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Show me the money

Pressures to perform in financial accountability in developing countries and emerging economies

By André Loozekoot MSc
loozekoot@fsw.eur.nl
PhD researcher at department of Public Administration,
Erasmus University Rotterdam, The Netherlands
&
Policy Coordinator at Ministry of Foreign Affairs, The Netherlands

Abstract

'Show me the money' was a popular book presented by *Transparency International* to the Zambian members of parliament in 2006. The book disclosed how much money the government could not account for in the last 20 years. It was sold out within a month, signaling great public interest in financial accountability and the role of politicians. Accountable governments reduce the space for abuse of power and strengthen democracy. More demands for accountability is visible in many African countries, but does not take place at the same pace. Why? Why do some parliaments want more accountability from their government than others?

The objective of this paper is to understand which pressures explain the performance of some key accountability mechanisms: The financial committees of parliament and the Supreme Audit Institute (SAI). Using multiple regression analysis, the empirical results show that eight (8) pressures are stronger and more significant than others.

Parliamentary oversight is better in countries where fiscal transparency and membership of economic networks provide pressures to perform. Corruption – as a proxy for clientelism in the public sector - is a negative pressure.

SAIs receive strong significant, robust pressures from membership of the International Organization of SAIs and more women in parliament. The results also indicate that more state income does not seem to benefit oversight institutes like SAIs, signaling a possible risk for public accountability that requires further research.

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Gratitude goes to the MFA Employee PhD Scholarship Program for support to my research agenda on financial accountability in Sub-Sahara Africa.

Introduction

In 2006, Transparency International Zambia published a book titled "Show me the money" (Transparency International, 2006). This book gave an overview of the government funds that could not be accounted for in the last 20 years. The book was sold out within a month, indicating great public interest for public accountability and the role of oversight mechanisms in Zambia. The Zambia Auditor General is amoungst the best performing in Africa. Why are some governments in developing countries and emerging markets more accountable than others? That is the question this paper seeks to answer.

Andrews (2009) finds a high level of similarity in the financial management reforms of 31 African countries. Although most reforms were 'fairly standard' in the field of public management, he notes that the degree to which the formal African public financial management systems seem to conform to the OECD standards is striking (Andrews, 2009; Andrews, 2010). In general, when institutions become more similar, this can be explained by isomorphic theory, and in particular institutional isomorphism (DiMaggio & Powell, 1983).

Without financial accountability there is space for abuse of power, corruption and totalitarianism. For this reason, accountability is the legitimating foundation of democracy (Flinders, 2001:9). Bovens (2007) provides the following definition for accountability: 'Accountability is a relationship between an accountor (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 judgement, and the actor may face consequences' (Bovens, 2007:450).

This article uses isomorphic theory to explain the performance of financial accountability mechanisms.

Parliament is at the top of the democratic chain of control. It delegates authority for financial accountability to parliamentary committees and the Supreme Audit Institute (SAI). The most common specialized committees are the Parliamentary Budget Committee (PBC), responsible for the ex-ante scrutiny of the budget and the Parliamentary Public Accounts Committee (PAC), responsible for ex-post financial oversight. Only a handful of scholars have studied financial accountability institutions in developing countries. Frederick Stapenhurst of the World Bank Institute initiated and participated in many of these studies. The overarching conclusion of these studies is that two conditions are important for a better performance: political will and the availability of staff, resources and materials (Dye & Stapenhurst, 1997; Lederman, Loayza, & Soares, 2006; Pelizzo, Stapenhurst, & Olson, 2004; Pelizzo & Stapenhurst, 2013; Stapenhurst & Titsworth, 2001; Stapenhurst, 2004; Stapenhurst, Sahgal, Woodley, & Pelizzo, 2005; Stapenhurst, Pelizzo, & O'Brien, 2012). Santiso (2004; 2007; 2008) studied SAIs in Latin America and finds that improving SAI performance requires structural changes in the political economy of countries (Santiso, 2008:362). Gustavson (2012) added that professional networks are important for SAI performance in Sub-Sahara Africa as a countervailing power for the African political and administrative culture. She did not find evidence that informal practices withheld auditors from implementing international audit practices in SAIs of Botswana and Namibia (Gustavson, 2012:239-240).

When Santiso refers to *political economy*, Gustavson to *Political culture* and Stapenhurst to *political will*, they describe the existing gap between formal rules and informal (partisan) practices. In the literature this co-existence of legal-rational and informal systems is called *neopatrimonialism* (Bratton & Walle, 1997; Chabal & Daloz, 1999; Erdmann & Engel, 2007). A driving force of neopatrimonialism is insecurity about the behaviour of state institutions (Erdmann & Engel, 2006:19). In developing countries trust in public institutions is generally weak and informal mechanisms continue to exist.

Although some increased scholarly interest was visible in public financial accountability, the overall understanding of factors that explain this performance remains very limited. This study therefore fills an important gap in the existing research agenda. First, it provides a better understanding of the pressures that can explain the performance of accountability mechanisms in non-OECD countries. In addition it makes a first attempt to understand the impact of negative pressures such as public sector clientelism and patronage on public financial accountability mechanisms.

This paper uses a unique and new dataset to measure the performance of accountability mechanisms: The Public Expenditure and Financial Accountability (PEFA) evaluation framework that was designed by the World Bank, IMF, European Commission and some other agencies. Since 2004 the PEFA evaluation became the most frequently used global tool for measuring financial management performance of countries against OECD best practices.

The empirical results show that a better performance of the financial committees of parliament is associated with GDP growth, integration in regional economic networks like a market union or a free trade area and more fiscal transparency.

SAI performance is significantly better in countries with a higher GDP per capita, stronger pressures from professional networks (like the International Organisation of Supreme Audit Institutes, INTOSAI) and when there is pressure from more female members of parliament.

After a short introduction to isomorphic theory, this paper identifies possible institutional pressures for the financial committees of parliament and SAIs (the conceptual framework) and translates them into model-variables. A partial f-test is introduced as a modelling strategy to build three multiple regression models, one for the parliamentary budget committee, one for the parliamentary public accounts committee and one for the SAI. Robustness checks identify the most robust and stable variables in the database of 78 countries. The article concludes with an overview of the results and discusses policy implications and suggestions for further research.

Isomorphism

DiMaggio & Powell (1983;1991) describe isomorphism as “a process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio & Powell, 1983:149). Competitive isomorphism is more common in open market institutions leading to rational behaviour, while institutional isomorphism explains organisational homogeneity through competition for political power and institutional legitimacy (DiMaggio & Powell, 1983). Andrews (2009) suggests that institutional isomorphism has a better explanatory value when competitiveness is limited, goals are ambiguous and the field in which the mechanisms operate has high levels of uncertainty which undermine rational behaviour. This is common for public sector institutions.

