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# Our money, Our responsibility

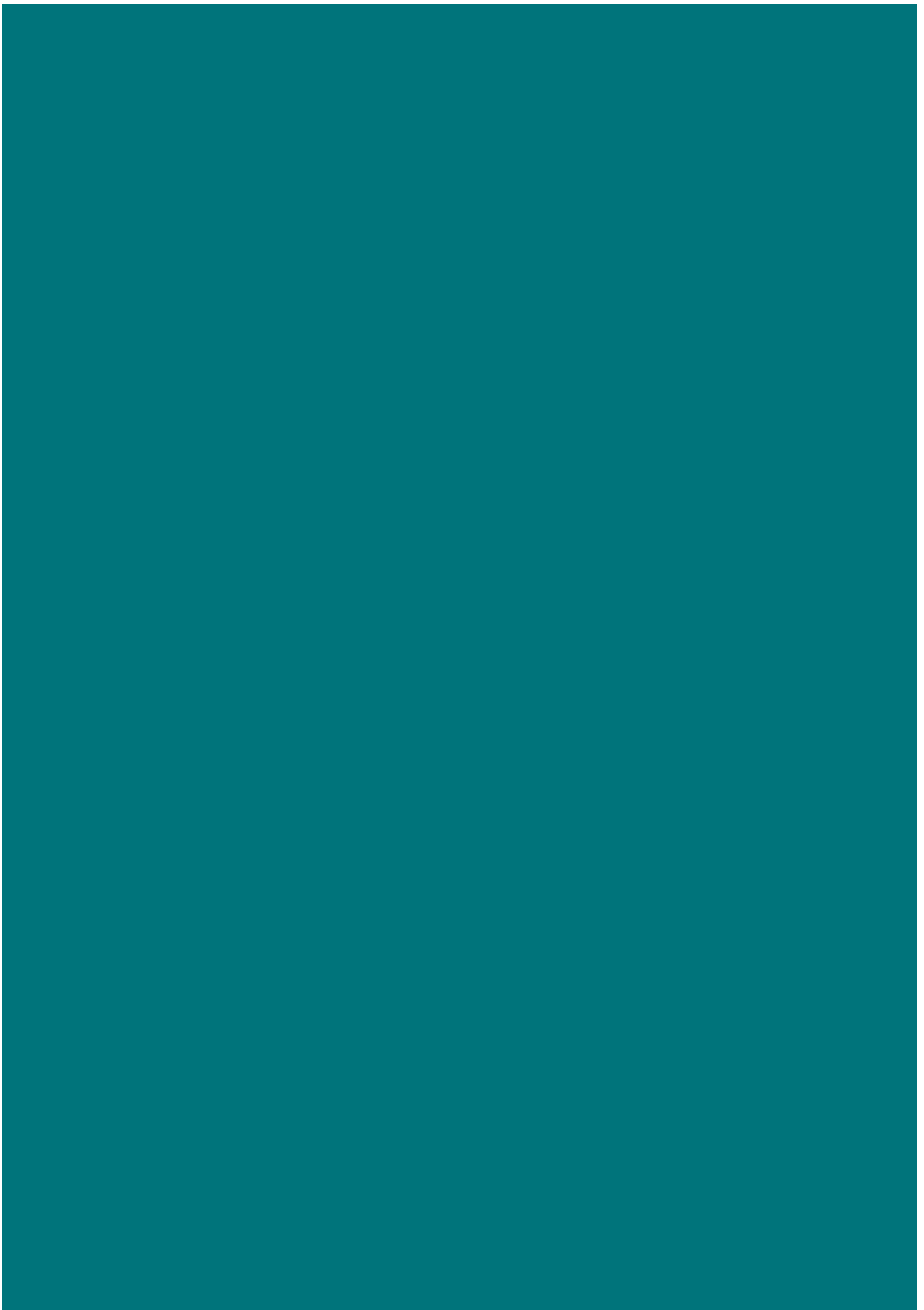
A Citizens' Guide to Monitoring Government Expenditures

by Vivek Ramkumar

THE INTERNATIONAL BUDGET PROJECT

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## Acronyms

ACIJ: Asociación Civil por la Igualdad y la Justicia [Argentina]  
ASIES: Asociación de Investigación y Estudios Sociales [Guatemala]  
BAI: Board of Audit and Inspection [South Korea]  
CAG: Comptroller and Auditor General  
CBMES: Community Based Monitoring and Evaluation System [Uganda]  
CCAGG: Concerned Citizens of Abra for Good Government [Philippines]  
CCEJ: Concerned Citizens for Economic Justice [South Korea]  
CCER: Coordinadora Civil para la Emergencia y la Reconstrucción [Nicaragua]  
CMRC: Comisión Mixta Revisora de Cuentas [Argentina]  
COA: Commission on Audit [Philippines]  
CRC: Citizen Report Card  
CSCQBE: Civil Society Coalition for Quality Basic Education [Malawi]  
CSO: Civil Society Organization  
DEEM: Differential Expenditure Efficiency Measurement  
GCNE: Gran Campaña Nacional por la Educación [Guatemala]  
GDP: Gross Domestic Product  
G-Watch: Government Watch [Philippines]  
IBP: International Budget Project  
IFAI: Instituto Federal de Acceso a la Información Pública [Mexico]  
IMF: International Monetary Fund  
IMT: Interim Management Team [South Africa]  
INTOSAI: International Organization for Supreme Audit Institutions  
MDG: Millennium Development Goals  
MKSS: Mazdoor Kisan Shakti Sangathan [India]  
MKUKUTA: Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania  
MPWH: Ministry of Public Works and Highways [Philippines]  
NREGA: National Rural Employment Guarantee Act [India]  
NSGRP: National Strategy for Growth and Reduction of Poverty [Tanzania]  
NTS: National Tax Service [South Korea]  
OBI: Open Budget Index  
OECD: Organization for Economic Cooperation and Development  
PAC-India: Public Affairs Centre [India]  
PAC: Public Accounts Committee  
PETS: Public Expenditure Tracking Surveys  
PSAM: Public Service Accountability Monitor [South Africa]  
PWC: Price Waterhouse Coopers

PWI: Procurement Watch Incorporated [Philippines]  
REPOA: Research on Poverty Alleviation [Tanzania]  
SAI: Supreme Audit Institution  
SFG: School Facilities Grant [Uganda]  
TI: Transparency International  
TI-M: Transparency International-Mexico  
UDN: Uganda Debt Network

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## Foreword

### A Mother's Tale

In September 1996, Susheela Devi, a woman from rural India, attended a convention on the right to information jointly organized by the National Campaign on Peoples' Right to Information and two important Indian media institutes. Present as well was V.P. Singh, a former prime minister of India, and many other well-known personalities.

The organizers invited Susheela to speak as the representative of a grassroots farmers' and laborers' organization. In the months prior, the group had organized a massive campaign to demand that citizens be given the right to information – including information that would reveal whether local public works programs were fraught with corruption.

