

Transparency & Accountability in the Management of Public Expenditures in South Asia



Linking the “Supply” and “Demand” Side of Governance

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Outline

- Key Issues and Entry Points
- Focus on Public Financial Management
- Typical “Supply” Side Interventions
- Incorporating the “Demand” side
- Fiduciary Issues



Governance and Anti-Corruption: *Key Issues in South Asia*

Political and Country Environment

- Confrontational politics and civil conflict
- Lack of transparency in campaign finance

Quality of Public Administration

- Politicized and corrupt civil service; politicized transfers
- Shortage of appropriate skills; weak incentives, institutional capacity
- Weak public financial management, including procurement

Corruption

- Bribes for licenses, permits, service provision
- Corruption in customs, energy sector, taxes

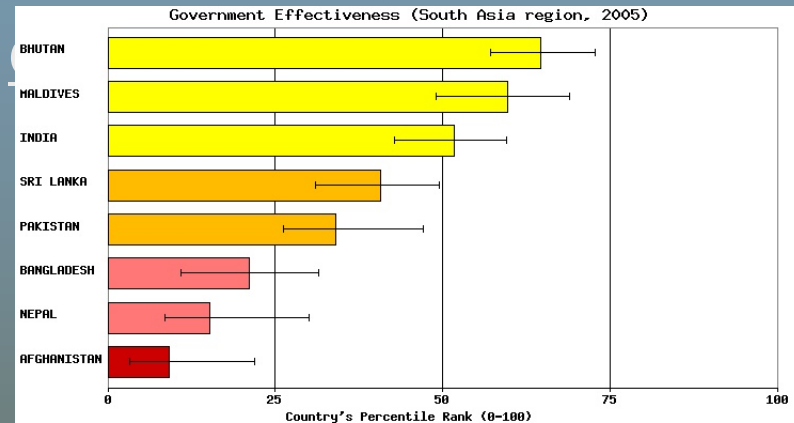
Governance and Anti-Corruption: Key Issues in South Asia

- **Local Government**
 - Devolution nascent; mismatch responsibilities/ funding/capacities; lack of accountability
- **Institutional and Civil Society Checks and Balances**
 - Inadequate Parliamentary and supreme audit institution oversight
 - Varying demand for good governance in media, NGOs, civil society
 - Weak/political judiciary; inadequate enforcement of laws
- **Investment Climate**
 - Private sector also source of corruption
 - Doing Business still fraught with bureaucratic red tape
- **Sectors**
 - Infrastructure: politicized regulation, corrupt procurement, bribes for service, reliance on subsidies, lack of hard budget constraint
 - Health and education: inefficient, poor quality and poorly targeted services; absenteeism; expenditure leakage

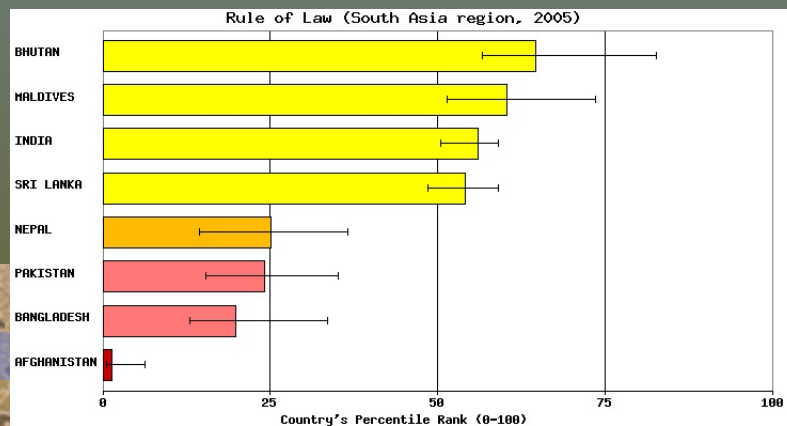
Governance in South Asia

- Most big South Asian Countries are “below average” on all governance indicators