DiMaggio and Powell (1983) identify three pressures through which institutional homogenization takes place: coercive, mimetic and normative. *Coercive pressures* explain similar performance of an organisation through democratic, financial or political power. *Mimetic pressures* are strong when an organisation copies potential successful mechanisms from other sectors, countries, regions or networks (mimicry). *Normative pressures* come from professional standards and the influence of professionals on organizations.

There is wide literature on isomorphic pressures in public management. *Coercive pressures* have been legitimized by elections. Elected representatives can be punished for political misbehaviour (see examples in Kourtikakis, 2010; Venard, 2009). Also laws, rules and regulations have been described as a legitimate source of coercive pressures (see Ashworth, Boyne, & Delbridge, 2005; Lodge & Wegrich, 2005). Another coercive pressure was found in unequal funding arrangements, for example donor support (see Gustavson, 2012).

Mimetic pressures stem from culturally accepted 'good' practices, especially when the organization faces uncertainty and the person or organisation legitimises choices through imitation of other organizations which they perceive to be more legitimate or more successful. Andrews (2009) observes this for financial management reforms in Africa (Andrews, 2009:10). Liberty and access to media and the internet contributes to visibility and dissemination of ideas and makes them culturally more acceptable to copy (see Kourtikakis, 2010; Radaelli, 2000).

Normative pressures have been found in various professional networks, for example the accountancy profession (see Ashworth et al., 2005; Gustavson, 2012; Lodge & Wegrich, 2005).

Framework for pressures to perform in public accountability mechanisms

When isomorphic theory is applied to public financial accountability mechanisms, we can design a conceptual framework that may explain the performances of these mechanisms (see figure 1).

Isomorphic pressures

One of the most important *coercive pressures* for democratic institutions like parliament, is free and fair elections. If national politicians are forced to face the electorate in a fairly democratic system and have a risk of losing their office, they will receive a higher incentive for good governance and reduce corrupt practices (Lederman et al., 2006:7). This not only requires free and fair elections, but also competition in the political system (pluralism) and the right to organise opposition (Bratton, 2008; Ferraz & Finan, 2011; Humphreys & Weinstein, 2013; Keefer, 2005).

Another coercive pressures on organisations are laws and regulations. The budget law and other fiscal rules have been associated with a better performance of accountability mechanisms, more transparency, a higher quality dialogue between executive and legislature and timely fiscal reporting (Park, 2007; Stapenhurst & Titsworth, 2001; Wehner, 2004). For this reason, fiscal transparency and a good budget law are included.

Another group of coercive pressures are those legitimized by financial power. In Europe and North America, accountable and effective states have been based on taxation systems where rulers and taxpayers helped to give governments an incentive to promote broad economic prosperity (see Levi, 1988; Ross, 2004). Developed Asian states and pioneer countries in Latin America (Costa Rica) and Africa (Mauritius) tell the same story (Bräutigam, 2004; Fjeldstad & Rakner, 2003; Levi, Sacks, & Tyler, 2009; OECD-DAC, 2008). Unsworth (2010) finds a “clear evidence of a broad causal mechanism linking government reliance on taxation with pressures for increased responsiveness and accountability (Unsworth, 2010:60-68). Taxation is therefore assumed to be associated with better performance of accountability mechanisms.

Development aid is another financial pressure. However, it may support institutions or undermine them (Alesina & Weder, 2002; Burnside & Dollar, 2004; Hanlon, 2004; Knack, 2001; Moss, Pettersson, & Walle, 2006). Donors support institutional development of oversight mechanisms, like parliamentary reforms, public financial management reforms and support to the Office of the auditor general. However, heavy reliance on external funding can also make governments susceptible to short term donor demands and conditions to satisfy donor constituencies and parliaments, this can undermine the accountability relation to their own citizens (De Haan, 2006; Kanbur, 2003; Veen, 2002). If aid is provided through state institutions (aligned aid) in line with the OECD best practices for development assistance, it relies more on domestic mechanisms and has less donor conditionality. This can lead to stronger institutions, including accountability mechanisms (Dijkstra, 2013; Hedger & Blick, 2008; OECD-DAC, 2009; Renzio, Andrews, & Mills, 2011).

Following Erdmann and Engel (2007), this paper describes neopatrimonialism using a distinction between patronage and clientelism. Both involve a relationship in which the patron, or ‘big man’, distributes favours to the 'little man', usually in exchange for political support. Patronage is the mechanism in which the patron offers ‘collective’ benefits such as schools, roads or fertilizer to preferred constituencies.

Patronage is fundamentally based on a difference of power and for this reason included as a *coercive pressure*. The ruling (political) elite provides strong coercive pressures to civil servants, politicians, civil society and the private sector to provide collective benefits like roads, schools, water facilities, hospitals and agricultural inputs to a region, city or ethnic group. In return, this group provides political support to the ruling elite. Patronage redistributes resources, and especially state resources, to those who are already in an advantaged position. It leads to social inequality (see De Wit & Berner, 2009:932-935; UNDP, 2010:69). Patronage is included in the model as a negative coercive pressure because the powerful elite may weaken transparency, suppress opposition or undermine public accountability.

In clientelism, the patron offers ‘individual’ benefits, like jobs, contracts, tax reduction or public services to individual clients that matter for political or economic reasons (Erdmann & Engel, 2006:21). This discretionary allocation undermines the legal administrative functioning of government, leading to insecurity. As a result, other citizens may prefer to use the same informal strategy to access public benefits. Clientelism is mimicked within the public sector and accepted as an informal practice to secure individual benefits. Due to its cultural acceptance, this paper discusses clientelism in the group of *mimetic pressures*. These are legitimized through cultural acceptance of (new) ideas that are copied by persons or organisations (DiMaggio & Powell, 1983; Radaelli, 2000). Public sector clientelism is usually considered in terms of corruption (Eckhardt, 2008; Leenstra, 2012; Manow, 2002:24-25; Soest, 2006:11). Corruption is the (mis)use of public office for private gain (Treisman, 2000) and a negative mimetic pressure for the model.

Positive mimetic pressures come from civil society and informed media. Hedger and Agha (2007) highlight that civil society and media "can exert considerable motivating pressure upon the executive to initiate and persist with reform" (Hedger & Agha, 2007:2). This requires a conducive environment for citizens to organise themselves, share information and ideas and use the best ideas to press for change. Andrews (2010) observed that civil society can improve government reporting and transparency in the public sector through a watchdog role. They do this in situations where governments are not acting upon agreed laws (Andrews, 2010:5). Civic freedom is therefore associated with better performance of accountability mechanism. Media can give accountability mechanisms front page attention and uncover additional evidence for them (Hedger & Blick, 2008:16; Stapenhurst et al., 2005:15 and 18). Some researchers found empirical evidence that media presence in meetings of financial committees of parliament keep members of parliament on their toes (Amundsen, 2010:viii; Stapenhurst et al., 2005:17).