During the convention, a reporter from a national daily newspaper asked Susheela why she and her organization were so vehement that citizens should have access to such information. Susheela, a mother of three with little formal education, replied, *“When I send my child to the market with 10 rupees to buy something, I demand an account of the money I have given him when he returns home. Similarly, when the government spends my money, I have the right to ask for an accounting of these expenditures.”*<sup>1</sup>

Led by this simple logic of accountability, Susheela and thousands like her from all over India participated in a decade-long struggle that eventually culminated in the enactment of a law giving citizens the right to information. Groups are now using the rights enshrined in this law to obtain government records, pioneering methods by which an involved citizenry can monitor and audit public records.

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<sup>1</sup> Interview notes with Aruna Roy – a member of MKSS who was present at the event (April 21, 2007).

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# Acknowledgements

“Our Money, Our Responsibility: A Citizens’ Guide to Monitoring Government Expenditures” is the third publication in a series developed by the International Budget Project (IBP). It follows *A Guide to Budget Work for NGOs* (published in 2001) and *A Guide to Tax Work for NGOs* (published in 2006). This Guide complements the previous two Guides by focusing on the budget implementation process, especially on civil society efforts to monitor and influence the quality of government expenditures.

The Guide was 18 months in the making and was edited by Vivek Ramkumar, an IBP staff member who specializes in participatory auditing initiatives and grassroots expenditure monitoring work. Even as this Guide was being produced, Vivek was testing the methodologies discussed in this Guide and providing technical assistance to ground-breaking groups in East Africa that are monitoring government budget implementation. Vivek’s work – and those of our colleagues around the world – makes us confident that the tools and techniques detailed in this Guide can be applied in a variety of country contexts around the world.

Vivek received invaluable support from IBP’s senior budget analyst, Albert van Zyl, in conceptualizing the Guide and composing the chapters describing budget processes. Albert also reviewed the initial draft of the Guide and made important improvements. A number of other IBP staff members also assisted in writing case studies, including Helena Hofbauer, manager of the Partnership and Innovation program;

Tom Zanol, program coordinator for the Partnership and Innovation program; Jennifer Sleboda, program officer; and Ifeoma Okwuje from the Center on Budget and Policy Priorities.

The Guide discusses the work undertaken by 18 budget advocacy organizations around the world. Civil society budget monitoring work, particularly expenditure tracking work, is a new field of activity, and very little documentation of it yet exists. For this reason, this Guide was possible only because of the extensive support we received from many of our partner organizations.

We owe a great deal of gratitude to many people in these organizations who assisted us in writing case studies. In particular, we thank Alicia Athie from Fundar in Mexico; Ana Quiros from *Centro de Información y Servicios de Asesoría en Salud* (CISAS); Ezequiel Nino, co-director of *La Asociación Civil por la Igualdad y la Justicia* (ACIJ) in Argentina; Kang-won Lee, director of the legislative department of the Citizens' Coalition for Economic Justice (CCEJ) in South Korea; Laura Malajovich, who works with *Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento* (CIPPEC) in Argentina; Ruth Carlitz, resource person at HakiElimu in Tanzania; and Thokozile Madonko and Debbie Dalton, researchers for the Performance Monitoring Project of the Public Service Accountability Monitor (PSAM) in South Africa.

Many others were interviewed to gather information for this Guide, including Aruna Roy, founder of the Mazdoor Kisan Shakti Sangathan (MKSS) in India; Clara Chindime, coordinator of the Civil Society Coalition for Quality Basic Education (CSCQBE) in Malawi; Dondon Parafina, coordinator of G-Watch in the Philippines; Emmanuel Kallonga, director of Hakikazi Catalyst in Tanzania; Gopakumar Thampi, director of the Public Affairs Center (PAC) in India; Josefina Esguerra, director of Procurement Watch Inc. (PWI) in the Philippines and Immanuel Magalit, also at PWI; Juanita Olaya, Revenue Transparency Program manager at Transparency International (TI) in Germany and Marcela Roza, senior program coordinator for public contracting at TI; Kairat Imanaliev, chairman of Namys in Kazakhstan; and Pura Sumangil from the Concerned Citizens of Abra for Good Government (CCAGG).

The Guide went through several review processes. Special thanks are due to Debbie Budlender, research specialist at the Community Agency for Social Enquiry (CASE) in South Africa, who not only helped review the Guide but also provided detailed edits. Jim Shultz, director of the Democracy Center in Bolivia, helped write Parts I and VII. Shaamela Cassiem, manager of training at IBP, reviewed two drafts of the Guide and provided insightful comments. IBP would also like to thank Charles Griffin, senior fellow, global economy and development at the Brookings Institution in the United States; Martin Tisne, manager of the Integrity in Reconstruction project at Tiri in the United Kingdom; and Ann Blyberg, executive director of the International Human Rights Internship Program in the United States for their valuable comments.

John Springer, senior writer at the Center on Budget and Policy Priorities, played a crucial role in editing the Guide. Rocio Campos, program associate at IBP, assisted in the design and printing.

Finally, the Guide would not have been possible without the intellectual and financial support of the Ford Foundation, the Open Society Institute, and the William and Flora Hewlett Foundation. These foundations provide generous support to IBP for our efforts to bolster budget transparency and accountability.

IBP is inspired by the initiatives now being conducted around the world to monitor government expenditures. They demonstrate the great potential that exists for civil society to influence the budget process and to have a real impact on the lives of ordinary citizens – particularly the poor. IBP has a unique opportunity to support the growth of these initiatives, and we view this Guide as our first contribution to what will be an ongoing effort to expand expenditure monitoring work around the world.

**Warren Krafchik**

Director, International Budget Project  
February 2008



# Part I

## Introduction

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# Why Civil Society Groups Need to Track and Monitor Budget Spending

“Sometimes our public officials seem to get confused between what is public money and what is their money.”

– *Budget activist in Uganda*

Public budgets are one of the most important issues with which governments deal. They incorporate decisions on a wide array of issues – from education to health care to taxes – that affect people’s lives in significant ways. The past decade has seen an explosion of interest among citizens and civil society groups around the world in engaging in budget issues, through a mix of analysis, public education, and advocacy.

For the most part, this work has focused on the formulation and enactment of budgets. Two previous publications from the International Budget Project (IBP) – *A Guide to Budget Work for NGOs* and *A Guide to Tax Work for NGOs* – showcase many examples of budget advocacy initiatives that are intended to influence budgets during the formulation and legislative enactment stages.<sup>2</sup>

## Looking Beyond Budget Making to Budget Execution

However, influencing the development of budgets is not, by itself, enough to achieve an organization’s advocacy goals. Even more important than what a budget says it will do is what it actually ends up delivering. Do funds allocated to schools, clinics, or roads actually go to finance those things, or are they instead diverted to another program – or an official’s pocket? The goal of this guide is to help

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<sup>2</sup> IBP’s publications are available at <http://www.internationalbudget.org/resources/guide/index.htm> and <http://www.internationalbudget.org/GuideTaxWork.pdf>

citizens and civil society groups answer that question. By tracking budgets throughout their implementation, civil society groups can hold public officials accountable by assessing whether public resources are being spent as they are supposed to be. Further, by engaging with the budget process continuously, civil society can develop important new allies in government, including program managers in government agencies, auditors, and even ombudspersons – each of whom influences the decisions made regarding financial expenditures.