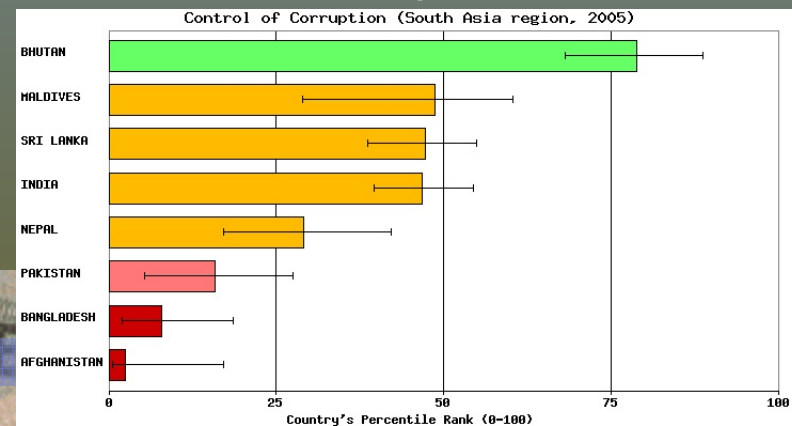
Government Effectiveness



Rule of Law



Control of Corruption



Various 'entry-points'

Civil Society, Media & Oversight Institutions

State oversight institutions
(parliament, judiciary, SAI)
Transparency & participation
(FOI, asset declaration, user
participation & oversight)
Civil society & media

Public Management

Public financial
management &
procurement,
monitored by PEFA
Administrative & civil
service reform

Private Sector

Competitive
investment climate
Responsible private
sector

Local Governance

Community-driven development
Local government transparency
Downward accountability

Governance in Sectors

Transparency & participation
Competition in service provision
Sector-level corruption issues (EITI, forestry)

Coalition building across stakeholders

South Asia Fiduciary Issues: *Country Systems*

Procurement: reforms relatively new -- recent and incomplete regulatory frameworks, ineffective complaints mechanisms, young or no policy body, lack of enforcement. Most advanced on reforms is Bangladesh

Financial Management: deviations from international accounting and auditing standards, external audits focus on compliance and “trees” rather than material, ineffective internal audit, capacity, accounts and audit often one cadre, poor documentation, lack of reconciliation, no accountability exercised by Parliament



Sectoral Governance

- **Financial Sector:** Nepal Financial Sector Restructuring and TA Projects; Pakistan Banking Sector TA; Bangladesh Central Bank Strengthening Project; IDF Grant for SEC in Pakistan; policy lending support for reform
- **Power:** Ongoing Bangladesh Political Economy study; reforms supported under policy lending, e.g. India, Pakistan, Bangladesh
- **Health and Education:** Expenditure tracking surveys (e.g. Orissa); strengthening accountability in drug procurement; absenteeism surveys; multi donor lending; reforms in policy lending; devolving to school management committees
- **Investment Climate:** Assessments in all countries and some states; Doing Business Indicators; reforms under policy lending
- **Ports:** projects in preparation for Chittagong and Karachi, political economy analyses
- **Corporate Governance:** Assessments in India, Pakistan



Local Government and Community Empowerment

- Bangladesh and Karnataka local government projects (accountability and capacity building)
- Analytical work: Pakistan, India, Sri Lanka
- Support for community empowerment: Afghanistan National Solidarity Program, Pakistan and Nepal Poverty Alleviation Funds, Sri Lanka Gemi Diriya