Information technology is revolutionising the way the public sector operates and political decisions are made (Eltantawy & Wiest, 2011; Jilke, 2013; Stepanova, 2011; Wong & Welch, 2004). The Australian Auditor General wrote that information technology "improved the ability of public sector organisations to communicate, share critical information and organise processes in a more efficient way. It has the potential to expand the scope of public accountability by facilitating information sharing and delivery of information to the community" (Cameron, 2004:66). Also, the emerging social media (for example Facebook and Twitter) have a strong influence on sharing and mimicking practices, as evidenced in the anti-government protests of the Arab Spring (Eltantawy & Wiest, 2011:1218). Freedom of media and internet access are therefore considered positive pressures towards a better performance of public accountability mechanisms.

Regional and international networks can also provide positive pressures. In his study of European Union decision making, Kourtikakis (2010) finds that national SAIs of European Union member states had put a lot of pressure on their governments and parliamentarians to establish a European court of Audit, while the executive - the European Commission - advised against it. Mimetic pressure from SAIs was stronger than coercive pressure from the Commission. Regional organizations can mimic national mechanisms or vice versa. For example, the PEFA reports of Burkina-Faso (Linpico, 2007:22) and Mali (Worldbank, 2008:11 and 38) show that membership of the West African Economic and Monetary Union (UEMOA) changed public financial management systems in these countries.

Normative pressures are legitimized by the norms and values within the environment in which accountability mechanisms operate. Gustavson (2012) observed that the extent to which public officials in African countries identify themselves with an international community and regard internationally described practices as most legitimate is affected by the extent to which they are entangled in international networks and communities, in particular professional ones (Gustavson, 2012:246). She studied SAIs, which are professional organizations employing a high number of chartered accountants with official accreditation from the global Association of Chartered Certified Accountants (ACCA) or similar agencies. The ethical standards are high and there is serious punishment for misbehaviour. The professional network for SAIs is the International Organization of Supreme Audit Institutes (INTOSAI), where Lima-declaration principles are the standards against which they measure their performance (INTOSAI, 1998).

The equivalent association for parliaments is the Interparliamentary Union (IPU). Membership is possible if a country adheres to democratic standards (IPU, 1997). Political parties in developing countries and emerging markets also form alliances with political parties elsewhere in the world which make them exhibit elements of globalized party based democracy (Salih, 2005). Therefore, IPU membership and INTOSAI membership are both included in the framework as normative pressures.

Several researchers have studied the countervailing power of women in corruption cases. A World Bank study in 150 countries in Europe, Africa and Asia concludes that women are less prone to corruption (Dollar, Fisman, & Gatti, 1999). Azfar and all (1999) find that women are less involved in bribery, and less likely to condone bribe taking, leading to the conclusion that there is a worldwide "gender difference in tolerance for corruption" (Azfar, Knack, Lee, & Swamy, 1999:51). Goetz (2003) discovered that women are often excluded from all-male client networks that are responsible for many cases of corruption (Goetz, 2003:9). The female countervailing power is seen as a normative pressure in this paper. When more women participate in an accountability mechanisms, its performance may improve.

Other pressures

Beside the isomorphic pressures, Renzio, Andrews and Mills (2011:17) find four other factors that can contribute to stronger PFM systems in general: GDP per capita, GDP growth, population size and state fragility.

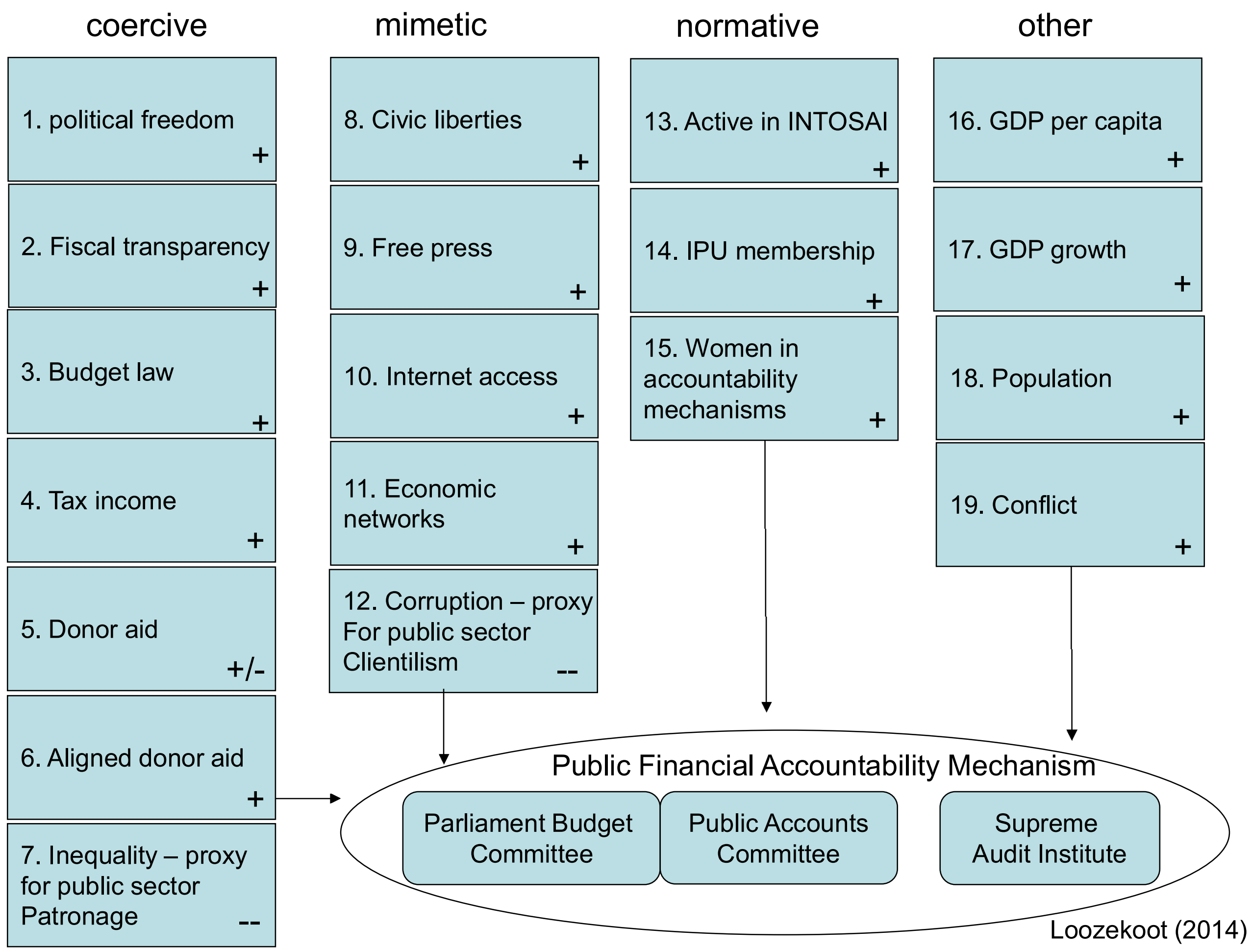
The quality of a public administration is dependent on the available funds to let these mechanisms function. Countries with a higher GDP have more public funds to maintain public institutions. A growing GDP provides the fiscal space necessary for a reform agenda. In his study of PFM reforms in Africa, Andrews (2010) find strong evidence suggesting that growing economies create stronger PFM systems (Andrews, 2010:27-29).