Moreover, even if a government makes an honest effort to implement the budget as it is formulated in the budget law, important questions often remain about the specifics of spending. For example, in some countries – such as India and Kenya – certain expenditures are determined only after the budget has been adopted because the budget provides some funds directly to legislators who then allocate the funds as they see fit. By engaging with the budget throughout its implementation, civil society can identify the points where “downstream” decisions like these are made and can make appropriate advocacy interventions.

Finally, a budget’s impact can usually be assessed only after expenditures have been made. By examining the impacts during and after the execution phases, civil society can hold governments accountable for the budget’s concrete results. This is especially important because government budgets often present little information on what they expect to achieve: education budgets, for example, may not detail the number of teachers to be recruited, and health budgets may not detail the number of new hospitals to be constructed. In such cases, civil society can collect information independently and thereby hold governments accountable.

In short, if civil society’s engagement ends after the budget’s formulation and adoption, it will forgo many opportunities to advance its agenda.

## A Guide to this Guide

*Our Money, Our Responsibility* provides civil society groups with some of the basic ideas and tools they need to begin monitoring budget expenditures.

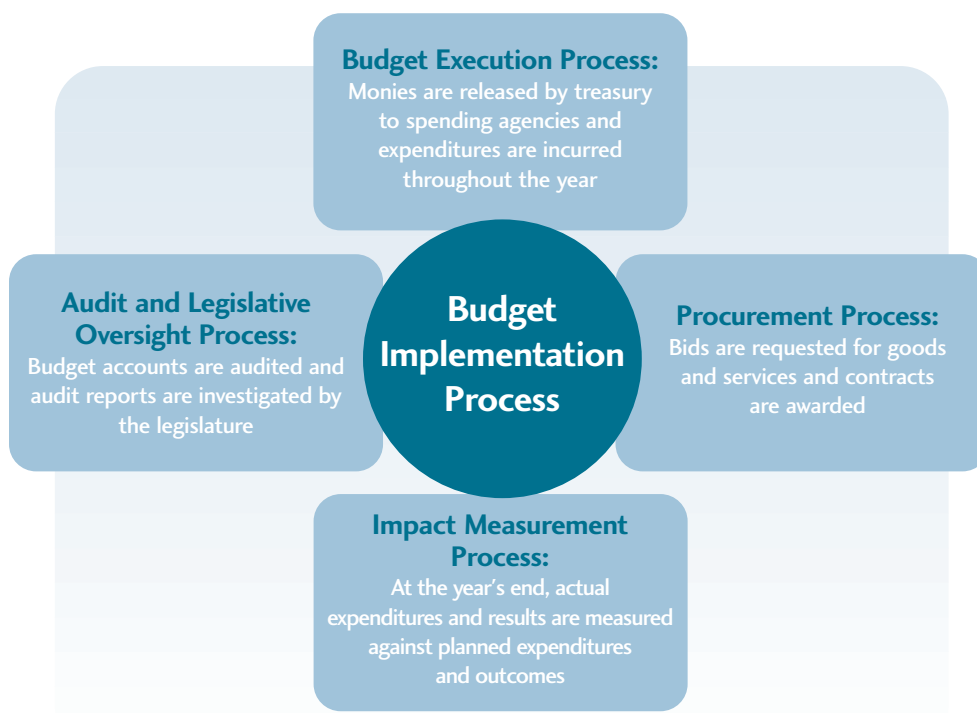
- **Part One** looks at the overall budget process and why there may be differences between the funding appropriated in budgets and how those funds actually get spent.

- **Parts Two–Five** provide a close-up look at the four stages in which civil society groups can track and monitor expenditures (refer to Chart 1): budget execution, procurement, measuring impact, and the audit and legislative oversight process. (Throughout the Guide, we will use the term “budget implementation” to describe these four stages of the budget process together.)

It is important to note that the procurement process is generally considered to be part of the budget execution process. However, for the purposes of presentation, we consider the two related processes viz., execution and procurement in separate Parts. Further, the impact measurement process can in some instances overlap with the auditing and oversight process, but for the purposes of this Guide, we have also separated them into two distinct Parts.

Each of these sections includes three chapters. The first provides an overview of that stage of the budget process. The second presents in-depth case studies detailing methodologies used by civil society groups to examine, analyze, and monitor government budgets. The third presents short case studies on successful civil society budget work.

**Chart 1:** Four Parts of the Budget Implementation Process



- **Part Six** offers specific ideas on how budget groups can get started doing expenditure monitoring.
- **Part Seven** provides additional resources for groups ready to undertake this work.

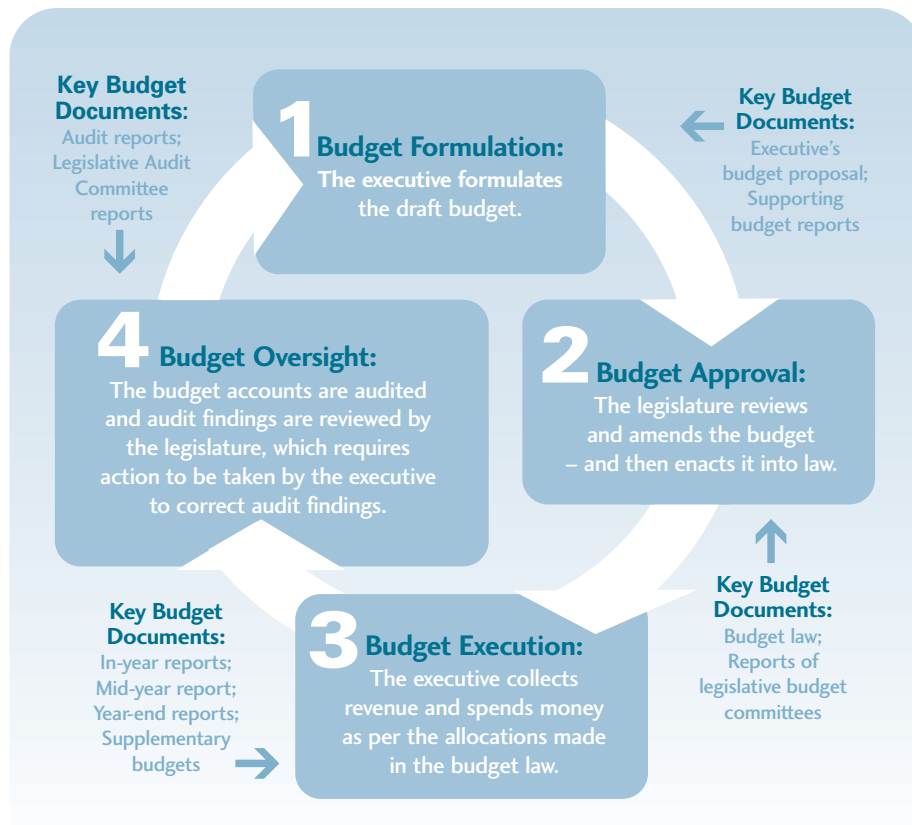
We hope the information contained here inspires and equips civil society groups and citizens in many countries to launch themselves into this important task of true democracy.