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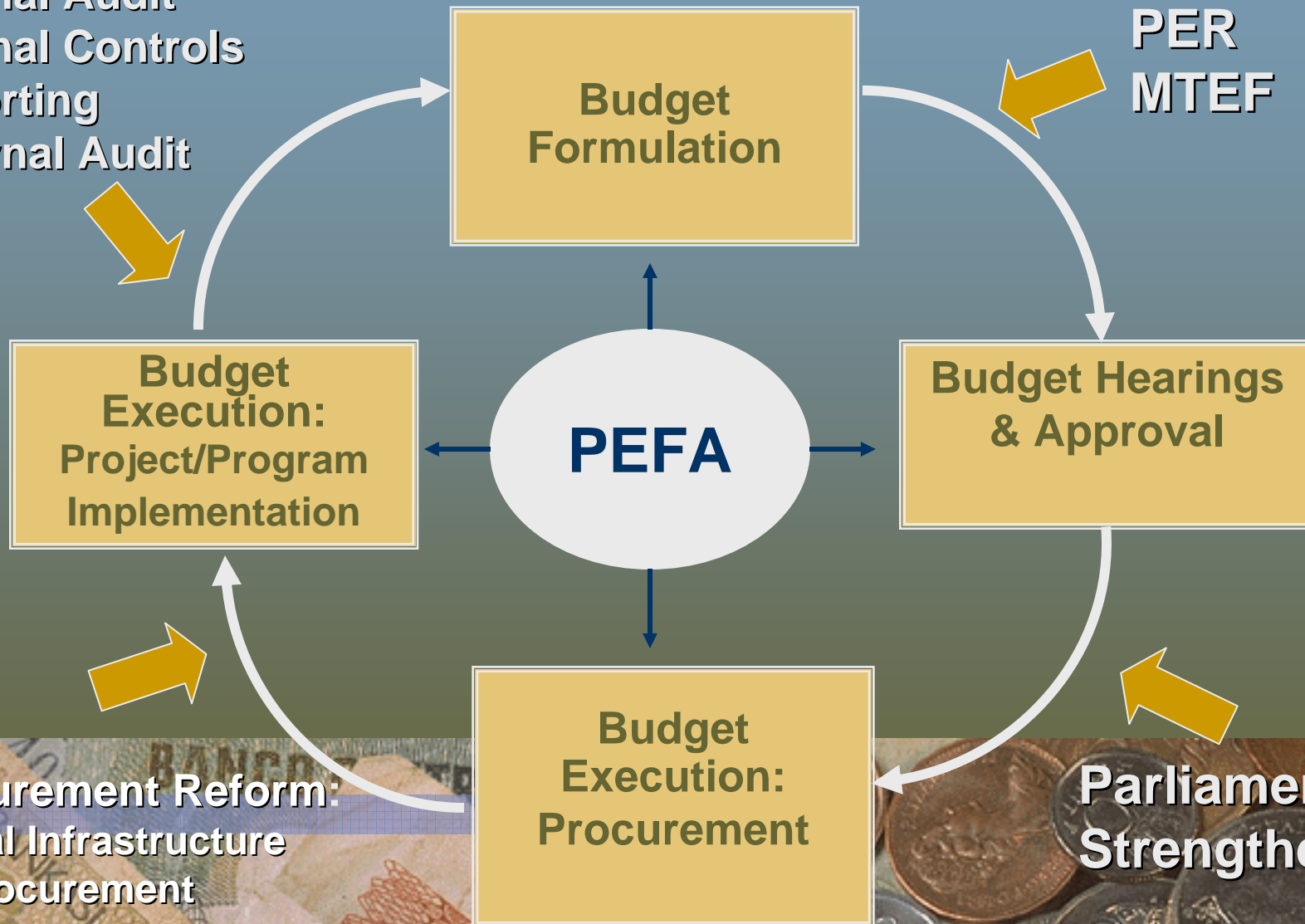
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PUBLIC EXPENDITURE CYCLE: Supply Side Interventions

Treasury Mgmt
Internal Audit
Internal Controls
Reporting
External Audit



PETs
Procurement Reform:
• Legal Infrastructure
• E-procurement

Parliamentary
Strengthening

FOLLOW THE MONEY: Engaging Civil Society (the demand side)

Citizen Report Cards
Community Score Cards
Social Audits

Participatory
Planning &
Budgeting

**Budget
Formulation**

**Budget
Execution:
Project/Program
Implementation**

**Budget Hearings
& Approval**

**Budget
Execution:
Procurement**

Participatory PETs
Procurement Monitoring

CSO Budget Analysis
& Review

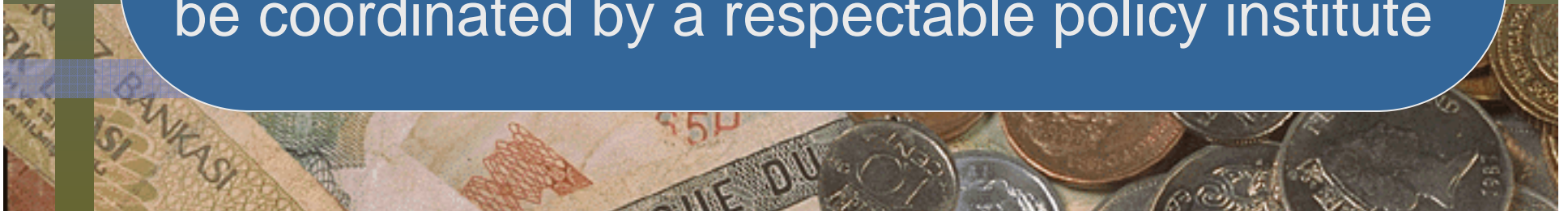


Budget analysis: *Gujarat, India*

- CSO undertakes analysis in support of legislative deliberations
- More funds directed to priority sectors
- Reduced errors in State accounts (around 600 in first year); scrutiny by State legislature
- Media publicity; public awareness
- Better flow of information among ministries
- Model replicated in 12 other Indian states
- National budget now analyzed similarly