Country size matters too in PFM (Renzio, 2009:9-10). In his cross-country assessment of PEFA outcomes De Renzio (2011:17) shows that country size, measured by its population, shows a significant and positive association with PFM performance. It can be argued that larger countries invest more in PFM systems to make government systems function properly.

It is further argued that the functioning of state institutions is seriously hampered when countries are under attack. Conflicts lead to weak public systems. De Renzio (2011) find a significant negative association between the presence of UN peacekeepers in a country and PFM performance (Renzio, 2011:17). These four pressures are included as *other pressures* in the framework.

All described pressures and other factors are included in the conceptual framework presented in figure 1.

Figure 1: Conceptual framework: Institutional pressures on public financial accountability mechanisms and expected positive and negative effects



Data, sources and method

The modelling strategy to translate the conceptual framework into model variables requires reliable data for outcome and explanatory variables. Where the PEFA indicators provide a robust dataset for the outcome variables, the challenge is the selection of the explanatory variables that capture the pressures described in the previous section.

outcome variables

PEFA has been used since 2004, it is the first (and current only) global comprehensive dataset that includes a quantitative evaluation of financial committees of parliament (see PEFA secretariat, 2006). The PEFA includes 28 high level indicators on the performance of public financial management, based on 68 sub indicators (dimensions), including ten (10) for parliamentary committees and SAIs. The indicators are accompanied by an evaluation report with more detailed descriptive outcomes. The PEFA evaluation teams consist of international experts, government staff, World Bank and IMF staff or a combination thereof. The reports are scrutinized by the PEFA secretariat, hosted by the World Bank.

The 2004-2012 PEFA assessment scores are used as outcome variable, where A=good, B=above average, C=below average and D=bad. The scores are based on benchmarks described in the PEFA manual. PEFA uses two types of indicators. The M1-indicator receives a score based on the weakest sub-indicator. (For example: The scores A, A, C for the three dimensions of the PBC would lead to a C-score, based on the lowest ranked sub-indicator). The second type of indicator (M2) is based on the averages of the PEFA scores and computed by a conversion table in the PEFA handbook. The M1 methodology leads to a loss of information, as it disregards positive performance in other dimensions and results in a lower overall performance of the mechanism. The indicators for SAI (PI26), PBC (PI27) and PAC (PI28) are all of the first (M1) type. To avoid the loss of information caused by the PEFA M1 methodology, the variables are transformed into new variables (PI26#, PI27# and PI28#) which hold the non-weighted averages of the subindicators (dimensions). The numerical translation takes place with the following conversions: A=4, B=3, C=2 and D=1 . A justification of the 78 PEFA country evaluations included in this paper is available in annex 1.

explanatory variables

Criteria for selection of data sources include 1) capture the isomorphic pressure, 2) data availability for countries with PEFA evaluations and 3) data used in other scientific publications. The sources used for the explanatory variables are described in annex 2. For two pressures it was not possible to find credible data sources. Therefore, datasets were constructed by the author (see annex 2). The explanatory variables are based on averages for the years 2005-2009. The assumption is that explanatory pressures are best visible before and during the observed PEFA performance. If time-series are not available, the most recent year is used. Political freedom is measured over a longer period (2000-2009), as the effect of democracy is only visible after a longer period of time (Treisman, 2000:434). Some of the data plots do not have a normal distribution. This requires transformation of the data. If this does not result in a reasonable, normal distribution, a dummy variable is introduced in which values are computed to 0 or 1.

This paper uses proxy variables for clientelism and patronage. Clientelism is the distribution of state resources to individuals and associated with public sector corruption. Therefore corruption perception is a proxy variable for public sector clientelism. Patronage at the other hand is the distribution of collective state benefits to preferential groups. This is associated with higher levels of inequality. Inequality is therefore included as a proxy for public sector patronage.

The ‘outlier’ countries in the dataset are: Afghanistan, for very high levels of aid, Albania, for very low levels of aid, Lesotho, for very high tax revenues as share of GDP and South-Africa, for very low levels of aid and very high inequality. These countries are excluded from the regression if the variable for which these countries have outlier data is included in the analysis.

regression model

(Multi)collinear data provides weaker evidence on the specific contribution of one or more explanatory variables in the dataset (see Leaner, 1978 in Mukherjee, White, & Wuyts, 1998:198). If (multi)collinearity between two or more explanatory variables is too high in the *bivariate correlations*, one or more are dropped from the model. As a rule of thumb an R-square value 0.8 or more is considered high (Menard, 1995 in O'Brien, 2007:674). High bivariate correlations between explanatory variables in the dataset are very limited (see annex 3).

First, political rights (C_POLRI), civic liberties (M_CIVLIB) and press freedom (M_PRESSFREE) are correlated (R^2 >0.8). Therefore only one is included in the model. M_PRESSFREE is excluded because the underlying characteristics have a close association with civic liberties (see Freedom House, 2012). The highest bivariate correlation between the remaining two variables and the outcome variables are used to select the model variable (see table 3). Therefore, political rights (C_POLRI) is tested in the model for the SAI and PAC while civic liberties (M_CIVLIB) is tested in the PBC model.

The second group of collinear variables are GDP per capita (O_GDP) and internet access (M_INTERNET#). More household income is argued to improve access to goods and services, including internet facilities. Therefore only O_GDP is included in the models.

The objective of this paper is to test which combination of variables explain the outcomes better than any other combination of variables. In order to estimate the causal relationships between outcome and explanatory variables the above general hypothesis is translated into a regression model:

$$E(Y_A) = \beta_0 + \beta_c(X_c) + \beta_m(X_m) + \beta_n(X_n) + \beta_o(X_o) + \varepsilon_A$$

Where $E(Y_A)$ is the estimated outcome Y of the model for accountability mechanism A, β_0 is the estimated constant term, β_c is the coefficient which predicts the influence of the vector of *coercive* variables X_c on the outcome Y, and β_m, β_n and β_o the influence of the vectors of *mimetic*, *normative* and *other* variables. ε_A is the estimated error between the actual values of Y of the accountability mechanism and the estimated values of Y in the model.

