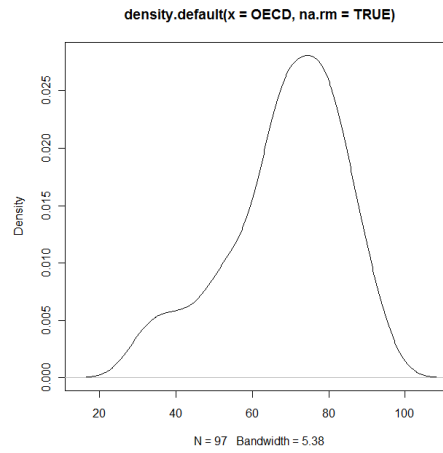
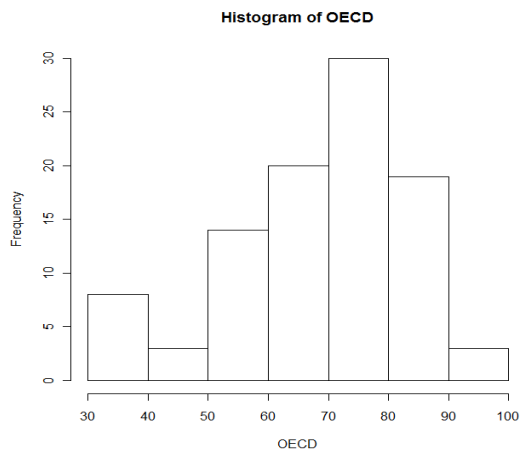
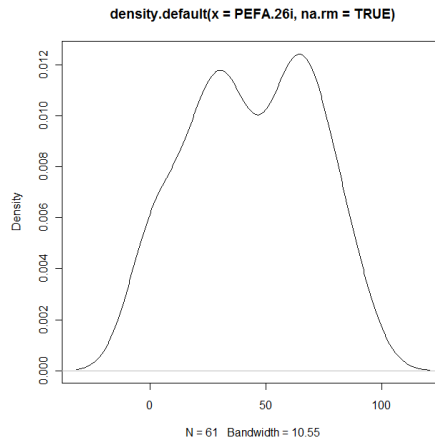
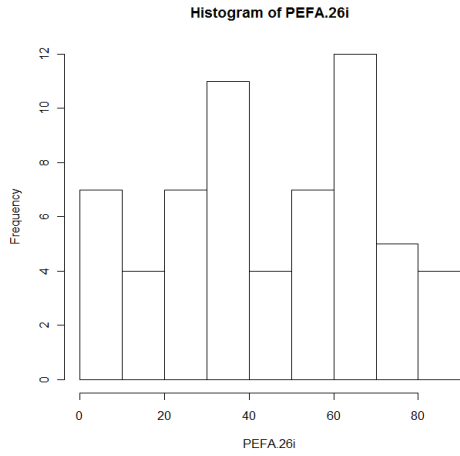
## B) Appendices to Chapters Four - Six

Appendix B. 1 Descriptive Statistics of the Dependent Variable Measuring the Power of SAIs

<b>Variable name</b>	<b>Variable Description</b>	<b>N</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>Median</b>	<b>Min</b>	<b>Max</b>	<b>Range</b>	<b>Skewness</b>	<b>Kurtosis</b>	<b>Standard error</b>	<b>Variance</b>
OBS2010	See 5. 1.(1)	94	48.35	24.27	50	0	100	100	0.07	-0.71	2.50	589.09
GI0810	See 5.1.(2)	70	56.36	23.25	56	14	97	83	-0.08	-1.00	2.78	540.76
PEFA-26	See 5.1.(3)	61	35.69	26.65	17	0	84	84	0.51	-0.98	3.41	224.93
PEFA-26mean	See 5.1.(3)	61	43.80	26.69	44	0	89	89	-0.09	-1.16	3.42	710.35
OECD	See 5.1.(4)	97	68.72	15.00	71	31	93	62	-0.74	-0.07	1.52	712.09
SAIstrength (IDI)	See 5.1.(5)	183	0.8027	0.2	0.83	0.13	1.00	0.87	-1.05	0.56	0.01	0.04
1.8.time.limit.new1 (IDI, binomial var.)	See 5.1.(5)	183	0.71	0.45	1	0	1	1	-0.92	-1.16	0.03	0.21
1.8.time.limit.new (IDI, multinomial variable)	See 5.1.(5)	183	0.75	0.41	1	0	1	1	-1.15	-0.52	0.03	0.17

Appendix B. 2 Histograms and Kernel Density Curves for all SAI variables





## Appendix B. 3 Scores for SAI Power in Country Order

<b>Scores for SAI Strength</b>	<b>OBS2010</b>	<b>GI08-10</b>	<b>OECD</b>	<b>PEFA-26</b>	<b>PEFA-26mean</b>
number of countries surveyed	94	70	97	61	61
period assessed	data as of 15.9.2009	GI 2008, 2009, 2010 covering data between June 2008-June 2010	2007/2008	2008-2011	2008-2011
number of questions used to calculate score	10	11	6	3	3
survey respondents	NGOs incl. peer review process	NGOs incl. peer review process	Government officials	governments incl. donor review process	governments incl. donor review process
Afghanistan	27			33	33
Albania	50	88	80		
Algeria	13	28			
Angola	10	16			
Argentina	47	62	71		
Armenia				17	22
Australia			81		
Austria			89		
Azerbaijan	20	47			
Bangladesh	30	54			
Belarus		23		17	44
Belgium			80		
Benin			57		
Bhutan				84	89
Bolivia	37	84	77	17	56
Bosnia-Herzegovina	93	51	56		
Botswana	73		79	17	45
Brazil	83		69	50	67
Bulgaria	33	68	75		
Burkina Faso	23		59	17	33
Burundi				17	11
Cambodia	33	27	51		
Cameroon	3	29			
Canada		66	79		
Cape Verde				17	22
Central African Republic				0	0
Chad	7				

<b>Scores for SAI Strength</b>	<b>OBS2010</b>	<b>GI08-10</b>	<b>OECD</b>	<b>PEFA-26</b>	<b>PEFA-26mean</b>
Chile	80	44	33		
China	57	55			
Colombia	67	55		67	67
Congo			44		
Congo (Dem. Rep.)	20			17	22
Costa Rica	70		77	84	89
Côte D'Ivoire				0	0
Croatia	73		71		
Cyprus			53		
Czech Republic	67	91	53		
Denmark			93		
Dominican Republic	33			17	44
Ecuador	40	28			
Egypt	30	17			
El Salvador	53			50	67
Equatorial Guinea	0				
Ethiopia		54	67	50	55
Fiji	7		93		
Finland			69		
France	77		64		
Georgia	53	49		17	56
Germany	87		87		
Ghana	63	59	81	17	33
Greece			77		
Guatemala	53	77		50	67
Guinea			57		
Guinea Bissau				0	0
Haiti			47	17	11
Honduras	40			50	56
(Hong Kong)			51		
Hungary		69	75		
Iceland			85		
India	67	89		17	33
Indonesia	60	63	31		
Iraq	47	30			
Ireland			81		
Israel			60		
Italy	73	75	77		
Japan		50	85		
Jordan	27	65	64		
Kazakhstan	43	42			
Kenya	57	64	71	50	56
Korea, Republic of (South K.)	77	97	77		

<b>Scores for SAI Strength</b>	<b>OBS2010</b>	<b>GI08-10</b>	<b>OECD</b>	<b>PEFA-26</b>	<b>PEFA-26mean</b>
Kosovo		86		42	65
Kyrgyz Republic	47	28	71	17	22
Lao People's Democratic Republic				17	56
Latvia			75		
Lebanon	13	65			
Lesotho			67		
Liberia	50	92	64	0	0
Lithuania		41	79		
Luxembourg			73		
Macedonia	80	61			
Madagascar			33		
Malawi	23	84	67	17	22
Malaysia	53	24			
Maldives				50	33
Mali	53		67	0	0
Malta			73		
Mauritania				17	22
Mauritius			92	84	78
Mexico	50	94	65		
Moldova		60	67	50	78
Mongolia	57	58	71		
Montenegro		20			
Morocco	13	52	32	17	33
Mozambique	27		60	17	33
Namibia	50		73		
Nepal	57	53		17	33
Netherlands			87		
New Zealand	93		81		
Nicaragua	23	23			
Niger	23			0	0
Nigeria	17	35	53		
Norway	97		89	84	78
Pakistan	43	55			
Papua New Guinea	33		45		
Paraguay				50	44
Peru	57	91	65	84	78
Philippines	60	38	81	84	84
Poland	80	71	79		
Portugal	53		67		
Qatar			51		
Romania	63	53	67		
Russia	77	61	69		
Rwanda	53	81	85	50	61

Scores for SAI Strength	OBS2010	GI08-10	OECD	PEFA-26	PEFA-26mean
Saint Vincent and the Grenadines				17	33
Samoa				17	11
Sao Tome	30				
Saudi Arabia	23			17	22
Senegal	23			33	33
Serbia	30	14	40	67	67
Seychelles				33	33
Sierra Leone		68	60		
Slovakia	67		81		
Slovenia	97		73	50	56
Solomon Islands			73		
Somalia		16			
South Africa	73	65	88	84	78
Spain	50		77		
Sri Lanka	57				
Sudan	33				
Suriname			40		
Swaziland			71		
Sweden	87		68		
Switzerland			81		
(Taiwan)			77		
Tajikistan			40		
Tanzania	50	86		67	67
Thailand	57		83		
Timor-Leste	0			50	67
Togo				0	0
Tonga				38	17
Trinidad and Tobago	43			67	67
Tunisia			36	17	67
Turkey	37	57	83		
Uganda	33	49	64	50	67
Ukraine	63	83	79		
UAE			53		
UK	80		89		
US	100	95	87		
Uruguay			67		
Venezuela	47	89	80		
Vietnam	43	50	64		
(West Bank and Gaza)		41			
Yemen	27	20		84	89
Zambia	57		67		
Zimbabwe		70	71		



## Appendix B. 4 OBS2010 Ranking of SAI Power

Country	OBS2010				
US	100	Mali	53	Nigeria	17
Norway	97	Portugal	53	Algeria	13
Slovenia	97	Liberia	50	Lebanon	13
Bosnia-Herzegovina	93	Tanzania	50	Morocco	13
New Zealand	93	Albania	50	Angola	10
Germany	87	Mexico	50	Chad	7
Sweden	87	Spain	50	Fiji	7
Brazil	83	Namibia	50	Cameroon	3
UK	80	Argentina	47	Equatorial Guinea	0
Chile	80	Kyrgyz Republic	47	Timor-Leste	0
Macedonia	80	Venezuela	47		
Poland	80	Iraq	47		
Korea, Republic of	77	Pakistan	43		
France	77	Trinidad and Tobago	43		
Russia	77	Kazakhstan	43		
Croatia	73	Vietnam	43		
Italy	73	Ecuador	40		
Botswana	73	Honduras	40		
South Africa	73	Bolivia	37		
Costa Rica	70	Turkey	37		
Colombia	67	Sudan	33		
Czech Republic	67	Bulgaria	33		
India	67	Cambodia	33		
Slovakia	67	Papua New Guinea	33		
Ghana	63	Dominican Republic	33		
Ukraine	63	Uganda	33		
Romania	63	Bangladesh	30		
Philippines	60	Egypt	30		
Indonesia	60	Sao Tome	30		
China	57	Serbia	30		
Mongolia	57	Afghanistan	27		
Nepal	57	Jordan	27		
Sri Lanka	57	Yemen	27		
Zambia	57	Mozambique	27		
Kenya	57	Saudi Arabia	23		
Peru	57	Burkina Faso	23		
Thailand	57	Malawi	23		
Malaysia	53	Nicaragua	23		
Rwanda	53	Niger	23		
El Salvador	53	Senegal	23		
Georgia	53	Azerbaijan	20		
Guatemala	53	Congo (Dem. Rep.)	20		

## Appendix B. 5 GI0810 SAI Ranking

<b>countries and territories</b>	<b>GI08-10</b>
Korea, Republic of	97
US	95
Mexico	94
Liberia	92
Czech Republic	91
Peru	91
India	89
Venezuela	89
Albania	88
Kosovo	86
Tanzania	86
Bolivia	84
Malawi	84
Ukraine	83
Rwanda	81
Guatemala	77
Italy	75
Poland	71
Zimbabwe	70
Hungary	69
Sierra Leone	68
Bulgaria	68

Canada	66
Jordan	65
Lebanon	65
South Africa	65
Kenya	64
Indonesia	63
Argentina	62
Macedonia	61
Russia	61
Moldova	60
Ghana	59
Mongolia	58
Turkey	57
Pakistan	55
China	55
Colombia	55
Ethiopia	54
Bangladesh	54
Nepal	53
Romania	53
Morocco	52
Bosnia-Herzegovina	51
Japan	50
Vietnam	50

Georgia	49
Uganda	49
Azerbaijan	47
Chile	44
Kazakhstan	42
Lithuania	41
West Bank and Gaza	41
Philippines	38
Nigeria	35
Iraq	30
Cameroon	29
Algeria	28
Ecuador	28
Kyrgyz Republic	28
Cambodia	27
Malaysia	24
Belarus	23
Nicaragua	23
Montenegro	20
Yemen	20
Egypt	17
Angola	16
Somalia	16
Serbia	14

## Appendix B. 6 PEFA-26 SAI Ranking

<b>Countries and territories</b>	<b>PEFA-26</b>
Bhutan	84
Costa Rica	84
Mauritius	84
Norway	84
Peru	84
Philippines	84
South Africa	84
Yemen	84
Colombia	67
Serbia	67
Tanzania	67
Trinidad and Tobago	67
Brazil	50
El Salvador	50
Ethiopia	50
Guatemala	50
Honduras	50
Kenya	50
Maldives	50
Moldova	50
Paraguay	50

Rwanda	50
Slovenia	50
Timor-Leste	50
Uganda	50
Kosovo	42
Tonga	38
Afghanistan	33
Senegal	33
Seychelles	33
Armenia	17
Belarus	17
Bolivia	17
Botswana	17
Burkina Faso	17
Burundi	17
Cape Verde	17
Congo (Dem. Rep.)	17
Dominican Republic	17
Georgia	17
Ghana	17
Haiti	17
India	17

Kyrgyz Republic	17
Lao People's Democratic Republic	17
Malawi	17
Mauritania	17
Morocco	17
Mozambique	17
Nepal	17
Saint Vincent and the Grenadines	17
Samoa	17
Saudi Arabia	17
Tunisia	17
Central African Republic	0
Côte D'Ivoire	0
Guinea Bissau	0
Liberia	0
Mali	0
Niger	0
Togo	0

## Appendix B. 7 PEFA-26mean SAI Ranking

<b>countries and territories</b>	<b>PEFA-26mean</b>				
Bhutan	89	Bolivia	56	Afghanistan	33
Costa Rica	89	Georgia	56	Senegal	33
Yemen	89	Honduras	56	Seychelles	33
Philippines	84	Kenya	56	Armenia	22
Mauritius	78	Lao People's Democratic Republic	56	Congo (Dem. Rep.)	22
Norway	78	Slovenia	56	Kyrgyz Republic	22
Peru	78	Ethiopia	55	Mauritania	22
South Africa	78	Botswana	45	Saudi Arabia	22
Moldova	78	Belarus	44	Cape Verde	22
Colombia	67	Dominican Republic	44	Malawi	22
Serbia	67	Paraguay	44	Tonga	17
Tanzania	67	Burkina Faso	33	Burundi	11
Trinidad and Tobago	67	Ghana	33	Haiti	11
Brazil	67	India	33	Samoa	11
El Salvador	67	Maldives	33	Central African Republic	0
Guatemala	67	Morocco	33	Côte D'Ivoire	0
Timor-Leste	67	Mozambique	33	Guinea Bissau	0
Tunisia	67	Nepal	33	Liberia	0
Uganda	67	Saint Vincent and the Grenadines	33	Mali	0
Kosovo	65			Niger	0
Rwanda	61			Togo	0

## Appendix B. 8 OECD SAI Ranking

<b>countries and territories</b>	<b>OECD</b>
Denmark	93
Fiji	93
Mauritius	92
Austria	89
Norway	89
UK	89
South Africa	88
Germany	87
Netherlands	87
US	87
Iceland	85
Japan	85
Rwanda	85
Thailand	83
Turkey	83
Australia	81
Ghana	81
Ireland	81
New Zealand	81
Philippines	81
Slovakia	81
Switzerland	81
Albania	80
Belgium	80
Venezuela	80
Botswana	79
Canada	79
Lithuania	79
Poland	79
Ukraine	79
Bolivia	77
Costa Rica	77
Greece	77
Italy	77
Korea, Republic of	77
Spain	77
(Taiwan)	77
Bulgaria	75
Hungary	75
Latvia	75
Luxembourg	73

Malta	73
Namibia	73
Slovenia	73
Solomon Islands	73
Croatia	71
Kenya	71
Kyrgyz Republic	71
Mongolia	71
Swaziland	71
Argentina	71
Zimbabwe	71
Finland	69
Russia	69
Brazil	69
Sweden	68
Ethiopia	67
Moldova	67
Portugal	67
Romania	67
Uruguay	67
Zambia	67
Lesotho	67
Malawi	67
Mali	67
Mexico	65
Peru	65
France	64
Jordan	64
Liberia	64
Uganda	64
Vietnam	64
Israel	60
Mozambique	60
Sierra Leone	60
Burkina Faso	59
Benin	57
Guinea	57
Bosnia-Herzegovina	56
Cyprus	53
Czech Republic	53
Nigeria	53
UAE	53
(Hong Kong)	51

Qatar	51
Cambodia	51
Haiti	47
Papua New Guinea	45
Congo	44
Serbia	40
Suriname	40
Tajikistan	40
Tunisia	36
Chile	33
Madagascar	33
Morocco	32
Indonesia	31

Appendix B. 9 Comparison of OBS2010 Scores with Other Survey Scores

<b>Countries and territories</b>	<b>OBS2010</b>	<b>GI08-10</b>	<b>OECD</b>	<b>PEFA-26</b>	<b>PEFA-26mean</b>
US	100	95	87		
Norway	97		89	84	78
Slovenia	97		73	50	56
Bosnia-Herzegovina	93	51	56		
New Zealand	93		81		
Germany	87		87		
Sweden	87		68		
Brazil	83		69	50	67
UK	80		89		
Chile	80	44	33		
Macedonia	80	61			
Poland	80	71	79		
Korea, Republic of	77	97	77		
France	77		64		
Russia	77	61	69		
Croatia	73		71		
Italy	73	75	77		
Botswana	73		79	17	45
South Africa	73	65	88	84	78
Costa Rica	70		77	84	89
Colombia	67	55		67	67
Czech Republic	67	91	53		
India	67	89		17	33
Slovakia	67		81		
Ghana	63	59	81	17	33
Ukraine	63	83	79		
Romania	63	53	67		
Philippines	60	38	81	84	84
Indonesia	60	63	31		
China	57	55			
Mongolia	57	58	71		
Nepal	57	53		17	33
Sri Lanka	57				
Zambia	57		67		
Kenya	57	64	71	50	56
Peru	57	91	65	84	78
Thailand	57		83		
Malaysia	53	24			
Rwanda	53	81	85	50	61
El Salvador	53			50	67
Georgia	53	49		17	56
Guatemala	53	77		50	67

<b>Countries and territories</b>	<b>OBS2010</b>	<b>GI08-10</b>	<b>OECD</b>	<b>PEFA-26</b>	<b>PEFA-26mean</b>
Mali	53		67	0	0
Portugal	53		67		
Liberia	50	92	64	0	0
Tanzania	50	86		67	67
Albania	50	88	80		
Mexico	50	94	65		
Spain	50		77		
Namibia	50		73		
Argentina	47	62	71		
Kyrgyz Republic	47	28	71	17	22
Venezuela	47	89	80		
Iraq	47	30			
Pakistan	43	55			
Trinidad and Tobago	43			67	67
Kazakhstan	43	42			
Vietnam	43	50	64		
Ecuador	40	28			
Honduras	40			50	56
Bolivia	37	84	77	17	56
Turkey	37	57	83		
Sudan	33				
Bulgaria	33	68	75		
Cambodia	33	27	51		
Papua New Guinea	33		45		
Uganda	33	49	64	50	67
Dominican Republic	33			17	44
Bangladesh	30	54			
Egypt	30	17			
Sao Tome	30				
Serbia	30	14	40	67	67
Afghanistan	27			33	33
Jordan	27	65	64		
Yemen	27	20		84	89
Mozambique	27		60	17	33
Saudi Arabia	23			17	22
Burkina Faso	23		59	17	33
Malawi	23	84	67	17	22
Nicaragua	23	23			
Niger	23			0	0
Senegal	23			33	33
Azerbaijan	20	47			
Congo (Dem. Rep.)	20			17	22
Nigeria	17	35	53		
Algeria	13	28			

Countries and territories	OBS2010	GI08-10	OECD	PEFA-26	PEFA-26mean
Lebanon	13	65			
Morocco	13	52	32	17	33
Angola	10	16			
Chad	7				
Fiji	7		93		
Cameroon	3	29			
Equatorial Guinea	0				
Timor-Leste	0			50	67

Appendix B. 10 IDI SAI Rankings

SAI Id	INTOSAI Member	INTOSAI Region	SAI model	SAI strength	1.8 time limit new	1.8 time limit new1
SAI 01	Y	ASOSAI	Westminster	0,77	1	1
SAI 02	Y	EUROSAI	Westminster	0,93	1	1
SAI 03	Y	ARABOSAI	Court/Judicial Model	0,5	0,5	0
SAI 04	N	PASAI	Westminster	0,47	1	1
SAI 05	Y	AFROSAI-E	Court/Judicial Model	0,43	0	0
SAI 06	N	CAROSAI	Part of Ministry of Finance	0,33	0	0
SAI 07	Y	CAROSAI	Westminster	0,3	0	0
SAI 08	Y	OLACEFS	Board/Collegial Model	1	1	1
SAI 09	Y	EUROSAI	Board/Collegial Model	0,87	1	1
SAI 10	Y	ASOSAI	Westminster	0,77	1	1
SAI 11	Y	EUROSAI	Westminster	1	1	1
SAI 12	Y	EUROSAI	Board/Collegial Model	0,7	1	1
SAI 13	Y	CAROSAI	Westminster	0,6	0	0
SAI 14	Y	ARABOSAI	Other	1	1	1
SAI 15	Y	ASOSAI	Westminster	0,5	0	0
SAI 16	Y	CAROSAI	Westminster	0,83	0,5	0
SAI 17	Y	EUROSAI	Court/Judicial Model	0,93	1	1
SAI 18	Y	CAROSAI	Westminster	0,63	0,5	0
SAI 19	Y	CREFI AF	Court/Judicial Model	0,6	0	0
SAI 20	N	CAROSAI	Westminster	0,67	0	0
SAI 21	Y	ASOSAI	Westminster	1	1	1
SAI 22	Y	EUROSAI	Westminster	0,83	1	1
SAI 23	Y	AFROSAI-E	Westminster	0,83	1	1
SAI 24	Y	OLACEFS	Court/Judicial Model	1	1	1
SAI 25	Y	EUROSAI	Board/Collegial Model	0,87	1	1
SAI 26	Y	CREFI AF	Court/Judicial Model	1	1	1
SAI 27	Y	CREFI AF	Other	0,7	1	1
SAI 28	Y	ASOSAI	Westminster	0,77	1	1
SAI 29	Y	CREFI AF	Other	0,67	0,5	0
SAI 30	Y	0 region	Westminster	0,83	1	1
SAI 31	Y	CREFI AF	Court/Judicial Model	0,47	0	0



SAI 32	N	CAROSAI	Westminster	0,67	0	0
SAI 33	Y	CREFIAF	Westminster	0,37	0	0
SAI 34	Y	OLACEFS	Westminster	0,6	0	0
SAI 35	Y	ASOSAI	Westminster	1	1	1
SAI 36	Y	OLACEFS	Westminster	0,93	1	1
SAI 37	Y	CREFIAF	Court/Judicial Model	0,83	0,5	0
SAI 38	Y	CREFIAF	Court/Judicial Model	0,67	0	0
SAI 39	Y	PASAI	Westminster	0,77	0,5	0
SAI 40	Y	OLACEFS	Other	0,83	1	1
SAI 41	Y	CREFIAF	Court/Judicial Model	0,67	0	0
SAI 42	Y	EUROSAI	Westminster	1	1	1
SAI 43	Y	OLACEFS	Other	0,83	1	1
SAI 44	Y	EUROSAI	Westminster	1	1	1
SAI 45	Y	EUROSAI	Board/Collegial Model	0,87	1	1
SAI 46	Y	EUROSAI	Westminster	0,77	1	1
SAI 47	Y	ARABOSAI	Court/Judicial Model	1	1	1
SAI 48	Y	OLACEFS	Board/Collegial Model	1	1	1
SAI 49	Y	OLACEFS	Other	0,77	1	1
SAI 50	Y	ARABOSAI	Other	1	1	1
SAI 51	Y	OLACEFS	Court/Judicial Model	0,83	1	1
SAI 52	Y	CREFIAF	Part of Ministry of Finance	0,13	0	0
SAI 53	Y	AFROSAI-E	Westminster	0,67	0	0
SAI 54	Y	EUROSAI	Westminster	1	1	1
SAI 55	Y	AFROSAI-E	Westminster	0,93	1	1
SAI 56	Y	EUROSAI	Board/Collegial Model	0,6	1	1
SAI 57	Y	PASAI	Part of Ministry of Finance	0,77	1	1
SAI 58	Y	EUROSAI	Westminster	1	1	1
SAI 59	Y	EUROSAI	Court/Judicial Model	0,93	1	1
SAI 60	Y	CREFIAF	Court/Judicial Model	0,8	1	1
SAI 61	Y	AFROSAI-E	Other	0,47	0	0
SAI 62	Y	EUROSAI	Westminster	1	1	1
SAI 63	Y	EUROSAI	Board/Collegial Model	1	1	1
SAI 64	Y	AFROSAI-E	Westminster	1	1	1
SAI 65	Y	EUROSAI	Court/Judicial Model	0,73	1	1
SAI 66	Y	CAROSAI	Westminster	0,93	1	1
SAI 67	N	PASAI	Other	0,7	1	1
SAI 68	Y	OLACEFS	Other	0,83	1	1
SAI 69	Y	CREFIAF	Other	0,5	0	0
SAI 70	Y	CREFIAF	Board/Collegial Model	0,5	0	0
SAI 71	Y	CAROSAI	Westminster	0,83	0,5	0
SAI 72	Y	OLACEFS	Board/Collegial Model	1	1	1
SAI 73	Y	EUROSAI	Westminster	1	1	1
SAI 74	Y	EUROSAI	Westminster	0,83	1	1
SAI 75	Y	ASOSAI	Westminster	1	1	1
SAI 76	Y	ASOSAI	Board/Collegial Model	1	1	1

SAI 77	Y	ASOSAI	Court/Judicial Model	0,8	1	1
SAI 78	Y	ARABOSAI	Westminster	1	1	1
SAI 79	Y	EUROSAI	Other	0,77	1	1
SAI 80	Y	ASOSAI	Other	0,83	1	1
SAI 81	Y	EUROSAI	Court/Judicial Model	0,93	1	1
SAI 82	Y	CAROSAI	Westminster	0,93	1	1
SAI 83	Y	ASOSAI	Board/Collegial Model	0,93	1	1
SAI 84	Y	ARABOSAI	Westminster	1	1	1
SAI 85	Y	EUROSAI	Board/Collegial Model	0,83	1	1
SAI 86	Y	AFROSAI-E	Westminster	1	1	1
SAI 87	Y	PASAI	Westminster	0,77	1	1
SAI 88	Y	ASOSAI	Board/Collegial Model	0,93	1	1
SAI 89	Y	ARABOSAI	Other	0,8	1	1
SAI 90	Y	ASOSAI	Board/Collegial Model	0,53	0	0
SAI 91	Y	EUROSAI	Board/Collegial Model	1	1	1
SAI 92	Y	ARABOSAI	Court/Judicial Model	0,23	0	0
SAI 93	Y	AFROSAI-E	Westminster	0,67	0	0
SAI 94	Y	ARABOSAI	Board/Collegial Model	0,77	1	1
SAI 95	Y	EUROSAI	Westminster	0,43	0	0
SAI 96	Y	EUROSAI	Westminster	1	1	1
SAI 97	Y	EUROSAI	Court/Judicial Model	0,77	1	1
SAI 98	Y	EUROSAI	Westminster	0,83	1	1
SAI 99	Y	CREFIAF	Court/Judicial Model	0,67	0	0
SAI 100	Y	AFROSAI-E	Westminster	0,83	0,5	0
SAI 101	Y	ASOSAI	Westminster	1	1	1
SAI 102	Y	ASOSAI	Westminster	0,67	0	0
SAI 103	Y	CREFIAF	Westminster	0,5	0,5	0
SAI 104	Y	EUROSAI	Westminster	1	1	1
SAI 105	Y	PASAI	Other	0,87	1	1
SAI 106	Y	ARABOSAI	Court/Judicial Model	0,67	0	0
SAI 107	Y	AFROSAI-E	Westminster	0,7	1	1
SAI 108	Y	OLACEFS	Westminster	0,87	1	1
SAI 109	Y	PASAI	Other	1	1	1
SAI 110	Y	EUROSAI	Board/Collegial Model	1	1	1
SAI 111	Y	EUROSAI	Board/Collegial Model	0,93	1	1
SAI 112	Y	ASOSAI	Westminster	0,77	1	1
SAI 113	Y	EUROSAI	Board/Collegial Model	1	1	1
SAI 114	N	CAROSAI	Westminster	0,43	0	0
SAI 115	Y	ARABOSAI	Court/Judicial Model	0,93	1	1
SAI 116	Y	ASOSAI	Westminster	0,87	1	1
SAI 117	Y	AFROSAI-E	Westminster	0,67	0	0
SAI 118	Y	PASAI	Westminster	0,6	0	0
SAI 119	Y	ASOSAI	Westminster	0,87	1	1
SAI 120	Y	EUROSAI	Board/Collegial Model	0,83	1	1
SAI 121	Y	OLACEFS	Board/Collegial Model	0,67	0	0
SAI 122	Y	PASAI	Westminster	0,83	1	1

SAI 123	Y	OLACEFS	Board/Collegial Model	1	1	1
SAI 124	Y	CREFIAF	Court/Judicial Model	0,67	0	0
SAI 125	Y	AFROSAI-E	Westminster	0,53	0,5	0
SAI 126	N	PASAI	Other	0,93	1	1
SAI 127	Y	EUROSAI	Board/Collegial Model	1	1	1
SAI 128	Y	PASAI	Other	0,93	1	1
SAI 129	N	ARABOSAI	Westminster	0,83	1	1
SAI 130	Y	OLACEFS	Westminster	1	1	1
SAI 131	Y	PASAI	Westminster	0,77	0,5	0
SAI 132	Y	OLACEFS	Other	1	1	1
SAI 133	Y	OLACEFS	Other	1	1	1
SAI 134	Y	ASOSAI	Other	1	1	1
SAI 135	Y	EUROSAI	Westminster	1	1	1
SAI 136	Y	EUROSAI	Court/Judicial Model	1	1	1
SAI 137	Y	OLACEFS	Westminster	0,87	1	1
SAI 138	Y	ARABOSAI	Westminster	0,93	1	1
SAI 139	Y	EUROSAI	Board/Collegial Model	0,87	1	1
SAI 140	Y	EUROSAI	Board/Collegial Model	0,5	0	0
SAI 141	Y	CREFIAF	Other	0,87	1	1
SAI 142	Y	CAROSAI	Westminster	0,6	0	0
SAI 143	Y	CAROSAI	Westminster	0,43	0	0
SAI 144	Y	PASAI	Westminster	0,87	1	1
SAI 145	Y	CREFIAF	Court/Judicial Model	1	1	1
SAI 146	Y	ARABOSAI	Westminster	0,83	1	1
SAI 147	Y	CREFIAF	Court/Judicial Model	0,6	0,5	0
SAI 148	Y	EUROSAI	Board/Collegial Model	1	1	1
SAI 149	N	AFROSAI-E	Westminster	1	1	1
SAI 150	Y	AFROSAI-E	Westminster	1	1	1
SAI 151	Y	ASOSAI	Westminster	0,93	1	1
SAI 152	Y	EUROSAI	Westminster	0,93	1	1
SAI 153	Y	EUROSAI	Westminster	1	1	1
SAI 154	Y	PASAI	Westminster	0,47	0	0
SAI 155	Y	AFROSAI-E	Westminster	1	1	1
SAI 156	Y	EUROSAI	Court/Judicial Model	1	1	1
SAI 157	Y	ARABOSAI	Westminster	1	1	1
SAI 158	Y	CAROSAI	Court/Judicial Model	0,87	1	1
SAI 159	Y	AFROSAI-E	Westminster	0,93	1	1
SAI 160	Y	EUROSAI	Board/Collegial Model	0,93	1	1
SAI 161	Y	EUROSAI	Part of Ministry of Finance	0,83	1	1
SAI 162	Y	AFROSAI-E	Westminster	1	1	1
SAI 163	Y	CREFIAF	Court/Judicial Model	0,6	0,5	0
SAI 164	Y	ASOSAI	Board/Collegial Model	0,93	1	1
SAI 165	N	0 region	Other	0,23	0	0
SAI 166	Y	CREFIAF	Other	0,5	0	0
SAI 167	Y	PASAI	Westminster	0,5	0	0