Procurement Monitoring: *Bangladesh*

- Included as a key component of the procurement reform project
- Engage and train NGOs/media on the ABCs of procurement
- Involve NGOs as observers in bidding process
- Difficult to negotiate with the government
- Settled for establishing a partnership forum to be coordinated by a respectable policy institute



SOCIAL AUDITS

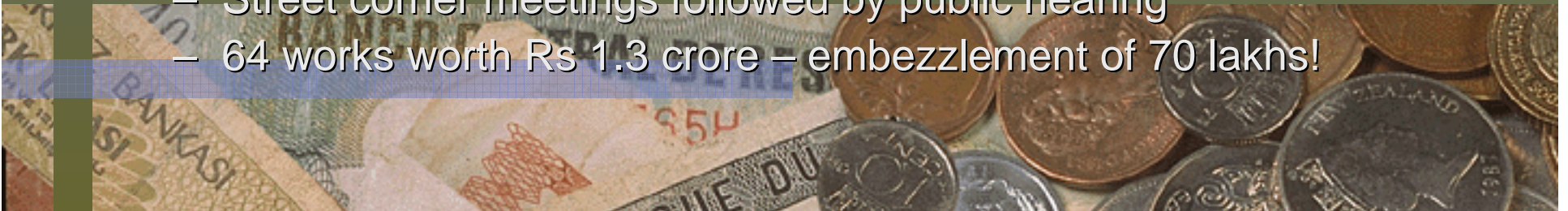
A process of taking account of:

- financial and non financial utilization of resources,
- delivery of outputs and outcomes of an activity/programme/organization participatory in nature



Social Audit in India

- Jansunvais (*Public Hearings*) in Villages of Rajasthan (1990 onwards)
 - Pioneered by Mazdoor Kisan Shakti Sangathan (MKSS)
 - Government officials are brought face to face with community at grassroots level
 - Official accounts are demystified and read out aloud
 - The community/beneficiaries ask questions and give testimony on inconsistencies between official records and their experiences
 - Shocking revelations of graft, misappropriation and mis-governance
- Jansunvais in Delhi (2002)
 - By Parivartan, a citizens' initiative based in Delhi
 - Audit of all civil works in two settlement colonies in Delhi
 - Street corner meetings followed by public hearing
 - 64 works worth Rs 1.3 crore – embezzlement of 70 lakhs!