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# Chapter 1: Overview of the Budget Cycle

A budget codifies a government’s planned expenditures and anticipated revenues, reflecting its policy priorities for the coming year.<sup>3</sup> However, the budget is more than just a single document – it is a year-long cycle of processes whose different phases offer civil society varying access points to influence budget resources, allocations, and outcomes. In this section, we discuss the budget cycle’s major events and stages.

**Chart 2:** The Budget Cycle



The budget cycle usually has four stages (refer to Chart 2) :<sup>4</sup>

- *formulation*, when the executive branch puts together the budget plan;
- *enactment*, when the legislature debates, alters, and approves the budget plan;
- *execution*, when the government implements the policies in the budget; and
- *auditing and legislative assessment*, when the national audit institution and the legislature account for and assess the expenditures made under the budget.

## Formulation

The executive branch of government is responsible for formulating the budget. Typically, the budget office in the ministry of finance coordinates the process, requesting information from individual ministries and proposing the trade-offs necessary to fit competing government priorities into the budget's revenue and expenditure totals. Formulation can last from a few weeks to several months, depending on the level of involvement by each ministry and the amount of negotiation that occurs.

In general, budget formulation is an incremental process in which each year's new budget builds on the previous year's budget. Changes from the earlier year reflect new policy priorities (particularly when a new government comes into office) as well as the effects of inflation on the cost of government activities.

## Enactment

In the second stage of the budget cycle, the executive's budget is presented to the legislature for consideration (which may include hearings in various committees) and eventual adoption. A country's legal framework will determine the types of changes the legislature can make. Typically, both the public and civil society focus their greatest attention on the budget during this stage because it offers the most access to citizen input.

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<sup>3</sup> This description draws on Shapiro, "A Guide to Budget Work for NGOs."

<sup>4</sup> In addition to these four basic steps in the budget cycle, another step, called external ex post evaluation of budget impact is undertaken over the longer term (every few years or so) to strategically review programs. Decisions and observations made at this step are ideally reflected in the budget cycle over time as policy choices are made.

## Execution

Budget execution begins when the government initiates expenditures authorized by the budget law. In practice, however, budgets are not always implemented in the exact form in which they were approved: funding levels are not always adhered to, and authorized funds are not always spent for the purposes for which they were authorized. As explained in more detail below, these deviations can reflect a number of factors, ranging from changing conditions to public corruption. When the gap between authorized and actual expenditures is large, civil society should demand an explanation.

## Audits and Performance Evaluations

The last stage in the budget cycle includes a number of activities that aim to measure whether public resources have been used effectively and efficiently. Ideally, the executive branch should report on its fiscal activities to the legislature and the public. Expenditures should also be subjected to regular review by an independent and professional body, such as an audit institution or a country's auditor general. The findings of the audit body should be submitted to the legislature, which is responsible for holding the executive accountable for its budget execution practices.

Evaluation and auditing enable the legislature to determine not only whether the government has followed the budget law, but also whether public resources are being used in the best possible way. For that reason, modern budgeting reforms place heavy emphasis on providing public entities with information on budget performance in order to improve their operations.

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## Chapter 2:

# Why Government Expenditures Can Deviate from the Budget

There are many reasons, some legitimate and some not, why actual government expenditures might deviate from the budget passed by the legislature. They include:

## Poor Financial Management Systems

Governments in developing countries frequently suffer from poor financial management systems, which weaken the quality of budget expenditures and the government's ability to manage the flow of funds. In many countries the treasury or the finance ministry does not effectively plan cash flows throughout the financial year; as a result, spending agencies may be starved for funding during the first three quarters of the financial year but then have a significant portion of their budget dumped on them during the final quarter. In such situations, agencies feel pressure to spend the monies before the year's end, which can lead to wasteful and even extravagant spending. By monitoring the budget throughout the year, civil society organizations can push the government to plan cash flows so that expenditures support the government's policy goals *throughout* the year.

## Corruption

Corruption plagues financial management in many countries, particularly developing nations with weaker financial management systems. Public officials can use a host of tricks to siphon off public funds, such as "creative accounting" and procurement irregularities. Often, corruption during budget execution can be detected only by monitoring projects during and after the execution phase.

## Fund Diversions

Governments sometimes divert funds inappropriately into other programs. For example, money specifically intended to provide HIV/AIDS care might be diverted into “general hospital administration” or some other type of health care. Such diversion does not always represent a corrupt practice – and governments sometimes use legitimate channels that are part of the budget process to redirect expenditures during the course of the year. For example, “virement clauses” (refer to glossary in Part Seven) and supplementary budgets (refer to Chapter Three) are routinely used to shift funds within government or spend additional money within a program or agency. However, civil society must continuously monitor expenditures as they are incurred to ensure that budgets are implemented for their intended purposes.

## Use of Reserves During Unexpected Events

Often, governments have contingency reserves they can draw on when an unexpected event occurs, such as a natural disaster. Thus, budgets are sometimes altered by budget amendments adopted to respond to specific needs. Expenditures from such contingency reserves can only be analyzed by civil society organizations as they are incurred.

## Inadequate Funding

Sometimes, budgets fail to fund a program adequately. If the program is an entitlement program (for example, one under which beneficiaries are legally entitled to apply for program benefits at any time during the year), government may be legally obligated to increase funding during the year if the circumstances governing the distribution of the entitlement change. A vigilant civil society group can pressure government to meet its entitlement obligations if a budget allocation threatens to fall short.

## Off-Budget Donor Funds

Poor countries often receive significant funding from bilateral and multilateral donors for development projects that are not reflected in the government budget. In such circumstances, budgets do not include the entire spectrum of public spending. In order to analyze a program comprehensively, it might be necessary to monitor its execution to fully understand its funding sources and the purposes for which the funds are being spent.

## Weak Oversight

Capacity limitations often prevent public audit institutions and legislatures from providing effective oversight over national budgets. In such cases, civil society may be able to augment government's oversight capacity. This issue will be discussed at length in Part Five.