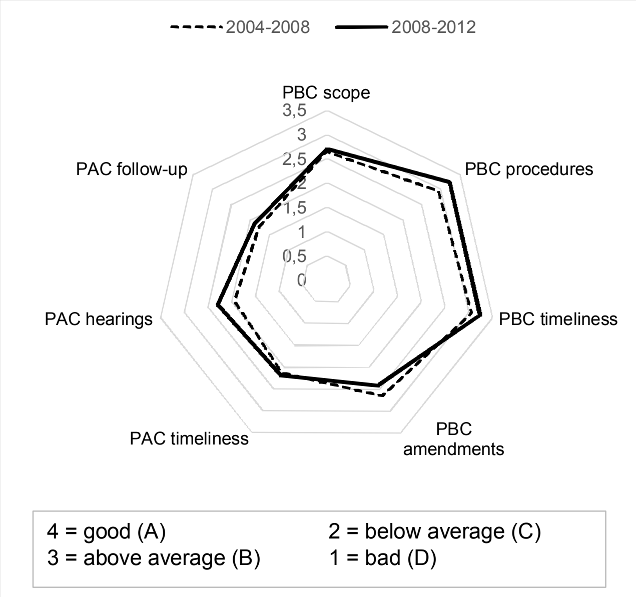
The regression model is built stepwise using *partial F-tests* (Buijs, 1994:155-160; Buijs, 2012:388-390; Mukherjee et al., 1998:222). This test compares two models with each other. The models share the same set of explanatory variables (the reduced model) while one of the models has one or more additional explanatory variables (the complete model). This paper uses a 90% confidence interval for the *partial F-tests* justified by the small sample size (78 countries). This avoids excluding potential important explanatory variables from the models.

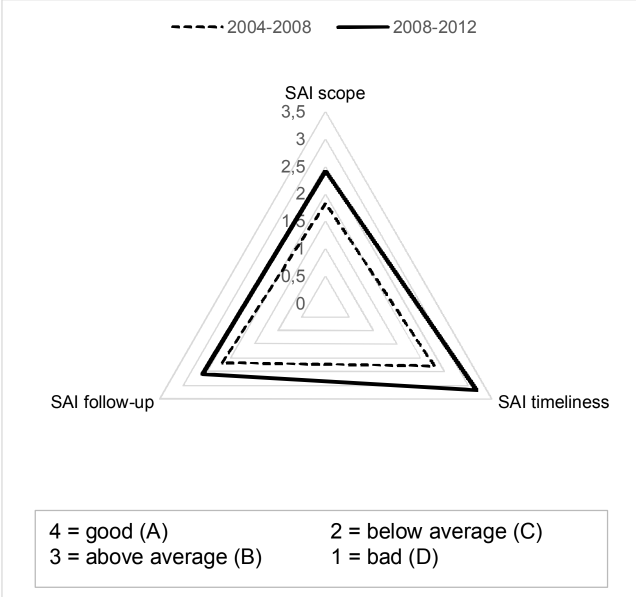
Results

There are not enough countries where more than one PEFA assessment is conducted to justify a statistical test to measure convergence over time (because n=17). However, figure 2 shows that the *average* performance of 9 out of 10 sub-indicators improved over the last years towards OECD standards, which is a strong signal towards more similarity in public financial accountability mechanisms. In line with earlier observations by Andrews (2009).

Figure 2a: performance parliament PEFA sub-indicator (n=17)

Figure 2b: performance SAI PEFA sub-indicator (n=17)





Source: Figures by the author based on PEFA reports of Albania (2006, 2012), Burkina Faso (2007, 2010), Dominican Republic (2007, 2010), Ethiopia (2007, 2010), Ghana (2006, 2010), Kenya (2006, 2012), Kosovo (2007, 2009), Kyrgyz Republic (2005, 2009), Mauritius (2006, 2011), Moldova (2006, 2008), Mozambique (2004, 2011), Rwanda (2007, 2010), Senegal (2007, 2011), Serbia (2007, 2010), Tanzania (2006, 2010), Timor Leste (2007, 2010) and Uganda (2005, 2009).

Table 1 and table 2 provide the descriptive statistics for the outcome variables and the explanatory variables, while table 3 presents the simple bivariate correlations between the explanatory variables and the outcome variables. Except for the bivariate correlation between public sector patronage (C_PUBPATR) and SAI, all *significant* correlations have the expected sign (positive/negative).

Table 1. Descriptive statistics of outcome variables

Descriptions	Variable	min	mean	max	stdv	N
Parliament Budget Committee	PBC#	1	2.5	4	0.733	76
Parliament Public Accounts Committee	PAC#	1	1.9	4	0.823	73
Supreme Audit Institute	SAI#	1	2.1	4	0.841	74

Notes:
 # most recent weighted averages of the PEFA performance indicator in the period 2004-2012, where A=4, B=3, C=2 and D=1.

Table 2. Descriptive statistics of explanatory variables

Description*	Variable#	min	Mean	max	Std.Dev	N
1.Political rights	C_POLRI	1	3.75	7	1.619	75
2.Fiscal information	C_FISINFO	1	2.62	4	0.859	77
3.Budget documentation	C_BUDLAW#	0	0.73	1	0.446	78
4.Tax revenue	C_TAXES	0.25	15.30	27.82	5.58	52
5.Donor aid	C_ODA#	0.0	1.77	4.6	0.819	75
6.Aligned aid	C_ALIGNAID	7	43.72	86	21.353	53
7.Inequality (patronage)	C_PUBPATR	26.44	41.19	65.77	8.906	65
8.Civic liberties	M_CIVLIB	1	3.52	6	1.227	75

11.Economic integration	M_ECONET	0	3.26	7	1.159	69
12.Corruption (clientelism)	M_PUBCLIE	1.7	3.03	5.7	0.898	76
13.Active in INTOSAI	N_INTOSAI#	0	0.42	1	0.497	78
14.IPU membership	N_IPU#	0.0	4.19	7.9	1.956	59
15.Women in mechanism	N_GENDER#	1.7	3.91	7.2	1.110	74
16.Income	O_GDP#	5.0	7.14	9.7	1.074	76
17.Growth	O_GROWTH	0.1	5.19	12.1	2.396	76
18.Population	O_POPUL#	-2.3	1.82	7.1	1.892	75
19.Conflict	O_UNPEACE	0	0.19	1	0.397	78

** see annex 2 for the sources*
 # transformed variables, see annex 2 for more information

Table 3. Simple bivariate correlations PBC, PAC and SAI and the explanatory variables.