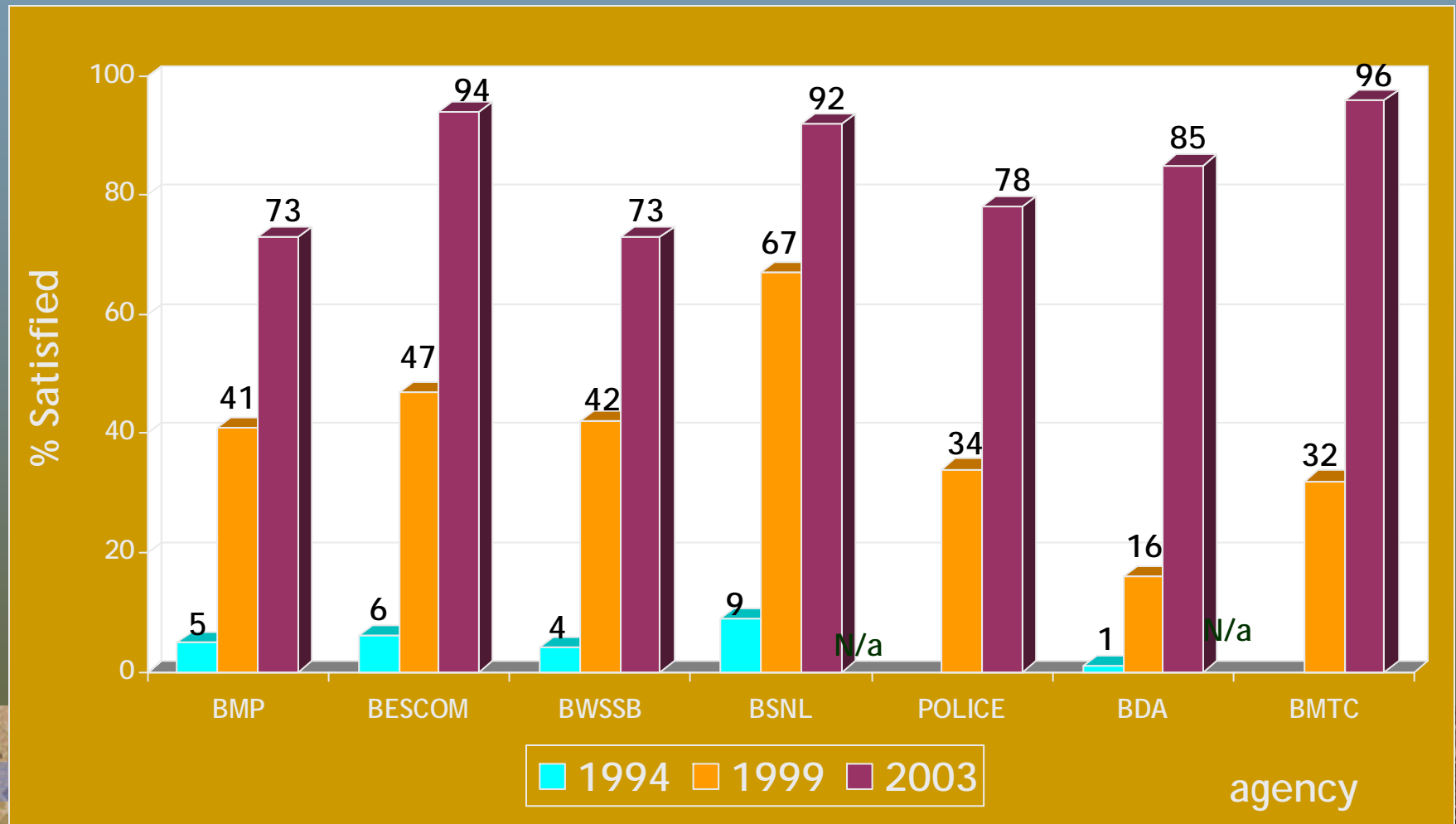


Report Card Surveys (RCS)

- Citizen survey to compare performance of service providers
- Focuses on aspects that citizens' can give valid feedback such as
 - Availability
 - Ease of access
 - Reliability
 - Satisfaction
 - Response to complaints
- Continued benchmarking & periodic dialogue



The Bangalore RCS: *Benchmarking & Comparisons*



Source: Public Affairs Centre, Bangalore

Community Score Cards (CSC)

CSC is a social accountability tool in the hands of communities to ensure accountability, transparency and responsiveness from service providers.