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# Chapter 3:

## The Budget Execution Process

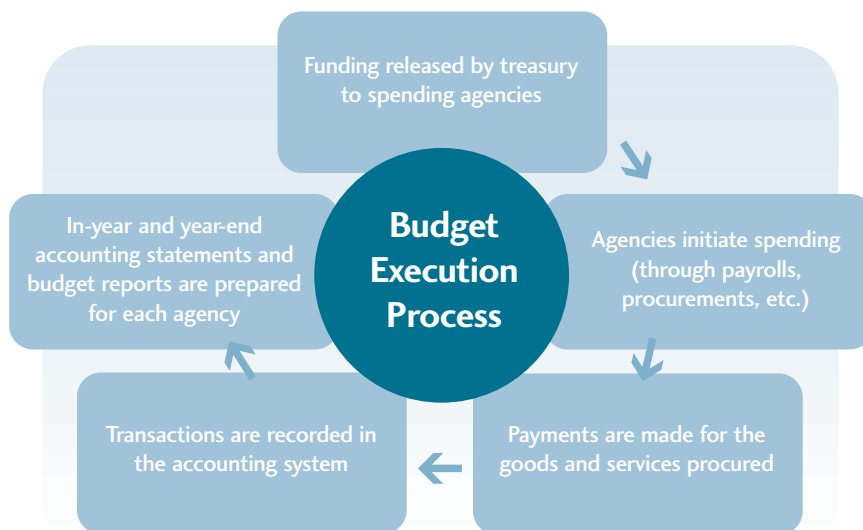
This chapter presents an overview of the basic procedures followed by any government in executing its budget and describes the documents that governments typically maintain to record the budget’s execution.

### 1. The Budget Execution Process

The budget execution process generally follows five steps (refer to Chart 3):

- monies are released to various line ministries (or departments/agencies) as per the approved budget;
- agencies initiate expenditures directly or by procuring goods and services;
- payments are made for these expenditures;
- expenditure transactions are recorded in accounting books; and
- in-year reports are produced throughout the year, culminating at the end of the year with the closure of the accounting books and the production of year-end reports.

**Chart 3:** The Budget Execution Process



## **Release of Funding to Ministries, Departments, and Agencies**

The implementation phase of the budget process starts when the national treasury releases funding to the relevant ministry, department, or agency. Such releases generally occur once the legislature has passed the budget into law. The transfers, which can be made in quarterly or monthly payments from a central revenue fund, may be made by means of formal warrants (government authorization forms) that sanction the release of funds and specify the budget line items against which the agency may incur expenditures.

In some countries – such as Portugal, Italy, and their former colonies – the supreme audit institution (SAI) is responsible for approving certain types of public expenditures. Under this system, the SAI performs detailed checks prior to the fund transfers. By contrast, in the Westminster system, comptrollers (offices that combine auditing and fund management responsibilities) typically approve transfers from the finance ministry to individual departments. These systems are examined in Part Five.

## **Initiation of Spending**

After funding is released to ministries and departments, designated officers propose specific expenditures. The chief accounting officer from the ministry or department (or his/her delegated official, often the chief financial officer) reviews these proposals to ensure that they fall within the budget and that the appropriate procedures have been followed. Once a proposal has been approved, the ministry or department signs a contract or places an order for the goods and services needed to implement the expenditure. (This process is discussed in greater detail in Part Three.) Similarly, the government utilizes its payroll management system to make salary payments and its debt management systems to service debt obligations.

## **Payment**

Actual payments for expenditures are generally made by the accounts department of the ministry, department, or agency by check or bank transfer. (In some countries, the central treasury makes all payments.) In many francophone countries, the person making the payment (“*le comptable*”) is legally protected against undue influence from the person who made the spending decision (“*l’ordonnateur*”).

In many small developing countries, the government sometimes makes cash payment transactions. Such transactions encourage corruption and should be replaced by formal banking transactions.

### **Recording of Transaction**

Nearly all developing countries use cash accounting systems, under which expenditures are recorded once payment has been made, immediately following the issuance of a payment order. While this makes intuitive sense, such a system makes it difficult to form a comprehensive picture of the government's financial situation at any point in time. For example, if the government has entered into a contract to procure an expensive good or service, its financial statements under the cash system of accounting will make no reference to this purchase until payment is actually made, which could be months later.

Under an accrual system, in contrast, financial transactions are registered when the activities that generate them occur. Thus, expenditures are accounted for when goods and services are delivered (even if the payment has not yet been made) and revenues are accounted for when a tax falls due or goods and services are sold (even if the revenues have not been received). Such a system provides a more accurate picture of a country's financial situation. Unfortunately, it is much more complicated to use, and few developing countries have the resources to implement it.

### **Production of Accounting and Budgeting Reports**

The 12-month period during which a budget is in effect is called the financial year; it does not necessarily coincide with the calendar year. During the course of the financial year, accounting officers or their delegated staff members record all of the outstanding revenue and expenditure transactions effected during the year, and these recorded transactions form the basis for in-year budget and accounting reports. At the end of the year, once all transactions are recorded, the accounting officer prepares final accounts of the entity's financial operations for the year. These final accounts are included in the annual report, which is forwarded to the SAI for auditing.

## 2. Government Documents That Can Help Monitor Budget Execution

Four kinds of government reports can help monitor budget execution: the enacted budget, in-year reports, supplementary budgets, and year-end reports.

### **Enacted Budget**

After debating the executive’s budget, the legislature typically votes it into law. (It is then called the “enacted budget.”) In some countries, the enacted budget must specify allocations to individual spending agencies and even programs within them; in others, the budget only provides overall expenditure levels. The enacted budget is the only budget document that has a legal status. The level of detail in it thus delineates the extent to which government can change the budget during the year without returning to the legislature for authorization to change spending plans. For this reason, the enacted budget is critical for monitoring purposes: it definitively states what government is supposed to spend in the coming financial year.

### **In-Year Reports**

In the budget execution phase, governments traditionally monitor expenditures, revenue, and debt levels.<sup>5</sup> Many governments produce monthly, quarterly, and mid-year reports that compare the actual budget results with the approved budget in order to show whether the budget’s expenditure, revenue, and debt provisions are being adhered to during the execution phase.

These in-year reports, however, generally do not show whether the government is delivering the services that the budget was meant to support. Very few countries monitor service delivery and performance. As the examples of civil society budget work show (refer to Part Four), the best way for civil society to accomplish these tasks is by direct observation of the delivery of projects and services, rather than reliance on the government’s budget tracking documents.

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<sup>5</sup> This section draws on Friedman and Gomez, 2005.

In-year reports can be issued for the entire government as a whole or for individual agencies. In some countries, revenue collection agencies issue their own reports. In other countries, the central bank rather than the executive issues reports on the status of the government's bank accounts; such reports can be used as in-year reports as long as they describe what has actually been spent rather than the monthly sums transferred to administrative units.

The Organization for Economic Cooperation and Development's Best Practices for Budget Transparency recommends that monthly reports be publicly released within four weeks of the end of the reporting period (OECD, 2001). The report should present the revenues received and expenditures made in each month and for the year to date and should compare the forecast amounts of monthly revenue and expenditures for the reporting period. The report should also include a brief analysis of (and explanation for) any significant divergence between actual and forecast revenues and expenditures.

