

Research impact: making a difference

Better public budgeting and performance auditing

Public Policy Group research contributed to improving public budgeting around the world and performance auditing within the UK and Europe

What was the problem?

The global economic crisis of 2008 underlined the urgent need for more transparency and accountability in the way public money was spent and for tighter oversight of public finances.

Meeting this need would require robust and reliable performance data for the purposes of budgeting, financial reporting and investigating value for money.

Also highly desirable for governments and inter-governmental organisations would be reliable cross-national data on budget practices. There were indications that some cross-national databases suffered from significant shortcomings in terms of data quality.

Development aid policies in particular were reliant on accurate data on the budgeting practices of target countries, especially since aid was now focused more on 'budget support' and developing 'good governance' than on funding specific projects.

What did we do?

Research projects within LSE's Public Policy Group (PPG) addressed this problem from different angles. Professor of Political Science and Public Policy Patrick Dunleavy led on a project investigating performance audit by supreme audit institutions, notably the UK National Audit Office and the European Court of Auditors, while Associate Professor in Public Policy Joachim Wehner focused on expanding knowledge of comparative government budget practices.

Investigating performance audit

From 1998 to 2009, Dunleavy and PPG staff worked closely with the UK's National Audit Office (NAO), reviewing some 440 confidential 'Value for Money' studies. Each study examines a major area of government expenditure and comments on whether value for money has been achieved.

At the same time, Dunleavy and PPG staff in collaboration with Professor Helen Margetts (now of the Oxford Internet Institute) completed seven major Value for Money reports, covering specific issues such as citizen redress.

Dunleavy later drew on the NAO and previous research conducted over a span of 13 years in producing a comparative study of major Whitehall agencies called *Growing the Productivity of Government Services* (2013, with Leandro Carrera), and in conducting performance evaluation work for the European Court of Auditors, described below.

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Investigating budget practices

In order to investigate the state of budgeting Wehner helped the OECD to 'clean' its cross-national budget database and undertook field visits to Romania, Slovenia, Croatia and Greece as part of OECD's review of budget systems. He was then commissioned to extend OECD's survey to 11 Latin American countries and to re-draft the entire survey instrument.

In 2007–8 the World Bank funded Wehner and then colleague Dr Paolo de Renzio to collect comparable data for Asia, the 'BRIC' economies of Brazil, Russia, India and China, and developing countries. The UK Department for International Development funded an extension of OECD's budget practices survey to African countries. As a result of this work, data quality was improved and coverage extended from around 30 to almost 100 nations.

What happened?

Improving performance audit

Dunleavy and PPG colleagues were contracted by the European Court of Auditors to review the content and presentation of half of its 'special reports' (essentially value-for-money studies) and its Annual Report for the Budget Committee of the European Parliament.

The Court stands alongside the European Parliament, the Council of Ministers, the European Commission, and the European Council of Justice as the European Union's 'fifth institution', responsible for monitoring the legal and financial regularity of all the European Commission's directorate-generals. The contract was renewed in 2011 for three more years.

PPG's advice, together with that of the other external evaluator, Ernst and Young, contributed to major innovations in the Court's Annual Reports for 2010, 2011 and 2012. PPG's recommendations to make performance more visible and strengthen the value-for-money focus resulted in an entirely new chapter in the Report called 'Getting the most out of the European Union budget'. Other improvements included improved graphs, figures and data and an Information Note in the 2011 Report providing a clearer explanation of why the Court's work and reports help citizens in assessing the quality of EU financial management.

The European Parliament's Budget Committee strongly endorsed the recommended shift to performance budgeting promoted by PPG and Ernst and Young. From 2014 feedback from both

"A landmark in guiding reforms in budget institutions and practices in Africa."

Gabriel Negatu, Director at the African Development Bank

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evaluators will be publicly available, along with the key performance indicators their external scrutiny has produced.

Improving budgeting data and practices

Wehner's research with OECD helped to establish an accurate comparative resource that governments and legislatures could use to identify possible institutional reforms to strengthen parliamentary oversight. It could also be used to determine how certain reforms would be likely to affect budget policy.

Among the many beneficiaries were senior budget staff from OECD member countries engaged in peer-group learning at their annual meetings. Wehner regularly attended these meetings from 2008 to 2013 and also served in five budget review teams covering Estonia, Bulgaria, Latvia, Lithuania and Luxembourg.

Wehner was invited to join the OECD's Advisory Panel on Budgeting and Public Expenditures and advised member governments on public budgeting. Bodies such as the World Bank and the International Monetary Fund (IMF) also cited his research on budget structures and reforms, and the latter has incorporated his work into its globally-promoted series of technical notes and manuals.

Wehner's work has had a direct impact on budget reforms in several countries. Luxembourg's finance minister acknowledged the OECD review as a stimulus for change, and a committee of the Canadian Parliament, to which Wehner gave evidence on strengthening financial scrutiny, adopted several of his recommendations.

In Africa, Wehner's work for the UK Department for International Development created the continent's first dataset on government budgeting practices, utilised by donor agencies, the World Bank and the IMF.

Professor Patrick Dunleavy studied Philosophy, Politics and Economics at Corpus Christi College, Oxford, graduating in 1973. He moved to Nuffield College, Oxford to work on his D.Phil (published as *The Politics of Mass Housing in Britain, 1945-75*) until 1978. He became a Junior Research Fellow at Nuffield in 1976. He moved briefly to the Open University as Lecturer in Urban Studies (1978-9) before joining LSE as a Lecturer. He was promoted successively to Reader in 1986 and Professor in 1989. Subsequently he founded LSE Public Policy Group in 1992. He became a (founding) member of the Academy of the Social Sciences in 1999.

Email: p.dunleavy@lse.ac.uk

Website: <http://www.lse.ac.uk/government/whosWho/profiles/pdunleavy@lse.ac.uk/Home.aspx>

Dr Joachim Wehner is Associate Professor in Public Policy at the London School of Economics and Political Science (LSE). He obtained a PhD in Government from the LSE in 2007, following studies in Germany and South Africa. His research interests are in the field of political economy, in particular in relation to budgeting and fiscal policy. He has also worked as a consultant for international organisations and government bodies, is a member of the OECD Advisory Panel on Budgeting and

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Public Expenditures, and has given evidence to legislative committees in Canada, the UK and South Africa.

Email: j.h.wehner@lse.ac.uk

Webpage: <http://personal.lse.ac.uk/wehner>

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