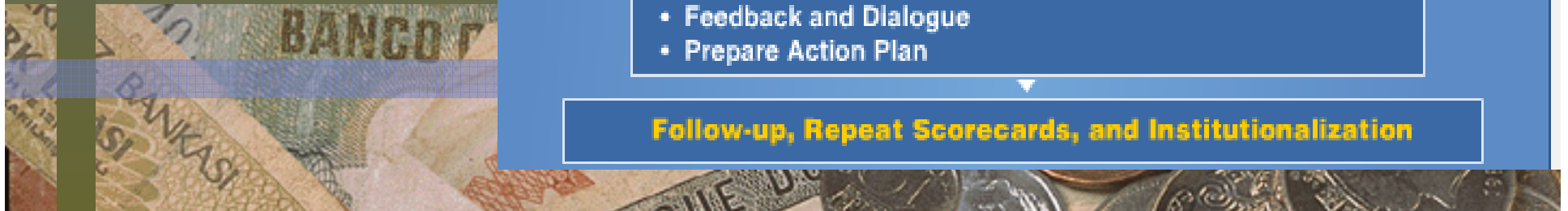
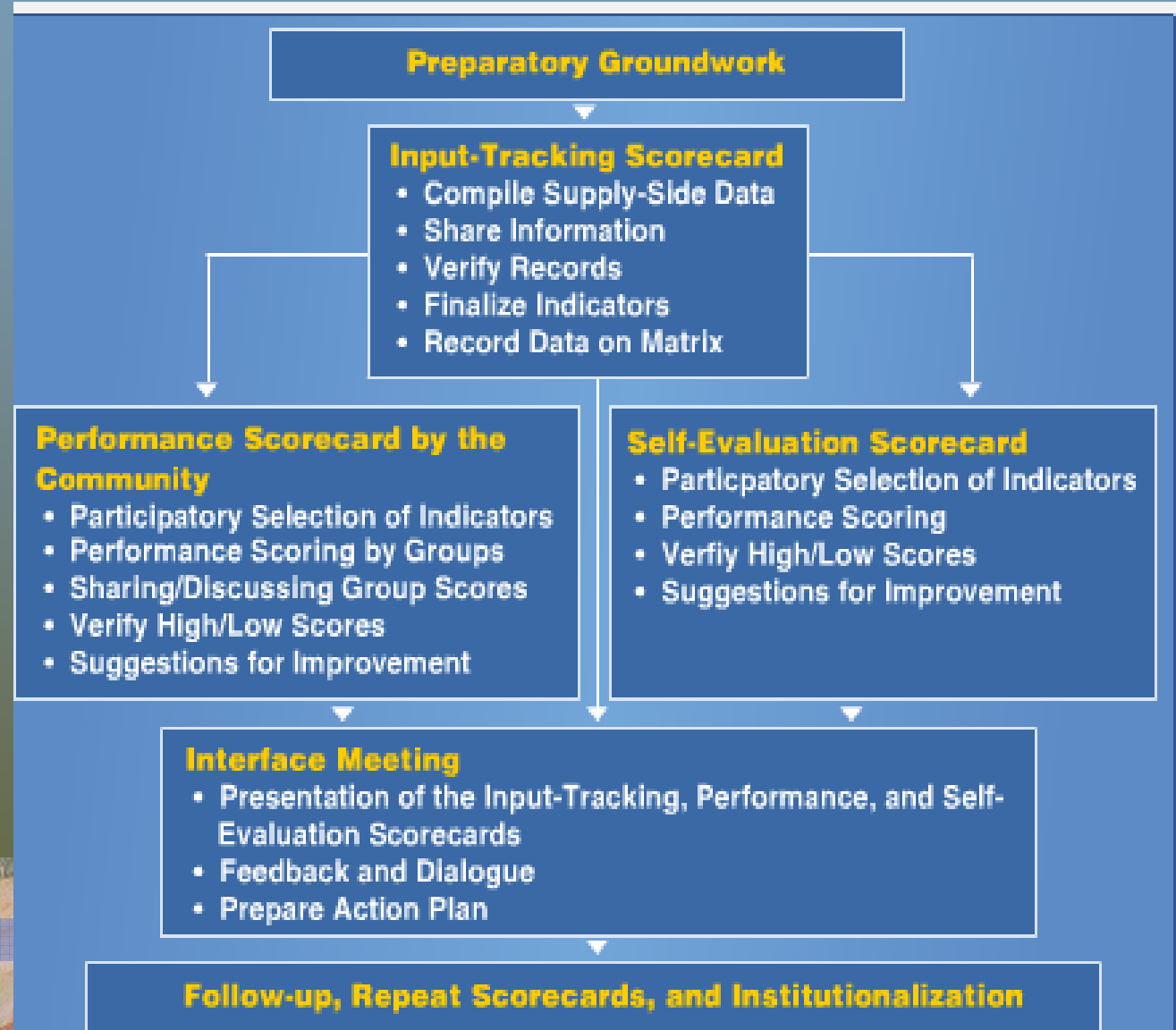
It is a *participatory* tool used to influence the quality, efficiency and effectiveness with which services are provided at the local levels.



Methodology: Steps in Conducting CSC

CSC process consists of six key steps:

- Preparatory Groundwork
- Input-Tracking Scorecard
- Performance Scorecard by the Community
- Self-Evaluation Scorecard by Service Providers
- Interface Meeting and Action Planning
- Institutionalization



Case Study of Visakapatnam, India: *Input Tracking Matrix*

S No	Input Indicator	Recorded PHC Entitlement	Actual Availability	Remarks/ Comments
1	Number of Doctors	2 doctors (1 full time and 1 Part time)	1 doctor (part time)	Need for two doctors
2	Working Hours of Doctors	11-1 PM (morning) 2-4 PM (evening)	11-1 PM (morning)	Need to follow scheduled timings
3	No. of Beds	7 beds available	2 beds available	Absence of 5 beds
4	Availability of medicines	Prescribed list of medicines to be available at the PHC	Basic medicines are not available at the PHC	Poor Management
5	Waiting Hall	A waiting hall for the patients and the person accompanying the Patient	Absence of any space for waiting	Poor Management

Case Study of Visakapatnam: *Performance Scorecard by Community*

Performance scorecard done is the second Important step in CSC wherein the performance of a service or project is evaluated by the communities/users themselves.