Some countries report in minute detail on individual program expenditures and revenue from individual taxes; others report only on total revenue and expenditures for the government as a whole. In some countries, the reports are issued individually by each administrative unit, while in others the information is consolidated into one report, typically issued by the treasury.

### **Supplementary Budgets**

A supplementary budget allows a government to revise its original budget proposal in response to unanticipated needs that arise during the year, such as a natural disaster or a lack of funds for certain programs resulting from poor budget planning. Although supplementary budgets are not uncommon in most countries, the habitual use of large supplemental budgets can indicate poor budgeting practices. Routine supplemental requests undermine planning within ministries and agencies. They also interfere with open debate on the allocation of resources, since this debate should occur as the legislature reviews the executive's entire budget proposal for the coming year.

Good budgetary practice also requires that supplementary budgets be approved by the legislature. This facilitates external oversight of the supplementary budgets, which is important to ensure that checks are placed on the executive’s use of public funds.

Table 1, based on an IBP survey of 59 countries, shows that in 35 of them the executive either does not propose supplemental budgets or must seek legislative approval before using the money appropriated in such budgets.<sup>6</sup> However, in 22 countries, the legislature is consulted only after the funds are spent – or not at all.

**Table 1:** Timing of Legislative Approval of Supplemental Budgets in 59 Countries

Before the funds are expended, or the executive rarely proposes a supplemental budget	After the funds are expended, or the executive implements supplemental budgets without ever receiving approval from the legislature	Not applicable/ other
35	22	2

*Source: IBP’s Open Budget Index 2006*

## Year-End Reports

A year-end report consolidates information on the actual expenditures of administrative units, revenue collections, and debt. In some countries, this report is a single document for all of government, while in other countries, individual administrative units issue their own year-end reports. Similarly, year-end reports may be stand-alone documents or may be included in larger documents, such as the subsequent year’s budget proposal.

<sup>6</sup> The 59 countries include the following: Albania, Algeria, Angola, Argentina, Azerbaijan, Bangladesh, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Cameroon, Chad, Colombia, Costa Rica, Croatia, Czech Republic, Ecuador, Egypt, El Salvador, France, Georgia, Ghana, Guatemala, Honduras, India, Indonesia, Jordan, Kazakhstan, Kenya, Malawi, Mexico, Mongolia, Morocco, Namibia, Nepal, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Papua New Guinea, Peru, Philippines, Poland, Romania, Russia, Slovenia, South Africa, South Korea, Sri Lanka, Sweden, Tanzania, Turkey, Uganda, US, United Kingdom, Vietnam, and Zambia.

The OECD recommends that a year-end report be publicly released within six months of the end of the fiscal year. It should cover all of the major items presented in the budget, explaining differences between the original estimates (as amended by the legislature during the year) and actual expenditures, revenue, debts, and macroeconomic assumptions. It should also include non-financial performance information, which can be used to measure progress toward the budget's policy goals.

In-year and year-end reports are important for monitoring purposes because they indicate the extent to which the government adhered to the content of the enacted budget. As Table 2 shows, the large majority of countries surveyed by the IBP make these documents publicly available.

**Table 2:** Production and Publication of Budget Execution Documents in 59 Countries<sup>7</sup>

Budget Document	Produced but not Published	Published
Enacted Budget	0	59
In-Year Report	9	47
Year-End Report	4	50

*Source: IBP's Open Budget Index 2006*

<sup>7</sup> In three countries, in-year reports are not produced. In another five countries, year-end reports are not produced.

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## Chapter 4:

### Case Studies of Successful Civil Society Initiatives to Monitor Budget Execution

This chapter examines the participatory methodology employed by a social movement in India called the Mazdoor Kisan Shakti Sangathan (MKSS) to analyze government expenditures at the community level and hold government agencies accountable for them. It then discusses a Malawian civil society coalition, the Civil Society Coalition for Quality Basic Education (CSCQBE), which uses surveys to measure the quality of education and the extent of “leakages” in education budgets as funds are transferred from one level of government to another.

#### 1. MKSS Undertakes Social Audits in India

##### ORGANIZATIONAL PROFILE

*The grassroots organization MKSS was formed in India in 1991 after a land struggle between a feudal landlord and peasants and workers in the rural state of Rajasthan. More recently, it has focused on the government’s failure to pay the legally required minimum wages to workers employed on public works programs. Since the denial of wages was directly linked to government secrecy (which allowed government officials to misappropriate funds meant for wage payments), MKSS launched a successful mass campaign to demand the enactment of a right to information law, as well as a law to protect the rights of poor workers.*

*MKSS is governed by a central committee and supported by ten full-time and two part-time staff. It draws its membership from thousands of peasants and workers in rural Rajasthan who donate their time, money, and food to MKSS campaigns.*

## a. Introduction

In April 2006, MKSS joined with other Indian non-governmental organizations to organize a social audit in the Dungarpur district of Rajasthan. (Social audits are participatory processes through which community members monitor the implementation of government programs in their community.) Approximately 800 people from a variety of backgrounds participated. The audit focused on program funds spent in Dungarpur under India's recently enacted National Rural Employment Guarantee Act (NREGA), which entitles every rural household to 100 days of government employment at the minimum wage.

At the start of the project, all participants received a two-day orientation, which included information on the NREGA's management, the government documents that record payments made under NREGA programs, and techniques of social auditing. The orientation also helped participants develop communication skills that could be used during the social audit, including the use of songs, puppet shows, and street plays.

Participants were then divided into 31 groups of approximately 20-25 people apiece and provided with a "social audit kit." Wearing multi-colored turbans, brandishing puppets and banners, armed with megaphones, and carrying bags full of labor rolls listing workers' names and the payments made to them, the participants spread out across the district.

Over the next seven days, participants visited every village and work site where NREGA programs were operational. They met with many of the approximately 140,000 workers helping build roads, dams, wells, etc. under the NREGA, discussed the operation of the program with them, and checked whether the program was being run according to NREGA standards. Among other things, NREGA requires regular payment of minimum wages, provision of first aid kits and drinking water at the work site, and the organization of day care services for working mothers. By law, program records must also be available at the work site to enable citizens to conduct spot checks of a program while it is being implemented.

The social audit in Dungarpur identified many infringements, such as non-payment of minimum wages, late wage payments, and poor work site facilities. The pattern of wage payments also raised serious concern: in most of the work sites, laborers were paid much less than the statutory state minimum wage of 73 Indian rupees (approximately 1.8 US dollars) per day because wages were instead calculated on the basis of tasks performed. This practice violated the NREGA guidelines issued by the central government, which explicitly state that under no circumstances may laborers be paid less than the minimum wage rate fixed by the state government for agricultural labourers. All of these issues were raised in a public forum with the district administration, which promised corrective action.