SAI 168	Y	CAROSAI	Westminster	0,77	1	1
SAI 169	Y	ARABOSAI	Court/Judicial Model	1	1	1
SAI 170	Y	EUROSAI	Court/Judicial Model	0,77	1	1
SAI 171	N	CAROSAI	Westminster	0,17	0,5	0
SAI 172	Y	PASAI	Westminster	0,87	1	1
SAI 173	Y	AFROSAI-E	Westminster	1	1	1
SAI 174	Y	EUROSAI	Board/Collegial Model	0,93	1	1
SAI 175	Y	ARABOSAI	Board/Collegial Model	1	1	1
SAI 176	Y	EUROSAI	Westminster	0,5	0	0
SAI 177	Y	0 region	Westminster	0,77	1	1
SAI 178	Y	OLACEFS	Board/Collegial Model	0,87	1	1
SAI 179	Y	OLACEFS	Other	1	1	1
SAI 180	Y	ASOSAI	Westminster	0,83	1	1
SAI 181	Y	ARABOSAI	Westminster	1	1	1
SAI 182	Y	AFROSAI-E	Westminster	0,67	1	1
SAI 183	Y	AFROSAI-E	Westminster	0,77	0,5	0

Appendix B. 11 Pair-wise Correlations of the SAI Indices

	OBS2010	GI08.10	OECD	PEFA.26	PEFA.26 mean
a) Method = Pearson					
OBS2010	1.00				
GI08.10	0.46***	1.00			
OECD	0.32**	0.37**	1.00		
PEFA.26	0.36**	- 0.16	0.44**	1.00	
PEFA.26mean	0.35**	- 0.19	0.33*	0.87***	1.00
b) Method= Spearman					
OBS2010	1.00				
GI08.10	0.45***	1.00			
OECD	0.37***	0.27*	1.00		
PEFA.26new	0.37**	- 0.14	0.48**	1.00	
PEFA.26mean.new	0.43***	- 0.15	0.43**	0.87***	1.00
c) Method = Kendall					
OBS2010	1.00				
GI08.10	0.31***	1.00			
OECD	0.28***	0.21**	1.00		
PEFA.26new	0.28**	- 0.10*	0.37**	1.00	
PEFA.26mean.new	0.30**	- 0.10*	0.30**	0.77***	1.00

\*\*\* $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$ ;

Appendix B. 12 List of Independent Variables (in alphabetical order of the variable label)

Variable Label	Variable Name	Description	Source
A1000	Freedom and legality of elections (2006)	Freedom and legality of elections : If no elections, mark 0 - if elections exists, from 1 = little freedom or legality to 4 = high level of freedom and legality	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
A1001	Acceptance or contestation of most recent change at highest level of government (2006)	Acceptance or contestation of most recent change at highest level of government : from 1 = strong contestation to 4 = substantial acceptance	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
A1002	Participation of armed forces in political life, de jure or de facto (2006)	Participation of armed forces in political life, de jure or de facto: from 1 = strong participation to 4 = very weak participation	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
A3021	Level of "large-scale" corruption (between the administration and firms) (2006)	Level of "large-scale" corruption (between the administration and firms): from 1 to 4	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
A3070	Independence of the justice system from Government (2006)	Independence of the justice system from Government: from 1 to 4	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
A6010	Effectiveness of legal measures to defend property rights between private agents (2006)	Effectiveness of legal measures to defend property rights between private agents: from 1 = weak to 4 = highly effective	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
A6032	Respect for contracts with private mediation (lawyers) (2006)	Respect for contracts with private mediation (lawyers): from 1 to 4	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
A605	Settlement of economic disputes: justice in commercial matters (2006)	Settlement of economic disputes: justice in commercial matters: from 1=low degree of independence, equality of treatment, application and rapidity to 4=high degree of independence. This variable is calculated from the mean of A6050 (Independence of the justice system vis-à-vis the Government as regards commercial disputes), A6051 (Independence of the justice system vis-à-vis litigants (local) as regards commercial disputes), A6052 (Equality of treatment between nationals and foreigners as regards commercial disputes) and A6053 (Degree of application and rapidity of legal rulings on commercial matters).	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>

A606	Law on bankruptcies (2006)	Law on bankruptcies: 0 if there is no law on bankruptcies - if bankruptcy laws exist, grade from 1=deficient application to 4=swift and efficient application; This variable is calculated as the mean of A6060 (Law on bankruptcies), A6061 (More precisely, independence of court's ruling on bankruptcies) and A6061 (Existence of simplified legal procedures to restructure rather than put into liquidation?)	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
Aid02.07pc	Per capita Net official development assistance and official aid received (constant 2009 US\$) (mean for the years 2002-2007)	Net official development assistance is disbursement flows (net of repayment of principal) that meet the DAC definition of ODA and are made to countries and territories on the DAC list of aid recipients. Net official aid refers to aid flows (net of repayments) from official donors to countries and territories in part II of the DAC list of recipients: more advanced countries of Central and Eastern Europe, the countries of the former Soviet Union, and certain advanced developing countries and territories. Official aid is provided under terms and conditions similar to those for ODA. Part II of the DAC List was abolished in 2005. The collection of data on official aid and other resource flows to Part II countries ended with 2004 data. Data are in constant 2008 U.S. dollars. (WB code: DT.ODA.ALLD.KD) Own calculation of the per capita value by dividing the Aid value by the mean of the population value (pop02_07 – see below)	WBdataBank
Ale.fract	Degree of Fractionalization based on the data by Alesina et al. (2001)	Degree of Fractionalization : Own calculation, mean of the variables "Ethnic", "Language" and "Religion"	Auhtor's calculation based on data by Alesina, Devleeschauwer, Easterly, Kurlat & Wacziarg <a href="http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls">http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls</a> (Alesina et al 2003)
B702	Competition between businesses: competition regulation arrangements (2006)	Competition between businesses: competition regulation arrangements: 0 if no arrangements - if arrangements, grade from 1 = not very effective to 4 = very effective. This variable is calculated from the mean of B7020 (Existence of arrangements to combat restrictive collective agreements) and B7021 (Existence of arrangements to combat abuses of dominant positions).	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
B710	Information on the structure of shareholdings in local firms (2006)	Information on the structure of shareholdings in local firms: from 1 = very low level of information to 4 = high level of information.	Profils Institutionnels- Database (IPD) <a href="http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm">http://www.cepii.fr/ProfilsInstitutionnelsDatabase.htm</a>
battledeaths_02.08	The number of battle related deaths (mean of the years 2002 – 2008)	Battle-related deaths (number of people) (WB code: VC.BTL.DETH): Battle-related deaths are deaths in battle-related conflicts between warring parties, usually involving armed forces. This includes traditional battlefield fighting, guerrilla activities, and all kinds of bombardments of military units, cities, and villages, etc. All deaths--military as well as civilian--incurred in such situations, are counted as battle-related deaths. I used the mean for the years 2002 to 2008 here (instead of the usual 2002-2007) as I believe conflict in the year 2008 still has a direct impact on the functioning of a SAI in	World dataBank <a href="http://databank.worldbank.org/ddp/home.do?Step=12&amp;id=4&amp;CNO=2">http://databank.worldbank.org/ddp/home.do?Step=12&amp;id=4&amp;CNO=2</a> (Last Accessed November 8, 2011)

		2009.	
CAC2005	Ratification of the UN Convention Against Corruption (2005)	Ratification of the UN Convention Against Corruption (CAC) before the end of the year 2005.	Own research, see table B.37
CAC2007	Ratification of the UN Convention Against Corruption (2007)	Ratification of the UN Convention Against Corruption (CAC) before the end of the year 2007.	Own research, see table B.37
CAC2009	Ratification of the UN Convention Against Corruption (2009)	Ratification of the UN Convention Against Corruption (CAC) before the end of the year 2009.	Own research, see table B.37
CBC_budget	Total budget for capacity building (1996-2007), n=52	Total budget for capacity building: total Budget for capacity building projects and programs per beneficiary SAI until and incl. of 2007 in EUR (1USD = 0,75 EUR, 1 GBP=1.19612 EUR)	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
CBC_budget_t hs_all	Total budget (in thousands) for capacity building (1996-2007), n=191	Total budget for capacity building (in thousands): total Budget for capacity building projects and programs per beneficiary SAI until and incl. of 2007 in EUR (1USD = 0,75 EUR, 1 GBP=1.19612 EUR). Missing values were replaced with '0'.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
CBC_y	Total number of years of capacity building (1996-2007), n=52	Total number of years of capacity building per beneficiary SAI until (and incl. of) 2007	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
CBC_y_all	Total number of years of capacity building (1996-2007), n=191	Total number of years of capacity building per beneficiary SAI until (and incl. of) 2007, missings were replaced with '0'.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
childmort_02.0 7	Mortality rate, under-5 (per 1,000); average for years 2002	Mortality rate, under-5 (per 1,000); average for years 2002 to 2007 (WB code: SH.DYN.MORT): Under-five mortality rate is the probability per 1,000 that a newborn baby will die before reaching age five, if subject to current age-specific	World dataBank <a href="http://databank.worldbank.org/ddp/home.do?Step=12&amp;id=4&amp;CNO=2">http://databank.worldbank.org/ddp/home.do?Step=12&amp;id=4&amp;CNO=2</a> (Last Accessed November 8, 2011)



	to 2007	mortality rates.	
chga_hinst	Regime Institutions (2007)	Six-fold classification of political regimes, coded: (0) Parliamentary democracy (1) Mixed (semi-presidential) democracy (2) Presidential democracy (3) Civilian dictatorship (4) Military dictatorship (5) Royal dictatorship	Cheibub, Gandhi and Vreeland (2009) in Teorell et al. (2010)
ciri_empinx_new	Empowerment Rights Index (New) (2007)	Empowerment Rights Index (New) This is an additive index constructed from the Foreign Movement, Domestic Movement, Freedom of Speech, Freedom of Assembly & Association, Workers' Rights, Electoral Self-Determination, and Freedom of Religion indicators. It ranges from 0 (no government respect for these seven rights) to 14 (full government respect for these seven rights).	Cingranelli and Richards (2010) in Teorell et al. (2010)
ciri_injud	Independence of the Judiciary, year 2007	This variable indicates the extent to which the judiciary is independent of control from other sources, such as another branch of the government or the military. (0) Not independent (1) Partially independent (2) Generally independent	Cingranelli & Richards – Human Rights Dataset (Cingranelli and Richards 2010) <a href="http://www.humanrightsdata.org">http://www.humanrightsdata.org</a> (Dataset version: 2010.05.17), in Teorell et al. (2010)
ciri_kill	Extrajudicial Killing (2007)	Extrajudicial Killing: Political or Extrajudicial Killings are: (0) Practiced frequently (1) Practiced occasionally (2) Have not occurred	Cingranelli and Richards (2010) in Teorell et al. (2010)
coal_02.07	Coal rents (% of GDP) (mean for the years 2002-2007)	Coal rents are the difference between the value of both hard and soft coal production at world prices and their total costs of production. (WB code: NY.GDP.COAL.RT.ZS)	WBdataBank
CPIArevenues_05.07	CPIA efficiency of revenue mobilization rating (means of the years 2005-2007)	CPIA efficiency of revenue mobilization rating (1=low to 6=high) (Indicator code: IQ.CPA.REVN.XQ)	WBdataBank
defmin	Defense Minister a Military Officer (2007)	Dummy variable, 1if the defense minister is a military officer.	DATABASE OF POLITICAL INSTITUTIONS (DPI) Database of Political Institutions, <a href="http://go.worldbank.org/2EAGGLRZ40">http://go.worldbank.org/2EAGGLRZ40</a> (Beck et al 2000; 2001; Keefer 2009), last update March 2010
directtax_02.07	Direct taxation (mean of the years 2002-2007)	Direct taxation current Billion USD (mean of the years 2002-2007)	African Economic Outlook (AEO, 2008) Database on African Fiscal Performance. <a href="http://www.africaneconomicoutlook.org/en/database-on-african-fiscal-performance/table-1-direct-taxes-usd/">http://www.africaneconomicoutlook.org/en/database-on-african-fiscal-performance/table-1-direct-taxes-usd/</a>
dpi_checks	Number of Veto Players as of January 1, 2007	Equals one if the Legislative Index of Political Competitiveness (dpi_lipc) or the Executive Index of Political Competitiveness (dpi_eipc) is less than 6. In countries where dpi_lipc and dpi_eipc	Database of Political Institutions <a href="http://go.worldbank.org/2EAGGLRZ40">http://go.worldbank.org/2EAGGLRZ40</a>

		are greater than or equal to 6, dpi_checks is incremented by one if there is a chief executive, by a further one if the chief executive is competitively elected (dpi_eipc greater than six), and by a further one if the opposition controls the legislature. In presidential systems, dpi_checks is incremented by one for each chamber of the legislature (unless the president's party has a majority in the lower house and a closed-list system is in effect), and by one for each party coded as allied with the president's party and which has an ideological (left-right) orientation closer to that of the main opposition party than to that of the president's party. In parliamentary systems dpi_checks is incremented by one for every party in the government coalition as long as the parties are needed to maintain a majority, and by one for every party in the government coalition that has a position on economic issues closer to the largest opposition party than to the party of the executive. (The prime minister's party is not counted as a check if there is a closed rule in place.)	(Beck et al 2000; 2001; Keefer 2009), in Teorell et al. (2010)
dpi_fraud	Fraud or Candidate Intimidation Affection (2007)	Fraud or Candidate Intimidation Affection: Dummy variable, 1 when opposition is officially legal but reported vote fraud or candidate intimidation were serious enough to affect the outcome of elections. If not an election year, or if elected government has been deposed, records to the most recent election.	Database of Political Institutions <a href="http://go.worldbank.org/2EAGGLRZ40">http://go.worldbank.org/2EAGGLRZ40</a> (Beck et al 2000; 2001; Keefer 2009), in Teorell et al. (2010)
dpi_plurality	Plurality (2007)	Plurality: Dummy variable, 1 if plurality is used as electoral rule to select any candidate in any house, or if there is competition for the seats in a one-party state (dpi_lipc=4).	Database of Political Institutions <a href="http://go.worldbank.org/2EAGGLRZ40">http://go.worldbank.org/2EAGGLRZ40</a> (Beck et al 2000; 2001; Keefer 2009), in Teorell et al. (2010)
dpi_pr	Proportional Representation (2007)	Proportional Representation: Dummy variable, 1 if Proportional Representation (PR) is used as electoral rule to select any candidate in any house.	Database of Political Institutions <a href="http://go.worldbank.org/2EAGGLRZ40">http://go.worldbank.org/2EAGGLRZ40</a> (Beck et al 2000; 2001; Keefer 2009), in Teorell et al. (2010)
ecoleg	Fragility of Economic Legitimacy (2007)	Economic Legitimacy: Share of Export Trade in Manufactured Goods. Score from 0-3, whereby "0" is low fragility in economic legitimacy and "3" stands for high fragility of economic legitimacy	State Fragility Index and Matrix 2009 Monty G. Marshall and Benjamin R. Cole Center for Systemic Peace
Educa-tion.exp_02.07	Expected years of education (average for the years 2002-2007)	School life expectancy (years). Primary to tertiary. Total : The expected number of years of schooling, or school life expectancy (SLE), is defined as the total number of years of schooling which a child can expect to receive, assuming that the probability of his or her being enrolled in school at any particular future age is equal to the current enrolment ratio at that age. It is a synthetic summary indicator of the overall pattern of enrolment ratios at one particular point in time, and has no predictive value except in so far as it is believed that enrolment patterns will remain unchanged into the future. Caution should be	UNESCO Institute for Statistics, table 8: School life expectancy (approximation method). Data on school life expectancy (years) from primary to tertiary by country and sex, available from UIS website, <a href="http://www.uis.unesco.org">http://www.uis.unesco.org</a> .

		exercised when utilizing this indicator in international comparisons. For example, a year or grade completed in one country is not necessarily the same in terms of educational content or quality as a year or grade completed in another country. Moreover, it should be noted that SLE does not necessarily coincide with the expected number of grades completed because of the possibility of repeating grades. Thus, school life expectancy represents the expected number of years of schooling that will be completed, including years spent repeating one or more grades.	
EFW2D	2007	2D Military interference in rule of law and political process	Economic Freedom of the World (EFW) dataset James D. Gwartney, Joshua C. Hall, and Robert Lawson (2010). Economic Freedom of the World: 2010 Annual Report. Vancouver, BC: The Fraser Institute. Data retrieved from <a href="http://www.freetheworld.com/datasets_efw.html">http://www.freetheworld.com/datasets_efw.html</a>
EFW5Cvii	Tax Compliance (year 2007)	5Cvii Tax compliance: Economic Freedom of the World Dataset 2010: Area 5: Regulation of Credit, Labor, and Business, Area C: Business Regulations, vii: Cost of tax compliance (DB). This sub-component is based on the World Bank's Doing Business data on the time required per year for a business to prepare, file, and pay taxes on corporate income, value added or sales taxes, and taxes on labor. The formula used to calculate the zero-to-10 ratings was: $(V_{max} - V_i) / (V_{max} - V_{min})$ multiplied by 10. $V_i$ represents the time cost (measured in hours) of tax compliance. The values for $V_{max}$ and $V_{min}$ were set at 892 hours (1.5 standard deviations above average) and 0 hours, respectively. Countries with values outside the range marked off by $V_{max}$ and $V_{min}$ received ratings of either zero or ten, accordingly. • Source World Bank, Doing Business (various issues), < <a href="http://www.doingbusiness.org/">http://www.doingbusiness.org/</a> >. 10 is the highest possible rating and zero (0) is the lowest. A higher rating indicates less time cost, mostly due to clear regulations and procedures and indicates a greater degree of economic freedom.	James D. Gwartney, Joshua C. Hall, and Robert Lawson 2010 Economic Freedom Dataset, published in Economic Freedom of the World: 2010 Annual Report. <a href="http://www.freetheworld.com/datasets_efw.html">http://www.freetheworld.com/datasets_efw.html</a>
Ethnic	Ethnic fractionalization (1979-2001 (varies by country))	Reflects probability that two randomly selected people from a given country will not belong to the same ethnolinguistic group. The higher the number, the more fractionalized society. The definition of ethnicity involves a combination of racial and linguistic characteristics. The result is a higher degree of fractionalization than the commonly used ELF-index (see el_elf60) in for example Latin America, where people of many races speak the same language.	Alesina, Devleeschauwer, Easterly, Kurlat & Wacziarg <a href="http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls">http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls</a> (Alesina et al 2003)
Extenal.environment.capacity	Capacity building to strengthen SAI's capacity to deal with external	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Capacity to deal with external environment", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initia-

	environment (1996- 2007)		tive (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
ffp_fsi	Failed States Index (2007)	Failed States Index: The Failed States Index includes an examination of the pressures on states, their vulnerability to internal conflict and societal deterioration. For each indicator, the ratings are placed on a scale of 0 to 10, with 0 being the lowest intensity (most stable) and 10 being the highest intensity (least stable). The total score is the sum of the 12 indicators and is on a scale of 0-120	Fund for Peace - Failed States Index <a href="http://www.fundforpeace.org/web/index.php?option=com_content&amp;task=view&amp;id=99&amp;Itemid=140">http://www.fundforpeace.org/web/index.php?option=com_content&amp;task=view&amp;id=99&amp;Itemid=140</a> in Teorell et al (2010)
fh_aor	Associational and Organizational Rights (2007)	Associational and Organizational Rights: The variable evaluates the freedom of assembly, demonstrations and open public discussion; the freedom for nongovernmental organization; and the freedom for trade unions, peasant organizations and other professional and private organizations. Countries are graded between 0 (worst) and 12 (best).	Freedom House, Freedom in the World, <a href="http://www.freedomhouse.org">http://www.freedomhouse.org</a> in Teorell et al. (2010)
fh_cl	Civil Liberties (2007)	Civil Liberties: Civil liberties allow for the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state. The more specific list of rights considered vary over the years. For the year 2006 Freedom House has published the scores for the sub-categories (see below). Countries are graded between 1 (most free) and 7 (least free).	Freedom House, Freedom in the World, <a href="http://www.freedomhouse.org">http://www.freedomhouse.org</a> in Teorell et al. (2010)
fh_ipolity2	Democracy, year 2007	Democracy (Freedom House/Imputed Polity): Scale ranges from 0-10 where 0 is least democratic and 10 most democratic. Average of Freedom House (fh_pr and fh_cl) is transformed to a scale 0-10 and Polity (p_polity2) is transformed to a scale 0-10. These variables are averaged into fh_ipolity2. The imputed version has imputed values for countries where data on Polity is missing by regressing Polity on the average Freedom House measure. Hadenius & Teorell (2005) show that this average index performs better both in terms of validity and reliability than its constituent parts.	Freedom House - Freedom in the World, <a href="http://www.freedomhouse.org">http://www.freedomhouse.org</a> ; and Polity IV, (Marshall and Jaggers 2002) <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a> ; in Teorell et al. (2010)
fh_pr	Political Rights (2007)	Political Rights: Political rights enable people to participate freely in the political process, including the right to vote freely for distinct alternatives in legitimate elections, compete for public office, join political parties and organizations, and elect representatives who have a decisive impact on public policies and are accountable to the electorate. The specific list of rights considered varies over the years. For the year 2006 Freedom House has published the scores for the sub-categories (see below). Countries are graded between 1 (most free) and 7 (least free).	Freedom House, Freedom in the World, <a href="http://www.freedomhouse.org">http://www.freedomhouse.org</a> in Teorell et al. (2010)
fh_press	Freedom of the Press, year 2007	The press freedom index is computed by adding three component ratings: Laws and regulations, Political pressures and controls and Economic Influences. The scale ranges from 0 (most free) to 100 (least free).	Freedom House, Freedom in the World, <a href="http://www.freedomhouse.org">http://www.freedomhouse.org</a> in Teorell et al. (2010)
fh_status	Freedom	Status: (1) Free	Freedom House, Freedom in

	House Status (2007)	(2) Partly Free (3) Not Free Until 2003, countries whose combined average ratings for Political Rights and Civil Liberties fell between 1.0 and 2.5 were designated "Free"; between 3.0 and 5.5 "Partly Free", and between 5.5 and 7.0 "Not Free". Since then, countries whose ratings average 1.0 to 2.5 are considered "Free", 3.0 to 5.0 "Partly Free", and 5.5 to 7.0 "Not Free".	the World, <a href="http://www.freedomhouse.org">http://www.freedomhouse.org</a> in Teorell et al. (2010)
Financial.audit.capacity	Capacity building to strengthen SAI's financial audit capacity (1996-2007), n=57	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Financial Audit Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Financial.audit.capacity_all	Capacity building to strengthen SAI's financial audit capacity (1996-2007), n=191	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Financial Audit Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered. Missings were replaced with "0"	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Forensic.audit.capacity	Capacity building to strengthen SAI's financial audit capacity (1996-2007), n=57	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Financial Audit Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Forensic.audit.capacity_all	Capacity building to strengthen SAI's Forensic audit capacity (1996-2007), n=191	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Forensic Audit Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered. Missings were replaced with "0"	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
FSIelite	Factionalized Elites (2007)	Rise of Factionalized Elites: Indicator is rated on a 1 to 10 scale with 1 (low) being the most stable and 10 (high) being the most at-risk of collapse and violence (high factionalization).	The Fund For Peace: Failed States Index (FSI) <a href="http://www.fundforpeace.org/global/?q=fsi-grid2007">http://www.fundforpeace.org/global/?q=fsi-grid2007</a>
FSIext	External Intervention (2007)	Intervention of Other States or External Political Stakeholders: Indicator is rated on a 1 to 10 scale with 1 (low) being the most stable and 10 (high) being the most at-risk of collapse and violence.	The Fund For Peace: Failed States Index (FSI) <a href="http://www.fundforpeace.org/global/?q=fsi-grid2007">http://www.fundforpeace.org/global/?q=fsi-grid2007</a>
FSIlegst	Legitimacy of the State (2007)	Legitimacy of the State: Indicator is rated on a 1 to 10 scale with 1 (low) being the most stable and 10 (high) being the most at-risk of collapse and violence (no legitimacy of the state)	The Fund For Peace: Failed States Index (FSI) <a href="http://www.fundforpeace.org/global/?q=fsi-grid2007">http://www.fundforpeace.org/global/?q=fsi-grid2007</a>

FSIsecapp	Security Apparatus Operates as a "State Within a State" (2007)	Security Apparatus Operates as a "State Within a State": Each Indicator is rated on a 1 to 10 scale with 1 (low) being the most stable and 10 (high) being the most at-risk of collapse and violence (security is a state within a state)	The Fund For Peace: Failed States Index (FSI) <a href="http://www.fundforpeace.org/global/?q=fsi-grid2007">http://www.fundforpeace.org/global/?q=fsi-grid2007</a>
gbs_totaid_02.07	General Budget Support as a percentage of total aid – disbursements (average for 2002-2007)	General Budget Support as a percentage of total aid – disbursements (average for 2002-2007)	De Renzio, Paolo, Matt Andrews and Zac Mills (2010) Evaluation of Donor Support to Public Financial Management (PFM) Reform in Developing Countries, Analytical study of quantitative cross-country evidence, FINAL REPORT November 2010, Overseas Development Institute, London. The database was provided by the courtesy of the authors.
GDPPC_02.07	Per Capita GDP, mean of the years 2002 to 2007	GDP per capita, PPP (constant 2005 international \$) (WB code: NY.GDP.PCAP.PP.KD): GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2005 international dollars. The variable has been linearly transformed by taking its square root after graphical examination of its correlation with the OBS2010 variable.	World dataBank <a href="http://databank.worldbank.org/ddp/home.do?Step=12&amp;id=4&amp;CNO=2">http://databank.worldbank.org/ddp/home.do?Step=12&amp;id=4&amp;CNO=2</a> (Last Accessed November 8, 2011)
HDI_00.07	Human Development Index score (average for years 2000, 2005, 2006 and 2007)	Human Development Index score (average for years 2000, 2005, 2006 and 2007)	United Nations Development Programme, Human Development Reports; <a href="http://hdr.undp.org/en/reports/">http://hdr.undp.org/en/reports/</a>
HMResRel	Fiscal Reliance on Natural Resources	Dummy Variable (0-1): The causal mechanism that links oil and minerals to regime types is assumed in the extant literature to be the rents captured by governments from oil, gas, and mineral production, thereby allowing them to finance themselves without taxing citizens. This dummy is based on a measure of Fiscal Reliance on Resource Revenues, the percentage of government revenues from oil, gas, or minerals. Fiscal Reliance includes taxes and royalties paid by either privately-owned or state owned oil and mining firms, as well as dividend payments or direct transfers paid to the government by state-owned firms. If there was any reliance, thus the percentage was > 0, the dummy variable was coded as "1". [I also tried to original continuous values as calculated by the author in separate regressions, reliance_02.07)	Annex to Haber, Stephen and Victor Menaldo, 2011. "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse" in American Political Science Review, February 2011.

ht_colonial	Colonial Origin (2007)	Colonial Origin: This is a tenfold classification of the former colonial ruler of the country. Following Bernard et al (2004), we have excluded the British settler colonies (the US, Canada, Australia, Israel and New Zealand), and exclusively focused on "Western overseas" colonialism. This implies that only Western colonizers (e.g. excluding Japanese colonialism), and only countries located in the non-Western hemisphere "overseas" (e.g. excluding Ireland & Malta), have been coded. Each country that has been colonized since 1700 is coded. In cases of several colonial powers, the last one is counted, if it lasted for 10 years or longer. The categories are the following: (0) Never colonized by a Western overseas colonial power (1) Dutch; (2) Spanish; (3) Italian; (4) US; (5) British; (6) French; (7) Portuguese; (8) Belgian; (9) British-French; (10) Australian	Teorell and Hadenius (2005) in Teorell et al (2010)
ht_region	The region of the country	This is a tenfold politico-geographic classification of world regions, based on a mixture of two considerations: geographical proximity (with the partial exception of category 5 below) and demarcation by area specialists having contributed to a regional understanding of democratization. The categories are as follow: (1) Eastern Europe and post Soviet Union (including Central Asia) (2) Latin America (including Cuba, Haiti & the Dominican Republic) (3) North Africa & the Middle East (including Israel, Turkey & Cyprus) (4) Sub-Saharan Africa (5) Western Europe and North America (including Australia & New Zealand) (6) East Asia (including Japan & Mongolia) (7) South-East Asia (8) South Asia (9) The Pacific (excluding Australia & New Zealand) (10) The Caribbean (including Belize, Guyana & Suriname, but excluding Cuba, Haiti & the Dominican Republic)	Hadenius & Teorell – Region and Colonial Origin (Teorell and Hadenius 2005), in Teorell et al. (2010)
IMF	Dummy for IMF poverty reduction support	Dummy for IMF poverty reduction support (PRGF, ECF, ESF, PSI, SBA, SCF) between 2004 and 2007 Categories: 0: the country has not received IMF poverty reduction support during the years 2004-2007 1: the country was a recipient of IMF poverty reduction support during the years 2004-2007	Own research based on Gollwitzer and Quintyn (2010), source: IMF MONA; <a href="http://www.imf.org/external/np/pdr/mona/index.aspx">http://www.imf.org/external/np/pdr/mona/index.aspx</a> (Last Accessed December 2011)
INTOSAIregion	The SAI's main belonging to an INTOSAI regional body (2010)	Categorical variable assigning each SAI to one INTOSAI regional body: Levels are: AFROSAI-E (African Organization of Supreme Audit Institutions-English speaking Africa) ARABOSAI (Arab Organization of SAIs) ASOSAI (Asian Organization of Supreme Audit Institutions) CAROSAI (Caribbean Organization of Supreme Audit Institutions) CREFIAF (Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques de l'Afrique Francophone Subsaharienne, Francophone Subsaharan African	Own research see table B.36. based on the IDI list of main belongings (INTOSAI-Donor Cooperation (IDI), 2010. Capacity development of Supreme Audit Institutions – status, needs and good practices. INTOSAI-Donor Cooperation Stocktaking Report 2010. INTOSAI Development Initiative (IDI), Oslo, Norway. Annex A); cross-checked with the list of SAI's INTOSAI home

		Organization of SAIs) EUROSAI (European Organization of Supreme Audit Institutions) NRM (no regional member) OLACEFS (Organization of Latin American and Caribbean Supreme Audit Institutions) PASAI (Pacific Association of Supreme Audit Institutions)	groups as of 2010 ( <a href="http://www.intosai.org/uploads/intosaihomegroups2010.pdf">http://www.intosai.org/uploads/intosaihomegroups2010.pdf</a> ), and the membership lists of each INTOSAI regional group ( <a href="http://www.intosai.org/regional-working-groups.html">http://www.intosai.org/regional-working-groups.html</a> );
IT.audit.capacity	Capacity building to strengthen SAI's IT audit capacity (1996-2007), n=57	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "IT Audit Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
IT.audit.capacity_all	Capacity building to strengthen SAI's IT audit capacity (1996-2007), n=191	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "IT Audit Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered. Missings were replaced with "0"	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Language	Linguistic fractionalization (2001)	Reflects probability that two randomly selected people from a given country will not belong to the same linguistic group. The higher the number, the more fractionalized society.	Alesina, Devleeschauwer, Easterly, Kurlat & Wacziarg <a href="http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls">http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls</a> (Alesina et al 2003)
lp_legor	Legal origin (2007)	Identifies the legal origin of the Company Law or Commercial code of each country. There are five possible origins: (1) English Common Law (2) French Commercial Code (3) Socialist/Communist Laws (4) German Commercial Code (5) Scandinavian Commercial Code	La Porta et al (1999) in Teorell et al. (2010)
lp_muslim80	Religion: Muslim (1980)	Muslims as percentage of population in 1980.	La Porta et al (1999) in Teorell et al. (2010)
M	Management Index (2006)	Management Index: The Bertelsmann Transformation Index's key innovation is its focus on the steering and management of development and transformation processes. The Index reviews and evaluates the reform activities of political decision makers, thus providing valuable information on the key factors of success and failure for states on their way to a market-based democracy. Governments must be determined in pursuing their goals, they must be prudent and effective in using their resources, and they must combine the capacity to govern with consensus-building while cooperating reliably with neighboring states and external support organizations. The BTI is the only ranking worldwide to focus so thoroughly on political leaders' management performance with self-collected data.	Bertelsmann Stiftung, Transformation Index 2006 - Political Management in International Comparison. <a href="http://www.bti-project.de/">http://www.bti-project.de/</a>
military	Chief Executive a Military	Chief Executive a Military Officer: "1" if the source (Europa or Banks) includes a rank in their	Beck et al 2000; 2001; Keefer 2009: DATABASE OF



	tary Officer(2007)	title, 0 otherwise. If chief executives were described as officers with no indication of formal retirement when they assumed office, they are always listed as officers for the duration of their term. If chief executives were formally retired military officers upon taking office, then this variable gets a 0. I adopt the method as in Teorell et al (2010): in the original, "not applicable" is coded as -999. I replaced these observations with missing "NA".	POLITICAL INSTITUTIONS
netusers_02.07	Internet users (per 100 people), average for 2002-2007	Internet users (per 100 people) (IT.NET.USER)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
newbusreg_04.07	New businesses registered (number), average for 2004-2007	New businesses registered (number): New businesses registered are the number of new limited liability corporations registered in the calendar year. (IC.BUS.NREG)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
newbusdens_04.07	New business density (new registrations per 1,000 people ages 15-64), average for 2004-2007	New business density (new registrations per 1,000 people ages 15-64): New businesses registered are the number of new limited liability corporations registered in the calendar year. (IC.BUS.NDNS.ZS)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
Oilmineral	Dummy for Hydrocarbon-Rich and mineral-rich countries (2000-05)	Dummy for Hydrocarbon-Rich and mineral-rich countries (2000-05). Includes all countries that are considered rich in hydrocarbons and/or mineral resources on the basis of the following criteria: (i) an average share of hydrocarbon and/or mineral fiscal revenues in total fiscal revenue of at least 25 percent during the period 2000-2005 or (ii) an average share of hydrocarbon and/or mineral export proceeds in total export proceeds of at least 25 percent. (IMF, 2007:62) Secondly, the dummy value of 1 has been assigned to countries that are considered rich in hydrocarbons and/or mineral resources on the basis of the following criteria: (i) an average share of hydrocarbon and/or mineral fiscal revenues in total fiscal revenue of at least 25 percent during the period 2000-2005 or (ii) an average share of hydrocarbon and/or mineral export proceeds in total export proceeds of at least 25 percent during the period 2000-2005. Two countries (Indonesia and Jordan) do not meet the data criteria to be in the list but are included due to the relevant importance of minerals in their economies. Indonesia, Mauritania and Uzbekistan have substantial hydrocarbon resources. (IMF, 2007:63)	IMF (2007) Guide on Resource Revenue Transparency, <a href="http://www.imf.org/external/np/pp/2007/eng/051507g.pdf">http://www.imf.org/external/np/pp/2007/eng/051507g.pdf</a>
Oil_02.07	Average of oil rents (% of GDP) 2002 to 2007	Oil rents (% of GDP) (World Bank Indicator name: NY.GDP.PETR.RT.ZS): Oil rents are the difference between the value of crude oil production at world prices and total costs of production. I calculated and used the mean for the years 2002 to 2007.	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a> (Last Accessed November 8, 2011)
Organisational.capacity	Capacity building to strengthen	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Organisational Capacity", '0' if	Own calculation based on the Capacity Building Committee (CBC) Directory of