Explanatory variables[1]	Expect Effect	PBC[2]	PAC[2]	SAI[2]
1. C_POLRI	-	-0.148	-0.184	-0.248**
2. C_FISINFO	+	0.411***	0.368***	0.534***
3. C_BUDLAW#	+	0.225**	0.178	0.360***
4. C_TAXES	+	0.303**	0.004	0.245*
5. C_ODA#	+/-	-0.350***	-0.097	-0.477***
6. C_ALIGNAID	+	0.100	0.253*	0.310**
7. C_PUBPATR	-	-0.021	-0.166	0.213*
8. M_CIVLIB	-	-0.177	0.140	-0.228*
11. M_ECONET	+	0.184	0.213*	0.399***
12. M_PUBCLIE	+	0.301***	0.203*	0.469***
13. N_INTOSAI#	+	0.314***	0.196*	0.419***
14. N_IPU#	+	0.340***	0.039	0.382***
15. N_GENDER#	+	0.022	0.165	0.409***
16. O_GDP#	+	0.292**	0.098	0.476***
17. O_GROWTH	+	0.110	0.424***	-0.016
18. O_POPUL#	+	0.296***	0.086	0.090
19. O_UNPEACE	-	-0.111	-0.012	-0.335***

** correlation is significant at the 0,10 level (2-tailed) and ** 0,05 level (2-tailed) *** 0,01 level (2-tailed)*
 # transformed variables, see annex 2 for more information
[1] C = coercive pressures M = mimetic pressures N = normative pressures O = other variables
[2] Spearman bivariate coefficient (for ordinal data)

The final models for PBC, PAC and SAI are presented in table 4 after stepwise testing of variables in the partial F-test. Taking out one of the explanatory variables offers a significant worse explanation of the outcome variable. Adding one variable does not make the models significantly better. All models are significant at a 0.01 level (F-test).

Table 4. Estimated multivariate models (partial f-test^) for PBC, PAC and SAI performance

Pressure variables	Exp. Effect	PBC	PAC	SAI
CONSTANT		0.854	0.046	-2.274
2. C_FISINFO	+	0.263**		

3. C_BUDLAW#	+			0.473***
4. C_TAXES	+		0.008	-0.061***
7. C_PUBPATR	-	-0.016	-0.008	0.031***
11. M_ECONET	+	0.238*	0.311***	0.149
12. M_PUBCLIE	+	0.316**		
13. N_INTOSAI#	+			0.427***
14. N_IPU#	+	0.072		-0.001
15. N_GENDER#	+			0.295***
16. O_GDP#	+			0.287***
17. O_GROWTH	+		0.210***	
R2		0.427	0.446	0.836
N		47	41	34
F		6.258***	7.451***	16.621***

** significant at the 0.10 level, ** 0.05 level, *** 0.01 level.*
 # transformed variables, see annex 2 for more information
^ partial f-test using a 90% confidence interfall (with dataset n=78)

The empirical data shows that three variables contribute significant to a better explanation of the performance of the Parliament Budget Committee. These are a better fiscal information (C_FISINFO), integration in economic networks (M_ECONET) and less corruption, as proxy for less clientelism (N_PUBCLIE). These variables all have the expected sign.

Only two variables are significant in explaining a better performance of the Public Accounts Committees of parliament. These are integration in economic networks (M_ECONET) and growth of GDP (O_GROWTH). These variables show also the expected effect.

Six variables contribute significant to a better SAI performance. These are better budget information (C_BUDLAW#), lower taxes as share of GNI (C_TAXES), more inequality as proxy for public sector patronage (C_PUBPATR), active in INTOSAI (N_INTOSAI#), more women in accountability mechanism (N_GENDER#) and higher GDP per capita (O_GDP#). Two variables do not have the expected sign. The empirical data shows a *negative tax effect*. If taxes as share of GNI are higher, the performance of the SAIs is lower. Furthermore the model shows a *positive patronage effect*. Which means that a better SAI performance is associated with countries where more inequality (as proxy for patronage) is observed.

Robustness

The results are further assessed in three robustness analyses.

First, the outcome of *neighbouring specifications* is studied. This leads to a bound for the influence of the regressor on the outcome of the model (Mukherjee et al., 1998:198). If the bound between the smallest and largest coefficients for the same regressor in different model specifications is small, the regressor is more robust and the explanatory value improves.

Second, the *conditional bounds* are examined. The inclusion of a specific variable in the model leads to smaller bounds for the coefficients of some regressors in the model (Mukherjee et al., 1998:202-203). For example, when N_IPU enters the PBC model, the bound of the M_ECONET coefficient reduces and this significant regressor becomes more robust.

The third robustness check tests the behaviour of the models in three samples of countries: lower & lower-middle income countries (LIC-model, average GDP 2005-2009 <$3,585), lower and higher-middle income countries (MIC-model, average GDP 2005-2009 > $905) and excluding very small countries (LC model, average population 2005 – 2009 >1mln).

Table 5 presents the results of the first and second robustness checks (neighbouring specifications and conditional bounds). Because of space considerations the tables for the third robustness checks are not included in this paper. They are available upon request. However, their main results are described in this section with reference to the corresponding LIC, MIC and LC models.

Table 5. Results of robustness checks

Robustness	PBC	PAC	SAI##
Robust	C_FISINFO (1.7)** M_PUBCLIE (2.9)**	O_GROWTH (1.6)***	N_INTOSAI (1.7)*** O_GDP# (2.0)*** N_GENDER# (2.1)***

Robust (with condition)	M_ECONET (1.6)*	M_ECONET (1.6)***	C_TAXES (1.7)***

Notes:
Robust = the bound between the smallest and largest coefficients for the same regressor is ≤ 3 (value between parenthesis)
Robust (with condition)= including a (conditional) variable in the model leads to a bound ≤ 3.
** significant at the 0.10 level, ** significant at the 0.05 level, *** significant at 0.01 level.*
 # transformed variable
N_IPU and M_ECONET are excluded from the SAI analysis to simplify the analysis (they had the lowest regressor coefficient values).

On average, the factor between the smallest and the largest regressor coefficient value in the first robustness analysis was three. So, as a rule of thumb, more robust variables have a (*conditional) bound* factor below three. In table 5 this factor is presented between parentheses.

The positive effect of fiscal information (C_FISINFO) is robust for the PBC-model. This effect shows a higher value for the LIC model (0.296* compared to 0.263** in the general PBC model). The negative effect of corruption (C_PUBCLIE) is also robust for the PBC. It is higher in the LIC-model (0.344* compared to 0.316** in the general PBC model).