## b. Methodology

While a social audit may benefit from the involvement of a non-governmental organization, such third-party participation is not always necessary; an empowered community can undertake social audits by itself. However, non-governmental organizations can provide important assistance to a community undertaking a social audit by (1) training community members on the social audit process, (2) accessing information required to conduct the social audit, (3) helping collate and disseminate information to the community, and (4) documenting the social audit findings and following up with public officials to demand action. Regardless of who undertakes the social audit, the following seven steps are integral to the process.

### **Step 1: Identify the Scope of the Audit**

In a given community, several government agencies may be executing different programs concurrently. The first step in a social audit is to identify the specific programs and agencies that will be selected for audit, along with the period (number of years) that will be under consideration.

The following questions can help establish the scope of the social audit:

1. How difficult is it to obtain information about programs from government agencies, and is the information available for the entire time period to be covered by the audit?

2. What level of involvement can the community provide? The more involved a community, the more potential there is for an expansive audit to be conducted.
3. What resources are available from the organization coordinating the audit? Ideally, the organization should seek resources from within the community where the audit will be conducted. Such resources could include office space as well as volunteers who can assist with logistics.
4. What is the relationship between government officials and the organization coordinating the audit? Sympathetic officials can play an important role when the organization seeks corrective action based on the audit's results.
5. What is the strategic focus of the group undertaking the audit? Depending on its focus, a group may seek to audit specific agencies/programs.

## **Step 2: Develop a Clear Understanding of the Management of Programs**

The programs to be audited may be administered by the central government through local offices, by state/provincial government agencies, directly by a local government, or by some combination of these agencies.

Any organization coordinating a social audit should examine the administrative structure under which the programs to be audited are managed. The organization may benefit from preparing a simple guidebook that maps the different agencies involved in administering the programs, their accountability and managerial structures, and the flow of program funds. This information makes it possible to pinpoint the agency (and perhaps the official) ultimately responsible for the project – and, if necessary, to go over the head of an official who is reluctant to provide information.

The organization coordinating the audit should also identify individuals in the community who may have worked on the government projects. They will likely be good sources of information on the documents typically maintained by project managers, such as documents that relate to labor payments and material purchases.

### **Step 3: Obtain Information on Programs Under Audit**

The organization coordinating the audit will require access to a large number of documents, including accounting records (such as cash books, wage rolls, and bills for materials purchased), technical project records (such as the project engineer's measurement books and contract specifications), and managerial records (such as fund utilization certificates, which the program manager issues when the project is completed). It is important to document the types of records the government maintains when executing a project.

While access to every detailed record is not essential, access to records on expenses that are *shown* to have been incurred is critical. These records may include the following:

- accounting records, including cash books for the previous three years that provide information on all monies received from the national government, state/provincial governments, and international donors – as well as all monies spent;
- bills showing materials purchased by the local government and bills from contractors documenting payments made at all stages of the project period (it is especially important to obtain the final settlement bill that lists all costs incurred by the contractor);
- stock registers on materials procured by other agencies and sent to the local government for use in construction projects;
- receipts with signatures/thumb imprints of program beneficiaries acknowledging receipt of direct cash transfers made to them;
- engineering records, including measurement books that show the construction specifications for public works projects (such as the amount of cement required for the project, labor estimates, and project designs); and
- labor rolls listing each laborer employed at the project site, the number of days worked, the wage rate, the total amount paid to the laborer, and signatures/thumb imprints of laborers acknowledging the receipt of wages.

A demand for information is likely to meet with strong resistance from local officials if they feel threatened by the consequences of disclosing the information. The officials can be expected to threaten, cajole, plead with, or ignore people seeking information. To build ownership

of the social audit process – and to help make the process sustainable – it is critical that volunteers from the community be centrally involved in what may be a long struggle to obtain information. Often, a long and successful information-gathering campaign that involves local communities can be as empowering to the community as the audit itself.

#### **Step 4: Collate Information**

Once information is obtained, the coordinating organization must work with local volunteers to sort through it and prepare individual project files presenting pertinent information in an accessible format.

MKSS collated project information into matrices that clearly summarized the different kinds of information obtained from project records. One matrix, for example, was based on information from labor rolls that identified cases of fraud in which workers were recorded as working on two different project sites on the same day.

The coordinating organization could also prepare simple charts that illustrate the amount of construction materials that might be required to construct typical infrastructure projects in a community. These charts would enable “back of the envelope” calculations to be made to compare the amount of construction material booked for a construction project against industry benchmarks for such projects.

#### **Step 5: Distribute Information**

Next, the coordinating organization should make copies of the project documents and matrices and take them into the villages in which public hearings are to be held. Several teams of volunteers should go from house to house, sharing information from the project files.

Meetings with residents who have worked on, or live next to, a particular project can be especially illuminating. During MKSS audits, copies of labor rolls have proved a source of excitement as residents identified names of dead or fictitious people. Similarly, bills from local companies for expenses incurred in a project can be identified as false by residents who state that no such firm exists in their community.

The social audit team should visit each project site and physically verify the completion of all steps anticipated in the construction plans. Similarly, it should visit beneficiaries of social programs to verify that they received funds as shown in the expenditure records. Local volunteers can help identify project sites and program beneficiaries and facilitate visits with these beneficiaries.

All information collected from the community should be recorded in the relevant project files. Anyone providing information should be told about the forthcoming public hearing and encouraged to speak out at it.

The information distribution process can take from a week to a couple of months. It offers an opportunity to build momentum within communities as the public hearing approaches.

### **Step 6: Hold Public Hearings**

Public hearings should be carried out with much fanfare to make them interesting for local communities. If the information collection and distribution stages have been effective, the hearing may already be well-publicized among the community, which will have high expectations for it.

Special efforts should be made to ensure that the hearing location is accessible to all residents. The hearing will take most of a day, so seating, water, and other supplies for attendees will be needed. An extravagant meeting space should be avoided, however, as a forum that appears elitist or “bureaucratic” can discourage participation.

Five sets of people play an important role in the hearing:

- The organization coordinating the social audit – with local volunteers – must decide the agenda.
- A panel of eminent citizens (and, if possible, senior government officials) should chair the meeting. They can announce the rules that will govern the proceedings, such as a ban on abusive language.
- Members from the local media should be invited to attend the public hearing and to report on the often explosive findings that may be uncovered regarding corruption in public projects.

- The local officials responsible for managing the projects should be invited to attend. It should be made clear to them that the hearing is not a finger-pointing exercise but an opportunity for the community to offer feedback. Officials who are not used to public accountability may not be pleased by the prospect of a hearing, but curiosity and moral indignation may motivate them to attend. (In some cases, it may be useful to ask senior officials to direct local officials to attend the hearing.)
- Finally, the community has the most important role at the hearing. A large and active audience can make the difference between a successful and an unsuccessful social audit.

After community members have provided testimonies, the relevant officials should be given a full opportunity to explain their actions or counter any allegations against them. This stage of the hearing can very easily turn combative; it must be managed in a manner that ensures that the voices of all participants are heard and recorded.