	SAI's Organisational Capacity (1996-2007), n=57	it does not include such activities. Projects until and inclusive of 2007 were considered.	Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Organisation-al.capacity_all	Capacity building to strengthen SAI's Organisational Capacity (1996-2007), n=191	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Organisational Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered. Missings were replaced with "0"	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Other.audit.capacities	Capacity building to strengthen Other SAI Capacity (1996-2007), n=57	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Other Capacities", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Other.audit.capacities_all	Capacity building to strengthen SAI's Forensic audit capacity (1996-2007), n=191	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Other Capacities", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered. Missings were replaced with "0"	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
p_democ	Institutionalized Democracy (2007)	Institutionalized Democracy: Range = 0-10 (0 = low; 10 = high)	Polity IV <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a> (Marshall and Jaggers 2002) in Teorell et al. (2010)
p_durable	Regime Durability (2007)	Regime Durability: The number of years since the most recent regime change (defined by a three point change in the p_polity score over a period of three years or less) or the end of transition period defined by the lack of stable political institutions (denoted by a standardized authority score). In calculating the p_durable value, the first year during which a new (post-change) polity is established is coded as the baseline "year zero" (value = 0) and each subsequent year adds one to the value of the p_durable variable consecutively until a new regime change or transition period occurs.	Polity IV <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a> (Marshall and Jaggers 2002) in Teorell et al. (2010)
p_fragment	Polity Fragmentation (2007)	Polity Fragmentation: This variable codes the operational existence of a separate polity, or polities, comprising substantial territory and population within the recognized borders of the state and over which the coded polity exercises no effective authority (effective authority may be participatory or coercive). Local autonomy arrangements voluntarily established and accepted by both central and local authorities are not	Polity IV <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a> (Marshall and Jaggers 2002) in Teorell et al. (2010)

		<p>considered fragmentation. A polity that cannot exercise effective authority over at least 50 percent of its established territory is necessarily considered to be in a condition of "state failure" (i.e., interruption or interregnum, see below, or civil war). Polity fragmentation may result from open warfare (active or latent) or foreign occupation and may continue in the absence of open warfare if a situation of de facto separation remains unresolved and unchallenged by the state.</p> <p>(0) No overt fragmentation                  (1) Slight fragmentation: Less than ten percent of the country's territory is effectively under local authority and actively separated from the central authority of the regime.                  (2) Moderate fragmentation: Ten to twenty-five percent of the country's territory is effectively ruled by local authority and actively separated from the central authority of the regime.                  (3) Serious fragmentation: Over twenty-five percent (and up to fifty percent) of the country's territory is effectively ruled by local authority and actively separated from the central authority of the regime.</p>	
p_parreg	Regulation of Participation (2007)	<p>Regulation of Participation: Participation is regulated to the extent that there are binding rules on when, whether, and how political preferences are expressed. One-party states and Western democracies both regulate participation but they do so in different ways; the former by channeling participation through a single party structure, with sharp limits on diversity of opinion, and the latter by allowing relatively stable and enduring groups to compete nonviolently for political influence. The polar opposite is unregulated participation, in which there are no enduring national political organizations and no effective regime controls on political activity. In such situations political competition is fluid and often characterized by recurring coercion among shifting coalitions of partisan groups. A five-category scale is used to code this dimension: (1) Unregulated; (2) Multiple Identities; (3) Sectarian; (4) Restricted; (5) Regulated</p>	<p>Polity IV  <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a>                  (Marshall and Jagers 2002)                  in Teorell et al. (2010)</p>
p_polity2	Revised Combined Polity Score (2007)	Revised Combined Polity Score	<p>Polity IV  <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a>                  (Marshall and Jagers 2002)                  in Teorell et al. (2010)</p>
p_xconst	Executive Constraints (Decision Rules) (2007)	<p>Polity Executive Constraints: According to Eckstein and Gurr, decision rules are defined in the following manner: "Superordinate structures in action make decisions concerning the direction of social units. Making such decisions requires that supers and subs be able to recognize when decision-processes have been concluded, especially "properly" concluded. An indispensable ingredient of the processes, therefore, is the existence of Decision Rules that provide basic criteria under which decisions are considered to have been taken." (Eckstein and Gurr 1975, p.121) Operationally, this variable refers to the extent of institutionalized constraints on the</p>	<p>Polity IV  <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a>                  (Marshall and Jagers 2002)                  in Teorell et al. (2010)</p>

		<p>decision-making powers of chief executives, whether individuals or collectivities. Such limitations may be imposed by any "accountability groups". In Western democracies these are usually legislatures. Other kinds of accountability groups are the ruling party in a one-party state; councils of nobles or powerful advisors in monarchies; the military in coup-prone polities; and in many states a strong, independent judiciary. The concern is therefore with the checks and balances between the various parts of the decision-making process. A seven category scale is used.</p> <p>(1) Unlimited Authority; (2) Intermediate Category; (3) Slight to Moderate Limitation on Executive Authority; (4) Intermediate Category; (5) Substantial Limitations on Executive Authority; (6) Intermediate Category; (7) Executive Parity or Subordination.</p>	
p_xrcomp	Competitiveness of Executive Recruitment (2007)	<p>Competitiveness of Executive Recruitment: Competitiveness refers to "the extent that prevailing modes of advancement give subordinates equal opportunities to become superordinates (Gurr 1974, p.1483)." For example, selection of chief executives through popular elections involving two or more viable parties or candidates is regarded as competitive. If power transfers are coded Unregulated ("1") in the Regulation of Executive Recruitment (variable p_xrreg), or involve a transition to/from unregulated, Competitiveness is coded "0" (Not Applicable). Four categories are used to measure this concept: (0) Not Applicable; (1) Selection; (2) Dual/Transitional; (3) Election</p>	<p>Polity IV  <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a>                      (Marshall and Jaggers 2002)                      in Teorell et al. (2010)</p>
p_xrreg	Regulation of Chief Executive Recruitment (2007)	<p>Regulation of Chief Executive Recruitment: In considering recruitment, we must first determine whether there are any established modes at all by which chief executives are selected. Regulation refers to the extent to which a polity has institutionalized procedures for transferring executive power. Three categories are used to differentiate the extent of institutionalization: (1) Unregulated; (2) Designational/Transitional; (3) Regulated</p>	<p>Polity IV  <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a>                      (Marshall and Jaggers 2002)                      in Teorell et al. (2010)</p>
partyage	Average Age of Parties (2009)	<p>This is the average of the ages of the 1st government party (1GOVAGE), 2nd government party (2GOVAGE), and 1st opposition party (1OPPAGE), or the subset of these for which age of party is known.</p>	<p>Database of Political Institutions (2010)  <a href="http://go.worldbank.org/2EAGGLRZ40">http://go.worldbank.org/2EAGGLRZ40</a>                      (Beck et al 2000; 2001; Keefer 2009)</p>
Performance.audit.capacity	Capacity building to strengthen SAI's Performance audit capacity (1996-2007), n=57	<p>Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Performance Audit Capacity", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered.</p>	<p>Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI);  <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a></p>
Performance.audit.capacity_all	Capacity building to strengthen SAI's Per-	<p>Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Performance Audit Capacity", '0' if it does not include such activities. Projects</p>	<p>Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full</p>

	formance audit capacity (1996-2007), n=191	until and inclusive of 2007 were considered. Missings were replaced with "0"	database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
phoneusers_02.07	Telephone lines (per 100 people), mean for 2002-2007	Telephone lines (per 100 people), (IT.MLT.MAIN.P2): Telephone lines are fixed telephone lines that connect a subscriber's terminal equipment to the public switched telephone network and that have a port on a telephone exchange. Integrated services digital network channels and fixed wireless subscribers are included.	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
poleff	Fragility of Regime/Governance Stability	Fragility of Regime/Governance Stability: range from 0-3, whereby "0" stands for low fragility in regime stability, and "3" for high fragility in "regime stability"	State Fragility Index and Matrix 2009 Monty G. Marshall and Benjamin R. Cole Center for Systemic Peace; <a href="http://www.systemicpeace.org/inscr/inscr.htm">http://www.systemicpeace.org/inscr/inscr.htm</a>
pop_02.07	Population, total (mean for the years 2002-2007)	Population, total	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
popgrowth_02.07	Population growth (annual %), average 2002-2007	Population growth (annual %) (SP.POP.GROW)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
PRSP	Poverty Reduction Strategy Papers (PRSP)	Dummy variable for completion of a World Bank led Poverty Reduction Strategy Paper before the end of 2007 (interim reports are coded as 0) 0: the country has not completed a PRSP by 2007 1: the country has completed a PRSP by 2007	Own research based on Gollwitzer and Quintyn (2010), source: IMF; <a href="http://www.imf.org/external/np/prsp/prsp.aspx">http://www.imf.org/external/np/prsp/prsp.aspx</a> (Last Accessed December 2011)
Q1.1	Monopoly on the use of force (2006)	Q1.1. Monopoly on the use of force To what extent does the state's monopoly on the use of force cover the entire territory? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Q1.2	State identity (2006)	Q 1.2. State identity: To what extent do all relevant groups in society agree about citizenship and accept the nation-state as legitimate? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Q1.4	Basic Administration (2006)	Q1.4 Basic administration: To what extent do basic administrative structures exist? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Q3.3	Abuse of office prosecuted (2006)	Q3.3. Abuse of office prosecuted: To what extent are there legal or political penalties for officeholders who abuse their positions? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Q7.4	Banking system (2006)	Q7.4. Banking system: To what extent have a solid banking system and a capital market been established? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Q10.2	Equal opportunity (2006)	Q10.2. Equal opportunity: To what extent does equality of opportunity exist? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Q13.1	Structural constraints (2006)	Q13.1 Structural constraints: To what extent do structural difficulties constrain the political leadership's governance capacity? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>

Q14.1	Prioritization (2006)	Q14.1. Prioritization: To what extent does the political leadership set and maintain strategic priorities? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Q16.3	Cleavages (2006)	Q16.3 Cleavages: To what extent can the political leadership manage political cleavages so that they do not escalate into irreconcilable conflicts? Measured between 1-10	Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a>
Religion	Religious fractionalization (2001)	Religious fractionalization: Reflects probability that two randomly selected people from a given country will not belong to the same religious group. The higher the number, the more fractionalized society.	Alesina, Devleeschauwer, Easterly, Kurlat & Wacziarg. <a href="http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls">http://www.stanford.edu/~wacziarg/downloads/fractionalization.xls</a>
Resourcespc_02.07	Total Resources Income per capita (average 2002-2007)	A measure of Total Resource Income Per Capita (Total Fuel Income Per Capita plus Total Metals Income Per Capita, in 2007 dollars)	Annex to Haber, Stephen and Victor Menaldo, 2011. "Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse" in American Political Science Review, February 2011.
SAIjurisdiction	Dummy Variable for the SAI having a judicial function	Dummy Variable for the SAI having a judicial function 1: SAI is coded as "court" in "SAImodel_09" 0: SAI is coded as another category in "SAImodel_09"	Own research based on the variable "SAImodel_09"
SAlleader_total1	The leadership commitment of a SAI between 2005 and 2011	In order to measure the effect of the leadership qualities and reform commitment of a SAI head, I created a new variable (SAlleader_total1), measuring the engagement of a SAI in INTOSAI groups and the number of speeches held at UN/INTOSAI seminars between 2005 and 2011. This variable measures the commitment of a SAI leader to reform. As there is no data on the personal traits of SAI leaders or on national initiatives by SAI leaders, I decided to measure the engagement of SAI leaders within INTOSAI as a proxy for their leadership skills and commitment. SAI leadership is thus measured by (1) the total number of engagements by a SAI in INTOSAI groups and (2) by the total number of speeches at UN/INTOSAI seminars. It is assumed that a committed SAI leader is eager to engage in INTOSAI groups and is more likely to participate in such groups. Furthermore it is assumed that peers know which SAIs have successfully implemented reforms and invite these SAIs to present a speech at the UN/INTOSAI seminars and that SAI leaders who are successfully implementing reforms at home volunteer to conduct such speeches to present their success. I developed two versions of this variable, SAlleader_total assigned two points to all chairs and immediately past chairs of INTOSAI groups. However, this variable showed a bias towards countries with large area, population, GDP or other types of regional/global influence. Although the heads of these SAIs are clearly committed leaders, it also seems that INTOSAI is committed to give large countries a stronger voice within the governing board particularly and also in other groups, in addition it seems that	Own research, see table B.33 All the information was collected online at the INTOSAI or related sites, as well as in INTOSAI journal articles. <a href="http://www.intosaijournal.org/">http://www.intosaijournal.org/</a> ; <a href="http://www.intosai.org/en/portal/regional_working_groups/">http://www.intosai.org/en/portal/regional_working_groups/</a> ; <a href="http://www.intosai.org/en/portal/about_us/organisation/governing_board/">http://www.intosai.org/en/portal/about_us/organisation/governing_board/</a> ; <a href="http://www.intosai.org/en/portal/committees_working_groups_task_forces/">http://www.intosai.org/en/portal/committees_working_groups_task_forces/</a> ; <a href="http://www.intosaijournal.org/congressesandconferences/congressafrosai_oct2011.html">http://www.intosaijournal.org/congressesandconferences/congressafrosai_oct2011.html</a> (all Last Accessed on December 5, 2011)

		<p>there is a commitment to leveling out regional bias by voting countries of all major world regions into the INTOSAI governing board.</p> <p>I thus developed a second variable, which assigns only one point to all SAIs in INTOSAI groups, irrespective if they are chairs or simple members of the steering committee. This also increases the leverage of small and economically weak SAIs, which might not have the resources to engage as chairs but are still committed to exchange among peers. To summarize, the chairs and members of the INTOSAI governing board, all INTOSAI committees, working groups, task forces and regional working groups get one point. Immediately past chairs or upcoming chairs where they have already been elected also get one point.</p> <p>Finally I believe that strong SAI leaders volunteer to hold speeches at important INTOSAI events. The programs of the UN-INTOSAI seminars are publicly available. Every SAI which held a speech during the 2005, 2007, 2009 or 2011 seminar got one point. I calculate this variable for the years 2005 – 2011 (and thus violating my rule that I always use data up to the year 2009) because I believe that SAI leaders which held a speech about a good practice in 2011 or are elected in 2011 must have been implementing good practice over the last few years and secondly, SAI leaders are mostly appointed for a medium or long period, which makes it probable, that such SAI leaders must have been in their position already in the year 2009, thus some years before their appointment/engagement in INTOSAI.</p> <p>Table B.15 in Appendix B provides you with the details of the data collected. All the information was collected online at the INTOSAI or related sites, as well as in INTOSAI journal articles and was verified in principle by the INTOSAI secretariat in Vienna.</p>	
SAIleader_total1	Categorical (factor) Variable based on "SAIleader_total1"	I coded the variable SAIleader_total1f as follows: "0:1='low'; 1.01:7='med'; 7.01:26='high'". The original variable SAIleader_total1 had a range of minimum 0 and maximum 26, with a medium of 4.00 and a mean of 4.77. Instead of dividing the variable into three roughly equal parts, which would result in only one observation having "high" leadership, I opted to divide the variable in three parts, whereas the first quartile (1.0) marks the end of 'low' leadership and the third quartile (7.0) marks the beginning of 'high' leadership values. However, the results are also confirmed, with equally high statistical power, when dividing the variable into three equal parts. The graphical examination is then reduced to only low and medium leadership strengths, as there is only one SAI (USA) with high leadership strength in this version.	Own calculation based on SAIleader_total1
SAImodel_09	The type of institutional model of the supreme audit institution in 2009	This is a classification of SAI institutional models. The categories are as follows: (1) Board model: more than one person are heading the SAI and are responsible for decision-making (2) part of ministry: there is no separate SAI, the	Own research, see table B.35 sources: (1) the SAIs' websites Last Accessed mainly via <a href="http://www.intosai.org/members">www.intosai.org/members</a> and if not available via

		<p>audit function is conducted by a department in the ministry of finance</p> <p>(3) court (judicial model): the SAI has a judicial function</p> <p>(4) monocratic (Westminster model) : one person (president, general auditor, general state inspector) is responsible for decision-making (reporting to parliament or any other institution responsible for follow-up);</p> <p>See also chapter 5.1. for a discussion of the various models and the development of my selection criteria for the classification of SAIs.</p>	<p>Google search; and cross-checked with (2) Santiso (2009); (3) <a href="http://www.intosaiitaudit.org/mandates/writeups/">http://www.intosaiitaudit.org/mandates/writeups/</a>; (4) INTOSAI data from the '90s kindly provided to the author by Blume and Voigt (2011); (all sites accessed in June 2011)</p>
sec	Measure for the concentration extent of the economy (2007)	<p>The concentration ratio measures how concentrated the particular economy is in any given sector by taking the sum of squares of percent contribution to GDP. The lower the concentration ratio, the more diversified the economy. The calculation is based on the following variables:</p> <p>wdi_ase Agriculture's share of economy (% of GDP)</p> <p>wdi_ise Industry's share of economy (% of GDP)</p> <p>wdi_sse: Services' share of economy (% of GDP)</p>	<p>Own calculation based on Shediak, Richard, Rabih Abouchakra, Chadi N. Moujaes and Mazen Ramsay Najjar (2008) Economic Diversification The Road to Sustainable Development, booz&amp;Co. p.3 <a href="http://www.booz.com/media/uploads/Economic-Diversification.pdf">http://www.booz.com/media/uploads/Economic-Diversification.pdf</a> and uses the World Development Indicators, in Teorell et al. (2010)</p>
secleg	Fragility in Security Legitimacy	<p>Fragility in Security Legitimacy: range between 0-3: whereby "0" stands for low fragility of security legitimacy and "3" stands for high fragility in security legitimacy</p>	<p>State Fragility Index and Matrix 2009 Monty G. Marshall and Benjamin R. Cole Center for Systemic Peace <a href="http://www.systemicpeace.org/inscr/inscr.htm">http://www.systemicpeace.org/inscr/inscr.htm</a></p>
sed	Measure for the extent of diversification of an economy (2007)	<p>Equal to the inverse of concentration ratio, the diversification quotient provides a numerical perspective with which countries can baseline and target future economic development. The higher the diversification quotient, the more diversified the economy. The calculation is based on the following variables:</p> <p>wdi_ase Agriculture's share of economy (% of GDP)</p> <p>wdi_ise Industry's share of economy (% of GDP)</p> <p>wdi_sse: Services' share of economy (% of GDP)</p>	<p>Own calculation based on Shediak, Richard, Rabih Abouchakra, Chadi N. Moujaes and Mazen Ramsay Najjar (2008) Economic Diversification The Road to Sustainable Development, booz&amp;Co. p.3 <a href="http://www.booz.com/media/uploads/Economic-Diversification.pdf">http://www.booz.com/media/uploads/Economic-Diversification.pdf</a> and uses the World Development Indicators, in Teorell et al. (2010)</p>
servers_02.07	Secure Internet servers (per 1 million people), average for 2002-2007	<p>Secure Internet servers (per 1 million people) (IT.NET.SECR.P6)</p>	<p>World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a></p>
SI	Stateness Index (2006)	<p>Status Index – Market Economy: There are seven criteria based on a total of 14 questions used in assessing the state of economic transformation. The BTI concept of a market economy flanked by sociopolitical safeguards encompasses issues such as a framework of competition and private property rights, as well as social responsibility, equal opportunity and sustainability. In BTI terms, comprehensive development should not only lead to economic growth; it should also fight</p>	<p>Bertelsmann Transformation Index (BTI), <a href="http://bti2006.bertelsmann-transformation-index.de/">http://bti2006.bertelsmann-transformation-index.de/</a></p>



		poverty effectively and expand the freedom of choice and action to as many citizens as possible.	
strategicplan	Dummy variable for a SAI having published a strategic development plan (2009)	Dummy variable for a SAI having published a strategic development plan dated before the end of 2009	Own calculation, see table B.34
Sup-port.services	Capacity building to strengthen SAI's Support Services (1996-2007), n=57	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Support Services", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered.	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
Sup-port.services_all	Capacity building to strengthen SAI's Support Services (1996-2007), n=191	Dummy variable: '1' if focus of Capacity building project includes activities to strengthen the beneficiary SAI's "Support Services", '0' if it does not include such activities. Projects until and inclusive of 2007 were considered. Missings were replaced with "0"	Own calculation based on the Capacity Building Committee (CBC) Directory of Projects (version 2011), full database provided by the INTOSAI Development Initiative (IDI); <a href="http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx">http://www.saidevelopment.org/Lists/CBC%20Directory/AllItems.aspx</a>
tax_02.07	Avg of central gov. total tax revenue (% of GDP) betw. 2002 and 2007	Average of central government total tax revenue (% of GDP) between 2002 and 2007. (If there is data only for some years between 2002 and 2007, the average of those years is calculated, if there is no data for this period, data for 2008 is used, if there is also no data for 2008, data for 2009 is used.) (variable code: GC.TAX.TOTL.GD.ZS)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
ti_cpi	Corruption Perceptions Index (2007)	Corruption Perceptions Index: The CPI focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain. The surveys used in compiling the CPI tend to ask questions in line with the misuse of public power for private benefit, with a focus, for example, on bribe-taking by public officials in public procurement. The sources do not distinguish between administrative and political corruption. The CPI Score relates to perceptions of the degree of corruption as seen by business people, risk analysts and the general public and ranges between 10 (highly clean) and 0 (highly corrupt).	Transparency International <a href="http://www.transparency.org/">http://www.transparency.org/</a> in Teorell et al (2010)
tot_pfmmaid_02.07pc	Total PFM disbursements (average for the years 2002-2007)	Total PFM disbursements: the per capita value was calculated by the author by dividing the value by the corresponding value from the variable "pop_02.07" (see above)	De Renzio, Paolo, Matt Andrews and Zac Mills (2010) Evaluation of Donor Support to Public Financial Management (PFM) Reform in Developing Countries, Analytical study of quantitative cross-country evidence, FINAL REPORT November 2010, Overseas Development Institute, London. The database was provided by the courtesy of the authors.
un_combined	Dummy	Dummy variable for UN Presence in a country:	Own calculation based on

	variable for UN Presence in a country (2000-2009)	1: Presence of any number of UN peacekeepers as stated the variable “unpresence_n” or own research on presence of UN peacekeepers in the country since 2000, therefore equating state fragility with a conflict or post-conflict situation. (compare method with de Renzio et al. 2010:22) 0: no UN peace keepers since 2000	“unpresence_n” and UN Peacekeeping Operations 1948-2011, pp.78-79 <a href="http://www.un.org/en/peacekeeping/publications/yir/yir2011.pdf">http://www.un.org/en/peacekeeping/publications/yir/yir2011.pdf</a>
unpresence_n	Presence of peace keepers (number of troops, police, and military observers in mandate) (2009)	Presence of peace keepers (number of troops, police, by and military observers in mandate) (VC.PKP.TOTL.UN)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
Urban	Urban population (% of total)	Urban population (% of total): (Indicator Name: SP.URB.TOTL.IN.ZS): Urban population refers to people living in urban areas as defined by national statistical offices. It is calculated using World Bank population estimates and urban ratios from the United Nations World Urbanization Prospects.	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
Urbangrowth_02.07	Urban population growth (annual %)	Urban population growth (annual %) (Indicator name: SP.URB.GROW): Urban population refers to people living in urban areas as defined by national statistical offices. It is calculated using World Bank population estimates and urban ratios from the United Nations World Urbanization Prospects.	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
wdi_area	Surface area (sq. km)	Surface area (sq. km) : Surface area is a country's total area, including areas under inland bodies of water and some coastal waterways.	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>
wdi_sse	Services' share of economy (% of GDP) (2007)	Services' share of economy (% of GDP)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a> , in Teorell et al (2010)
WDIclass	World Bank Country Classification (2007)	World Bank Country Classification (2007) according to Income Groups: Low income; Lower middle income; Upper middle income; High income: nonOECD; High income: OECD.	World Bank list of economies (July 2007)
wbgi_pse	Political Stability – Estimate (2007)	Political Stability – Estimate: “Political Stability” combines several indicators which measure perceptions of the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, incl. domestic violence and terrorism.	World Bank – Governance Indicators (a.k.a KKZ) <a href="http://www.govindicators.org">http://www.govindicators.org</a> (Kaufmann et al 2009) in Teorell et al 2010
wbgi_vae	Voice and Accountability – Estimate (2007)	Voice and Accountability – Estimate: “Voice and Accountability” includes a number of indicators measuring various aspects of the political process, civil liberties and political rights. These indicators measure the extent to which citizens of a country are able to participate in the selection of governments. This category also includes indicators measuring the independence of the media, which serves an important role in monitoring those in authority and holding them accountable for their actions.	World Bank – Governance Indicators (a.k.a KKZ) <a href="http://www.govindicators.org">http://www.govindicators.org</a> (Kaufmann et al 2009) in Teorell et al. (2010)
young	Population ages 0-14 (% of total)	Population ages 0-14 (% of total)	World Development Indicators <a href="http://go.worldbank.org/U0FSM7AQ40">http://go.worldbank.org/U0FSM7AQ40</a>

Appendix B. 13 OLS Regression on OBS2010 SAI Power (Beta Coefficients Noted)

Regressions:	(1) All	(2) nonOECD	(1b)	(2b)
H1a:	1.97 *	2.24 ***	2.20 **	2.31 ***
SAImodel_09Board	(2.51)	(4.13)	(3.46)	(5.74)
H1a:	1.75 *	2.13 ***	1.76 **	1.97 ***
SAImodel_09court	(2.25)	(3.89)	(2.82)	(4.93)
H1a:	2.32 **	2.66 ***	2.47 ***	2.66 ***
SAImodel_09monocratic	(3.00)	(4.95)	(3.97)	(6.76)
H1b: dpi_checks	0.19 **	0.16 *	0.25 ***	0.24 ***
Political competitiveness	(2.85)	(2.28)	(4.57)	(4.43)
H2a:	-0.28 ***	-0.31 ***	-0.32 ***	-0.36 ***
Oil_02.07	(-3.83)	(-3.93)	(-5.30)	(-6.05)
H2b:	-0.54 **	-0.56 **	-0.47 **	-0.46 **
IMF_1	(-2.96)	(-2.97)	(-3.09)	(-3.17)
H3a:	-0.50 *	-0.60 **	-0.54 **	-0.63 ***
INTOSAIregionAFROSAI-E	(-2.51)	(-2.73)	(-3.36)	(-3.88)
H3a:	-0.93 ***	-1.08 ***	-0.93 ***	-1.08 ***
INTOSAIregionARABOSAI	(-3.59)	(-3.83)	(-4.53)	(-5.22)
H3a:	-0.33 .	-0.54 *	-0.39 *	-0.59 ***
INTOSAIregionASOSAI	(-1.75)	(-2.41)	(-2.55)	(-3.54)
H3a:	-1.04 *	-1.04 .	-1.23 **	-1.24 ***
INTOSAIregionCAROSAI	(-2.03)	(-1.88)	(-2.98)	(-3.04)
H3a:	-0.51 .	-0.69 *	-0.59 **	-0.79 ***
INTOSAIregionCREFIAF	(-1.91)	(-2.35)	(-2.74)	(-3.61)
H3a:	-0.26	NA	-0.16	NA
INTOSAIregionNRM	(-0.47)		(-0.36)	
H3a:	-0.45 *	-0.48 *	-0.57 ***	-0.587 ***
INTOSAIregionOLACEFS	(-2.63)	(-2.56)	(-3.95)	(-4.00)
H3a:	-1.90 ***	-1.90 ***	-1.97 ***	-1.96 ***
INTOSAIregionPASAI	(-5.20)	(-4.87)	(-6.79)	(-6.85)
H3b:	0.23 ***	0.25 ***	0.20	0.17
battledeaths_02.08	(3.52)	(3.61)	(1.12)	(1.00)
H4b: log(fh_press)	-0.11	0.02	0.05	0.27 *
Press restriction	(-1.16)	(0.14)	(0.55)	(2.12)
H6a: ciri_injud1.	0.37 **	0.41 **	0.48 ***	0.54 ***
Partially indep. judiciary	(2.79)	(2.73)	(4.33)	(4.69)
H6a: ciri_injud2.	0.47 *	0.62 *	0.88 ***	1.22 ***
Generally indep. judiciary	(2.20)	(2.50)	(4.27)	(5.23)
H7a:	0.24 **	0.20 *	0.19 **	0.14 *
SAIleader_total1	(3.40)	(2.54)	(2.94)	(2.11)
Constant (Ref. category:	-1.86 *	-2.19***	-2.06 **	-2.30 ***
SAImodel_09. ministry;	(-2.39)	(-4.17)	(-3.29)	(-6.01)
INTOSAIregionEUROSAI;				
IMF_0; ciri_injud0.Not indep.)				
N	85	73	.... 79	67
Multiple R <sup>2</sup>	0.8212	0.7806	0.8929	0.8902
Adj. R <sup>2</sup>	0.769	0.7074	0.8585	0.8491
F-statistic p.value	< 2.2e-16	5.777e-12	< 2.2e-16	<2.2e-16

Significance levels reported as: ‘\*\*\*’ p< 0.001; ‘\*\*’ p< 0.01; ‘\*’ p< 0.05 ; ‘.’ p < 0.1; t-values in brackets. Model tests: Multi-collinearity tests GVIF<sup>2</sup>(1/(2\*Df)) <2 = True. Outlier tests and influential observations: Examination of qq-plots and leverage plots satisfying, no studentized residuals with Bonferonni p < 0.05, Largest |rstudent|: Bulgaria. Large Cook Distance reported for Bulgaria, Iraq, Brazil, Mexico, Malawi and Sri Lanka. However an exclusion of these influential cases did not substantially change the results but increase the significance of the overall model (see models 1b and 2b). Non-normality: graphical examination of distribution of studentized residuals, QQ plots. Non-constant error variance: BP test no significance reported, plots of studentized residuals (and their squares) vs. fitted values show outliers but no heteroscedasticity. Nonlinearity: scatterplots and component and residual plots examined, independent variables accordingly linearly transformed. Non-independence of errors: DW and BG tests not significant. Assessment of the linear model assumptions using the global test on 4df: all assumptions acceptable. The variables of hypothesis 5 were not included here because the number of observations is very small, the data is unreliable and not significant.

## Appendix B. 14 OLS Regression on Alternative SAI Variables

	(1) GI0810	(2) OECD	(3) PEFA
H1a:	-7.480	-3.933	23.686
SAImodel_09court	(-0.931)	(-0.779)	(1.932)
H1a:	-41.112 *	2.534	19.855
SAImodel_09ministry	(-2.434)	(0.191)	(1.423)
H1a:	-2.838	3.859	27.124 *
SAImodel_09monocratic	(-0.483)	(0.900)	(2.268)
H1b:	0.627	-2.249*	-6.327 *
dpi_checks	(0.344)	(-2.132)	(-1.874)
H2a:	-0.696 **	-0.228	0.523
Oil_02.07	(-3.377)	(-1.464)	(0.370)
H2b:	24.550 **	2.160	3.523
IMF_1	(2.986)	(0.439)	(0.497)
H3a:	-3.351	-16.910*	-34.251
INTOSAIregionARABOSAI	(-0.302)	(-2.473)	(-1.639)
H3a:	-19.418 *	-1.934	-6.678
INTOSAIregionASOSAI	(-2.565)	(-0.384)	(-0.566)
H3a:	NA	NA	-0.468
INTOSAIregionCAROSAI			(-0.027)
H3a:	-8.935	-10.790	-22.883 *
INTOSAIregionCREFIAF	(-0.677)	(-1.656)	(-2.291)
H3a:	-2.013	1.497	23.022
INTOSAIregionEUROSAI	(-0.289)	(0.344)	(1.823)
H3a:	5.105	0.240	25.972
INTOSAIregionNRM	(0.343)	(0.024)	(1.160)
H3a:	-0.526	-3.516	23.182 *
INTOSAIregionOLACEFS	(-0.070)	(-0.636)	(2.646)
H3a:	NA	1.855	NA
INTOSAIregionPASAI		(0.282)	
H3b:	-0.002	3.491e-06	-0.001
battledeaths_02.08	(-0.377)	(0.001)	(-0.154)
H4b:	-5.070	-6.667	10.385
log(fh_press)	(-0.629)	(-1.764)	(0.986)
H6a:	-6.877	9.109*	15.403
ciri_injud1. Partially independent	(-1.414)	(2.517)	(2.035)
H6b:	-19.432 *	5.559	28.204 *
ciri_injud2. Generally independent	(-2.151)	(1.234)	(2.484)
H7:	1.087 *	0.448	1.705
SAIleader_total1	(2.071)	(1.430)	(1.887)
Constant (Reference category measuring SAImodel_09Board; INTOSAIregionAFROSAI-E; IMF_0; ciri_injud0.Not independent)	88.37 *	93.68***	-19.685
	(2.528)	(5.542)	(-0.428)
N	54	84	47
Multiple R <sup>2</sup>	0.653	0.5006	0.7392
Adj. R <sup>2</sup>	0.4891	0.3644	0.5716
F-statistic p.value	0.0002389	5.441e-05	0.0002341

Notes: t-statistics in brackets; Significance levels reported as: \*\*\*\* p < 0.001; \*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.1; Model (1) GI08.10: the following observations were excluded from the dataset because of high leverage and cook's distance: Egypt, India, Iraq, Korea, Nicaragua, Uganda; Model (2) OECD: the following observations were excluded from the dataset bec. of high leverage and cook's distance: Chile, Haiti, Suriname, Tajikistan; Model (3) PEFA: PEFA.26mean was used. India, Philippines and Tunisia were excluded. The regression models were tested as follows: influential observations: no studentized residuals with Bonferonni p < 0.05; Multi-collinearity tests  $G\text{VIF}^2(1/(2^*Df)) < 2 = \text{True}$ . Non-normality: graphical examination of distribution of studentized residuals, QQ plots. Non-constant error variance: BP test no significance reported except for model 2 which contains still many outliers, plots of studentized residuals (and their squares) vs. fitted values. Nonlinearity: scatterplots and component and residual plots examined, independent variables accordingly linearly transformed. Non-independence of errors: DW and BG tests not significant. Assessment of the linear model assumptions using the global test on 4df: all assumptions acceptable.