The second row in table 5 shows that Economic integration (M_ECONET) becomes robust and shows the expected sign when another variable is added as condition. In this analysis the membership of the International Parliamentary Union (N_IPU) is included in the PBC model. This effect is not caused by collinearity as the bivariate correlation is not significant (see annex 3). This indicates that IPU membership (or years of parliamentary democracy) might be an interesting factor for understanding a more robust pressure from economic networks on PBCs. The M_ECONET coefficient is higher in the MIC-model (0.337** for MIC, compared to 0.316** in the general model).

The PAC has only one robust explanatory variable: GDP growth (O_GROWTH). Membership of economic networks (M_ECONET) becomes robust if GDP growth (O_GROWTH) is included as a condition in the model. This effect is not caused by colinearity (see annex 3). The MIC-models have higher M_ECONET coefficients (0.352** compared to 0.311** in the general PAC model).

The SAI model has three significant and robust variables. These are active membership of INTOSAI (N_INTOSAI), higher GDP per capita (O_GDP) and more women in parliament (N_GENDER). The INTOSAI coefficient is higher in the LIC model (0.457** compared to 0.427*** in the general SAI-model). The same is observed for the percentage of *women in parliament* (N_GENDER), which also has a higher regressor value in the LIC model (0.378*** compared to 0.295*** in the general model).

An unexpected result of the analysis is the negative effect of an increase in the tax base as share of GNI (C_TAXES). This effect is higher in the LIC model (-0.075*** compared to -0.061 in the general model).

The earlier mentioned *positive patronage effect* proves not to be robust. Other pressures, from political freedom, donors, civil society, press freedom and conflicts have not been identified as significant, robust and stable for the empirical models based on this dataset from 78 countries.

Conclusion and discussion [draft]

This paper explains, for the first time, how the performance of public accountability mechanisms in developing countries and emerging markets is influenced by different institutional pressures. The empirical results show that isomorphic pressures offer a better explanation for the performance of "professional" SAIs, than for the performance of the "political" financial committees of parliament. However, for both types of mechanisms, significant and robust pressures have been identified.

Three models were constructed and selected pressure variables were tested against alternative specifications. The empirical models show that better fiscal information, economic integration and less corruption best explain the performance of the Parliamentary Budget Committee, while economic integration and a higher GDP growth explains the performance of Parliamentary Public Accounts Committees. Most pressures on parliamentary committees are mimetic, which means that they justify their choices through imitation of other organizations which they perceive to be more legitimate or more successful. This has a positive effect, when countries are integrated in economic networks and have a growing GDP. Or a negative effect, when corruption levels are higher (as proxy for informal systems of clientelism). Parliamentary committees in middle income countries (MICs) are more willing to follow 'best practices' from their international peers, while parliamentary committees in lower income countries (LICs) seem to have stronger positive pressures from more fiscal transparency. Further research is needed to gain understanding of these variables. How do the pressures work over time? What actors play a key role and why?

The empirical model for the Supreme Audit Institutes (SAIs) shows that a higher GDP as well as active membership of the SAI in professional networks of chartered accountants (like INTOSAI) and more women in parliament provide strong, significant and robust pressures towards a better SAI performance. The robustness analysis indicates that in lower income countries these pressures are higher than in middle income countries, which makes them of interest to many African countries.

This paper finds a small *negative tax effect* (significant and robust) which suggests that a broader tax base does not benefit oversight institutes, like the SAI. If the SAI cannot keep up their task to audit a larger government, it may affect its performance. Further research is needed to understand this effect.

Corruption – as a proxy for clientelism or the distribution of individual benefits – is not a significant negative pressure on SAIs and PACs. This is an interesting outcome as it would make them stand out in an environment that is often dominated by corrupt practices.

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Annex 1: countries included in the assessment

A total of 112 public country PEFA assessments were available on the PEFA website and the worldwide web (2004-2012):

Afghanistan (2005; 2008), Albania (2006, 2012), Armenia (2008), Bangladesh (2006), Belarus (2009), Benin (2007), Bhutan (2010), Bolivia (2009), Botswana (2009), Brazil (2009), Burkina-Faso (2007; 2010), Burundi (2008), Cape Verde (2008), Central African Republic (nd; 2010), Colombia (2009), Cook Islands (2011), Congo Republic (2006), Democratic Republic Congo (2008), Costa Rica (2010), Cote d'Ivoire (2008), Dominican republic (2007; 2010), El Salvador (2009), Ethiopia (2007; 2010), Gabon (2006), Georgia (2008), Ghana (2006; 2010), Grenada (2010), Guatemala (2010), Guinea (2007), Guinee Bissau (2006;2009), Haiti (2008), Honduras (2009), India (2010), Indonesia (2007); Jamaica (2007), Jordan (2007), Kenya (2006; 2009; 2012), Kosovo (2007; 2009), Kyrgyz Republic (2005; 2009), Lao (2010), Lesotho (2007), Liberia (2008), Macedonia (2007), Madagascar (2006), Malawi (2006), Maldives (2008), Mali (2007; 2010), Mauritania (2008), Mauritius (2006; 2011); Moldova (2006; 2008); Montenegro (2009), Montserrat (2010), Morocco (2009), Mozambique (2004; 2008; 2011), Nepal (2008), Niger (2008), Norway (2007), Pakistan (2009), Paraguay (2008); Peru (2009), Philippines (2007), Rwanda (2007; 2010), Samoa (2006; 2010), Sao Tome and Principe (2006; 2010), Senegal (2007; 2011), Serbia (2007; 2010), Seychelles (2011), Sierra Leone (2008; 2010), Solomon Islands (2008), South Africa (2008), Switzerland (2009), Tajikistan (2006), Tanzania (2006; 2006; 2010), Timor Leste (2007; 2010), Togo (2009), Tonga (2007; 2010), Trinidad and Tobago (2009), Tunisia (2010), Uganda (2005; 2009), Ukraine (2006), Vanuatu (2005), Westbank and Gaza (2007), Yemen (2007) and Zambia (2005).

Some country were evaluated several times, 28 earlier assessments are excluded
Bangladesh and Gabon miss all data on sub-indicator level and are excluded
Norway and Switzerland are not a lower or middle income country and are excluded
Kosovo and West-Bank & Gaza do not represent states, but territories and are excluded for lack of suitable data for the explanatory variables.

Hence, the final PEFA dataset for this paper includes 78 unique country cases.