S No	Performance Criteria	Score (0-100)	Reasons	Recommendations
1	Doctor's timing	40	Doctor official timings are not suitable	Doctor must be available at the PHC in the afternoon time
2	Staff behaviour	30	Differential behaviour by the staff towards various categories of patients	Staff must treat all alike
3	Medicines dispensation	25	Medicines are being misappropriated and sold in private medical shops	Proper distribution of medicines to be facilitated
4	No. of Beds	25	No. of Beds in the PHC are not sufficient	Number of beds to be increased

Case Study of Visakapatnam: *Self-Evaluation Scorecard*

- This evaluation is carried out by the service providers on their own performance and indicators generated in a participatory process
- The self-evaluation scorecard generated by the PHC staff in one of the pilots is presented below.



S No	Performance Criteria	Score (1-100)	Reasons/Comments	Recommendations
1	Doctor's Timings / Availability	85	Doctors are available at the PHC	-
2	Staff Behaviour / Working Style	75	The PHC staff behave well with the patients	There is great work pressure therefore sometimes they are rude
3	Medicine Dispensing	85	Medicines are available at the PHC and are given to the patients as prescribed	There is sometimes shortage of medicines.

Case Study of Visakapatnam : *Interface Meeting & Action Plan*

- It is a public forum or meeting where the service providers and users gather in order to present their respective scorecards and discuss ways to improve service delivery.
- Enables the service users to present their evaluation of the service performance, along with their concerns and priorities regarding the service.



S. No.	Indicator	Action to be taken	By whom and when
1	Doctor's Timings / Availability	Change of timings : Present: Morning: 9:00 AM to 12:00Noon, Afternoon: 3:00 PM to 5:00 PM New: Morning: 10:00 AM to 1:00 PM, Afternoon: 4:00 PM to 6:00 PM	Doctor , immediately
2	Staff behaviour	Complaint box to be introduced:Every Saturday between 11:00 AM and 12:00 PM the complaints registered to be redressed	Doctor, Immediately
3	Staff Behaviour	Trainings to be conducted for the staff	DRDA and Health Department

The Right to Information: **Key Factors**

For adoption

- International pressure
- Modernization and the Information Society
- Constitutional rights
- Corruption and Scandals
- Strong civil society

Deterrents

- Designed to restrict Information
- Lack of Awareness
- Excessive fees
- Weak demand-side mechanisms



In India.....

Tamil Nadu	1996
Goa	1997
Karnataka	2000
Rajasthan	2000
Delhi	2001
Maharashtra	2002

- Extensive grassroots campaign over ten years
- Comprehensive legislation - RTI Act 2005 – applies to all states
- Overrides Official Secrets Act

In Bangladesh.....

- Effort began only two years ago
- Draft RTI law prepared collaboratively between Law Ministry and CSOs
- Caretaker Government has endorsed the need for such a law
- Expectation of an ordinance to be passed next year
- Challenge: Dhaka centric; little public understanding