Appendix B. 15 H2b\_OLS Regression of Aid on OBS2010

Regression	(1)	(2)	(3)	(4)	(5)
(1)log(Aid02.07pc)	-4.753*				
(2)log(tot_pfmaid_02.07pc)		-2.908 .			
(3) sqrt(gbs_totaid_02.07)			-26.910		
(4) IMF					
0 (constant)= no IMF				50.780***	
1= IMF support				-18.022*	
(5) PRSP					
0(Constant)=no PRSP					55.152***
1= PRSP					-17.920***
Constant	60.956***	36.844***	45.930***		
N	81	56	55	94	94
Multiple R <sup>2</sup>	0.07549	0.05364	0.03321	0.062	0.1286
Adj. R <sup>2</sup>	0.06378	0.03611	0.01496	0.0518	0.1192
F-statistic p.value	0.01305	0.0859	0.183	0.01552	0.000385

Significance codes: '\*\*\*' p< 0.001; '\*\*' p< 0.01; '\*' p< 0.05; '.' p < 0.1

Appendix B. 15 continued

Regression	(6)	(7)	(8)
(1)log(tot_pfmaid_02.07pc) *PRSP			
log(tot_pfmaid_02.07pc)	-3.304		
PRSP =1	-4.662		
Interaction term	4.742		
(2)sqrt(gbs_totaid_02.07)*PRSP			
sqrt(gbs_totaid_02.07)		-40.511	
PRSP=1		-23.823**	
Interaction term		70.803 .	
(3)log(tot_pfmaid_02.07pc) *IMF			
log(tot_pfmaid_02.07pc)			-3.752*
IMF =1			7.169
Interaction term			13.077*
Constant	41.87***	52.732***	36.594***
N	56	55	56
Multiple R <sup>2</sup>	0.1843	0.1748	0.1788
Adj. R <sup>2</sup>	0.1373	0.1262	0.1314
F-statistic p.value	0.01350	0.01952	0.01589

Significance codes: '\*\*\*' p< 0.001; '\*\*' p< 0.01; '\*' p< 0.05; '.' p < 0.1

Appendix B. 16 OLS Regression on OBS2010 SAI Power

	(1)	(2)	(3)	(4)
(1) log(directtax_02.07)	5.020 .			
fh_status2. Partly Free	-25.428*			
fh_status3. Not Free	-37.629**			
log(directtax_02.07):fh_status2.PartlyFree	-7.223			
log(directtax_02.07):fh_status3. Not Free	-4.447			
Intercept: log(directtax_02.07):fh_status1.Free	57.123***			
(2) 0(constant)=AFROSAI-E		127.309***		
INTOSAIregionARABOSAI		-37.089***		
INTOSAIregionASOSAI		-13.284.		
INTOSAIregionCAROSAI		-24.864		
INTOSAIregionCREFIAF		-16.578*		
INTOSAIregionEUROSAI		-21.652*		
INTOSAIregionNRM		-21.031		
INTOSAIregionOLACEFS		-19.033*		
INTOSAIregionPASAI		-29.836*		
log(childmort_02.07)		-17.455***		
(3) log(fh_press)			-27.657***	
(4) SAImodel_09Board				Ref.Cat.
SAImodel_09court				-1.47
SAImodel_09monocratic				5.89
dpi_checks				2.44 .
Oil_02.07				-0.36*
IMF_1				-11.70*
INTOSAIregionAFROSAI-E				Ref.Cat.
INTOSAIregionARABOSAI				-19.17*
INTOSAIregionASOSAI				-2.05
INTOSAIregionCAROSAI				NA
INTOSAIregionCREFIAF				-11.33
INTOSAIregionEUROSAI				-3.16
INTOSAIregionNRM				-7.19
INTOSAIregiionOLACEFS				-5.32
INTOSAIregionPASAI				NA
Battledeaths_02.08				0.004 .
DCOverall				42.01***
SAIleader_total1				1.40***
Constant			152.711***	-0.29
N	27	94	94	61
Multiple R <sup>2</sup>	0.4663	0.5603	0.3285	0.8283
Adj. R <sup>2</sup>	0.3392	0.5132	0.3212	0.776
F-statistic p.value	0.01528	7.141e-12	1.565e-09	4.057e-13

Significance codes: '\*\*\*' p< 0.001; '\*\*' p< 0.01; '\*' p< 0.05; '.' p < 0.1;

## Appendix B. 17 H3b\_OLS Regression of External Intervention on OBS2010 SAI Power

Regression	(1)	(2)
(1)battledeaths_02.08 +fh_status		
0(constant)=free	64.338171***	
Battledeaths_02.08	0.001497	
1=partly free	-23.91248 -***	
2= not free	35.35918***	
(2)FSIext *WDIclass		
Constant(WDIclass:HI.nonOECD)		129.30***
FSIext		-16.144**
WDIclassHI.OECD		-40.523
WDIclassLI		-57.771,
WDIclassLMI		-102.611**
WDIclassUMI		-26.477
FSIext:WDIclassHI.OECD		11.795,
FSIext:WDIclassLI		11.282,
FSIext:WDIclassLMI		18.788**
FSIext:WDIclassUMI		6.832
Constant	49.292295***	
N	93	94
Multiple R <sup>2</sup>	0.3408	0.4717
Adj. R <sup>2</sup>	0.3186	0.4151
F-statistic p.value	4.003e-08	8.986e-09

Significance codes: '\*\*\*' p< 0.001; '\*\*' p< 0.01; '\*' p< 0.05; '.' p < 0.1

## Appendix B. 18 H5\_ OLS Regression of Capacity Building on OBS2010 SAI Power

Regression	(1)	(2)	(3: nonOECD)	(4)	(5)
log(childmort_02.07)	-9.831**				-9.2119***
I(fh_ipolity2^2)	0.2276*				0.3180***
CBC_y	0.9724				
CBC_budget	-1.140e-08				
Organisational.capacity:1	-5.019				
Financial.audit.capacity:1	0.527				
Performance.audit.capacity:1	-14.86 .				
IT.audit.capacity:1	1.422				
Forensic.audit.capacity:1	1.908				
Other.audit.capacities:1	7.825				
External.environment.capacity:1	14.94*			12.118 .	
Support.services:1	-3.165				
CBC_y_all		1.361	2.518 *		
CBC_budget_ths_all		-7.253e-06	-7.447e-06		
log(CBC_y_all_r)					9.7347 .
log(CBC_budget_ths_all_r)					1.2895
Organisational.capacity_all:1					-7.1507
Financial.audit.capacity_all:1					-0.4337
Performance.audit.capacity_all:1					-13.7061 .
IT.audit.capacity_all:1					-2.8758
Forensic.audit.capacity_all:1					2.7881
Other.audit.capacities_all:1					7.3110
External.environment.capacity_all:1					11.9633 .
Support.services_all:1					-3.5272
Constant	80.83***	46.87 ***	40.53 ***	47.896 ***	60.8399***
<i>Model summary statistics:</i>					
N	38	94	82	41	93
Multiple R <sup>2</sup>	0.6597	0.02008	0.07437	0.08164	0.6369
Adj. R <sup>2</sup>	0.4963	-0.00146	0.05093	0.05809	0.5825
F-statistic, p	0.001568	0.3974	0.04725	0.07015	3.455e-13

Significance codes: '\*\*\*' p< 0.001; '\*\*' p< 0.01; '\*' p< 0.05; '.' p < 0.1; CBC\_y\_all\_r is the same as CBC\_y\_all only that values of "0" have been recoded to "0.01" so that it becomes possible to calculate the log. The same is valid of CBC\_budget\_ths\_all\_r.

Appendix B. 19 OLS Regression of All Hypotheses on OBS2010 SAI Power

Regressions	(0)	(1)	(2)	(3)	(4)	(5)	(6)
H6: fh_ipolity2^2	0.35382 ***	0.27812 ***	0.22744**	0.355035***	NA	0.2477 *	NA
H1: SAImodel_09Board	43.67766 .	37.85493 .	NA	41.673621 .	44.298043 .	NA	54.4988*
H1: SAImodel_09court	39.28967 .	34.37558	-4.88243	38.162383 .	43.422034 .	-0.4891	48.8267*
H1: SAImodel_09monocratic	52.98523 *	48.84918 *	9.04835*	50.423950*	54.737994*	13.3363	60.0576**
H7: SAileader_total1	1.14636 **	1.21005 **	1.21596*	1.242597**	0.922569*	1.2823 .	1.1867**
H3: INTOSAIregionAFROSAl-E	-11.47192 *	-12.32743 *	-11.42651*	-10.855911*	-12.365851 .	Ref.Cat.	-14.7045**
H3: INTOSAIregionARABOSAI	-18.70881 **	-18.03942 **	-28.54648**	-20.088402**	-26.865993***	5.1793	-27.6018***
H3: INTOSAIregionASOSAI	-1.96838	-0.98887	-5.45880	-2.383594	-1.912736	10.9275	-3.8476
H3: INTOSAIregionCAROSAI	-27.64276 .	-26.44159 .	-27.43796 .	-26.748522 .	-23.543360	NA	-32.8265**
H3: INTOSAIregionCREFIAlF	-18.22739 **	-16.60571 *	-13.74980*	-18.046010**	-17.771388*	16.2694	-20.5566**
H3: INTOSAIregionEUROSAl	Ref.Cat.	Ref.Cat.	Ref.Cat.	Ref.Cat.	Ref.Cat.	20.1567*	Ref.Cat.
H3: INTOSAIregionNRM	-3.06032	-5.19597	-4.96615	-4.398963	-1.601760	NA	-3.5200
H3: INTOSAIregionOLACEFS	-11.19948 *	-12.26613 **	-8.13489 .	-11.149295*	-4.525132	21.9271	-11.0470*
H3: INTOSAIregionPASAI	-33.68946 **	-36.82965 ***	-41.43455***	-32.920082**	-60.571826***	-18.9461	-39.0543***
H1: dpi_checks		3.08102 *					
H2: Oil_02.07			-0.28941				
H2: EFW5Cvii (tax compliance)			1.45582*				
H2: IMF_1			-11.38391*				
H3: battledeaths_02.08				0.001388 .			
H4: education.exp_02.07^3					0.003675		
H4: log(fh_press)					-13.863347**		
H5: log(CBC_budget_r)						-1.4938	
H5: log(CBC_y_r)						4.8073	
H5: External.environment.capacity: 1						12.5275	
H5: Performance.audit.capacity: 1						-15.1930 .	
H6: ciri_injud1. Partially independent							5.9351 .
H6: ciri_injud2. Generally independent							15.0240**
H6: p_xconst							3.4525**
H6: p_fragment1. slight fragmentation <10%							-4.2405
H6: p_fragment2. moderate fragmentation 10-25%							-14.0430 .
H6: p_fragment3. serious fragmentation >25%							16.4369
Constant	-15.11231	-15.25066	30.20074***	-13.836051	47.096821	37.4742.	-26.5823
N	94	88	82	93	85	38	90
Multiple R <sup>2</sup>	0.713	0.7535	0.7369	0.7201	0.7045	0.6713	0.7512
Adj. R <sup>2</sup>	0.6664	0.7062	0.6771	0.6698	0.6454	0.4712	0.6881
F-statistic p.value	< 2.2e-16	< 2.2e-16	8.534e-14	3.284e-16	4.427e-13	0.004962	6.244e-15

Significance levels reported as follows: \*\*\*\* p < 0.001; \*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.1; The Constant measures the coefficient of the reference categories, which are: SAImodel\_09ministry, INTOSAIregionEUROSAl, IMF\_0, ciri\_injud0.not independent, p\_fragment0.no fragmentation. Only model (5) uses AFROSAl-E as reference category. CBC\_budget\_r is the same as CBC\_budget only that values of "0" have been recoded to "0.01" so that it becomes possible to calculate the log. The same is valid of CBC\_y\_r. The regression models have been tested as follows: Multi-collinearity tests  $G\text{VIF}^2(1/(2^*Df)) < 2 = \text{True}$ . Outlier tests and influential observations: Examination of qq-plots and leverage plots satisfying, no studentized residuals with Bonferonni p < 0.05, Largest |tstudent|: Bosnia-Herzegovina (BIH) and Brazil (BRA). Large Cook Distance with D values > 4/(n-k-1) reported for BIH, BRA and Russia (RUS). However an exclusion of these influential cases did not substantially change the results, thus they remained in the model (it however increase the R<sup>2</sup> and significance levels for SAImodel\_09, for tax compliance and freedom of the press, dpi\_checks loses significance). Non-normality: graphical examination of distribution of studentized residuals, QQ plots. Non-constant error variance: BP test no significance reported, plots of studentized residuals (and their squares) vs. fitted values show outliers but no heteroscedasticity. Nonlinearity: scatterplots and component and residual plots examined, independent variables accordingly linearly transformed (fh\_press, education.exp, fh\_ipolity2). Non-independence of errors: DW and BG tests not significant. Assessment of the linear model assumptions using the global test on 4df: all assumptions acceptable



Appendix B. 20 Description of Variables Measuring the Doorstep Conditions by Gollwitzer and Quintyn (2010)

<b>Name of Variable</b>	<b>Source and year of data</b>	<b>Description of variable</b>
DC_Overall	Gollwitzer and Quintyn (forthcoming) improving the initial indicators of Gollwitzer and Quintyn (2010) Based mainly on data for the year 2009	Gollwitzer and Quintyn developed a composite indicator, consisting of three sub-indices, to measure a country's performance under NWW's doorstep conditions. D_Overall is the average of the three subindices D1, D2 and D3. For the development of their indicator they use variables from five different databases, mostly for the year 2009, and publicly available information on political institutions, for a total of 77 low, middle and upper middle income countries.
D1 Goll1.1. Goll1.2. Goll1.3.	Gollwitzer and Quintyn (forthcoming) improving the initial indicators of Gollwitzer and Quintyn (2010) Based mainly on data for the year 2009	D1 is the sub-index for NWW's doorstep condition 1 – “rule of law for elites”. For the construction of their sub-index D1 they use 9-10 variables (depending on data availability) from three databases (Polity IV, IPD, EFW) and own research and aggregate them with equal weights. They organize their variables around three categories (G1.1 Existence of the rules for the elite, G1.2. Independence and impartiality of the judicial system and G1.3. Elite's respect for the courts' decisions”) which together compose doorstep 1.
D2 Goll2.1. Goll2.2.	Gollwitzer and Quintyn (forthcoming) improving the initial indicators of Gollwitzer and Quintyn (2010) Based mainly on data for the year 2009	D2 is the sub-index for NWW's doorstep condition 2 – “perpetually lived organizations in the private and public sphere”. D2 is based on the two categories G2.1. Stability and permanence of the political system and G2.2. Ease of creating organizations, measured through 9-12 variables (depending on data availability) of three datasets (IPD, DPI, EFW) and own research. The variables are aggregated with equal weights.
D3 Goll3.1. Goll3.2. Goll3.3.	Gollwitzer and Quintyn (forthcoming) improving the initial indicators of Gollwitzer and Quintyn (2010) Based mainly on data for the year 2009	D3 is the sub-index for NWW's doorstep condition 3 – “monopoly over the military”. D3 is composed of 8-9 variables (depending on data availability), which constitute the categories G3.1. Political control over the legal armed forces, G 3.2. Military interference in political life and G.3.3. Level of armed violence, which are based on 4 databases (IPD, DPI, EFW, ACD) and own research and are aggregated with equal weights.

Appendix B. 21 H6a.1\_OLS Regression of the Doorstep Conditions (Gollwitzer and Quintyn, 2010) on OBS2010 SAI Power

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1)Goll1.1.	64.391***											
(2)Goll1.2.		90.767***										
(3)Goll1.3.			73.312***									
(4)D1				101.66***								
(5)Goll2.1					110.37***							
(6)Goll2.2.						90.429***						
(7)D2							143.36***					
(8)Goll3.1.								27.021*				
(9)Goll3.2.									44.495***			
(10)Goll3.3.										38.722***		
(11)D3											58.154***	
(12)DCOverall												75.298***
Constant	8.131	8.437	4.019	-9.107	-28.15*	-7.209	-46.52***	32.164***	25.604***	26.787***	14.415.	-21.112*
N	66	66	66	66	66	66	66	66	66	66	66	66
Multiple R <sup>2</sup>	0.3614	0.4734	0.4361	0.5683	0.3662	0.3535	0.5183	0.08262	0.2498	0.1959	0.2657	0.5288
Adj. R <sup>2</sup>	0.3516	0.4653	0.4274	0.5617	0.3565	0.3436	0.5109	0.0685	0.2382	0.1835	0.2544	0.5215
F-statistic p.value	7.484e-08	1.203e-09	2.484e-09	1.800e-13	5.809e-08	1.127e-07	6.602e-12	0.01835	1.664e-05	0.00017	8.072e-06	3.212e-12

→ Significance codes: '\*\*\*' p< 0.001; '\*\*' p< 0.01; '\*' p< 0.05; '.' p < 0.1

## Appendix B. 22 Components of the Doorstep Conditions

**Doorstep condition 1 – “Rule of law for elites”:**

- Rules and disputes: Regularizing behavior through rules, both formal and informal, including adjudicating disputes among elites (NWW, 2009:151)
- Unbiased judiciary: Establishment of a judicial system whose decisions are binding and unbiased, at least with respect to elites. (NWW, 2009:151) An independent judiciary also enables the legislative branch to write legislation detailing impersonal rules of policy distribution and to enforce those rules through the courts. (NWW, 2009:267, 270)
- Impersonal exchange of shares in joint-stock companies: Owning shares might begin as a unique privilege; however, if that privilege becomes widespread and shares are transferable, then an elite interest in supporting impersonal exchange of shares may grow which in turn may create an interest in impersonal formation of companies. (NWW, 2009:156)
- Elections: Elites support political contestation through political parties. (NWW, 2009:156)
- Property rights: The judicial system relatively free of corruption. Courts are able to establish and enforce clear enough property rights in land to support mortgage lending. (NWW, 2009:154)

**Doorstep condition 2 – “Perpetually lived organizations in the public and private spheres”:**

- Perpetual life is a characteristic of both private and public organizations (NWW, 2009:152)
- Prerequisite is a perpetually lived state (NWW, 2009:152)
- The society eliminates the need for personal identification with networks of patronage and protection (NWW, 2009:152)
- Perpetual life is linked to the belief that commitments will be honored (NWW, 2009:152, 158)
- Implementing equality in a society requires that the society is able to create and sustain impersonal categories – such as citizens – and then to treat everyone in the same category alike. (NWW, 2009:162)

**Doorstep condition 3 – “Consolidated control of the military”:**

- Consolidated control of the military requires the existence of an organization with control over all the military resources of the country; that control over the various military assets is consolidated in that organization; and a set of credible conventions that determine how force is used against individuals and coalition members. (NWW, 2009:153)
- Countries experiencing civil war by definition do not have consolidated control of the military. (NWW, 2009:153)
- Societies where a single faction dominates the military are unlikely to sustain consolidated control for long. (NWW, 2009:153)
- If active support of the military forces is necessary to hold or obtain control of civilian government institutions, then a society does not have political control of the military. (NWW, 2009:169)
- If military officers serve as officers in the civilian government, then a society does not have political control of the military. (NWW, 2009:169)
- If the military as an organization enjoys ownership of significant economic assets that it can alienate or acquire without consent of the civilian authorities, then a society does not have political control of the military. (NWW, 2009:169)
- The selection of the high military leadership must be under the control of the civilian authorities, armies who select their own leaders are not under political control. (NWW, 2009:169)
- By definition, when military force is consolidated the military authority cannot be disciplined by the threat of military force from elsewhere in society. (NWW, 2009:169)
- The decisions of when to fight and how much to spend on fighting are separated from the direction of military activity. ... The institutions that determine the amount of resources allocated to the military are central to establishing political control of the military. (NWW, 2009:169)

Appendix B. 23 H6c\_OLS Regression of Autocratic Strategies on OBS2010 SAI Power (only includes countries which were not rates as “free” in 2007 by Freedom House)

Regressions	(1)	(2)	(3)	(4)	(5)	(6)
<b>(1) ciri_kill</b>						
ciri_kill2(constant)=have not occurred	67.80***					
ciri_kill1= practiced occasionally	-28.14***					
ciri_kill0=practiced frequently	-20.48**					
<b>(2) ciri_kill+ti_cpi</b>						
ti_cpi (transparency)		8.02*				
ciri_kill0(constant)=practiced frequently		23.64				
ciri_kill1. Practiced occasionally		-14.10*				
ciri_kill2. Have not occurred		12.48*				
<b>(3) ciri_kill+ti_cpi+sed+sqrtGDPPC02_07</b>						
ciri_kill0(constant)=practiced frequently			-198.4856 .			
ciri_kill1. Practiced occasionally			-10.3832 .			
ciri_kill2. Have not occurred			22.3952*			
ti_cpi			6.0730			
sed			12.7163*			
sqrtGDPPc			0.2387			
<b>(4) log(newbusdens_04.07)+ciri_kill</b>						
ciri_kill0(constant)=practiced frequently				56.07***		
ciri_kill1. Practiced occasionally				-13.06 .		
ciri_kill2. Have not occurred				8.13		
log(newbusdens_04.07)				6.40**		
<b>(5) ecoleg</b>						
0 (constant=high econ. diversification)					47.895**	
1					-10.445*	
2					-5.128	
3 = high econ. concentration					-19.945**	
<b>(6) ciri_kill+ti_cpi+ecoleg+sed (regressed on sqrtOBS2010)</b>						
Intercept (ciri_kill2= have not occurred; ecoleg0=high econ. diversification)						-8.0436
ciri_kill1=practiced occasionally						-2.5575**
ciri_kill2=practiced frequently						-1.7315*
ti_cpi (no corruption)						0.7895*
sed (diversification)						0.8514*
ecoleg1						1.1333
ecoleg2						0.7136
ecoleg3=high concentration						-0.7994
<b>Constant</b>						
N	94	55	47	30	55	47
Multiple R <sup>2</sup>	0.2348	0.2555	0.3882	0.3712	0.1996	0.4886
Adj. R <sup>2</sup>	0.218	0.2108	0.3136	0.2986	0.1525	0.3968
F-statistic p.value	5.158e-06	0.001909	0.0008674	0.00648	0.00948	0.0002488

➔ Significance codes: ‘\*\*\*’ p< 0.001; ‘\*\*’ p< 0.01; ‘\*’ p< 0.05 ; ‘.’ p < 0.1

## Appendix B. 24 H6c\_OLS Regressions of Transparency in Shares on OBS2010 SAI Power

Regressions	(1)	(2)	(3)	(4)
(1) B710 (transparency in shares)	10.04***			
(2) as.factor (B710)				
B710 = 2		2.491		
B710 = 3		26.118**		
B710 = 4		24.064*		
(3)				
SAIleader_total1			1.9443***	
log(newbusdens_04.07)			4.1538**	
B710			9.0412***	
(4)				
SAIleader_total1				2.5811***
log(newbusdens_04.07)				5.2131***
B710				6.8978**
Constant (B710=1)	29.58***	41.665***	23.0147***	22.5956***
N	59	59	46	46
Multiple R <sup>2</sup>	0.1778	0.2249	0.5946	0.7463
Adj. R <sup>2</sup>	0.1634	0.1826	0.5656	0.7138
F-statistic p.value	0.000881	0.002727	2.402e-08	1.137e-10

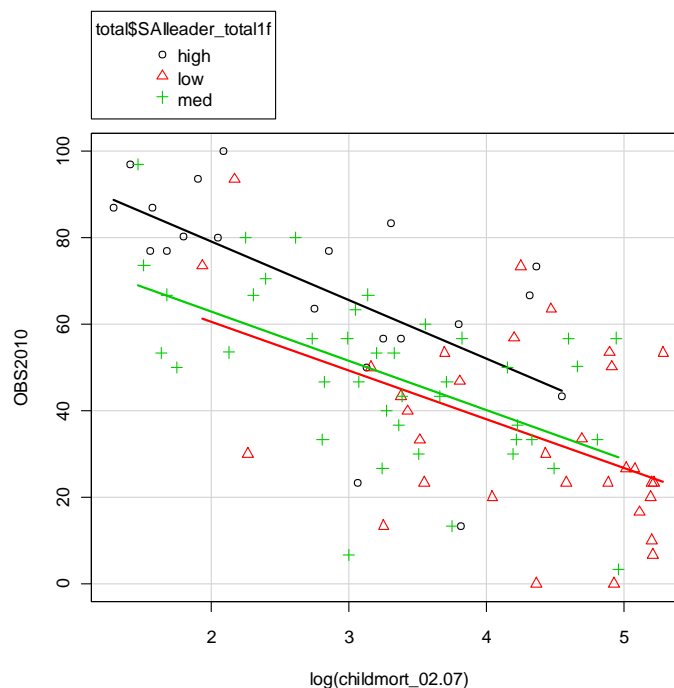
Significance codes: '\*\*\*' p < 0.001; '\*\*' p < 0.01; '\*' p < 0.05; '.' p < 0.1;  
Model (4) weighted by country size (area)

## Appendix B. 25 H7a\_OLS Regression of SAI Leadership and SAI Reform Commitment on OBS2010 SAI Power

	(1)	(2)	(3)	(4)	(5)	(6)
(1)SAIleader_total1	2.452***					
(2)SAIleader_total1f + fh_ipolity2:						
0(constant)=SAIleader_total1f.low		6.5682				
1SAIleader_total1f.med		9.4095***				
SAIleader_total1f.high		25.4237*				
fh_ipolity2		4.7775***				
(3) SAIleader_total1f +						
log(childmort_02.07):						
0(constant)=SAIleader_total1f.low			85.505***			
1SAIleader_total1f.med			1.719			
SAIleader_total1f.high			15.910**			
log(childmort_02.07)			-11.849***			
(4)SAIleader_total1+				1.2411**		
fh_ipolity2+				3.4748***		
log(childmort_02.07)				-7.1260***		
(5)strategicplan						
0 (constant)= no plan					46.489***	
1=plan since 2009					8.907	
(6)strategicplan (without OECD countries)						
0(constant)=no plan						41.373***
1=plan since 2009						11.786*
Constant	36.768***			44.0399 ***		
N	94	94	94	94	94	94
Multiple R <sup>2</sup>	0.2506	0.5223	0.4843	0.5812	0.0236	0.05099
Adj. R <sup>2</sup>	0.2421	0.5064	0.4671	0.5673	0.01298	0.03912
F-statistic p.value	2.841e-07	2.027e-14	6.162e-13	< 2.2e-16	0.1394	0.04138

Significance codes: '\*\*\*' p < 0.001; '\*\*' p < 0.01; '\*' p < 0.05; '.' p < 0.1

Appendix B. 26 Graph Depicting the OLS Regression of the Child Mortality Rate and the Strength of a SAI's Leader on OBS2010 SAI Power<sup>316</sup>



Appendix B. 27 OLS Regression of Three Main Hypotheses

	(1)	(2)	(3)	(4)	(5)
	OBS2010	OBS2010	GI08.10	OECD	PEFA.26mean
H1a: inst.model	42.39**	1.75**	0.60	0.79	-0.17
SAImodel_09Board	(2.66)	(2.66)	(0.63)	(1.03)	(-0.27)
H1a:inst.model	30.33 .	1.25 .	0.55	0.05	-0.59
SAImodel_09court	(1.93)	(1.93)	(0.57)	(0.08)	(-1.11)
H1a:inst.model	46.18**	1.90**	0.84	1.02	-0.22
SAImodel_09monocratic	(2.98)	(2.98)	(0.91)	(1.48)	(-0.43)
H6a:democracy	0.44***	0.64***	0.39**	0.18	0.23
fh_ipolity2^2	(8.51)	(8.51)	(3.02)	(1.41)	(1.54)
H7a:leadership	1.32***	0.25***	0.19 .	0.08	0.42**
SAIleader_total1	(3.85)	(3.85)	(1.80)	(0.62)	(2.98)
Constant (measuring	-22.47	-1.73**	-0.72	-0.80	0.46
SAImodel_09ministry)	(-1.45)	(-2.74)	(-0.79)	(-1.19)	(0.94)
N	94	94	67	71	58
Multiple R <sup>2</sup>	0.63	0.63	0.26	0.21	0.23
Adj. R <sup>2</sup>	0.60	0.60	0.20	0.15	0.15
F-statistic p.value	< 2.2e-16	< 2.2e-16	0.002	0.007	0.017

Significance levels reported as: ‘\*\*\*’ p< 0.001; ‘\*\*’ p< 0.01; ‘\*’ p< 0.05; ‘.’ p < 0.1; t-values in brackets. Table 6.2. is organized as follows: Models (1) and (2) are regressed on the OBS2010. Model (3) is regressed on the GI08-10, model (4) on the OECD and model (5) on the PEFA SAI dependent variable. Models (2) – (5) was computed on standardized variables and thus includes the beta coefficients.

<sup>316</sup> See regression (3), table B.25

Appendix B. 28 OLS Regression on IDI SAIstrength (legal base, audit types, time limit)

	(1) All	(2) Recipients	(3) Recipients	(4) Recipients
INTOSAI.RegionAFROSAI-E	0.222964 * (2.208)	Ref.Cat.	Ref.Cat.	Ref.Cat.
INTOSAI.RegionARABOSAI	0.282580 ** (2.758)	0.052622 (0.934)	0.08425 (1.430)	0.0575419 (1.015)
INTOSAI.RegionASOSAI	0.209651 * (2.066)	-0.042135 (-0.721)	-0.01746 (-0.288)	-0.0372155 (-0.635)
INTOSAI.RegionCAROSAI	0.160023 (1.505)	-0.066578 (-1.103)	-0.06471 (-1.080)	-0.0632802 (-1.059)
INTOSAI.RegionCREFIAF	0.109638 (1.051)	-0.142558 * (-2.302)	-0.15673 * (-2.377)	-0.1343569 * (-2.151)
INTOSAI.RegionEUROSAI	0.297336 ** (3.037)	0.116996 * (2.297)	0.11831 * (2.274)	0.1216704 * (2.350)
INTOSAI.RegionOLACEFS	0.251012 * (2.462)	0.022098 (0.372)	0.02893 (0.464)	0.0227283 (0.383)
INTOSAI.RegionPASAI	0.232362 * (2.199)	0.001581 (0.025)	-0.01092 (-0.167)	0.0008697 (0.013)
SAI.modelBoard/Collegial Model	0.001829 (0.038)	-0.013674 (-0.257)	-0.01786 (-0.338)	-0.0207379 (-0.384)
SAI.modelCourt/Judicial Model	0.010160 (0.213)	0.002029 (0.039)	0.01716 (0.326)	-0.0127596 (-0.236)
SAI.modelPart of Ministry of Finance	-0.275838 ** (-2.684)	-0.327521 . (-1.935)	-0.33570 * (-1.990)	-0.3165765 . (-1.874)
SAI.modelWestminster	-0.006982 (-0.167)	-0.030195 (-0.675)	-0.02104 (-0.467)	-0.0363989 (-0.805)
Log(1.9.staffing.total)	0.025980 * (2.598)	0.024778 * (2.181)	0.01821 (1.581)	0.0244995 * (2.155)
2.1b.Dev.Action.PlanYes	0.065785 * (2.507)	0.049713 . (1.732)	0.04535 (1.562)	0.0451859 (1.556)
3.2.1a.Organizational.capacityYes			0.03715 (1.115)	
3.2.1b.Financial.auditYes			-0.02667 (-0.693)	
3.2.1c.Compliance.auditYes			-0.03059 (-0.632)	
3.2.1d.Performance.auditYes			0.05404 (1.132)	
3.2.1e.IT.auditYes			-0.12063 * (-2.336)	
3.2.1g.Administrative.servicesYes			0.06263 (1.195)	
3.2.1h.External.stakeholder.relationshipsYes			0.02489 (0.392)	
3.4.CB.successfulNo				0.0279808 (0.429)
3.4.CB.successfulYes				0.0329011 (1.109)
Constant	0.417411 *** (3.668)	0.675885*** (7.948)	0.69497 *** (7.989)	0.6621828 (7.695) ***
N	173	137	137	137
Multiple R <sup>2</sup>	0.3576	0.3696	0.4201	0.3804
Adj. R <sup>2</sup>	0.3003		0.3201	0.3042
F-statistic p.value	8.336e-10	7.405e-08	4.127e-07	1.476e-07

Significance levels reported as follows: '\*\*\*' p < 0.001; '\*\*' p < 0.01; '\*' p < 0.05; '.' p < 0.1; t-values in brackets. The constant is the reference category and measures the following categories: Model (1): INTOSAI.Region.0 region, SAI.model.Other, 2.1.Dev.Action.Plan.No; Model (2) INTOSAI.Region.AFROSAI-E, SAI.model.Other, 2.1.Dev.Action.Plan.No; Model (3) as regression (2) 3.2.1a-h.No; Model (4): as regression (2), 3.4.CB.successful.No. Model testing as follows: Multi-collinearity tests GVIF<sup>2</sup>(1/(2\*Df)) < 2 = True; influential observations: studentized residuals with Bonferonni p < 0.05: SAI 92 was removed.SAIs 57 and 171 were removed because large cook's distance and hat values. Non-normality: graphical examination Ok. Non-constant error variance: BP test no significance reported for model (1), but models (2), (3) and (4) seem to be heteroscedastic, also confirmed by plots of studentized r (and their squares) vs. fitted values. Nonlinearity: scatterplots and cr plots examined, variable "1.9.staffing.total" accordingly transformed. Non-independence of errors: DW and BG tests not significant. Assessment of the linear model assumptions using the global test on 4df: all models not correct. For a description of the dependent variable see chapter 5.1. For a description of the independent variables see IDI (2010: Annex B – SAI Questionnaire.)