Annex 2. sources used for the explanatory pressure variables

Variable*#	Source
1.political rights C_POLRI	Freedom House (average 2000-2009). Category Political Freedom. Higher values are associated with less political freedom leading to a negative expected effect.
2.fiscal information C_FISINFO	PEFA (most recent 2005-2009) high level indicator 6: Comprehensiveness of information included in budget documentation. Performance 4=A (good) to 1=D (bad).
3.budget documentation C_BUDLAW#	PEFA (most recent 2005-2009). High level indicator 10: public access to key fiscal information included in budget documentation. Dummy variable: 1 = Good (A) and above average (B) performance 0 = below average (C) and bad (D) performance.
4.tax revenues C_TAXES	World Bank (average 2005-2009). World Development Indicators, Tax revenue as percentage of GNI.
5.donor aid C_ODA#	World Bank (average 2005-2009). World Development Indicators, USD Nett Official Development Assistance as part of GNI. Transformed variable (to the power 1/3).
6.aligned aid C_ALIGNAID	OECD (2010). % of aligned aid to government as share of total aid to government.
7.inequality C_PUBPATR	World Bank (most recent 2002-2011). World Development Indicators, Gini Coefficient. Higher values are associated with more inequality (public sector patronage) leading to a negative expected effect.
8.civic liberties M_CIVLIB	Freedom House (average 2005-2009). Category Civil Liberties, higher values are associated with less civic liberties leading to a negative expected effect.
11.economic networks M_ECONET	Classification by the author (2012): 0 = no integration, 1 = monetary cooperation (CEMAC, UEMOA), 2 = regional economic community (UMA, CEN-SAD, ECCAS, ECOWAS, SADC, CEPGL), 3 = multilateral free trade area (COMESA, AFTA, CEFTA, CISFTA, GAFTA, GCC, NAFTA, SAFTA, SICA, TPP), 4 = customs union (CAN, CUBKR, EAC, EUCU, MERCOSUR, SACU), 5 = common market (EEA/EFTA, CES), 6 = economic union (CSME, EU), 7 = economic and monetary union (EUROZONE, CARICOM). Multilateral free trade receives a higher score than regional economic community because countries are exposed to political and economic systems outside their region. Data from 30 websites of economic, market, customs and monetary unions as well as websites of free trade areas and regional economic communities have been used for this classification.
12.corruption M_PUBCLIE	Transparency International (average 2005-2009). Corruption Perception index, higher values are associated with lower corruption perception (or less public sector clientelism).
13.active in INTOSAI N_INTOSAI#	Classification by the author. INTOSAI website (2012): Active in INTOSAI committees and working groups. Dummy variable 1 = Active in one or more INTOSAI groups 0 = not active.
14.IPU member N_IPU#	IPU (2012). Years of IPU membership from 1954 till 2011. Transformed variable (to the power of 0,5).
15.women in mechanism N_GENDER#	World Bank (average 2005-2009). World Development Indicators, Share of seats held by women in national parliaments. Transformed variable to the power of 0,5.
16.income O_GDP#	World Bank (average 2005-2009). World Development Indicators, GDP per capita. Dummy variable: Transformed variable with natural log.
17.growth O_GROWTH	World Bank (average 2005-2009). World Development Indicators, Percentage GDP growth.
18.population O_POPUL#	World Bank (average 2005-2009). World Development Indicators, Population size in millions. Transformed variable with natural log. Negative values for countries with less than 1 mln inhabitants.
19.conflict O_UNPEACE	UN peacekeeping website (2000 – 2009). Peacekeeping missions. Dummy variable where 1 represents a UN peacekeeping mission between 2000 and 2009 and 0 no peacekeeping.

** number corresponds with the conceptual framework in figure 2*
 # variables with #-sign are transformed variables

Annex 3: bivariate correlations between explanatory variables

	C_BUDLAW2#	C_FISINFO#	C_POLRI#	C_ODA2	C_ALAID	C_TAXES	C_PUBPATR	N_INTOSAI2#	N_IPU2	N_GENDER2	N_COORDTA	M_CIVLIB#	M_PRESSFREE#	M_PUBCLIE#	M_INTERNET	M_ECONET#	O_GDP	O_GDPGROW	O_POPUL	OV_CONFLICT
C_BUDLAW2#	1.0																			
C_FISINFO#	.271**	1.0																		
C_POLRI#	-.052	-.275**	1.0																	
C_ODA2	-.078	-.444***	.258**	1.0																
C_ALAID	.264*	.310**	.149	-.224	1.0															
C_TAXES	-.038	.255	-.329**	-.494***	-.121	1.0														
C_PUBPATR	-.240*	.053	-.298**	-.122	-.201	.172	1.0													
N_INTOSAI2#	.240**	.378***	-.095	-.419***	.496***	.268*	.025	1.0												
N_IPU2	.420***	.342***	-.141	-.291**	.312**	-.047	.026	.360***	1.0											
N_GENDER2	.102	.085	.040	-.050	.230	.218	.059	-.028	-.036	1.0										
N_COORDTA	-.186	-.036	-.156	.041	-.009	.109	.144	.029	-.237	.213	1.0									
M_CIVLIB#	-.116	-.301***	.905***	.252**	.080	-.397***	-.245*	-.141	-.085	.092	-.103	1.0								
M_PRESSFREE#	-.084	-.193*	.849***	.123	.187	-.254*	-.270**	-.056	-.019	.139	-.057	.880***	1.0							
M_PUBCLIE#	.208*	.453***	-.590***	-.351***	.100	.461***	.244**	.216*	.286**	-.016	.008	-.594***	-.512***	1.0						
M_INTERNET2	.138	.524***	-.280**	-.717***	.200	.635***	.132	.385***	.287**	.026	-.087	-.337***	-.209	.472***	1.0					
M_ECONET#	.130	.372***	-.059	-.434***	.210	.355**	.137	.344***	-.064	.205*	.154	-.072	-.041	.153	.462***	1.0				
CV_LNGDP	.133	.443***	-.437***	-.732***	-.006	.674***	.240*	.267**	.164	-.065	-.054	-.505***	-.431***	.629***	.823***	.363***	1.0			
CV_GDPGROW	.161	.060	.314***	.324***	.194	-.452***	-.222*	-.048	.049	.311***	-.052	.296***	.282**	-.089	-.236**	-.213*	-.354***	1.0		
CV_LNPOPUL	.186	.123	.154	-.275**	.432***	-.269*	-.123	.200*	.475***	.153	-.015	.203*	.268**	-.208*	-.067	.097	-.306***	.187	1.0	
CV_UNPEACE#	-.144	-.176	.345***	.221*	.049	-.348*	-.229*	-.089	-.205	-.023	.082	.421***	.373***	-.412***	-.360***	-.085	-.409***	.203*	.163	1.0

Notes:

** correlation is significant at the 0,10 level (2-tailed) ** correlation is significant at the 0,05 level (2-tailed) and *** correlation is significant at the 0,01 level (2-tailed).*

 # Spearman bivariate correlation for ranking ordinal data; all other data was analysed using the Pearson bivariate correlation for ordinary variables.