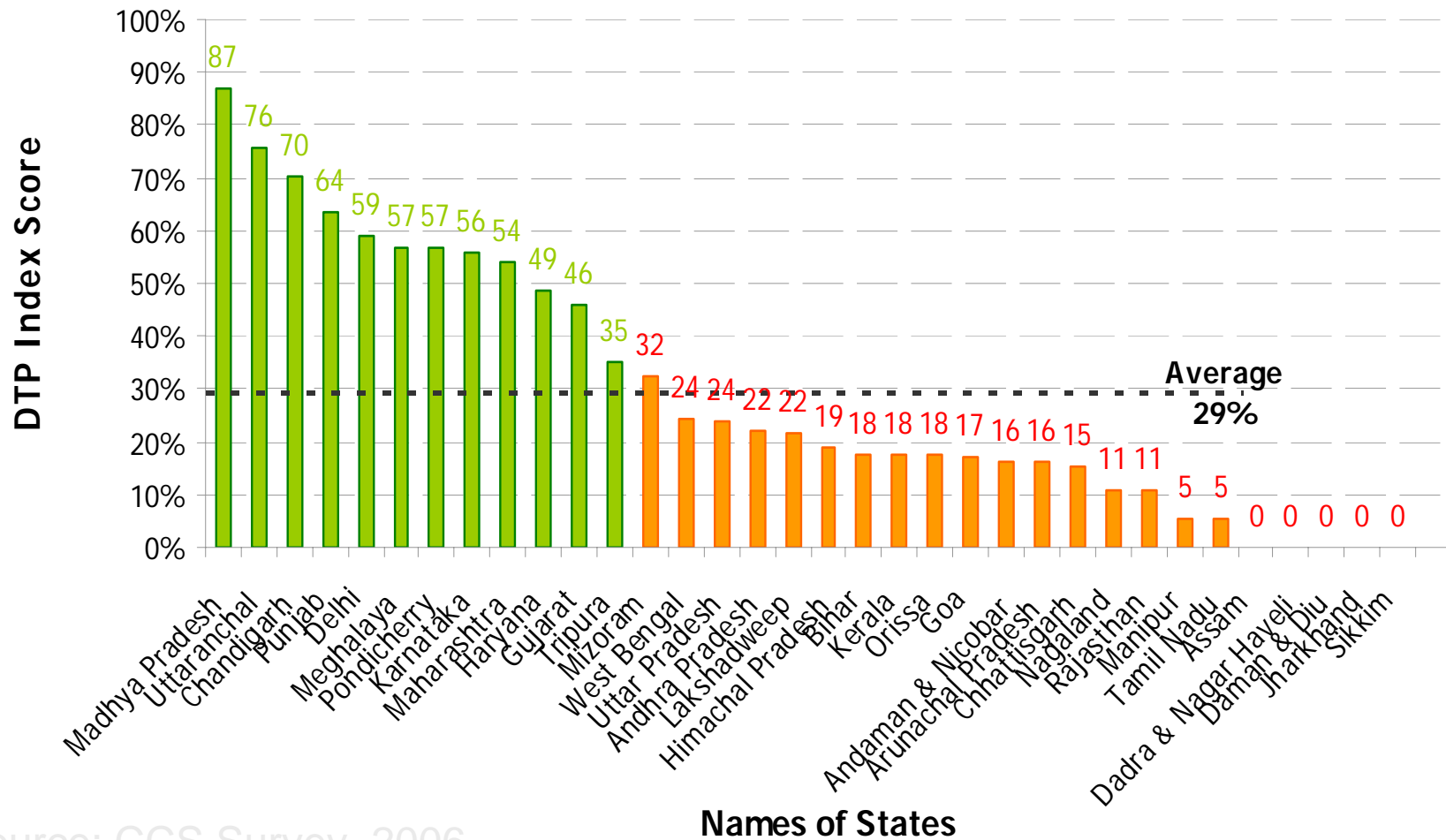
Proactive Disclosure under Section 4 (1)

- Sample study undertaken by Centre for Civil Society (CCS) on proactive disclosure - Duty to Publish (DTP) Index
- Education ministries of 27 states and 7 union territories
- The index is based on a calculation of “compliance” on 37 points which is then turned into a percentage score
- Pass percentage is 35% - same as passing score of examinations conducted by Education Ministries.



Proactive Disclosure under Section 4 (1)

State Education Department's Duty to Publish Index



Source: CCS Survey, 2006

Fiduciary Issues: *Bank Projects*

- **Fraud and Corruption** in procurement is key issue: collusion among bidders; bribes and kickbacks; consultants with fraudulent qualification; NGOs which don't exist, low bids resulting in change orders/poor quality. Transport and health sectors particularly vulnerable
- **Financial Management**: audit observations not followed up, auditors bribed (Bangladesh), ineligible expenditures
- **Project Beneficiaries**: biased selection

Combating Corruption in Bank Operations

- Identify high-risk operations, mitigate risk upstream by smart project design, based on mapping of vulnerability points.
- Create anticorruption teams composed of field staff to review project design
- Prepare project governance and accountability action plans
 - Increased *disclosure & transparency*
 - Oversight by *civil society organizations*
 - Certification of *WHO GMP in pharmaceuticals*
 - Independent *experts in bid evaluation*
 - Clearer criteria for *beneficiary selection and bid evaluation*
 - Software for *identification of fraud/corruption*
- Undertake sectoral risk assessments (Bangladesh roads)
- Focus on corruption in portfolio review
- Take measures if fraud/corruption found

Mitigating Fiduciary Risk in Bank Operations

- Governance and Accountability/anti-corruption Action Plans in high risk operations (India Health and Roads, Bangladesh Roads); every operation expected to identify and mitigate risks;
 - Operational Risk Assessment of Roads and Highway Department in Bangladesh
 - Detailed implementation reviews in India roads and health
- Intensified integrated technical and fiduciary supervision of high risk operations
- **Integrating social accountability mechanisms in projects, for example in Bangladesh local government project**
- Supporting in operations capacity to implement India Right to Information Act

THANK YOU