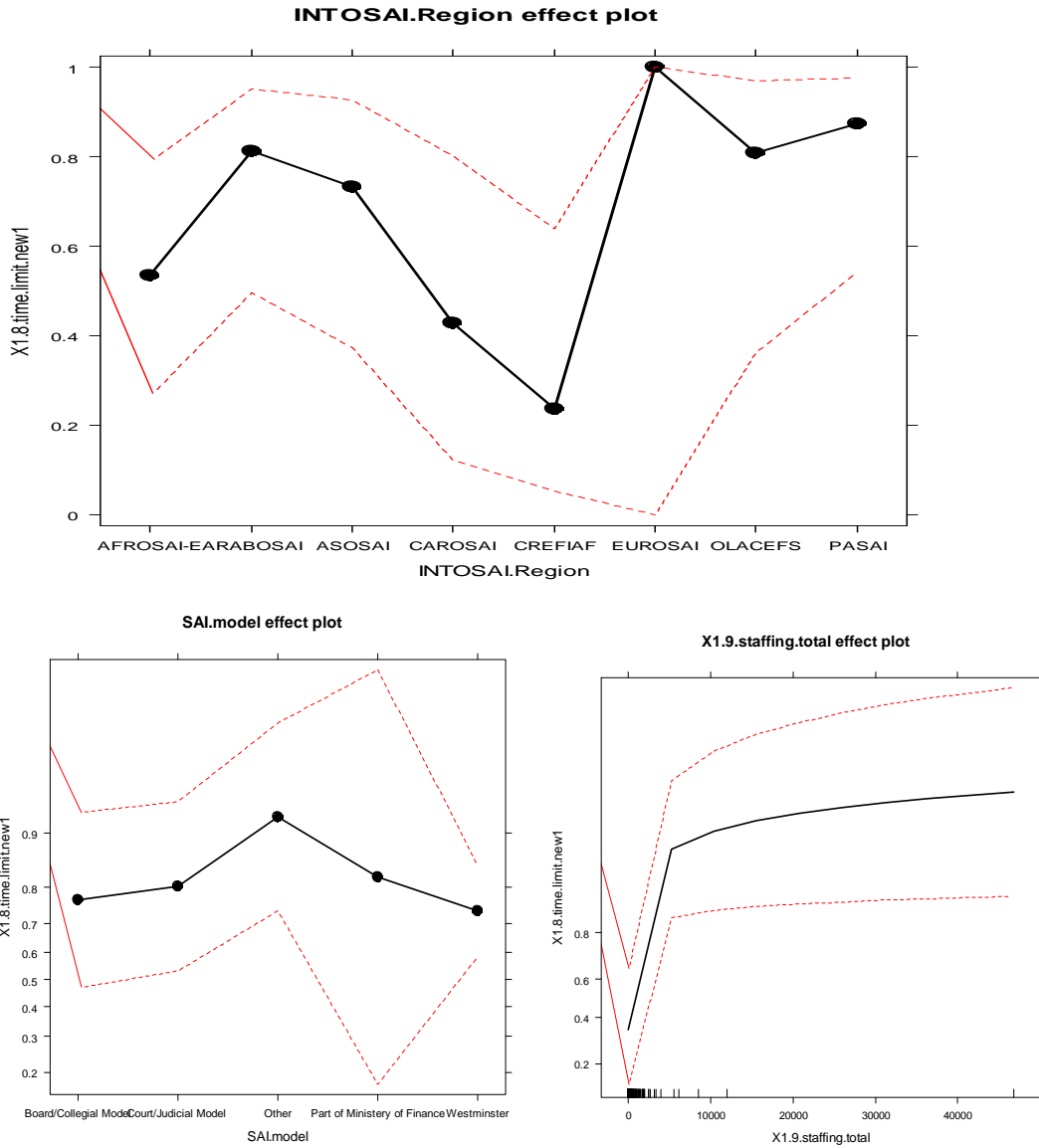
Appendix B. 29 Logistic Regression on IDI 1.8.time.limit.new1 (Binomial SAI Variable, P: Y=1)

	(1) All	(2) Recipients
INTOSAI.RegionAFROSAI-E	0.213617 (0.151)	Ref.cat.
INTOSAI.RegionARABOSAI	1.157050 (0.767)	1.33547 (1.358)
INTOSAI.RegionASOSAI	1.096751 (0.735)	0.87368 (0.912)
INTOSAI.RegionCAROSAI	0.009631 (0.006)	-0.42155 (-0.446)
INTOSAI.RegionCREFIAF	-0.898673 (-0.609)	-1.30460 (-1.150)
INTOSAI.RegionEUROSAI	2.892273 (1.914)	19.01315 (0.016)
INTOSAI.RegionOLACEFS	1.142566 (0.711)	1.30436 (1.029)
INTOSAI.RegionPASAI	1.701116 (1.137)	1.79948 (1.745)
SAI.modelBoard/Collegial Model	-1.254651 (-1.245)	-1.49907 (-1.166)
SAI.modelCourt/Judicial Model	-1.045369 (-1.244)	-1.12341 (-1.063)
SAI.modelPart of Ministry of Finance	-0.906840 (-0.539)	-1.11712 (-0.411)
SAI.modelWestminster	-1.416851 (-1.813)	-1.33140 (-1.427)
Log(1.9.staffing.total)	0.548183** (3.002)	0.58016* (2.224)
2.1b.Dev.Action.PlanYes	0.471821 (1.029)	0.40115 (0.720)
3.2.1a.Organizational.capacityYes		0.05668 (0.088)
3.2.1b.Financial.auditYes		-0.75505 (-1.010)
3.2.1c.Compliance.auditYes		-0.65514 (-0.780)
3.2.1d.Performance.auditYes		1.18734 (1.363)
3.2.1e.IT.auditYes		-0.62168 (-0.622)
3.2.1g.Administrative.servicesYes		2.62742* (1.961)
3.2.1h.External.stakeholder.relationshipsYes		-1.54160 (-0.931)
Constant	-1.821994 (-1.102)	-1.97457 (-1.196)
N	177	141
Null deviance:	215.36 on 175df	180.85 on 140df
Residual deviance:	143.51 on 161df	102.47 on 120df
AIC:	173.51	144.47
No. of Fisher Sc. i.:	5	17
McFadden R <sup>2</sup> :	0.348467	0.5347655

Significance levels reported as follows: \*\*\*\* p < 0.001; \*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.1; z-values in brackets. Models (1) and (2) are regressed on a binomial dependent variable. The constant is the reference category and measures the following categories: Model (1): INTOSAI.Region.0 region, SAI.model.Other, 2.1.Dev.Action.Plan.No; Model (2) INTOSAI.Region.AFROSAI-E, SAI.model.Other, 2.1.Dev.Action.Plan.No; 3.2.1a-h.No; For a description of the dependent variable see chapter 3.1.. For a description of the independent variables see IDI (2010: Annex B – SAI Questionnaire.) "Recipients" includes all SAs which have identified themselves as recipients of capacity building measures in the past, at present or in the planned future. Thus they replied with a "yes" to the following questions: 3.1., 3.2., 3.2.1., 3.5., 4.9. (identified needs?), 4.10. (recipient?). SAs which were capacity building providers at any times were coded with "0". This includes SAs which replied with "yes" to the following questions: 5.1., 5.2., 5.7. SAs which have replied with "no" for both recipients and providers are coded with "0". SAs which replied with "yes" in both areas, were coded as "both" and have been included in the regressions (2) above. The coefficients measure the rate of change in the log of the odds [ln (Pi/(1-Pi))] for Y(IDI 1.8.time.limit.new1) to be 1, for a unit change in X, given all other X. The model parameters were estimated using maximum likelihood estimation.



Appendix B. 30 Model Effect Plots of the Logistic Regression (1) in Appendix B.29. it shows the effect of INTOSAI regional belonging, SAI institutional model and number of total SAI staff on the likelihood that an SAI submits its annual audit report within the stipulated legal time limit.



Appendix B. 31 Multinomial Logit Regression on IDI 1.8.time.limit.new (Multinomial SAI Variable Regressed on Recipients Only)

	ANOVA table (type II tests)		P: Y=1 within legal	P: Y=0.5 within 1yr after limit
	LR Chisq (Df)	Pr(>Chisq)	time limit	
INTOSAI.Region	47.516 (16)	5.657e-05***		
SAI.model	6.630 (8)	0.576993		
INTOSAI.RegionAFROSIAI-E			1.302561e-03 (0.7204046)	4.173974e+10 (1.3305733)
INTOSAI.RegionARABOSAI			4.773661e-03 (0.949672)	3.157781e+10 (1.733030)
INTOSAI.RegionASOSAI			1.544637e-03 (8.854262e-01)	7.536331e-32 (6.136826e-14)
INTOSAI.RegionCAROSAI			1.393302e-03 (0.8815035)	3.612725e+11 (0.8838658)
INTOSAI.RegionCREFIAF			4.140880e-04 (0.8073217)	2.826817e+11 (0.9124053)
INTOSAI.RegionEUROSIAI			3.793905e+20 (8.166925e-06)	2.007790e+10 (8.166925e-06)
INTOSAI.RegionOLACEFS			2.018958e-03 (1.229557)	1.800791e-49 (NA)
INTOSAI.RegionPASAI			1.251790e-02 (0.8678396)	4.834225e+11 (1.1053325)
SAI.modelBoard/Collegial Model			2.159079e-01 (1.370657)	8.413689e-22 (NA)
SAI.modelCourt/Judicial Model			0.3152729 (1.150423)	1.127674 (1.556288)
SAI.modelPart of Ministry of Finance			2.297836e-01 (2.905415e+00)	3.192755e-14 (7.466670e-14)
SAI.modelWestminster			0.3573921 (1.039701)	3.7291891 (1.605493)
Log(1.9.staffing.total)	10.436 (2)	0.005417 **	2.210687 (0.3030439)	2.727406 (0.5007531)
2.1b.Dev.Action.PlanYes	0.702 (2)	0.704140	1.2956502 (0.6473073)	0.6633796 (0.8553956)
3.2.1a.Organizational.capacityYes	5.775 (2)	0.055727 .	2.463311 (0.8308395)	10.270151 (1.0205439)
3.2.1b.Financial.auditYes	1.580 (2)	0.453880	0.3793249 (0.8219831)	0.5501885 (0.9878372)
3.2.1c.Compliance.auditYes	1.646 (2)	0.453880	0.3343676 (0.983401)	0.2805624 (1.314978)
3.2.1d.Performance.auditYes	1.646 (2)	0.439173	2.7270080 (0.9727345)	0.6348916 (1.4217012)
3.2.1e.IT.auditYes	0.659 (2)	0.719275	0.4623718 (1.088743)	1.2847917 (1.700789)
3.2.1g.Administrative.servicesYes	6.032(2)	0.049003*	9.357270e+00 (1.4843432)	1.060883e-18 (0.7555985)
3.2.1h.External.stakeholder. relationsYes	2.720 (2)	0.256627	1.561846e+10 (0.7556016)	4.435951e+28 (0.7556016)
Constant			5.313237e+01 (1.419506)	1.773098e-14 (2.275980)
N	141	141	141	141

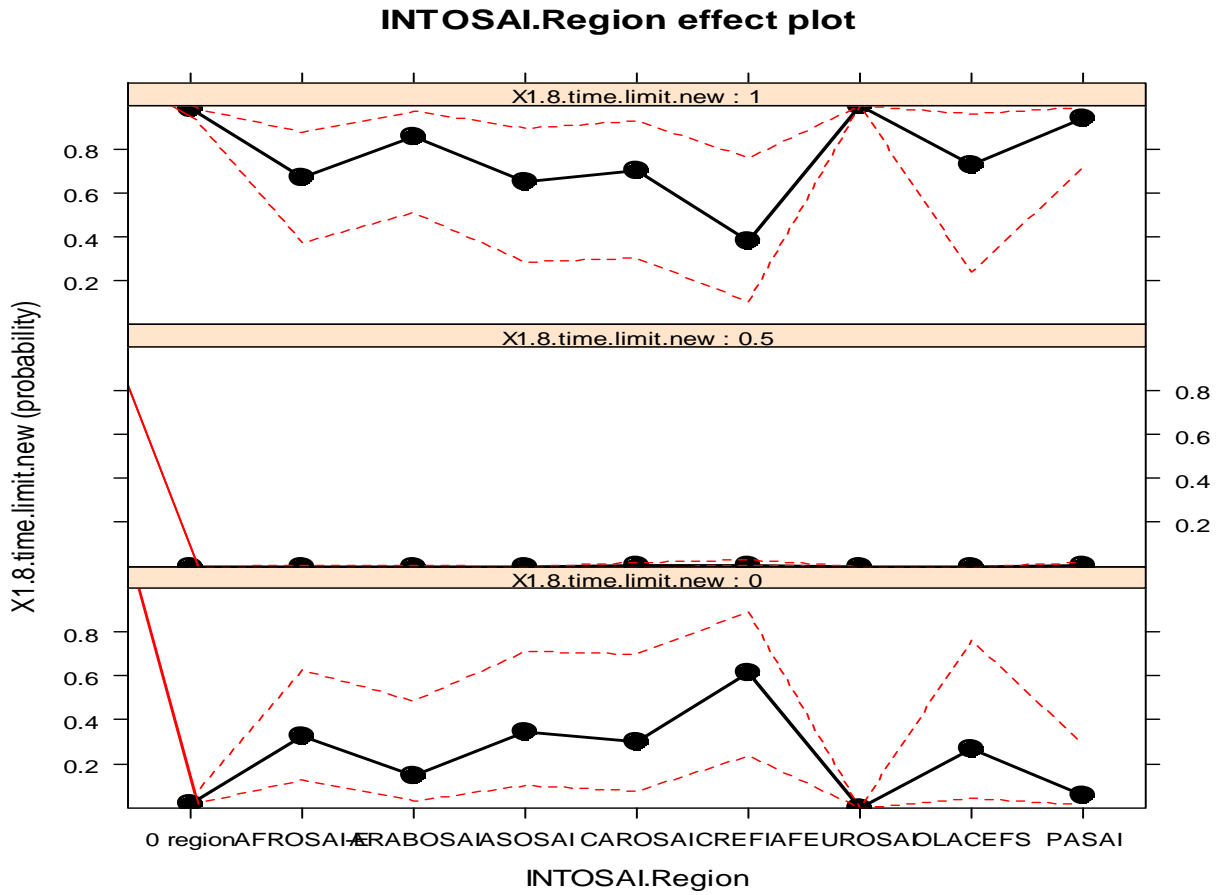
Residual Deviance: 136.8637

AIC: 220.8637

McFadden R<sup>2</sup>: 0.5170906

Significance levels reported as follows: \*\*\*\* p < 0.001; \*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.1; The constant is the reference category and measures the following categories: INTOSAI.Region.0 region, SAI.model.Other, 2.1.Dev.Action.Plan.No; 3.2.1a-h.No; columns (2) and (3) odds ratios are reported with std. errors in brackets. For a description of the dependent variable see Annex B. For a description of the independent variables see IDI (2010: Annex B – SAI Questionnaire. )The regression coefficients represent effects on the log-odds of membership in category Y=1 and Y=0.5 respectively, versus the baseline category Y=0.

Appendix B. 32 Model Effect Plot of the Multinomial Logit Regression in Appendix B.31. It shows the effect of INTOSAI regional belonging on the likelihood that an SAI submits its annual audit report within the stipulated legal time limit.



Appendix B. 33 The Leadership Commitment of a SAI (SAIleader\_total1)

country	resp_total_07.11.1	speech-es_total_05.11	SAIleader_tot al1
Afghanistan	0	0	0
Albania	1	0	1
Algeria	2	0	2
Andorra	0	0	0
Angola	0	0	0
Antigua and Barbuda	2	0	2
Argentina	3	1	4
Armenia	1	0	1
Australia	4	0	4
Austria	11	1	12
Azerbaijan	1	0	1
Bahamas, The	4	0	4
Bahrain	3	0	3
Bangladesh	7	0	7
Barbados	2	0	2
Belarus	0	0	0
Belgium	6	0	6
Belize	1	0	1
Benin	0	0	0
Bhutan	2	0	2
Bolivia	1	1	2
Bosnia and Herzegovina	0	0	0
Botswana	0	0	0
Brazil	9	1	10
Brunei Darussalam	0	0	0
Bulgaria	4	0	4
Burkina Faso	0	0	0
Burundi	0	0	0
Cambodia	2	0	2
Cameroon	6	0	6
Canada	13	1	14
Cape Verde	0	0	0
Cayman Islands	1	0	1
Central African Republic	0	0	0
Chad	0	0	0
Chile	7	0	7
China	12	1	13
Colombia	5	1	6
Comoros	0	0	0
Congo, Rep.	0	0	0

Congo, Dem. Rep.	0	0	0
Cook Islands	3	0	3
Costa Rica	5	0	5
Cote d'Ivoire	2	0	2
Croatia	1	0	1
Cuba	4	0	4
Curacao	0	0	0
Cyprus	3	0	3
Czech Republic	3	0	3
Denmark	9	1	10
Djibouti	0	0	0
Dominica	0	0	0
Dominican Republic	1	0	1
Ecuador	6	0	6
Egypt, Arab Rep.	6	1	7
El Salvador	5	0	5
Equatorial Guinea	0	0	0
Eritrea	0	0	0
Estonia	5	0	5
Ethiopia	2	0	2
Faeroe Islands	0	0	0
Fiji	6	0	6
Finland	6	0	6
France	12	1	13
French Polynesia	1	0	1
Gabon	4	0	4
Gambia, The	1	0	1
Georgia	5	0	5
Germany	8	0	8
Ghana	1	0	1
Gibraltar	0	0	0
Greece	2	0	2
Greenland	0	0	0
Grenada	0	0	0
Guam	0	0	0
Guatemala	1	0	1
Guinea	0	0	0
Guinea-Bissau	0	0	0
Guyana	3	0	3
Haiti	0	0	0
Honduras	0	0	0
Hong Kong SAR, China	0	0	0
Hungary	6	1	7
Iceland	2	0	2
India	9	1	10
Indonesia	8	1	9

Iran, Islamic Rep.	3	0	3
Iraq	4	0	4
Ireland	0	0	0
Isle of Man	0	0	0
Israel	5	0	5
Italy	6	0	6
Jamaica	4	0	4
Japan	6	0	6
Jordan	4	0	4
Kazakhstan	4	0	4
Kenya	3	0	3
Kiribati	4	0	4
Korea, Dem. Rep.	0	0	0
Korea, Rep.	13	1	14
Kosovo	0	0	0
Kuwait	4	1	5
Kyrgyz Republic	0	0	0
Lao PDR	0	0	0
Latvia	3	0	3
Lebanon	1	0	1
Lesotho	2	0	2
Liberia	0	0	0
Libya	11	0	11
Liechtenstein	2	0	2
Lithuania	9	0	9
Luxembourg	1	0	1
Macao SAR, China	0	0	0
Macedonia, FYR	2	0	2
Madagascar	0	0	0
Malawi	0	0	0
Malaysia	5	0	5
Maldives	0	0	0
Mali	0	0	0
Malta	3	0	3
Marshall Islands	0	0	0
Mauritania	1	0	1
Mauritius	0	0	0
Mayotte	0	0	0
Mexico	14	0	14
Micronesia, Fed. Sts.	1	0	1
Moldova	2	0	2
Monaco	0	0	0
Mongolia	2	0	2
Montenegro	0	0	0
Morocco	13	1	14
Mozambique	0	0	0

Myanmar	0	0	0
Namibia	6	0	6
Nepal	0	0	0
Netherlands	9	1	10
New Caledonia	0	0	0
New Zealand	10	0	10
Nicaragua	1	0	1
Niger	0	0	0
Nigeria	0	0	0
Northern Mariana Islands	1	0	1
Norway	12	0	12
Oman	5	1	6
Pakistan	8	0	8
Palau	1	0	1
Panama	3	0	3
Papua New Guinea	4	0	4
Paraguay	3	1	4
Peru	9	1	10
Philippines	2	0	2
Poland	10	1	11
Portugal	4	0	4
Puerto Rico	0	0	0
Qatar	3	0	3
Romania	4	0	4
Russian Federation	11	3	14
Rwanda	0	0	0
Samoa	1	0	1
San Marino	0	0	0
Sao Tome and Principe	0	0	0
Saudi Arabia	10	0	10
Senegal	0	0	0
Serbia	0	0	0
Seychelles	0	0	0
Sierra Leone	0	0	0
Singapore	0	0	0
Sint Maarten (Dutch part)	0	0	0
Slovak Republic	7	0	7
Slovenia	5	0	5
Solomon Islands	1	0	1
Somalia	0	0	0
South Africa	13	4	17
South Sudan	0	0	0
Spain	6	0	6
Sri Lanka	3	0	3
St. Kitts and Nevis	1	0	1
St. Lucia	2	0	2

St. Martin (French part)	0	0	0
St. Vincent and the Grenadines	0	0	0
Sudan	1	0	1
Suriname	0	0	0
Swaziland	0	0	0
Sweden	11	0	11
Switzerland	4	0	4
Syrian Arab Republic	0	0	0
Tajikistan	0	0	0
Tanzania	5	0	5
Thailand	2	0	2
Timor-Leste	0	0	0
Togo	0	0	0
Tonga	3	0	3
Trinidad and Tobago	3	0	3
Tunisia	6	0	6
Turkey	4	0	4
Turkmenistan	0	0	0

Turks and Caicos Islands	1	0	1
Tuvalu	0	0	0
Uganda	2	0	2
Ukraine	10	1	11
United Arab Emirates	0	0	0
United Kingdom	11	1	12
United States	24	1	25
Uruguay	2	0	2
Uzbekistan	0	0	0
Vanuatu	0	0	0
Venezuela, RB	4	1	5
Vietnam	1	0	1
Virgin Islands (U.S.)	0	0	0
West Bank and Gaza	1	0	1
Yemen, Rep.	6	0	6
Zambia	3	0	3
Zimbabwe	4	0	4

Appendix B. 34 The Variable "strategicplan"<sup>317</sup>

country	ccodewb	SAI strategic plan_link	strategic plan_year	strategicplan
Afghanistan	AFG		0	0
Albania	ALB	<a href="http://www.klsh.org.al/doc/20070507142001_sai_strategic_development_plan.pdf">http://www.klsh.org.al/doc/20070507142001_sai_strategic_development_plan.pdf</a>	2007	1
Algeria	DZA		0	0
Andorra	ADO		0	0
Angola	AGO		0	0
Antigua and Barbuda	ATG		0	0
Argentina	ARG		0	0
Armenia	ARM		0	0
Australia	AUS		2010	0
Austria	AUT	<a href="http://www.rechnungshof.gv.at/uploads/media/Strategie_02.pdf">http://www.rechnungshof.gv.at/uploads/media/Strategie_02.pdf</a>	2002	1
Azerbaijan	AZE			0
Bahamas, The	BHS			0
Bahrain	BHR	<a href="http://www.nac.gov.bh/strategy.asp">http://www.nac.gov.bh/strategy.asp</a>	2006	1
Bangladesh	BGD	<a href="http://www.cagbd.org/publication/strategic_plan_2007-2012.pdf">http://www.cagbd.org/publication/strategic_plan_2007-2012.pdf</a>	2007	1
Barbados	BRB			0
Belarus	BLR			0
Belgium	BEL			0
country	ccodewb	SAI strategic plan_link	strategic plan_year	strategicplan
Belize	BLZ	<a href="http://www.audit.gov.bz/downloads/strategic_plan_2008_2013.pdf">http://www.audit.gov.bz/downloads/strategic_plan_2008_2013.pdf</a>	2008	1
Benin	BEN			0
Bhutan	BTN	<a href="http://www.bhutanaudit.gov.bt/contents/papers/Strategic%20Plan.pdf">http://www.bhutanaudit.gov.bt/contents/papers/Strategic%20Plan.pdf</a>	2008	1
Bolivia	BOL			0
Bosnia and Herzegovina	BIH			0
Botswana	BWA			0
Brazil	BRA	tomorrow		1

<sup>317</sup> All websites have been accessed on December 5, 2011.

Brunei Darus-salam	BRN			0
Bulgaria	BGR	<a href="http://www.bulnao.government.bg/index.php?p=24">http://www.bulnao.government.bg/index.php?p=24</a>	2007	1
Burkina Faso	BFA			0
Burundi	BDI			0
Cambodia	KHM			0
Cameroon	CMR			0
Canada	CAN			0
Cape Verde	CPV			0
Cayman Islands				0
Central African Republic	CAF			0
Chad	TCD			0
Chile	CHL			0
China	CHN			0
Colombia	COL			0
Comoros	COM			0
Congo, Rep.	COG			0
Congo, Dem. Rep.	ZAR			0
Cook Islands				0
Costa Rica	CRI	<a href="http://cgrw01.cgr.go.cr/portal/page?_pageid=434,2625184&amp;_dad=portal&amp;_schema=PORTAL">http://cgrw01.cgr.go.cr/portal/page?_pageid=434,2625184&amp;_dad=portal&amp;_schema=PORTAL</a>	2008	1
Cote d'Ivoire	CIV			0
Croatia	HRV	<a href="http://www.revizija.hr/hr/onama/pravci-buduceg-razvoja/">http://www.revizija.hr/hr/onama/pravci-buduceg-razvoja/</a>	2003	1
Cuba	CUB			0
Curacao	CUW			0
Cyprus	CYP			0
country	ccodewb	SAI strategic plan_link	strategic plan_year	strategicplan
Czech Republic	CZE			0
Denmark	DNK			0
Djibouti	DJI			0
Dominica	DMA			0
Dominican Republic	DOM			0
Ecuador	ECU	<a href="http://www.contraloria.gob.ec/informativo.asp?id_SubSeccion=12">http://www.contraloria.gob.ec/informativo.asp?id_SubSeccion=12</a>	2009	1
Egypt, Arab Rep.	EGY			0



El Salvador	SLV	<a href="http://www.cortedecuentas.gob.sv/index.php?option=com_content&amp;view=category&amp;id=52:paq&amp;Itemid=7&amp;layout=default">http://www.cortedecuentas.gob.sv/index.php?option=com_content&amp;view=category&amp;id=52:paq&amp;Itemid=7&amp;layout=default</a>	2009	1
Equatorial Guinea	GNQ			0
Eritrea	ERI			0
Estonia	EST	<a href="http://www.riigikontroll.ee/Riigikontrollkuiasutus/Strateegia/tabid/140/language/en-US/Default.aspx">http://www.riigikontroll.ee/Riigikontrollkuiasutus/Strateegia/tabid/140/language/en-US/Default.aspx</a>	2006	1
Ethiopia	ETH			0
Faeroe Islands	FRO			0
Fiji	FJI			0
Finland	FIN			0
France	FRA			0
French Polynesia	PYF			0
Gabon	GAB			0
Gambia, The	GMB			0
Georgia	GEO			0
Germany	DEU			0
Ghana	GHA			0
Gibraltar	GIB			0
Greece	GRC			0
Greenland	GRL			0
Grenada	GRD			0
Guam	GUM			0
Guatemala	GTM			0
Guinea	GIN			0
Guinea-Bissau	GNB			0
country	ccodewb	SAI strategic plan_link	strategic plan_year	strategicplan
Guyana	GUY			0
Haiti	HTI			0
Honduras	HND			0
Hong Kong SAR, China	HKG			0
Hungary	HUN			0
Iceland	ISL			0
India	IND			0
Indonesia	IDN			0
Iran, Islamic Rep.	IRN			0
Iraq	IRQ			0
Ireland	IRL			0

Isle of Man	IMY			0
Israel	ISR			0
Italy	ITA			0
Jamaica	JAM			0
Japan	JPN			0
Jordan	JOR			0
Kazakhstan	KAZ			0
Kenya	KEN			0
Kiribati	KIR			0
Korea, Dem. Rep.	PRK			0
Korea, Rep.	KOR			0
Kosovo	KSV			0
Kuwait	KWT			0
Kyrgyz Republic	KGZ			0
Lao PDR	LAO			0
Latvia	LVA	<a href="http://www.lrvk.gov.lv/index.php?id=2116">http://www.lrvk.gov.lv/index.php?id=2116</a>	2006	1
Lebanon	LBN			0
Lesotho	LSO			0
Liberia	LBR	<a href="http://www.gacliberia.com/documents/strategy_plan.pdf">http://www.gacliberia.com/documents/strategy_plan.pdf</a>	2008	1
Libya	LBY			0
Liechtenstein	LIE			0
Lithuania	LTU			0
Luxembourg	LUX			0
Macao SAR, China	MAC			0
country	ccodewb	SAI strategic plan_link	strategic plan_year	strategicplan
Macedonia, FYR	MKD	<a href="http://www.dzr.gov.mk/en/DesktopDefault.aspx?tabindex=0&amp;tabid=271">http://www.dzr.gov.mk/en/DesktopDefault.aspx?tabindex=0&amp;tabid=271</a>	2006	1
Madagascar	MDG			0
Malawi	MWI	<a href="http://www.nao.mw/">http://www.nao.mw/</a>	2009	1
Malaysia	MYS			0
Maldives	MDV			0
Mali	MLI			0
Malta	MLT			0
Marshall Islands	MHL			0
Mauritania	MRT			0
Mauritius	MUS	<a href="http://www.gov.mu/portal/goc/auditsite/file/Strategic%20Plan.pdf">http://www.gov.mu/portal/goc/auditsite/file/Strategic%20Plan.pdf</a>	2007	1

Mayotte	MYT			0
Mexico	MEX			0
Micronesia, Fed. Sts.	FSM			0
Moldova	MDA	<a href="http://www.ccrm.md/file/proiecte/curtea_conturi_romana.pdf">http://www.ccrm.md/file/proiecte/curtea_conturi_romana.pdf</a>	2006	1
Monaco	MCO			0
Mongolia	MNG			0
Montenegro	MNE			0
Morocco	MAR			0
Mozambique	MOZ			0
Myanmar	MMR			0
Namibia	NAM			0
Nepal	NPL			0
Netherlands	NLD			0
New Caledonia	NCL			0
New Zealand	NZL			0
Nicaragua	NIC	<a href="http://www.cgr.gob.ni/cgr/index.php?option=com_docman&amp;task=cat_view&amp;gid=156&amp;Itemid=101">http://www.cgr.gob.ni/cgr/index.php?option=com_docman&amp;task=cat_view&amp;gid=156&amp;Itemid=101</a>	2006	1
Niger	NER			0
Nigeria	NGA			0
Northern Mariana Islands	MNP			0
Norway	NOR			0
Oman	OMN			0
Pakistan	PAK			0
Palau	PLW			0
Panama	PAN			0
Papua New Guinea	PNG	<a href="http://www.ago.gov.pg/about_ago.html">http://www.ago.gov.pg/about_ago.html</a>	2005	1
Paraguay	PRY	<a href="http://www.contraloria.gov.py/index.php?option=com_content&amp;task=view&amp;id=10&amp;Itemid=28">http://www.contraloria.gov.py/index.php?option=com_content&amp;task=view&amp;id=10&amp;Itemid=28</a>	2008	1
Peru	PER			0
Philippines	PHL			0
Poland	POL	<a href="http://www.nik.gov.pl/plan-pracy-nik/priorytety-kontroli/">http://www.nik.gov.pl/plan-pracy-nik/priorytety-kontroli/</a>	2009	1
Portugal	PRT	<a href="http://www.tcontas.pt/pt/actos/outros.shtm">http://www.tcontas.pt/pt/actos/outros.shtm</a>	2005	1
Puerto Rico	PRI			0
Qatar	QAT			0
Romania	ROM			0
Russian Federation	RUS			0
Rwanda	RWA			0

Samoa	WSM			0
San Marino	SMR			0
Sao Tome and Principe	STP			0
Saudi Arabia	SAU			0
Senegal	SEN			0
Serbia	SRB			0
Seychelles	SYC			0
Sierra Leone	SLE			0
Singapore	SGP			0
Sint Maarten (Dutch part)	SXM			0
Slovak Republic	SVK			0
Slovenia	SVN	<a href="http://www.rs-rs.si/rsrs/rsrs.nsf/I/KC7BFA7711BBA2EDBC125723C00500F6D">http://www.rs-rs.si/rsrs/rsrs.nsf/I/KC7BFA7711BBA2EDBC125723C00500F6D</a>	2007	1
Solomon Islands	SLB			0
Somalia	SOM			0
South Africa	ZAF	<a href="http://www.agsa.co.za/AboutUs/Budgetandstrategicplans.aspx">http://www.agsa.co.za/AboutUs/Budgetandstrategicplans.aspx</a>	2002	1
South Sudan	SSD			0
Spain	ESP			0
Sri Lanka	LKA			0
St. Kitts and Nevis	KNA			0
St. Lucia	LCA			0
St. Martin (French part)	MAF			0
St. Vincent and the Grenadines	VCT			0
Sudan	SDN			0
Suriname	SUR			0
Swaziland	SWZ			0
Sweden	SWE			0
Switzerland	CHE			0
Syrian Arab Republic	SYR			0
Tajikistan	TJK			0
Tanzania	TZA			0
Thailand	THA			0
Timor-Leste	TMP			0
Togo	TGO			0
Tonga	TON			0
Trinidad and Tobago	TTO			0
Tunisia	TUN			0
Turkey	TUR	<a href="http://www.sayistay.gov.tr/tc/faaliyet/StratejikPlan.asp">http://www.sayistay.gov.tr/tc/faaliyet/StratejikPlan.asp</a>	2009	1

Turkmenistan	TKM			0
Turks and Caicos Islands	TCA			0
Tuvalu	TUV			0
Uganda	UGA	<a href="http://www.oag.go.ug/docs/Corporate_Plan_2006_2011.pdf">http://www.oag.go.ug/docs/Corporate_Plan_2006_2011.pdf</a>	2005	1
Ukraine	UKR			0
United Arab Emirates	ARE	<a href="http://saiwb1.saiuae.gov.ae/Arabic/aboutsai/Pages/Strategicplan.aspx?menuid=1">http://saiwb1.saiuae.gov.ae/Arabic/aboutsai/Pages/Strategicplan.aspx?menuid=1</a>	2009	1
United Kingdom	GBR			0
United States	USA	<a href="http://www.gao.gov/products/GAO-07-1SP">http://www.gao.gov/products/GAO-07-1SP</a>	2007	1
Uruguay	URY			0
Uzbekistan	UZB			0
Vanuatu	VUT			0
Venezuela, RB	VEN	<a href="http://www.cgr.gob.ve/contenido.php?Codigo=061">http://www.cgr.gob.ve/contenido.php?Codigo=061</a>	2009	1
Vietnam	VNM			0
Virgin Islands (U.S.)	VIR			0
West Bank and Gaza	WBG			0
Yemen, Rep.	YEM			0
Zambia	ZMB			0
Zimbabwe	ZWE			0

## Appendix B. 35 The Institutional Model of SAIs

Country or territory	Type of institutional model of the supreme audit institution in 2009 (SAImodel_09)
AFGHANISTAN	monocratic
ALBANIA	monocratic
ALGERIA	court
ANGOLA	court
Anguilla	ministry
Antigua	ministry
ARGENTINA	Board
ARMENIA	Board
Aruba	ministry
AUSTRALIA	monocratic
AUSTRIA	monocratic
AZERBAIJAN	Board
BAHAMAS	monocratic
BAHRAIN	court
BANGLADESH	monocratic
BARBADOS	monocratic
BELARUS	ministry
BELGIUM	court
BELIZE	monocratic
BENIN	court
Bermuda	ministry
BHUTAN	monocratic
BOLIVIA	monocratic
BOSNIA-HERZ	monocratic
BOTSWANA	monocratic
BRAZIL	court
British Virgin Islands	ministry
BRUNEI	ministry
BULGARIA	Board
BURKNA FASO	court
BURUNDI	monocratic
C VERDE IS	court
CAMBODIA	monocratic
CAMEROON	monocratic
CANADA	monocratic
Cayman Islands	ministry
CEN AFR REP	monocratic
CHAD	court
CHILE	monocratic
CHINA PR	monocratic
COLOMBIA	monocratic
COMOROS	ministry
CONGO DR	court

CONGO REP	court
COSTA RICA	monocratic
COTE D'IVOR	court
CROATIA	monocratic
CUBA	ministry
CYPRUS	monocratic
CZECH REP	Board
DENMARK	monocratic
DJIBOUTI	court
DOMIN REP	Board
DOMINICA	ministry
ECUADOR	monocratic
EGYPT	monocratic
EL SALVADOR	court
EQUA GUINEA	monocratic
ERITREA	monocratic
ESTONIA	monocratic
ETH'PIA PDR	monocratic
FIJI	monocratic
FINLAND	monocratic
FRANCE	court
GABON	court
GAMBIA	monocratic
GEORGIA	Board
GERMANY	monocratic
GHANA	monocratic
GREECE	court
GRENADA	ministry
GUATEMALA	monocratic
GUINEA	ministry
GUINEA-B'AU	ministry
GUYANA	monocratic
HAITI	court
HONDURAS	court
HUNGARY	monocratic
ICELAND	monocratic
INDIA	monocratic
INDONESIA	Board
IRAN	court
IRAQ	monocratic
IRELAND	monocratic
ISRAEL	monocratic
ITALY	court
JAMAICA	monocratic

JAPAN	Board
JORDAN	monocratic
KAZAKHSTAN	Board
KENYA	monocratic
KIRIBATI	monocratic
KOREA PR	ministry
KOREA REP	Board
KOSOVO	monocratic
KUWAIT	monocratic
KYRGYZSTAN	Board
LAOS	ministry
LATVIA	monocratic
LEBANON	court
LESOTHO	monocratic
LIBERIA	monocratic
LIBYA	monocratic
LITHUANIA	monocratic
LUXEMBOURG	court
MACEDONIA	monocratic
MADAGASCAR	court
MALAWI	monocratic
MALAYSIA	monocratic
MALDIVE IS	monocratic
MALI	monocratic
MALTA	monocratic
MARSHALL IS	monocratic
MAURITANIA	court
MAURITIUS	monocratic
MEXICO	monocratic
MICRONESIA	monocratic
MOLDOVA	court
MONGOLIA	monocratic
MONTENEGRO	monocratic
MOROCCO	court
MOZAMBIQUE	court
MYANMAR	monocratic
NAMIBIA	monocratic
NEPAL	monocratic
NETHERLANDS	Board
NEW ZEALAND	monocratic
NICARAGUA	Board
NIGER	court
NIGERIA	monocratic
NORWAY	monocratic
OMAN	monocratic
PAKISTAN	monocratic

PANAMA	monocratic
PAPUA NEW G	monocratic
PARAGUAY	monocratic
PERU	monocratic
PHILIPPINES	Board
POLAND	monocratic
PORTUGAL	court
QATAR	monocratic
ROMANIA	court
RUSSIA	Board
RWANDA	monocratic
SAINT LUCIA	monocratic
SAMOA	monocratic
SAO TOME/PR	court
SA'U ARABIA	monocratic
SENEGAL	court
SERBIA	monocratic
SEYCHELLSS	monocratic
SIERRA LEO	monocratic
SINGAPORE	monocratic
SLOVAK REP	monocratic
SLOVENIA	monocratic
SO AFRICA	monocratic
SOLOMON IS	monocratic
SOMALIA	monocratic
SOUTH SUDAN	monocratic
SPAIN	court
SRI LANKA	monocratic
ST KITT/NEV	monocratic
ST VINCENT	monocratic
SUDAN	monocratic
SURINAME	monocratic
SWAZILAND	monocratic
SWEDEN	Board
SWITZERLAND	monocratic
SYRIA	monocratic
TAJKISTAN	ministry
TANZANIA	monocratic
THAILAND	monocratic
TIMOR-LESTE	ministry
TOGO	monocratic
TRINIDAD	monocratic
TUNISIA	court
TURKEY	court
TURKMENSTAN	ministry
UA EMIRATES	monocratic

UGANDA	monocratic
UK	monocratic
UKRAINE	monocratic
URUGUAY	court
USA	monocratic
UZBEKISTAN	ministry

VENEZUELA	monocratic
VIETNAM	monocratic
YEMEN REP	monocratic
ZAMBIA	monocratic
ZIMBABWE	monocratic

Appendix B. 36 INTOSAIregion - SAI's Main Belonging to an INTOSAI Region

SAI	INTOSAIregion
Afghanistan	ASOSAI
Albania	EUROSAI
Algeria	ARABOSAI
Angola	AFROSAI-E
Anguilla	CAROSAI
Antigua and Barbuda	CAROSAI
Argentina	OLACEFS
Armenia	EUROSAI
Aruba	CAROSAI
Australia	ASOSAI
Austria	EUROSAI
Azerbaijan	EUROSAI
Bahamas, The	CAROSAI
Bahrain	ARABOSAI
Bangladesh	ASOSAI
Barbados	CAROSAI
Belarus	EUROSAI
Belgium	EUROSAI
Belize	CAROSAI
Benin	CREFIAF
Bermuda	CAROSAI
Bhutan	ASOSAI
Bolivia	OLACEFS
Bosnia and Herzegovina	EUROSAI
Botswana	AFROSAI-E
Brazil	OLACEFS
British Virgin Islands	CAROSAI
Brunei Darussalam	ASOSAI
Bulgaria	EUROSAI
Burkina Faso	CREFIAF
Burundi	CREFIAF
Cambodia	ASOSAI
Cameroon	CREFIAF
Canada	NRM
Cape Verde	CREFIAF
Cayman Islands	CAROSAI

Central African Republic	CREFIAF
Chad	CREFIAF
Chile	OLACEFS
China	ASOSAI
Colombia	OLACEFS
Comoros	ARABOSAI
Congo, Rep.	CREFIAF
Congo, Dem. Rep.	CREFIAF
Costa Rica	OLACEFS
Cote d'Ivoire	CREFIAF
Croatia	EUROSAI
Cuba	OLACEFS
Cyprus	EUROSAI
Czech Republic	EUROSAI
Denmark	EUROSAI
Djibouti	AFROSAI-E
Dominica	CAROSAI
Dominican Republic	OLACEFS
Ecuador	OLACEFS
Egypt, Arab Rep.	ARABOSAI
El Salvador	OLACEFS
Equatorial Guinea	CREFIAF
Eritrea	AFROSAI-E
Estonia	EUROSAI
Ethiopia	AFROSAI-E
Fiji	PASAI
Finland	EUROSAI
France	EUROSAI
Gabon	CREFIAF
Gambia, The	AFROSAI-E
Georgia	EUROSAI
Germany	EUROSAI
Ghana	AFROSAI-E
Greece	EUROSAI
Grenada	CAROSAI
Guatemala	OLACEFS
Guinea	CREFIAF



Guinea-Bissau	CREFIAF
Guyana	CAROSAI
Haiti	CAROSAI
Honduras	OLACEFS
Hungary	EUROSAI
Iceland	EUROSAI
India	ASOSAI
Indonesia	ASOSAI
Iran, Islamic Rep.	ASOSAI
Iraq	ARABOSAI
Ireland	EUROSAI
Israel	EUROSAI
Italy	EUROSAI
Jamaica	CAROSAI
Japan	ASOSAI
Jordan	ARABOSAI
Kazakhstan	ASOSAI
Kenya	AFROSAI-E
Kiribati	PASAI
Korea, PR	NRM
Korea, Rep.	ASOSAI
Kosovo	NRM
Kuwait	ARABOSAI
Kyrgyz Republic	ASOSAI
Lao PDR	ASOSAI
Latvia	EUROSAI
Lebanon	ARABOSAI
Lesotho	AFROSAI-E
Liberia	AFROSAI-E
Libya	ARABOSAI
Lithuania	EUROSAI
Luxembourg	EUROSAI
Macedonia, FYR	EUROSAI
Madagascar	CREFIAF
Malawi	AFROSAI-E
Malaysia	ASOSAI
Maldives	ASOSAI
Mali	CREFIAF
Malta	EUROSAI
Marshall Islands	PASAI
Mauritania	ARABOSAI
Mauritius	AFROSAI-E
Mexico	OLACEFS
Micronesia, Fed. Sts.	PASAI
Moldova	EUROSAI
Mongolia	ASOSAI

Montenegro	EUROSAI
Morocco	ARABOSAI
Mozambique	AFROSAI-E
Myanmar	ASOSAI
Namibia	AFROSAI-E
Nepal	ASOSAI
Netherlands	EUROSAI
New Zealand	PASAI
Nicaragua	OLACEFS
Niger	CREFIAF
Nigeria	AFROSAI-E
Norway	EUROSAI
Oman	ARABOSAI
Pakistan	ASOSAI
Panama	OLACEFS
Papua New Guinea	PASAI
Paraguay	OLACEFS
Peru	OLACEFS
Philippines	ASOSAI
Poland	EUROSAI
Portugal	EUROSAI
Qatar	ARABOSAI
Romania	EUROSAI
Russian Federation	EUROSAI
Rwanda	CREFIAF
Samoa	PASAI
Sao Tome and Principe	CREFIAF
Saudi Arabia	ARABOSAI
Senegal	CREFIAF
Serbia	EUROSAI
Seychelles	AFROSAI-E
Sierra Leone	CREFIAF
Singapore	ASOSAI
Slovak Republic	EUROSAI
Slovenia	EUROSAI
Solomon Islands	PASAI
Somalia	ARABOSAI
South Africa	AFROSAI-E
South Sudan	AFROSAI-E
Spain	EUROSAI
Sri Lanka	ASOSAI
St. Kitts and Nevis	CAROSAI
St. Lucia	CAROSAI
St. Vincent and the Grenadines	CAROSAI
Sudan	ARABOSAI

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Suriname	CAROSAI
Swaziland	AFROSAI-E
Sweden	EUROSAI
Switzerland	EUROSAI
Syrian Arab Republic	ARABOSAI
Tajikistan	NRM
Tanzania	AFROSAI-E
Thailand	ASOSAI
Timor-Leste	NRM
Togo	CREFIAF
Trinidad and Tobago	CAROSAI
Tunisia	ARABOSAI
Turkey	EUROSAI
Turkmenistan	NRM
Uganda	AFROSAI-E
Ukraine	EUROSAI
United Arab Emirates	ARABOSAI
United Kingdom	EUROSAI
United States	NRM
Uruguay	OLACEFS
Uzbekistan	NRM
Venezuela, RB	OLACEFS
Vietnam	ASOSAI
Yemen, Rep.	ARABOSAI
Zambia	AFROSAI-E
Zimbabwe	AFROSAI-E

Appendix B. 37 CAC Ratification<sup>318</sup>

ccodewb	country	signature	Ratification, Acceptance (A), Approval (AA), Accession (a), Succession (d)	CAC2005	CAC2007	CAC2009
AFG	Afghanistan	20.Feb.04	25.Aug.08	0	0	1
ALB	Albania	18 Dec 2003	25 May 2006	0	1	1
DZA	Algeria	9 Dec 2003	25.Aug.04	1	1	1
AGO	Angola	10 Dec 2003	29.Aug.06	0	1	1
ATG	Antigua and Barbuda		21 Jun 2006 a	0	0	0
ARG	Argentina	10 Dec 2003	28.Aug.06	0	1	1
ARM	Armenia	19 May 2005	8 Mar 2007	0	1	1
AUS	Australia	9 Dec 2003	7 Dec 2005	1	1	1
AUT	Austria	10 Dec 2003	11 Jan 2006	0	1	1
AZE	Azerbaijan	27.Feb.04	01.Nov.05	1	1	1
BHS	Bahamas		10 Jan 2008 a	0	0	0
BHR	Bahrain	08.Feb.05	5 October 2010	0	0	0
BGD	Bangladesh		27 Feb 2007 a	0	0	0
BRB	Barbados	10 Dec 2003		0	0	0
BLR	Belarus	28.Apr.04	17.Feb.05	1	1	0
BEL	Belgium	10 Dec 2003	25.Sep.08	0	0	1
BEN	Benin	10 Dec 2003	14 Oct 2004	1	1	1
BWA	Botswana		27 Jun 2011 a	0	0	0
BTN	Bhutan	15.Sep.05		0	0	0
BOL	Bolivia	9 Dec 2003	5 Dec 2005	1	1	1
BIH	Bosnia and Herzegovina	16.Sep.05	26 Oct 2006	0	1	1
BRA	Brazil	9 Dec 2003	15.Jun.05	1	1	1
BRN	Brunei	11 Dec 2003	2 Dec 2008	0	0	1
BGR	Bulgaria	10 Dec 2003	20.Sep.06	0	1	1
BFA	Burkina Faso	10 Dec 2003	10 Oct 2006	0	1	1
BDI	Burundi		10 Mar 2006 a	0	0	0
KHM	Cambodia		5 Sep 2007 a	0	0	0
CMR	Cameroon	10 Dec 2003	06.Feb.06	0	1	1
CAN	Canada	21 May 2004	2 Oct 2007	0	1	1
ccodewb	country	signature	Ratification,	CAC2005	CAC2007	CAC2009

<sup>318</sup> <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html> (Last Accessed on December 04, 2011). Only countries which have fully ratified the CAC have been rated with '1'.

			Acceptance (A), Approval (AA), Accession (a), Succession (d)			
CPV	Cape Verde	9 Dec 2003	23.Apr.08	0	0	1
CAF	Central African Republic	11.Feb.04	6 Oct 2006	0	1	1
TCD	Chad			0	0	0
CHL	Chile	11 Dec 2003	13.Sep.06	0	1	1
CHN	China	10 Dec 2003	13 Jan 2006	0	1	1
COL	Colombia	10 Dec 2003	27 Oct 2006	0	1	1
COM	Comoros	10 Dec 2003		0	0	0
COG	Congo		13 Jul 2006 a	0	0	0
CRI	Costa Rica	10 Dec 2003	21 Mar 2007	0	1	1
CIV	Cote d'Ivoire	10 Dec 2003		0	0	0
HRV	Croatia	10 Dec 2003	24.Apr.05	1	1	1
CUB	Cuba	9 Dec 2005	09.Feb.07	0	1	1
CYP	Cyprus	9 Dec 2003	23.Feb.09	0	0	1
CZE	Czech Republic	22.Apr.05		0	0	0
ZAR	Congo, DR		23 Sep 2010 a	0	0	0
DNK	Denmark	10 Dec 2003	26 Dec 2006	0	1	1
DJI	Djibouti	17.Jun.04	20.Apr.05	1	1	1
DMA	Dominica		28 May 2010 a	0	0	0
DOM	Dominican Republic	10 Dec 2003	26 Oct 2006	0	1	1
ECU	Ecuador	10 Dec 2003	15.Sep.05	1	1	1
EGY	Egypt	9 Dec 2003	25.Feb.05	1	1	1
SLV	El Salvador	10 Dec 2003	01.Jul.04	1	1	1
GNQ	Equatorial Guinea			0	0	0
EST	Estonia		12 Apr 2010 a	0	0	0
ETH	Ethiopia (1993-)	10 Dec 2003	26.Nov.07	0	1	1
EU	EU	15.Sep.05	12 Nov 2008 AA	0	0	0
FJI	Fiji		14 May 2008 a	0	0	0
FIN	Finland	9 Dec 2003	20 Jun 2006 A	0	1	0
FRA	France	9 Dec 2003	11.Jul.05	1	1	0
GAB	Gabon	10 Dec 2003	1 Oct 2007	0	1	1
GEO	Georgia		4 Nov 2008 a	0	0	0
DEU	Germany	9 Dec 2003		0	0	0
GHA	Ghana	9 Dec 2004	27.Jun.07	0	1	1
GRC	Greece	10 Dec 2003	17.Sep.08	0	0	1
ccodewb	country	signature	Ratification,	CAC2005	CAC2007	CAC2009

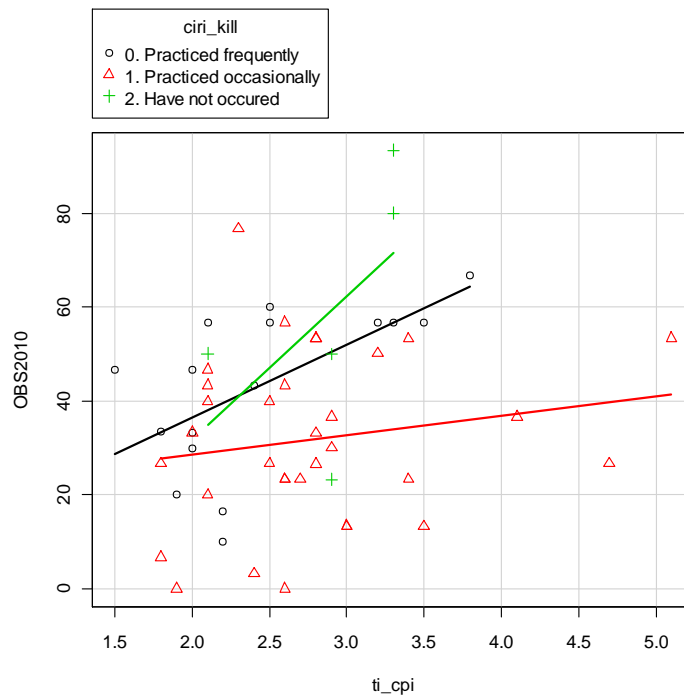
			Acceptance (A), Approval (AA), Accession (a), Succession (d)			
GTM	Guatemala	9 Dec 2003	03.Nov.06	0	1	1
GIN	Guinea	15.Jul.05		0	0	0
GNB	Guinea- Bissau		10 Sep 2007 a	0	1	0
GUY	Guyana		16 Apr 2008 a	0	0	0
HTI	Haiti	10 Dec 2003	14.Sep.09	0	0	1
HND	Honduras	17 May 2004	23 May 2005	1	1	1
HUN	Hungary	10 Dec 2003	19.Apr.05	1	1	1
ISL	Iceland		1 Mar 2011 a	0	0	0
IND	India	9 Dec 2005	1 May 2011	0	0	0
IDN	Indonesia	18 Dec 2003	19.Sep.06	0	1	1
IRN	Iran	9 Dec 2003	20.Apr.09	0	0	1
IRQ	Iraq		17 Mar 2008 a	0	0	0
IRL	Ireland	9 Dec 2003		0	0	0
ISR	Israel	29.Nov.05	04.Feb.09	0	0	1
ITA	Italy	9 Dec 2003	5 Oct 2009	0	0	1
JAM	Jamaica	16.Sep.05	5 Mar 2008	0	0	1
JPN	Japan	9 Dec 2003		0	0	0
JOR	Jordan	9 Dec 2003	24.Feb.05	1	1	1
KAZ	Kazakhstan		18 Jun 2008 a	0	0	0
KEN	Kenya	9 Dec 2003	9 Dec 2003	1	1	1
KWT	Kuwait	9 Dec 2003	16.Feb.07	0	1	1
KGZ	Kyrgyzstan	10 Dec 2003	16.Sep.05	1	1	1
LAO	Laos	10 Dec 2003	25.Sep.09	0	0	1
LVA	Latvia	19 May 2005	4 Jan 2006	0	1	1
LBN	Lebanon		22 Apr 2009 a	0	0	0
LSO	Lesotho	16.Sep.05	16.Sep.05	1	1	1
LBR	Liberia		16 Sep 2005 a	0	0	0
LBY	Libya	23 Dec 2003	07.Jun.05	1	1	1
LIE	Liechten- stein	10 Dec 2003	08.Jul.10	0	0	0
LTU	Lithuania	10 Dec 2003	21 Dec 2006	0	1	1
LUX	Luxembourg	10 Dec 2003	06.Nov.07	0	1	1
MDG	Madagascar	10 Dec 2003	22.Sep.04	1	1	1
MWI	Malawi	21.Sep.04	4 Dec 2007	0	1	1
MYS	Malaysia	9 Dec 2003	24.Sep.08	0	0	1
MDV	Maldives		22 Mar 2007 a	0	0	0
MLI	Mali	9 Dec 2003	18.Apr.08	0	0	1
MLT	Malta	12 May 2005	11.Apr.08	0	0	1
MRT	Mauritania		25 Oct 2006 a	0	0	0
MUS	Mauritius	9 Dec 2003	15 Dec 2004	1	1	1

ccodewb	country	signature	Ratification, Acceptance (A), Approval (AA), Accession (a), Succession (d)	CAC2005	CAC2007	CAC2009
MEX	Mexico	9 Dec 2003	20.Jul.04	1	1	1
MDA	Moldova	28.Sep.04	1 Oct 2007	0	1	1
MNG	Mongolia	29.Apr.05	11 Jan 2006	0	1	1
MNE	Montenegro		23 Oct 2006 d	0	0	0
MAR	Morocco	9 Dec 2003	9 May 2007	0	1	1
MOZ	Mozambique	25 May 2004	09.Apr.08	0	0	1
MMR	Myanmar	2 Dec 2005		0	0	0
NAM	Namibia	9 Dec 2003	03.Aug.04	1	1	1
NRU	Nauru	10 Dec 2003	31 Mar 2011	0	0	0
NPL	Nepal	10 Dec 2003	31 Mar 2011	0	0	0
NLD	Netherlands	10 Dec 2003	31 Oct 2006 A	0	0	0
NZL	New Zealand	10 Dec 2003		0	0	0
NIC	Nicaragua	10 Dec 2003	15.Feb.06	0	1	1
NER	Niger		11 Aug 2008 a	0	0	0
NGA	Nigeria	9 Dec 2003	14 Dec 2004	1	1	1
NOR	Norway	9 Dec 2003	29.Jun.06	0	1	1
PAK	Pakistan (1972-)	9 Dec 2003	31.Aug.07	0	1	1
PCI	Palau		24 Mar 2009 a	0	0	0
PAN	Panama	10 Dec 2003	23.Sep.05	1	1	1
PNG	Papua New Guinea	22 Dec 2004	16.Jul.07	0	1	1
PRY	Paraguay	9 Dec 2003	01.Jun.05	1	1	1
PER	Peru	10 Dec 2003	16.Nov.04	1	1	1
PHL	Philippines	9 Dec 2003	08.Nov.06	0	1	1
POL	Poland	10 Dec 2003	15.Sep.06	0	1	1
PRT	Portugal	11 Dec 2003	28.Sep.07	0	1	1
QAT	Qatar	1 Dec 2005	30 Jan 2007	0	1	1
KOR	Korea, south	10 Dec 2003	27 Mar 2008	0	0	1
ROM	Romania	9 Dec 2003	02.Nov.04	1	1	1
RUS	Russia	9 Dec 2003	9 May 2006	0	1	1
RWA	Rwanda	30.Nov.04	4 Oct 2006	0	1	1
STP	Sao Tome and Principe	8 Dec 2005	12.Apr.06	0	1	1
SAU	Saudi Arabia	9 Jan 2004		0	0	0

ccodewb	country	signature	Ratification, Acceptance (A), Approval (AA), Accession (a), Succession (d)	CAC2005	CAC2007	CAC2009
SEN	Senegal	9 Dec 2003	16.Nov.05	1	1	1
SRB	Serbia	11 Dec 2003	20 Dec 2005	1	1	1
SYC	Seychelles	27.Feb.04	16 Mar 2006	0	1	1
SLE	Sierra Leone	9 Dec 2003	30.Sep.04	1	1	1
SGP	Singapore	11.Nov.05	06.Nov.09	0	0	1
SVK	Slovakia	9 Dec 2003	01.Jun.06	0	1	1
SVN	Slovenia		1 Apr 2008 a	0	0	0
ZAF	South Africa	9 Dec 2003	22.Nov.04	1	1	1
ESP	Spain	16.Sep.05	19.Jun.06	0	1	1
LKA	Sri Lanka	15 Mar 2004	31 Mar 2004	1	1	1
SDN	Sudan	14 Jan 2005		0	0	0
SWZ	Swaziland	15.Sep.05		0	0	0
SWE	Sweden	9 Dec 2003	25.Sep.07	0	1	1
CHE	Switzerland	10 Dec 2003	24.Sep.09	0	0	1
SYR	Syria	9 Dec 2003		0	0	0
TJK	Tajikistan		25 Sep 2006 a	0	0	0
THA	Thailand	9 Dec 2003	1 Mar 2011	0	0	0
MKD	Macedonia	18.Aug.05	13.Apr.07	0	1	1
TMP	Timor-Leste	10 Dec 2003	27 Mar 2009	0	0	1
TGO	Togo	10 Dec 2003	06.Jul.05	1	1	1
TTO	Trinidad and Tobago	11 Dec 2003	31 May 2006	0	1	1
TUN	Tunisia	30 Mar 2004	23.Sep.08	0	0	1
TUR	Turkey	10 Dec 2003	09.Nov.06	0	1	1
TKM	Turkmeni- stan		28 Mar 2005 a	0	0	0
UGA	Uganda	9 Dec 2003	09.Sep.04	1	1	1
UKR	Ukraine	11 Dec 2003	02 Dec 2009	0	0	1
ARE	United Arab Emirates	10.Aug.05	22.Feb.06	0	1	1
GBR	United Kingdom	9 Dec 2003	09.Feb.06	0	1	1
TZA	Tanzania	9 Dec 2003	25 May 2005	1	1	1
USA	United States	9 Dec 2003	30 Oct 2006	0	1	1
URY	Uruguay	9 Dec 2003	10 Jan 2007	0	1	1
UZB	Uzbekistan		29 Jul 2008 a	0	0	0
VUT	Vanuatu		12 Jul 2011 a	0	0	0

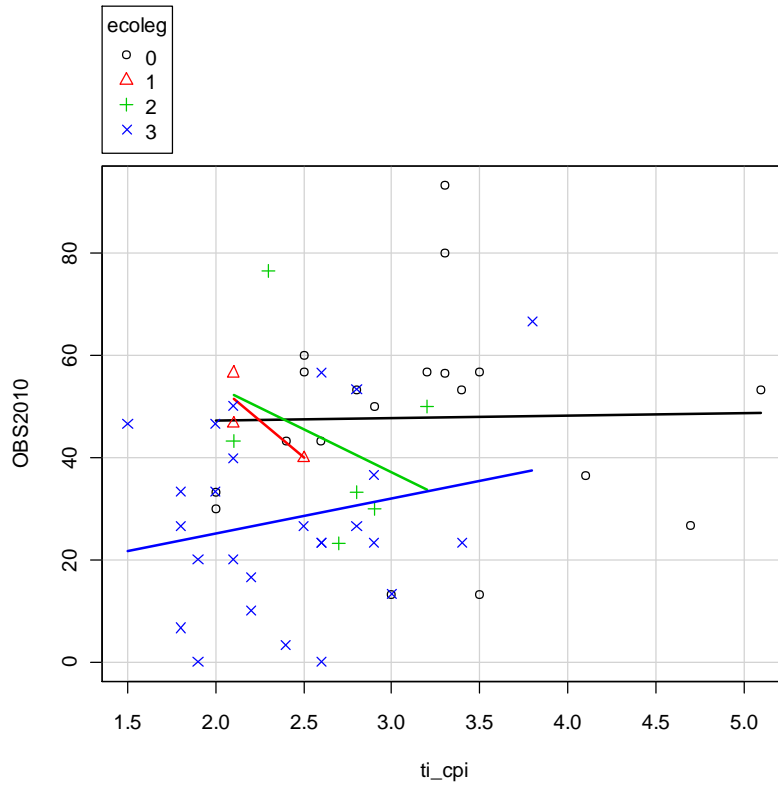
ccodewb	country	signature	Ratification, Acceptance (A), Approval (AA), Accession (a), Succession (d)	CAC2005	CAC2007	CAC2009
VEN	Venezuela	10 Dec 2003	02.Feb.09	0	0	1
VNM	Vietnam	10 Dec 2003	19.Aug.09	0	0	1
YEM	Yemen	11 Dec 2003	07.Nov.05	1	1	1
ZMB	Zambia	11 Dec 2003	7 Dec 2007	0	1	1
ZWE	Zimbabwe	20.Feb.04	8 Mar 2007	0	1	1

Appendix B. 38 H6b\_Strategies by Autocrats. This Graph shows the OLS Regression of status of the corruption perception index (ti\_cpi) and political killings (cirri\_kill) on OBS2010 SAI power ('free' countries have been excluded)

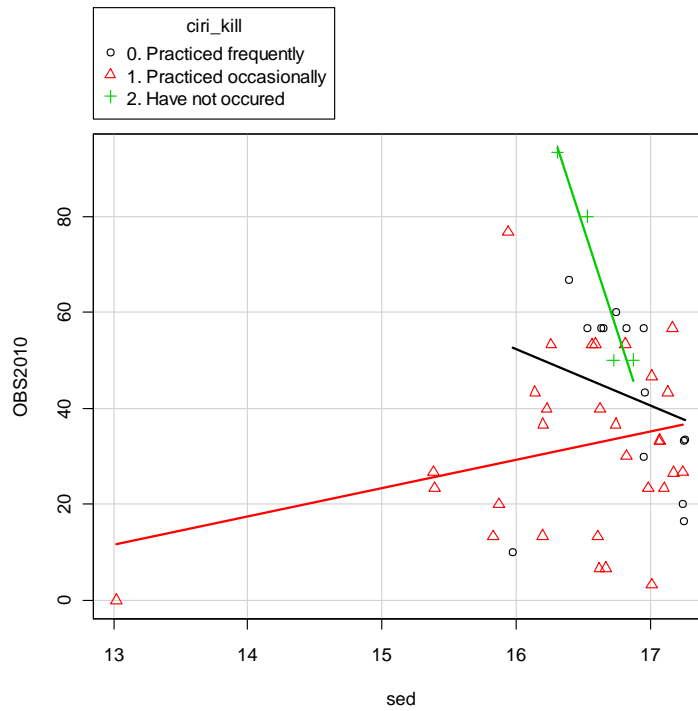




Appendix B. 39 Graph showing the OLS Regression of status of the corruption perception index (ti\_cpi) and economic legitimacy through diversification (whereas ecoleg=3= high concentration) on OBS2010 SAI power ('free' countries have been excluded)



Appendix B. 40 OLS Regression of economic diversification index (sed) and political killings on OBS2010 SAI power ('free' countries have been excluded)



Graph (B.38) confirms graph 6.17. I find the weakest SAIs in countries which practice occasional political killings combined with high levels of corruption. Countries with high levels of political killings can still have strong SAIs, but never very powerful and completely independent SAIs. Graph B.39. also confirms my hypothesis. The weakest SAIs are found in countries with high levels of corruption and high concentration of the economic sectors (ecoleg=3).

Figure B.40. again confirms the hypothesis H6b. The weakest SAIs are found in (semi-) authoritarian regimes which practice some extent of political killings. They slowly might allow SAIs as economic diversification increases, but will never accept completely independent and powerful SAIs. On the other hand, countries which practice frequent killings do have somehow mid-level SAIs (in order to control subordinates) but as economic diversification increases, and thus the number of potential challengers increases, they 'buy' them off, grant their enemies rents and privileges and thus become tighter on existing accountability structures.

To sum up, I have examined the three commonly known strategies of autocrats to stay in power (Haber, 2006). First, they might apply terror and 'kill' potential opponents. In such countries, there might be a SAI in order to control subordinates, but it will never be completely independent and strong (see graphs 6.17, B.38, B.40.). Secondly, the autocrat might buy off opponents and thus corruption is widespread and the SAI is not functioning at all (see graphs B.39, B.40) Finally, the autocrat might opt for organizational diffusion or proliferation by creating business opportunities for his opponents mixed with occasional killing of very strong challengers. Here the SAI is improving as the economic diversification increases (see graph B.40) Autocracies with the lowest SAI power are those, which practice a mixture such as occasional political killings, high corruption and nepotism (measured as low *ti\_cpi*) and low organizational proliferation.

## C) Appendices to Chapters Seven - Eight

Appendix C. 1 List of Interviews

<b>Nr.</b>	<b>Interviewees</b>	<b>Date of Interview</b>	<b>Time/Duration of interview</b>	<b>data collection type</b>
1	(1) Vice President of the SAI; (2) Vice President of the SAI	12 July 2011	19:30 - 21:30	notes taking, English
2	(1) Head of the Cabinet of the Chairperson; (2) Head of Department	13 July 2011	13:00 - 14:20	audio recording, English
3	(1) President of the SAI; (2) Principal auditor	13 July 2011	18:00 -19:00	audio recording, notes taking and written reply by SAI, English
4	Board member	14 July 2011	14:00 - 14:45	audio recording, German
5	Deputy Chairman of the Board	14 July 2011	15:15 -16:00	notes taking, English
6	Auditor General	14 July 2011	19:30 - 20:30	notes taking, English
7	President of the SAI	14 July 2011	22:00 - 0:00	notes taking, audio recording, English
8	President of the SAI	15 July 2011	13:00 - 14:00	notes taking, English
9	President of the SAI	15 July 2011	14:00 - 14:30	notes taking, French
10	Manager	15 July 2011	14:45 - 15:30	notes taking, English
11	Auditor General	15 July 2011	17:00 - 18:15	notes taking, English
12	Chair of the SAI	15 July 2011	19:00 - 20:30	notes taking; audio recording; written reply by SAI, English
13	Chairperson of the SAI	15 July 2011	21:00 - 21:45	notes taking, English
14	Auditor General of SAI	15 July 2011	22:00 - 23:45	notes taking, English
15	Head of the Cabinet of the Auditor General	28 July 2011	17:00 - 18:00	notes taking, German
16	Director International Cooperation of the SAI	18 August 2011	16:00 - 17:38	phone interview, audio recording, English
17	General director	22 August 2011	16:50 - 18:00	phone interview, audio recording, English
18	Project officer of an INTOSAI body			Phone discussion and email exchange, English

## Appendix C. 2 Example of an Interview Questionnaire

**Meeting Agenda**

Katharina Noussi, Doctoral Student, Department of Political Science, University of Vienna

Mr. [name], Vice President, and Mr. [name], Vice President of the [SAI name]

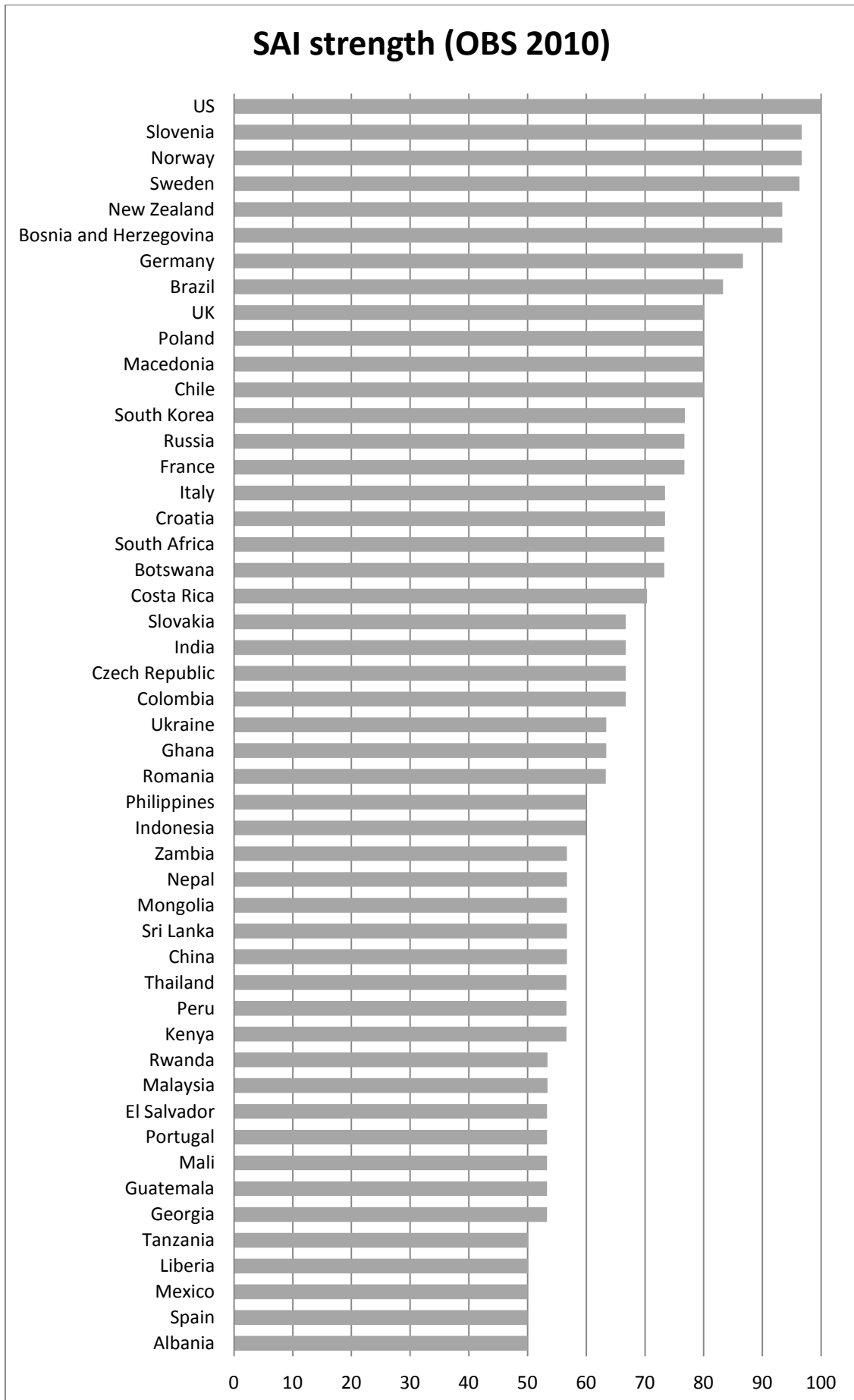
Hotel NH Danube City, Wagramer Straße 21, 1220-Vienna, on July 12, 2011. 7.30 PM

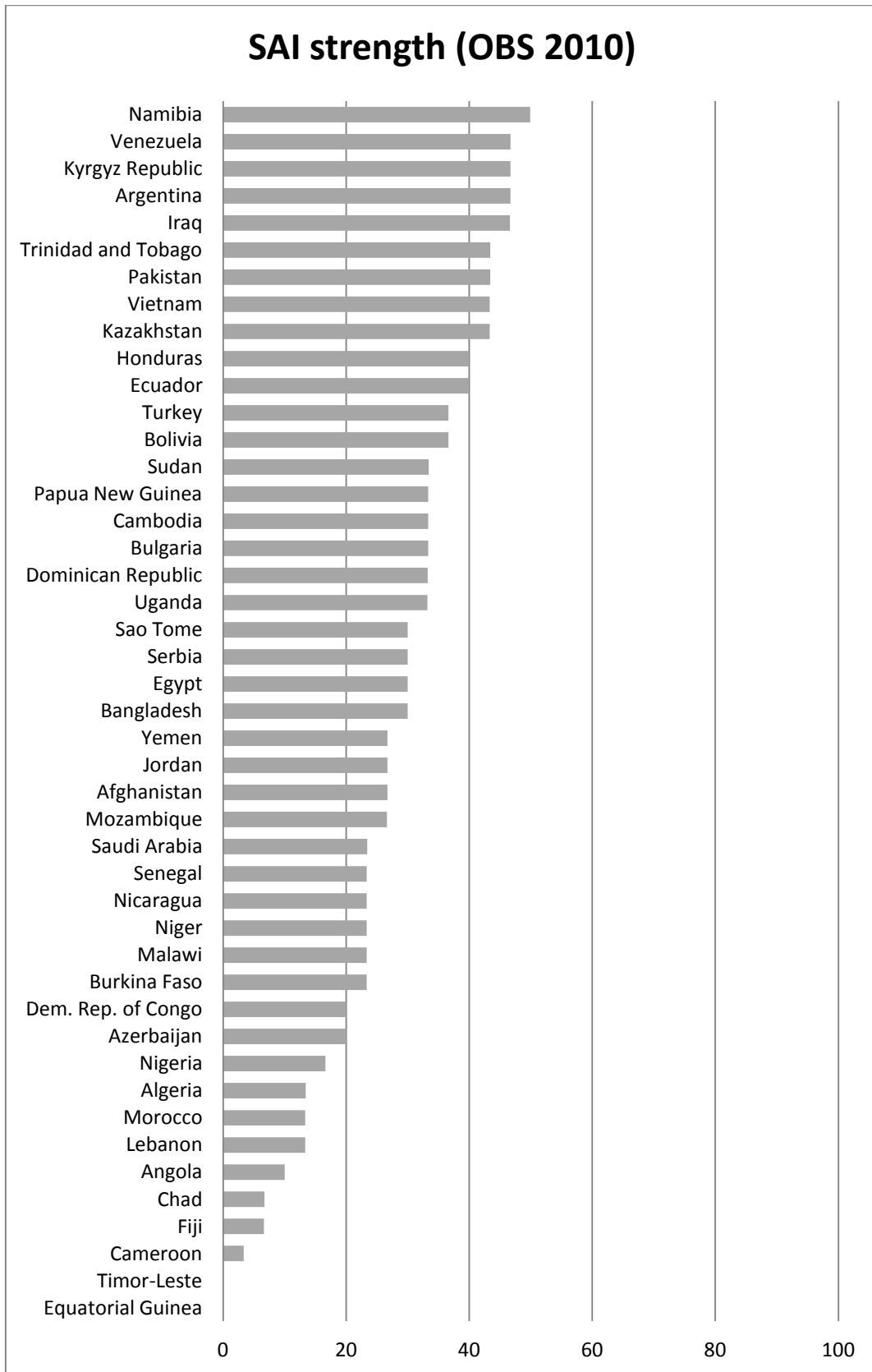
**Questions:**

- 1. How do SAIs develop de jure and de facto independence and political leverage?**
  - Which factors support/condition the effective institutionalization of SAIs as independent accountability mechanisms?
  - Explain your SAI's experience with reforms to strengthen its independence by law and in practice. Which reforms were implemented? How were priorities defined?
  
- 2. Which incentives/constraints are crucial in gaining the support/consent of groups that are resisting the implementation of political reforms to strengthen the independence of a SAI?**
  - Which factors impede the successful implementation of political reforms?
  - SAIs often fail to initiate, conduct or follow up on audits, for reasons of both capture and bias. Political reforms which strengthen the independence of SAIs, in general will leave some elite groups losing privileges, so that they no longer can extract rents from public funds and their influence taking is hampered. A common reaction of the so called "losers" from reforms is reform blockade or if reforms are inevitable, bypassing legal processes and thus a continued elite capture of SAIs. Do you agree with this statement? Explain.
  
- 3. Which roles can various stakeholders play in the political strengthening of SAIs?**
  - Explain using practical examples from your SAI's experience or your knowledge of other SAIs' experience. Which roles can parliaments and political parties (particularly the parliamentary budget committee), the public (the media and civil society organizations), the business environment, the international community/donors as well as INTOSAI and its regional groups play?
  
- 4. How do you interpret the ranking of SAIs in the Open Budget Survey 2010 (see annex)?**
  - Do you agree with the position of your SAI? Why? Why not?
  - Why do you think the SAIs of Slovenia, Bosnia-Herzegovina, Brazil, Poland, Macedonia, Chile, South Korea, Russia, Romania and Indonesia rank quite high? Why do you think the SAIs of Morocco, Nigeria, Saudi Arabia, Egypt, Serbia, Bulgaria and Turkey rank quite low?
  
- 5. If you compare the various capacity building projects your SAI has been involved with, which ones were successful/not successful and why?**

- How do you value the impact of projects supporting various audit capacities (IT, Financial, Performance, other) vs. the development of the capacity to deal with the external environment?
- Why do you think in the IDI Stocktaking Report SAIs identified organizational development as their first priority and strengthening external relations among the least important areas. Furthermore SAIs identified the required support to increase external relations as the cheapest category. Why do you think SAIs do not prioritize this aspect of reform? Should they?
- In the IDI Stocktaking Report SAIs favor stand alone projects to PFM-embedded projects. What are the reasons for this?
- The IDI Stocktaking Report clearly identifies the need for a holistic approach to increase SAI capacity development. What does such a holistic approach encompass?

**6. Please comment on some of the findings regarding your SAI as presented in the Open Budget Survey and Global Integrity Reports. (see annex)**





**Annex:**  
**[the annex usually included quotes from the respective Open Budget Survey Reports and Global Integrity Reports]**

## Appendix C. 3 Example of an Interview Transcript

Interview number 1

Date and location: 12 July 2011, Hotel NH Danube City, Vienna.

Interview duration: approximately 2 hours

Interview participants:

K: interviewer

I1: Vice President of a SAI

I2: Vice President of the same SAI

Interview method: semi-structured interview, anonymity promised, audio recording was not permitted, interviewer took detailed notes

Own analysis in Atlas.ti., Version 6.2.27; Author assigned 31 Codes; 1 Memo and 25 Quotations to this document

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K: What kind of institutional model is your SAI?

I1: mix model between the General Auditor model and the Board model

K: I have learned that a lot of interesting developments have taken place in [country name] lately. Most importantly the adoption of the new National Audit Organization Act in Dec 2010 and your election as vice presidents in Jan. of this year. Could you please start by painting me a picture of the process which led to the adoption of this new Act.

I1: In the beginning of 2010 [country name] Parliament evaluated the national Audit Organization Act and decided to change the model. The SAI board used to have 11 members, the audit process was not clear because too many on board, in the previous law the SAI could only audit budget entities not state-owned enterprises, the board used to have 10 members, each was the head of an audit department, there were also different practices in different audit departments as well as in the 6 regional offices. We only developed a common audit manual for all departments and regional offices in 2009, thus 13 years after the establishment of the SAI there were still no common standards, no ISSAIs.

K: May I ask you if you currently are or previously were members of political parties?

I2: We are and never were members of political parties, neither the president of the [SAI name]. I was the Social Security Funds president. I was the deputy minister for labor and social policy between 2001 and 2005, then I became a member of the SAI.

I1: I became head of public financial control agency which is responsible for internal auditing then president of the International Association of Internal Auditors [country name] chapter.

K: Were there groups opposing the new audit act?

I1: all parties supported the new NAOA except the socialist party [party name], which had one representative in the board of the SAI and the [political party], a political party representing the [ethnic group] minority in parliament, which had 3 members in the board and the [party name].

Mrs. [personal name] and Mr. [personal name of I2] were the only board members supporting the new act. Mrs. [personal name] is now working in the MoF Central harmonization unit.

[political party], led by [name of the capital city] mayor [personal name], won parliamentary elections and prime minister office in July 2009 and did support this law because want to fight corruption. The scope of the new law is large, the SAI can audit political parties (only state budget support to pol. parties), state-owned enterprises, state property, high ranking officials need to declare their income and properties, election expenditures of parties (national, presidential, regional, communal elections).

K: Has your SAI benefitted from capacity building and donor support? I saw in the CBC database that your SAI has benefitted from a lot of donor projects with extremely high costs, including a EU twinning project (> 10 mio. Euro).

I1: Only during the pre-accession period. EU twinning is only possible for non EU members. [They show me a list of the five main capacity building projects]

K: How did the new Act came about, when did the discussions start, how did they start?

I1: In 2006 SIGMA conducted a peer-review of the [SAI name] and got a lot of negative findings, this is when the discussions started, the report pointed out that there needs to be adaptations to the legislative framework, there needs to be training of staff, improve structure, need PCs and audit software.

K: did the report also analyze the independence and political economy of auditing?



I: They should have also focused on the decision making process and implement change from the very beginning, but it was impossible to even raise this question then bec. the [pol. Party], which was part of the ruling coalition had 3 persons on the board.

Then there was a meeting with SIGMA experts in Paris, they recommended us a small board, to adopt the ISSAIs and the internal auditing standards.

K: Are the reports public now?

I: Yes, except ministry of defense some classified infos but parliament gets these reports. if there is a criminal case suspected send the report to the general prosecutor but the parliament is always informed.

Then there was an exchange with the Slovenian and the Polish SAIs. The head of the Slovenian SAI and the Polish SAI (who is also President of EUROSAI) came to [country name] to meet with the Chair of Parliament and the [country name] Chair of Parliamentary Budget Committee. The objective of the visit was not to primarily convince but to explain the model and how to change. Their recommendations were mainly: the general auditor model is better than the board model, it is important to adopt internationally accepted standards, their need to be specific requirements for auditors, they need to pass an exam to demonstrate their proficiency of experience, the scope of auditing needs to be larger.

K: thus the [SAI name] changed because of outside influence?

I: Yes, because of outside influence. It would have been impossible to change by itself. But there was still local ownership of the process because [name of I2] and the President [of the SAI] supported it.

We also had to close the regional offices under the new law to undermine the political pressure from local political leaders. The regional offices still exist but they report directly to the centre now, this improved their function!

The SAI has 4 directorates: financial audits directorate, compliance audits of financial management directorate, performance audits directorate and specific audits directorate.

K: What role did the media play?

I: the media was really interested and supported this reform because it opens the SAI to the public.

I: The [SAI name] has a mixed model of structural/general -> there is a committee which decides with consensus but the audit process is very clear, the president decides.

I: In [country name] we also don't have a new budget law, it dates from 1996, the [SAI name] will try to convince Parliament to adopt a new budget law. our budget law is still based on expenditures not based on performance. the Minister of Finance is the most powerful person in government.

I: there is a low level of election participation in [country name],, about 40-50%. but we have 30 MPs from the [pol. Party] and around 50 MPs from the [political party] who resist reforms.

K: Why do you think the Russian SAI scores very well in the OBS2010?

I: The head of the Russian SAI is a former KGB General, a very influential man and close ally of Putin, he was prime minister 12 years ago. The global institute of International Accounting also supported the Russian SAI .

K: Why do you think it is so independent?

I: Russia needs a strong SAI to control low levels of government. Putin is like a king, everything belongs to him and his allies anyway, so there is no need of corruption at the high level, but the country is very large, so he needs to control what goes on in the regions and there is high level of corruption and mismanagement at low and medium levels.

K: What is the situation in [country name]?

I: In [country name] the privatization process was equally accompanied by a lot of corruption practices. Director of State Agencies... The customs and tax revenue agencies at the borders of [country name] experienced a lot of pressure from private sector, private companies put pressure on them, a lot of effort to protect these agencies.

the newly founded Anti-Corruption Agency, is the [country name] FBI, was founded 2 years ago, Comm. exchange information with this agency.

K: what kind of audits do you conduct?

I: financial audits, regularity audits (public procurements, human resource management, properties), 3 Es performance audits started 10 years ago - not experiences, cooperation with Swedish SAI started in 2011

K: other factors which are crucial in gaining political strength:

I: clear rules and procedures for hiring and dismissal of staff. 5 years ago, 40% of staff were 3 years before pension, were afraid working with PCs, now 20% before retirement. so the staff situation will change in the next years.

I: we have 550 staff, 400 are auditors, this is enough at the moment, in the next two years we want to train all the staff, and adapt the audit manual according to the new law.

K: tell me again, is the institutional model important in gaining independence?

I: The General Auditor Model is not good for transition countries but a small board, other countries which have adopted this system are Slovenia, Slovakia, Estonia, Latvia, Lithuania. The reason is that there is one person who decides and thus has no excuses or pressures from elsewhere but at the same time there is some control through the small board.

K: What about the situation in other countries?

I: Greece does not have effective external auditing. When I was the head of the internal auditing in [country name] I met my Greek colleagues. They told me, "You are crazy to develop internal auditing!"

K: so in [country name] there is a certain culture, which accepts control and a professional bureaucracy.

I: Yes.

K: other issues

I: There is a change of discourse from public accountability (managerial accountability) to responsibility. Responsibility implies that they will be punished if they don't achieve the objectives. The EC has introduced the concept of responsibility in negotiations/discussion.

K: discussion of questions in the OBS 2010:

qu 123: "Some reports are sent only to a designated committee of Parliament, and not all MPs have access to them. In 2008 an audit report on management of property in the Ministry of Defense was sent by the SAI to the National Security committee of the Parliament, but its chairman withheld the report from other MPs for some months. In addition, when the audit reports are sent to the Public Prosecutor's office, they are not released to anyone (and these are the reports of utmost interest because they are where the potential abuse of funds would be),"

I: this is not (or no longer) right. Often the PAC invites the President of the [SAI], 2 weeks ago to present the reports of EU fund auditing, The PAC can request the SAI to conduct 5 audits per year.

K: Why only 5?

I: because we are an independent institution.

K: what do you think about your SAIs position in the OBS?

I: Too low, I am sure with the new act we will be placed higher up soon.

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SUMMARY:

- There was resistance from two political parties to the introduction of the NAOA reform led by their representatives in the Board of the SAI and resistance by old employees who do not want to learn new auditing techniques and software.
- Reform was led by professionals in the board and the EU as external driver as well as the political landscape which changed with a new party in power willing to fight corruption.

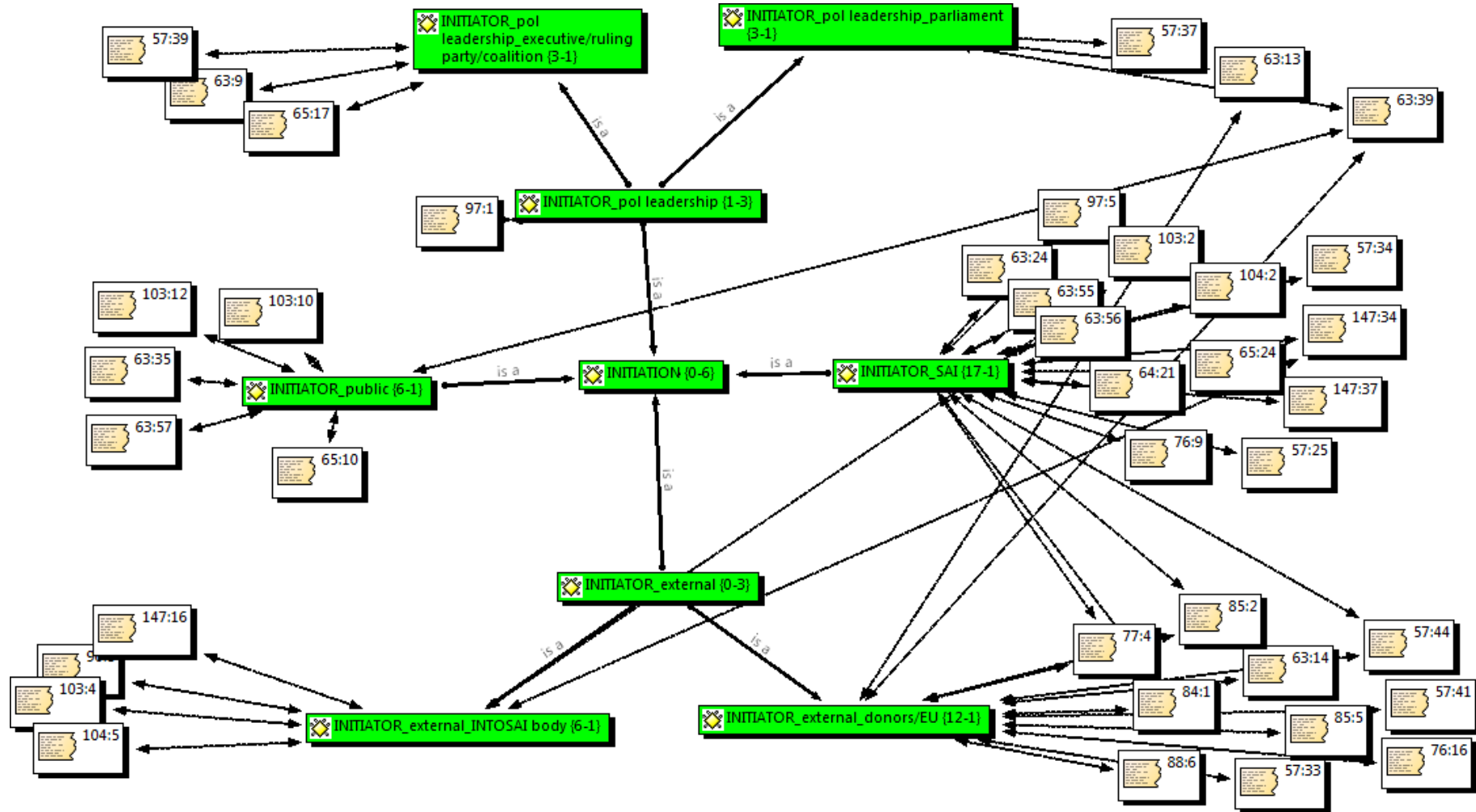
## Appendix C. 4 List of All Codes

The *code labels* are followed by two numbers. The first number lists the number of *text references*, it tells you how often a code has been applied (i.e. groundedness); the second number refers to *connectivity*, this is the number of links between it and other codes (i.e. theoretical density).

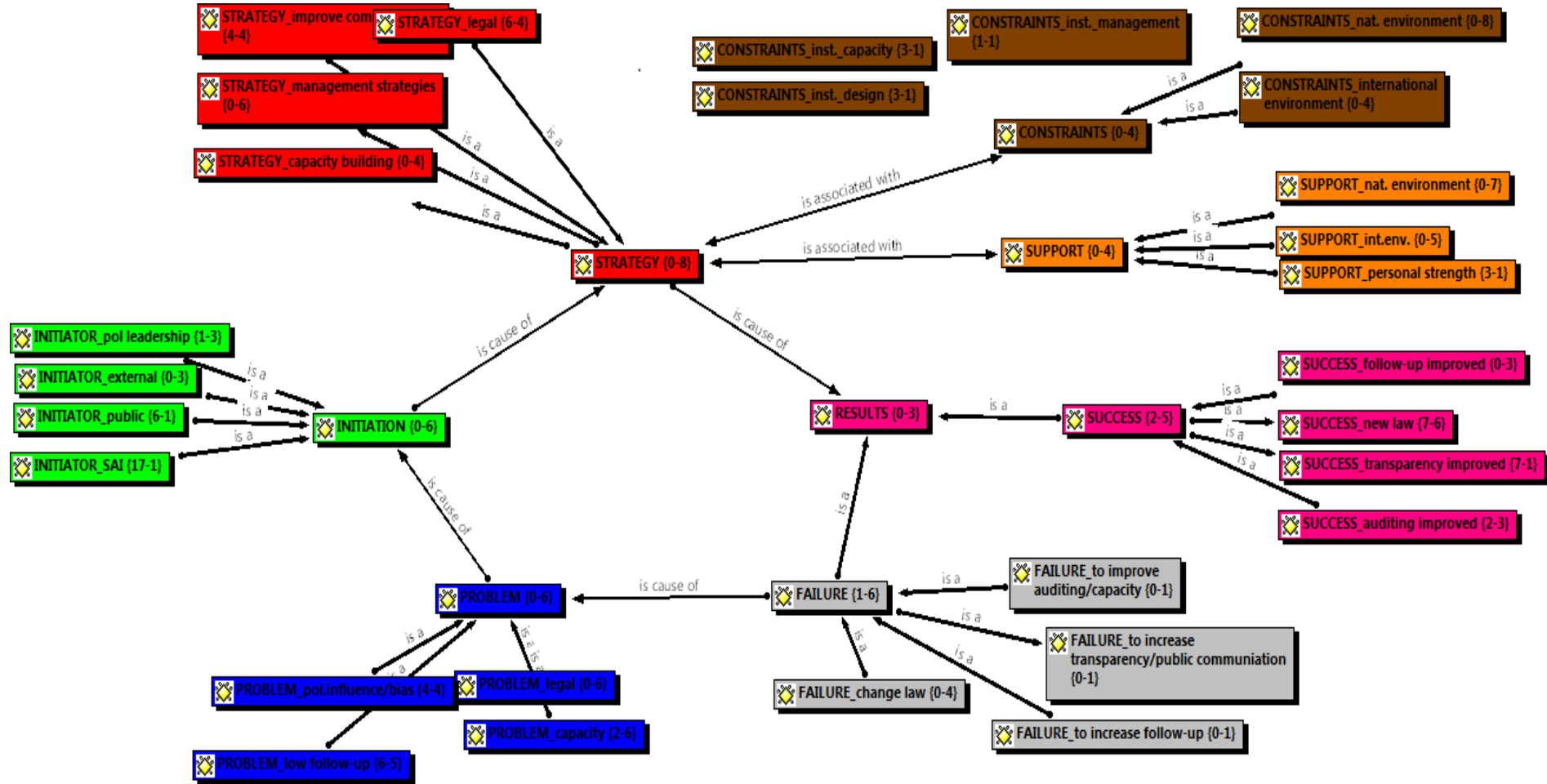
CONSTRAINTS {0-4}  
 CONSTRAINTS\_inst. {0-4}  
 CONSTRAINTS\_inst\_capacity {3-1}  
 CONSTRAINTS\_inst\_design {3-1}  
 CONSTRAINTS\_inst\_management {1-1}  
 CONSTRAINTS\_inst.design\_too independent {0-0}  
 CONSTRAINTS\_int. env. ISSAIs not binding {0-1}  
 CONSTRAINTS\_int.env.\_prejudice against Africa {0-1}  
 CONSTRAINTS\_int.env.\_weak INTOSAI {0-1}  
 CONSTRAINTS\_international environment {0-4}  
 CONSTRAINTS\_nat. environment {0-8}  
 CONSTRAINTS\_nat. environment\_corruption, threats, lack of protection {8-1}  
 CONSTRAINTS\_nat. environment\_low awareness of SAI importance {4-1}  
 CONSTRAINTS\_nat. environment\_low election participation {1-1}  
 CONSTRAINTS\_nat. environment\_oil or donor dependency {1-1}  
 CONSTRAINTS\_nat. environment\_pol.game {7-1}  
 CONSTRAINTS\_nat. environment\_poverty/illiteracy {2-1}  
 CONSTRAINTS\_nat.environment\_civil society biased {3-0}  
 CONSTRAINTS\_nat.environment\_judiciary {2-1}  
 CONSTRAINTS\_nat.environment\_presidential system {1-0}  
 country\_Arab spring {4-0}  
 country\_OECD {1-0}  
 country\_RDC {1-0}  
 country\_RUSSIA {1-0}  
 DEF\_ACCOUNTABILITY {1-0}  
 FAILURE {1-6}  
 FAILURE\_change law {0-4}  
 FAILURE\_change law\_to become independent {1-1}  
 FAILURE\_change law\_to increase budget {0-1}  
 FAILURE\_change law\_to increase mandate {0-1}  
 FAILURE\_to improve auditing/capacity {0-1}  
 FAILURE\_to increase follow-up {0-1}  
 FAILURE\_to increase transparency/public communication {0-1}  
 INITIATION {0-6}  
 INITIATOR\_external {0-3}  
 INITIATOR\_external\_donors/EU {12-1}  
 INITIATOR\_external\_INTOSAI body {6-1}  
 INITIATOR\_pol leadership {1-3}  
 INITIATOR\_pol leadership\_executive/ruling party/coalition {3-1}  
 INITIATOR\_pol leadership\_parliament {3-1}  
 INITIATOR\_pol leadership\_president {2-0}  
 INITIATOR\_public {6-1}  
 INITIATOR\_SAI {17-1}  
 NWW\_monopoly on force {0-0}  
 NWW\_rule of law {1-0}  
 PROBLEM {0-6}  
 PROBLEM\_capacity {2-6}  
 PROBLEM\_capacity\_know-how {3-1}  
 PROBLEM\_capacity\_lack of auditors {5-1}  
 PROBLEM\_capacity\_lack of resources {4-1}  
 PROBLEM\_capacity\_late report submission {1-1}  
 PROBLEM\_capacity\_techn.infrastructure {0-1}  
 PROBLEM\_defense ministry {1-0}  
 PROBLEM\_legal {0-6}  
 PROBLEM\_legal\_budget law/procedures {2-1}  
 PROBLEM\_legal\_ISSAIs not binding {4-1}  
 PROBLEM\_legal\_limited mandate {6-1}  
 PROBLEM\_legal\_no independence by law/constitution {9-1}  
 PROBLEM\_legal\_no standards/manual {1-1}  
 PROBLEM\_low follow-up {6-5}

PROBLEM\_low follow-up\_by executive {0-1}  
PROBLEM\_low follow-up\_by judiciary {1-1}  
PROBLEM\_low follow-up\_by parliament {4-1}  
PROBLEM\_low follow-up\_by public {4-1}  
PROBLEM\_low follow-up\_by SAI {2-0}  
PROBLEM\_pol.influence/bias {4-4}  
PROBLEM\_pol.influence/bias\_corruption of auditors {8-1}  
PROBLEM\_pol.influence/bias\_lack of de facto independence {11-1}  
PROBLEM\_pol.influence/bias\_weak management/decision-making {3-1}  
RESULTS {0-3}  
STRATEGY {0-8}  
STRATEGY\_align with INTOSAI regional body {1-0}  
STRATEGY\_capacity building {0-4}  
STRATEGY\_capacity\_mutual exchange {8-1}  
STRATEGY\_capacity\_office infrastructure and ICT {12-1}  
STRATEGY\_capacity\_staff training {12-1}  
STRATEGY\_circumvent law {1-0}  
STRATEGY\_improve communication {4-4}  
STRATEGY\_improve communication\_bureaucracy {3-1}  
STRATEGY\_improve communication\_courts {1-0}  
STRATEGY\_improve communication\_parliament {3-2}  
STRATEGY\_improve communication\_parliament\_form new committees {1-1}  
STRATEGY\_improve communication\_president {1-0}  
STRATEGY\_improve communication\_public {11-1}  
STRATEGY\_legal {6-4}  
STRATEGY\_legal\_institution {19-1}  
STRATEGY\_legal\_ISSAIs, audit manual and other standards {13-1}  
STRATEGY\_legal\_staff recruitment rules {5-1}  
STRATEGY\_management strategies {0-6}  
STRATEGY\_management\_assertiveness/leadership {5-1}  
STRATEGY\_management\_integrity/professionalism {11-1}  
STRATEGY\_management\_performance audit first {2-1}  
STRATEGY\_management\_staff motivation {6-1}  
STRATEGY\_management\_strategic plan {7-1}  
SUCCESS {2-5}  
SUCCESS\_auditing improved {2-3}  
SUCCESS\_auditing improved\_capacity improved {4-1}  
SUCCESS\_auditing improved\_corruption detected {10-1}  
SUCCESS\_citizen participation improved {1-0}  
SUCCESS\_follow-up improved {0-3}  
SUCCESS\_follow-up improved\_by parliament {5-1}  
SUCCESS\_follow-up improved\_by public {4-1}  
SUCCESS\_new law {7-6}  
SUCCESS\_new law\_ de jure independence improved {6-1}  
SUCCESS\_new law\_budget increased {0-1}  
SUCCESS\_new law\_decision-making clarified {3-1}  
SUCCESS\_new law\_head of SAI appointment {1-1}  
SUCCESS\_new law\_mandate improved {5-1}  
SUCCESS\_transparency improved {7-1}  
SUPPORT {0-4}  
SUPPORT\_inst.design {1-0}  
SUPPORT\_int. env\_GRECO {4-1}  
SUPPORT\_int.env. {0-5}  
SUPPORT\_int.env\_external pressure/conditionalities {3-1}  
SUPPORT\_int.env\_INTOSAI/networking {6-1}  
SUPPORT\_int.env\_ISSAIs {4-1}  
SUPPORT\_nat. environment {0-7}  
SUPPORT\_nat. environment\_culture/history {6-1}  
SUPPORT\_nat. environment\_political will {15-1}  
SUPPORT\_nat.environment\_economic growth {3-1}  
SUPPORT\_nat.environment\_gov composition changed {2-1}  
SUPPORT\_nat.environment\_PAC {2-1}  
SUPPORT\_nat.environment\_public/media {9-1}  
SUPPORT\_personal strength {3-1}

Appendix C. 5 Example of a Network View - "The Initiation of SAI Reform"



Appendix C. 6 The Reform Cycle



Appendix C. 7 Cross Tabulation of the Three QUAN Results with QUAL Results (based on Creswell and Plano Clark, 2007)

<p><b>1. QUAN result:</b></p>	<p><b>International/regional influence (H3)</b></p> <p>Overall, the statistical tests confirmed hypothesis three.</p> <p>Holding other variables constant, the regional belonging of a SAI is strongly correlated with the power of a SAI. Particularly Eastern Europe and Sub-Saharan Africa perform better than their peers with similar levels of democratization or economic development.</p>
<p>Corresponding QUAL results</p>	<p>Int.1: <i>"I: In 2006 SIGMA conducted a peer-review of the [SAI name] and got a lot of negative findings. This is when the discussions started. The report pointed out that there need to be adaptations to the legislative framework, there need to be training of staff, we need to improve the institutional structure, and we need PCs and audit software. ...Then there was a meeting with SIGMA experts in Paris, they recommended us a small board, to adopt the ISSAIs and the internal auditing standards. ...Then there was an exchange with the Slovenian and the Polish SAIs. The head of the Slovenian SAI and the Polish SAI (who is also President of EUROSAI) came to [country name] to meet with the Chair of Parliament and the Chair of the Parliamentary Budget Committee. The objective of the visit was not primarily to convince but to explain the model and how to change. Their recommendations were mainly: the general auditor model is better than the board model, it is important to adopt internationally accepted standards, there need to be specific requirements for auditors, they need to pass an exam to demonstrate their proficiency of experience, the scope of auditing needs to be larger. K: ,Thus the [SAI name] changed because of outside influence? I: Yes, because of outside influence. It would have been impossible to change by itself."</i></p> <p>Int.2: <i>"You know since 2004 we have intensified relations with the European Union, you know and they have launched the different projects, programs."</i></p> <p>Int.4: <i>"K: Aber wenn es Widerstand gibt in der Politik, in der Regierung, was macht man da? I1: Am Besten ist, wenn man persönlich ein neues Beispiel sehen kann, fragen kann und man vergleichen kann, was es hier gibt in Deutschland, in Österreich..."<sup>319</sup></i></p> <p>Int.5: <i>„It is only about technical training. I don't need political support because de jure everything is fine, de facto is the problem."</i></p> <p>Int.6: <i>"K: What else helps to improve your work and gain political strength? I: The media, ICT, international law, ISSAIs help a lot."</i></p> <p>Int.7: <i>"We have received support by SIGMA, DFID, GAO, which is still continuing, in the beginning it was embarrassing until we proved that we are integer. The cooperation is a chance for change."</i></p> <p>Int.8: <i>"There was EU pressure for harmonization in accordance with the Acquis Communautaire. We have also received assistances, and there are conditionalities but we managed to fulfill these successfully. ...The cooperation with the Norwegian SAI helped us a lot, membership in INTOSAI also helped us a lot; it strengthens your own profile. ...The Slovenian SAI is a huge success. Croatia and Macedonia only passed a new law this year to become independent. Serbia passed a new law this year to include auditing of political parties and realize an anti-corruption agency, this year they can also audit defense spending." It is clear that EU member-</i></p>

<sup>319</sup> Author's translation: Int.4: "K: But if there is resistance in politics, in government, what can you then do? I1: The best is, if you can see a good example, when you can ask and compare, with what exists in Germany, in Austria ..."

ship is the main incentive for all these young countries to reform their institutions.

Int.9: *"K: Qu'est ce qu'il vous faut pour améliorer votre SAI? I: D'abord le personnel. 60 magistrats qu'on va former pour les intégrer dans la court. Il y a des projets avec l'UE et autres. L'UE nous a aussi donné des ordinateurs et il vont construire un nouveau bâtiment."*<sup>320</sup>

Int.11: *"... the political support in many SAIs is not adequate. (1) First because the awareness of the importance of SAIs is limited at the political level. Two reasons for this: 1. lack of leadership as head of SAIs. We are not assertive enough to demonstrate the value of SAIs to our governments. 2. At the same time we don't have a collective approach to promote the value of SAIs as INTOSAI or as regional groupings. So you find that in most instances each country stands alone at dealing with its government. That limits our ability to influence our governments especially the ones that are stubborn. ... Learning from peers is always the best; we are working hard within INTOSAI to support the learning from peers."*

Int.12: *"Some auditees were resistant to this system but it is based on the Lima Declaration. ... We are developing a data center which is a big national monitoring system, a little bit like in the USA where they have one social security number."*

Int.13: *"INTOSAI is very helpful to touch base and learn from each other."*

Int.14: *"The move that has started now between INTOSAI and the UN is very important, then it [ISSAIs] will be binding to our governments. ...One factor among others is that AFROSAI-E started from a strong base, the South African SAI, thanks to it, it has immensely contributed to getting AFRSOAI-E to become the most active group of INTOSAI."*

Int. 15: *"Ziel ist die Selbstverpflichtung, die ISSAIs in den internationalen Rechtsbestand aufzunehmen. Das hat noch einmal eine andere Qualität, darauf zu verweisen, in Wahrheit hast du selbst dem zugestimmt, als Druckmittel hat das eine ganz andere Qualität."*<sup>321</sup>

Int. 16: *"We draw a lot on the experience of other subregional groups in Africa, of which particularly the English-speaking African SAIs, who are more advanced than us in francophone Africa. We are drawing from their experience - a lot. ...working with the external stakeholders is very important... it is easier for INTOSAI, the donors to work through [the INTOSAI regional body] to develop the SAIs."*

Int.17: *"I have been in this technical training for the last twenty years, you know they [the donors] are doing all the best, you know, they are doing their best absolutely, ... you know they also have limited funds, they cannot give you all the money that you want. ... if we had sufficient money we could ... do a lot of things."*

Int.18: *"The regional organization [AFROSAI] is often cited as being the "model" regional organization within INTOSAI with a high degree of professionalism and their work possesses high quality."*

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<sup>320</sup> translate

<sup>321</sup> translate



**2. QUAN result: Favorable inter-elite relationships (H6)**

Overall, the statistical tests confirmed the hypothesis that holding other variables constant, the attainment of the doorstep conditions (and here particularly rule of law among elites measured among others by judicial independence or the level of transparency in shares of local firms) is strongly correlated with the power of a SAI.

Overall, the statistical tests also confirmed the hypothesis that holding other variables constant, organizational proliferation (in the economic as well as political sector) is strongly correlated with the power of a SAI.

This hypothesis also includes the statement, that reform is easier in post-conflict countries as the local elites have been weakened.

The doorstep conditions are even more relevant in large countries, where elite groups have a stronger incentive to formalize their relationships and where an authoritarian leadership has a stronger incentive to formalize accountability of low and mid level officials.

Corresponding  
QUAL results

Int.1: *"I: Russia needs a strong SAI to control low levels of government. Putin is like a king, everything belongs to him and his allies anyway, so there is no need of corruption at the high level, but the country is very large, so he needs to control what goes on in the regions and there is high level of corruption and mismanagement at low and medium levels. K: What is the situation in [country name]? I: In [country name] the privatization process was equally accompanied by a lot of corruption practices. ... The customs and tax revenue agencies at the borders ... experienced a lot of pressure from the private sector, private companies put pressure on them, it took a lot of effort to protect these agencies."*

Int.2: *„I2: You know we have lost a lot of years of development in our country due to the high levels of corruption and such kind of not very material issues, K: So you think there is a high level of consensus, in the public? I2: Everybody! Each level, low, medium, you may find that we have very great success in the fight against corruption, we try to do our best, it is very important to our country. ... The main objective of the government is to help the private to develop. The public is not the self interested. ...I1: A survey conducted about doing business, and [country name] ranked 10, because very easy. I2: [country name] was among the top ten. You can establish your business in 15 minutes."*

Int.3: starts his introduction proudly presenting me the long history of his SAI, explaining the new audit law and concluding with a general proud remark that his country was *"in 2010 one of the fastest growing economies in the world."* When asked about the Russian SAI, I2 laughed, *"Russia? The Russian are very good with law, but in practice they have no experience. We worked together with them in an environmental audit. They could not add value to the report."*

Int. 4: *"K: Kennen Sie die Situation in Nicaragua? I1: Ein bisschen, in Nicaragua haben wir ein sehr fragiles politisches Modell, es ist immer, jedes Jahr kommt eine neue Partei [meint mit Partei Regierung], ... wenn wir keine feste und gute Partei haben, dann haben wir keine guten Institutionen meine ich. ... die Hauptreform ist politische Reform."*

Int. 5: *„Our country experiences a very high rate of growth, but also high level of corruption in the private and public field. The SAI effectiveness depends on the*

*democratization of a country. The law must be very specific, the law should be above everything, the law should be transmitted to everybody, and there should just be cases of corruption not mass everywhere."*

I2 gives an example of how personal relationships matter, thus there is no rule of law among elites. I2 also gives another story explaining how everybody knows that there is high level of corruption and empty-shell institutions – "A camel hides his head behind a tree and thinks nobody sees him, but in fact everybody does." While this interview confirms that with low levels of rule of law among the elite there is also a weak SAI, the nature and the effect of the growth rate seems to disagree with our hypothesis, but not if we consider that the growth can be mainly attributed to oil exports.

*Int.6: "auditors are threatened with violence ... there is resistance by the executive to enact the new audit law, particularly by the president who is at the same time the government executive ... it is not easy if the political environment is not favorable."*

Interviewee is from a very fragile country, which clearly affects his SAI. He recommended expanding on performance audit as it does not target individuals.

*Int.7: "Actually the work in [country name] is an extraordinary one, the situation and the circumstances are extraordinary, we work under a situation which is very much tiring, the country is very much tired of lots of things."*

Like interviewee 6, interviewee 5 is also from a very fragile country and also starts explaining me how this affects his SAI. He also recommended expanding on performance audit because it gives the institution the chance to rehabilitate and does not accuse one person.

*Int.8: "I1: The Slovenian SAI is a huge success. Croatia and Macedonia only passed a new law this year to become independent. Serbia passed a new law this year to include auditing of political parties and realize an anti-corruption agency, this year they can also audit defense spending." It is clear that EU membership is the main incentive for all these young countries to reform their institutions. However, elite structures might have also been weakened in the conflict, thus facilitating the realization of the "doorstep conditions".*

*Int. 9: "I: Le problème n'est pas l'accès où l'indépendance mais l'enforcement. L'impunité c'est le vrai problème. K: Est-ce que vous informez le parlement?!: Oui, mais les mandataires ne font rien. Ils ne s'intéressent pas. Les rapports sont aussi très en retard. ...Le gouvernement a toujours des explications pour se justifier, surtout avec la guerre dans [region of the country], il y a toujours des excuses."*

Clearly, the political situation in this country is not stable and affects the work of the SAI.

*Int.11: "It is critical we dont associate the urgency of ISSAI implementation with developing countries only, if we look at the EU and US, countries that have taken their citizens down with them, why ? Because the way they disclose things is not always in a transparent way."*

Interviewee 1 also had pointed out the weakness of the Greek internal auditing practices, Greece being a country which is also currently experiencing a huge debt crisis. Thus, the question of elite groups benefitting from a lack of transparency is clearly not an issue of developing countries only. However, the reasons behind the lack of transparency and related to that the advocacy options that are available differ for OECD and non-OECD member states according to our theory.

*Int.12: This is a very large country experiencing high rates of growth, which according to our theory facilitates the consolidation of the still weak democratic*

institutions in the country; and indeed SAI reforms have been possible, albeit difficult.

Int. 14: "K: How important is the political environment you work in? I1: In order for an auditor to be effective no matter how good you are, if the executive is not interested, the audit reports will end up in the shelves. As auditors we recommend. So if the other stakeholders are not interested, the audit reports cannot have any effect. So it is very, very important. ... I1: There are a lot of cases in court, some people have been jailed, it is a dangerous job. K: But the advantage is that you are not in a danger of civil or ethnic war, [country name] is a very inclusive society I believe? I1: Yes, the unifying force is [common language]. ...K: What helped this law come about? I1: political will of the president, he believes in the audit office, the president has come out of the people. ...K: Is there no transparency in shares? I2: There might be but they often put a wrong name and later it is discovered that this company actually belongs to the minister." According to this interviewee, the rule of law in his country is still very weak, still, there is no danger of civil war and the society is quite unified, there was also strong political commitment, which made SAI reform possible.

Int.15: "*Der [SAI name] hat seinen Leistungsbericht verändert, seit [year, name of SIA president], beschreibt er im Leistungsbericht das daily business, damit wird für den Normalbürger fassbar und intellektuell fassbar was der [SAI name] bewirkt. ... In [OECD country name] gibt es ein [regional government], das den [SAI name] nicht will, einige [regional deputees] zeigen das sehr deutlich und die Prüfer bekommen das zu spüren. Aber sie führen ihre Arbeit trotzdem aus, sie haben ja das verfassungsmäßige Recht dazu.*"

So, even if there is resistance to auditors in this OECD country, as there is rule of law, the auditors cannot be prevented from doing their work. At the same time, the SAI is working to increase its power by focusing stronger on leveraging its recognition in society. The SAI has started to measure and publish its work and achievements a few years back so that it becomes comprehensive for the average citizen

Int. 16: "*Ah, we are not really afraid, you know we, our SAIs, I think we are respected, if not feared now, ah, there has never been any case of violence but there have been threats, but never violence as of now. ... threats against auditors low level and high level and managers, everybody, there have been threats to individuals ... it is only the military that can challenge the president, so for that reason the president, or the governance structure cover their eyes on the wrongdoings of the military, and especially of the high military officials, so thats one reason why it has become so difficult to audit the ministry of defense ... the court system is weak and thats one of the impediments or the weaknesses of our business environment, there, from my own experience I think the court system is weak and it cannot protect private property, so signing contract, people become so very, very, you know they take so much, they are so very much afraid to sign any contract, or at least sign a contract with people they know or with very strong political backing ... there have been so many instances where because shareholders, foreign shareholders and [country name] shareholders and the courts cannot sign because they protect the [country name] which is very wrong... I have seen a lot of workshops for the justice department, but you know most of that is just capacity building really, not institutional capacity building, it is technical capacity building, it is not capacity building we call for to remove for that subordination they have through which they have to the minister of justice, that is ... they are supporting it, all the judges, they are supporting it, they are all subordinated to the minister of justice, if you leave that they can't be independent... I: well, you see, the elites do resist, they dont want reforms because most of them K: but the resistance is not strong enough apparently, you succeeded to get the new procurement law passed. I: yes, we succeeded but you know they are effective to be resistant, they dont want reforms and ah, well most of them they want the money, the easily extract money from the public funds they abuse their powers and their positions to get themselves rich, from my own, from what I have seen, there are not for business, so even if they do business they are going to lose their money, ... K: so what will the people do if they will lose out the money, they will just accept it?*"

*I: In my country those that loose out, they are already very rich, so they go away, they do have enough money, they are very rich guys, you know, they might go to any island somewhere ... K : [laughs] They will be offended and will go to some island to enjoy it? I: I will tell you that most of the guys, senior government officials, senior ministers, senior politicians that have been sent to jail as a result of our audits are very powerful and many other seniors, very powerful, I should tell you. K: so many of the very powerful people have been arrested? I: yes. ... I: I think the strong part is the president, the president has some, you know, he is strong, he is so strong, if he decides that you were falling out of place because you are so corrupt then go away, go away."*

After having described in detail and thus confirmed that the doorstep conditions are not met in this country, which has a very weak SAI according to the OBS criteria, my interviewee finishes with a still positive outlook and explains that the development of democratic institutions is a process, which will take some time but which they will go to achieve. As a positive example he cites the reform of the procurement law which was achieved even against strong resistance. Also the recent success in arresting many high level officials which were accused of corruption according to my interviewee is the result of the will of the president of the republic. The question remains, what drives the president to fight high-level corruption? It would be an interesting case study to find out whether it was because he feared opposition by these officials and wanted to remove them from the political scene or whether it was because of the opposition, that he does not have to fear any organized coup d'état or opposition from this clientele and thus did not fear any revenge by authorizing their arrest. Furthermore I understand that the military is strong and supports the president and by arresting these senior officials he also gains in support from the general public and the international community.

*Int. 17: "Yes, you see in the parliament we have opposition parties, ok, when they discuss [SAI name] issues they are actually in support, everybody is calling for more independence of [SAI name]. ...you know, if we did not have a political problem we would have had an amendment of the constitution agreed ... and that would enhance [SAI name] independence, but you know ... this year nothing has moved."*

There is an open political crisis and there are frequent instances of violence in this country, thus it is clear that doorstep condition number 3 is not met, which correlates with the problems and weaknesses this SAI faces. Still, when comparing this SAI to peers in similarly unstable and poor countries, it fares quite well concerning its de jure independence and acceptance among the political parties as constitutional amendments strengthening its status were recently approved in parliament, while the political crises prevented the conduct of a public referendum, which is required for any constitutional amendment. It would be interesting to further investigate this case and find out where this acceptance stems from and whether this SAI can not only gain de jure but also de facto power. According to our theory, the executive might have accepted constitutional reform to strengthen the SAI because it knew that it will still be able to influence it, i.e. through limiting its resources and thus the scope of work. Another possible motivation by the presidential party to accept this reform might have been the truly large financial problems of the government and thus a general concern to improve financial management and fight corruption in this extremely poor country. While interviewee 16 is from a country which disposes of natural resources and other kinds of wealth, which facilitated the development of high levels of corruption, this country disposes of hardly any natural resources and also has much lower levels of corruption according to Transparency International.

**3. QUAN result: SAI leadership (H7)**

Overall, the statistical tests confirmed the hypothesis that holding other variables constant, the strength of a SAI's leadership, measured by the number of a leader's responsibilities in INTOSAI groups and the number of speeches at UN/INTOSAI seminars, is strongly correlated with the power of a SAI.

**Corresponding  
QUAL results**

Int.1: *"I: Yes, because of outside influence. It would have been impossible to change by itself. But there was still local ownership of the process because [name of a SAI Board member] and the President [of the SAI] supported it."*

Int.2: *"K: I think you said it changed because of the government putting it as a priority, the external pressure, also the public interest you said, so from all sides. I2: Exactly, and internally also, the chairman himself is committed to be successful."*

Int.3: *"K: Is the media interested in your work? I2: Not enough. [laughs] Unfortunately. So we have created a new group [SAI department], publications and communication, and I am the head of it. [laughs]"*

Int.4: *"I1: ... aber es [der SAI] war sehr gut eingerichtet worden damals, ...[Name eines Politikers], er war ein sehr intelligenter Mann, er hat so etwas als Konzeption eingerichtet. ... Und nachher, nach [Name des Politikers] haben wir einen Finanzminister gehabt, der [Name], der hat unsere Institution gegründet, so wie es [Name 1] geplant hatte. ... zwei sehr wichtige Führungspersonlichkeiten ... die beiden haben so was fest gemacht. ...Dann war ich dieses Jahr für den Bericht 2010 zuständig, dann haben wir begonnen mit der Transformation, ... Haben wir viele Treffen gehabt ... um einen engeren Kontakt zu haben mit dem Parlament und den technischen Kommissionen. ...Das war zum ersten Mal, das man so etwas gemacht hat. Das habe ich selbst mit unseren Kollegen begonnen. K: Aber das ist ein langer Prozess. I1: Ein langer Prozess, aber kommt schon, ich sehe schon heute die Fortschritte "*

Int.5: *"I2 gives another story: A man asks God for a car. God says you need to buy a lottery ticket and he will help him win the car. [I2 wants to say that we cannot just wait for things to change but need to take some initiatives and with God's help we will succeed.]"*

Int.6: *"I: Last year the SAI detected 250 criminal cases, when they then report them to the Attorney General Office, only 20-30 are penalized. Thus he prefers to not report to the Prosecutor any longer but to ask the responsible persons to correct, thus to pay the missing amounts. This will help to fill the state budget and thus help the population more than if the cases are transferred to the prosecutor, where the accused persons pay a bribe and are free again and the state receives nothing.... We have a huge problem in the country. Only 20% of international aid reached the intended destinations. ...Our auditors are threatened with violence. ...K: How did you become auditor general? I: I have been known by my integrity."*

Int. 7: *"We work in the absence of legislative and local laws, and also with the absence of political agreements among the parties in the government, and we work with the absence of the institutional administrative government...and the main source for our independence is that we have to convince our employees, our staff first, that the commitment to mutuality and professionalism is very much important to keep our institution independent and we should be very much aware and very much clear to and very much faithful with our staff, concerning this issue. ... and at the same time this also depends on the administrative leadership, on the head of the institution, that others from outside of the institution feel that he is not an enemy for them."*

Int.8: *"After our first report the government saw our strength and the support started. Also the recruitment of quality staff was extremely difficult because of low salaries that we could provide while at the same time requesting high responsibility. In May 2010 we achieved amendments to increase the salary of our staff; all political parties were finally supporting this amendment. We had organized a press conference. We dared to press for changes against several political parties and ministries. Then the government composition changed."*

Int.9: There are no comments on the power of leadership by this interviewee or of any of his SAI's initiative to change the power of the SAI. However, the absence of a concept is also informative. This leader of a weak SAI resigns to the fact that the socio-political environment is unfavorable and keeps on repeating that the work is very difficult due to the unstable political situation. Thus, this is a weak SAI which is also headed by weak leadership. He is a typical example for what Interviewee 11 calls "playing victim-mentality".

Int.10: Similar to Interview 9, interviewee 10 only spoke about problems, which are mainly caused by resource constraints imposed by the government as a deliberate strategy to undermine the SAI's work. Interviewee 10 did not speak about any strategies which the SAI leadership undertook to change this situation.

Int.11: *"I: The independence of SAIs is enshrined in the Lima and Mexico Declarations but the difficulties we have in many countries (these declarations) are not implemented by SAIs, the reason is because of the political support in many SAIs is not adequate. First because the awareness of the importance of SAIs is limited at the political level. Two reasons for this: First because there is a lack of leadership as head of SAIs. We are not assertive enough to demonstrate the value of SAIs to our governments. ...Where you have strong head of SAIs they have been able to achieve independence. We need to demonstrate the contribution that SAIs can provide to governments, (we need to be more) assertive! ...The donors must have confidence in the SAI, donors will always have an understanding for the capacity of the SAI, donors will always come and support a SAI if they see the potential for reforms if the leader has the right integrity and assertiveness. ...1. ISSAIs: INTOSAI has now a formal set ISSAIs and wants to build the capacity of every SAI to be able to apply these common standards. ...but we heads of SAIs need to take our own initiative to add value. Ecosoc will just help to legitimize the ISSAIs. It was very impressive how during the 2010 INCOSAI in South Africa, all the SAIs embraced the ISSAIs. ...2. Leadership and Management development: The tendency of many SAIs is to play victim mentality, that is not the way you operate as a leader, leadership is about influencing events, it is not about being submissive to the circumstances, (you need to put) a lot of effort in building a leader. ...Strategic plan: We need to be experts in developing strategic plans. This is the reference point that helps you as a leader to focus, reasonable what is achievable/not achievable, this helps to mould our thinking. -> If you master these three aspects you can change the SAI."*

Int.12: *"I1: Even in the board they were resistant .... I never accept a No. If someone does not agree with me, I will come back to him again and again until he agrees with me. A "no" is not a possible answer for me. K: To conclude, what are the crucial factors for gaining political strength as a SAI? I1: Leadership, legal base, IT."*

Interviewee 13 takes her personal strength and the courage to accept the politically challenging job as auditor general from her religious belief that God will guide her. Her predecessor recently had to resign due to public pressure.

Int. 14: *"Leadership of SAI chair matters a lot. I have decided to transform the SAI from a traditional to a modern computerized system. ...The leadership of the SAI coupled with committed political will has helped us to change things. We have submitted a report to parliament and called a full cabinet meeting with the Chair*

*there. This made substantive change. ... The law greatly expanded on all areas, there are no more restrictions."*

*Int. 15: "K: Welche Faktoren unterstützen die Unabhängigkeit des Präsidenten? I: Mindestdauer der Amtszeit ist wichtig, fachliche Eignung weniger notwendig, v.a. Managementskills sind notwendig, es ist wichtiger analysieren zu können, wo sind die Schwachstellen etc. ... Gerade in Ländern wo es politisch und wirtschaftlich um Leben und Tod geht, und es persönliche Bedrohungen gibt, und in dieser Situation trotzdem weiterzumachen, da ist Herzblut, Integrität die wesentliche Geschichte."*

*Int. 16: „We worked with the president [of the republic], because when we sent the law to the prime minister's office to send it to the office of the president for them to review it and send it to parliament it was blocked somewhere. So [the head of the SAI] had to talk to the president for him to ask where this document was. Finally it was removed from the draw that it was kept."*

*Int. 17: "You know during the last two years, [SAI name] has been working and pushing to include special amendments about [SAI name] to guarantee more independence to [SAI name]. So it was through a number of channels. ...First we proposed the amendments to the president of [name of the republic]... You see even for the final accounts for this year we are also doing the audit... Yes, Mam, so we are working, even during those days of fighting in [name of capital city], even in those days we were working, we are working hard really, we dont want to stop. I have to admit that it has an impact on our work. ...You see, sometimes because of the electricity cuts, because of the fuel, the oil, sometimes you know we have problems, although we are trying to overcome all those problems, so it's, we are performing, we are conducting our work, trying to deliver."*

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## Curriculum Vitae

I was born as Katharina Scheba in October 1977 in Linz/Austria. In 1996 I finished the Matura at the BRG/Europagymnasium Linz-Auhof with Merits and went for a year abroad to do voluntary social work in New Zealand and Australia before starting University studies. I then earned the following academic degrees:

1997-2000: *Bachelor of Arts* (Second Class Honors-Division One) in Development Studies from the School of Development Studies, University of East Anglia, Norwich (UK). Between July 1999 and February 2000 I studied at the Université de Dschang, Cameroon and conducted field research for my thesis on “The role of the Performing Arts in Development: a case study from Cameroon”, for which I received Highest Merits (UK marking system 77%).

2000-2002: *Master of Advanced Studies* (with Highest Merits) in Cultural Management from the Institute of Cultural Management and Cultural Science (IKM), University of Music and Performing Arts, Vienna (AT). I also received Highest Merits for my thesis on “Arts and Socio-Cultural Activities by the African Diaspora in Vienna.”

Since March 2007 I have been studying part-time for the *Doctorate of Philosophy* at the Department of Political Science, University of Vienna. For my doctoral research I was awarded the University of Vienna Research Grant (2009), the Stanford University Graduate Student Exchange Grant (Nov. 2009) as well as several travel grants for short term study visits abroad such as to conduct preliminary research in England (June 2009), to participate in the ECPR Summer School on Methods and Techniques, Ljubljana (August 2010) and to present my research at the ECPR Graduate Student Conference, Dublin (Sept. 2010) and at the Annual ICGFM Conference, Miami (May 2012). I was also awarded the Marietta Blau Scholarship of the Austrian Ministry of Science and Research (2010), which I finally had to reject for private reasons. During the summer term of 2012 I held the reading seminar (BA) "Theory and Empiricism of International Politics". The focus of this course was to provide an introduction to international politics with a focus on international security and development politics. I am a member of the *Austrian Political Science Association* and the *Academic Council of the United Nations System*.

The common issue linking my various academic and professional experiences is my passion for EMPOWERMENT. Between 1999 and 2003 I conducted research on and worked with African artists and migrant groups in their strife for empowerment and socio-political change. Between 2001 and 2011 (since 2008 only on a freelancer basis) I worked for LIGHT FOR THE WORLD, a European Consortium of Non-Governmental Development Organizations specialized in promoting the inclusion of persons with disabilities in development cooperation. My interest in public finance accountability was sparked during the experiences I gained as project coordinator of a large pilot advocacy project which took place between 2005 and 2011 in Tanzania. I have earned the professional title of *Project Management Professional (PMP®)* in July 2012, when I was formally evaluated for demonstrated project management experience, knowledge and performance by the Project Management Institute (PMI®), Philadelphia, USA.

I am also a proud mother of three boys (born in 2003, 2004 and 2008) and speak and write the following languages: German (mother tongue), English (proficient), French (very good), Italian (mediate), Russian (basic), Spanish (rudimentary).

## Abstract (English)

This dissertation investigates the topical question how public accountability is effectively institutionalized. In order to solve this overall research puzzle I examine as a case study Supreme Audit Institutions (SAIs) world-wide. How do they strengthen their independence and protect themselves against outside influence?

The research design of this project applies a mixed-methods approach to research consisting of four main parts: First, I justify the case study through preliminary expert interviews, a literature review and a content analysis of the *International Standards of Supreme Audit Institutions*. A cross-national assessment of SAIs based on data from four surveys then leads to the specific research question: *Why does citizen-focused, independent, external public auditing thrive in some countries and fail in others?*

In the second part of this doctoral thesis I develop the argument and test it through econometric analyses. In the third section I study the practice of reform through 17 semi-structured expert interviews with heads of SAIs. Finally I triangulate the various research findings into a common discussion and draw my final inferences.

I show that while the institutional arrangements for government auditing, the nature of the source of national income, the external influence on reform, the local demand for public accountability and the technical and organizational capacities of SAIs matter; the political economy of inter-elite relations and the existence of leadership commitment by the head of the SAI ultimately explain the success or failure of reform initiatives. I close by suggesting five practical strategies for strengthening powerful accountability arrangements that endure.

## Abstract (Deutsch)

Diese Dissertation behandelt die höchst aktuelle Frage wie öffentliche Rechenschaft wirksam institutionalisiert wird. Um dieses übergeordnete Forschungspuzzle zu lösen, untersuche ich als Fallstudie Oberste Rechnungskontrollbehörden (ORKB), wie staatliche Audit Behörden und Rechnungshöfe, weltweit. Wie stärken diese ihre Unabhängigkeit und wie schützen sie sich vor externer Einflussnahme?

Dieses Projekt wendet einen gemischten Methodenansatz an und umfasst vier Teile. Zuerst rechtfertige ich die Eignung von ORKB als Fallstudie anhand einführender Experteninterviews, einer Literaturstudie und einer Inhaltsanalyse der *Internationalen Standards Oberster Rechnungskontrollbehörden*. Eine ländervergleichende Untersuchung von ORKB basierend auf Daten von vier Umfragen führt dann zu meiner spezifischen Forschungsfrage: *Warum gedeiht bürgerorientiertes, unabhängiges, externes öffentliches Auditing in manchen Ländern und scheitert in anderen?*

Im zweiten Teil dieser Doktorarbeit entwickle ich die Argumentation und teste diese durch ökonometrische Analysen. Im dritten Abschnitt untersuche ich die Reformpraxis mittels 17 semi-strukturierter Experteninterviews mit Leitern von ORKB. Schließlich bringe ich die einzelnen Forschungsergebnisse in einer Gesamtdiskussion zusammen und ziehe ich Schlussfolgerungen.

Ich zeige, dass obwohl die institutionellen Gegebenheiten, die Ursprungsart der öffentlichen Einnahmen, der externe Einfluss auf Reformen, die lokale Nachfrage nach öffentlicher Rechenschaft und die technischen und organisatorischen Kapazitäten von ORKB von Bedeutung sind; die politische Ökonomie der Beziehungen zwischen den Elitengruppen und das Vorhandensein von Leadership durch die ORKB Leitung letztlich den Erfolg oder das Scheitern von Reforminitiativen erklären. Zum Schluss schlage ich fünf Strategien zur Stärkung von mächtigen Rechenschaftsarrangements, welche sich nachhaltig behaupten können, vor.