During the MKSS social audits, speaker after speaker described instances of corruption, inefficiency in the use of public funds, and poor planning within public agencies. Discussions became especially animated when public officials tried to defend their projects and village residents quickly pointed out any inconsistencies in their statements. In some of the audits, public officials even admitted wrongdoing and handed over the funds they had stolen to the panel adjudicating the hearing.

### **Step 7: Follow-up to the Hearing**

The findings of the public hearing must be transformed into an effective advocacy campaign that can address both specific instances of mismanagement and broader policy considerations regarding transparency and accountability.

A formal report on the social audit should be prepared after the hearing, and copies should be sent to relevant senior government officials, the media, and other groups engaged in the campaign. The report should also recommend specific steps against errant officials and policy changes to improve the delivery of government services.

The coordinating organization should then try to ensure that action is taken on the audit findings. Government agencies can be slow to respond to an audit's results and may require external pressure.

## c. Results Achieved

### **Successes**

Between 1995 and 2005, MKSS organized numerous hearings to build momentum around a right to information campaign in India at both the state (Rajasthan) and national levels. These hearings received a tremendous response, as thousands of demonstrators joined MKSS in demanding that Rajasthan enact a law giving citizens the right to information. The legislature passed such a law in 2000. The right to information campaign then turned its attention to the national government, and five years later India's parliament passed a national right to information law.

The right to information is a potent weapon for a wide variety of civic groups. For example, a 2004 convention organized by the National Campaign for People's Right to Information presented 39 workshops on the impact of the right to information on issues such as maintaining essential food supplies, corruption, the adverse impacts of economic globalization, and the disappearance of citizens as a result of state security actions. The conference attracted 400 participants from all over India.

In addition, MKSS and several other civil society groups used the momentum from the right to information campaign to demand an employment entitlement program for the rural poor. The campaign succeeded when the government enacted the NREGA (described above), which entitles every rural household to 100 days of minimum wage employment from the government. A unique feature of the NREGA is that state governments are encouraged to organize social audits, using the techniques adopted by MKSS, to monitor the program's implementation.

As of 2007, civil society organizations in approximately half a dozen Indian states were using the right to information law to obtain

government documents on NREGA implementation and organize social audits of NREGA-funded activities in their communities. These audits have been successful in uncovering results similar to those revealed by the Dungarpur audit described above.

In a significant development, the government of the state of Andhra Pradesh has recognized the importance of social audits in curbing corruption in the implementation of NREGA programs. It is collaborating with a number of civil society groups to expand the use of the social audit methodology.

### **Challenges**

MKSS faces a number of challenges in implementing social audits. For example, despite the right to information law, access to information remains a challenge in India. Government officials who are guilty of financial mismanagement are loath to give information that may incriminate them, and may refuse to respond to requests made under the right to information law or may obfuscate, delay, or hide information.

Even when MKSS can obtain records, in some cases they are badly maintained and difficult to decipher. Poor record keeping practices in government offices can significantly delay the audit and reduce its impact.

In addition, government officials sometimes intimidate and even threaten villagers to prevent them from testifying in public forums. In such situations, residents may hesitate to air their grievances about government programs.

Finally, the social audit process must be incorporated within the government budget process if it is to realize its full potential. Only then will local residents have a regular opportunity to hold the government accountable for its implementation of public programs.

*Information on MKSS can be obtained by emailing [mkssrajasthan@gmail.com](mailto:mkssrajasthan@gmail.com). MKSS does not operate a website, but extensive literature on the organization can be accessed using any Internet search engine.*

## 2. Civil Society Coalition for Quality Basic Education Carries Out Public Expenditure Tracking Surveys in Malawi

### ORGANIZATIONAL PROFILE

*The Civil Society Coalition for Quality Basic Education (CSCQBE), created in 2000, consists of 67 civil society groups in Malawi, including non-governmental organizations, community-based organizations, teachers' unions, religious-based organizations, and district networks. CSCQBE brings these organizations together in the common pursuit of the right to quality basic education. CSCQBE has made a long-term commitment to monitor Malawi's progress toward achievement of the Education For All goals agreed upon at the April 2000 Dakar Conference, as well as the Millennium Development Goals. (In 2000, the UN adopted a resolution recognizing eight Millennium Development Goals that are to be achieved by every country. They range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education by 2015.)*

### a. Introduction

From 1994, when Malawi introduced free primary education, through 2001, increased government funding for education did not translate into improved quality of education. Many citizens suspected that government corruption and mismanagement were the cause. In a widely reported 1999 case, for example, the Ministry of Education was defrauded of 187 million Malawian Kwacha (approximately US \$1.3 million) meant for school construction. Civil society groups believed that by closely monitoring government budgets and spending, they could help prevent corruption and encourage better management of public funds.

For this reason, CSCQBE decided to focus its attention on the education sector. Basic education funds approved by Malawi's parliament are disbursed from the national treasury directly to district accounts, where they are allocated at the discretion of the district assemblies. This decentralized system provides only limited accountability, as the national and district governments provide little information on the use of funds. CSCQBE tracking surveys, however, provide independent data on the use of education funds, which civil society can use to advocate for greater and more effective education funding.

CSCQBE also seeks to enhance public understanding of education and budget policies and the need for accountability. To that end, it has set up 13 district networks to decentralize the monitoring of education budgets. The networks support school budget monitoring by school-based or community-based groups, such as the school board or a parent-teacher association. CSCQBE, in turn, provides these networks with technical assistance to strengthen their capacity to support local efforts. It is hoped that once these district networks are fully operational, they will encourage member organizations to engage in budget monitoring in other spheres besides education.

## b. Methodology

The Public Expenditure Tracking System (PETS) is a methodology for tracking public expenditures that presents revenues and expenditures in a format that enables users to reconcile budgetary flows. Using PETS, an organization can track the flow of resources through various levels of government to the end users and identify leakages. For example, PETS can be used to track education funds sanctioned by the central government for school repair as the money flows through the district administration to the school itself. First employed by the World Bank in Uganda (see Box 1), PETS has since been used by other multilateral organizations and national donor agencies in dozens of countries around the world.

### **BOX 1: PETS – THE UGANDAN EXPERIENCE**

*In the mid-1990s, the World Bank – a major donor to the Ugandan government – observed that despite a significant increase in Uganda’s budgetary allocations for primary schools for more than a decade, enrollment in primary schools remained stagnant. It was suspected that leakages or diversion of funds might be causing less funding to reach primary schools than was budgeted to support them.*

*To uncover the truth, the World Bank conducted the first public expenditure tracking survey. Its findings confirmed officials’ worst fears: between 1991 and 1995, only 13 percent of the annual per-student grants reached primary schools, on average. The rest was either misappropriated or used for purposes not directly related to education. The survey also showed that larger schools and schools with pupils from wealthier families benefited more from the grants than smaller and poorer schools did. In fact, half of the schools did not receive any funds.*

*These shocking findings prompted authorities to undertake a number of initiatives to enhance transparency and accountability. The central government began publicizing all fund transfers to districts and required schools and district offices to post information on the transfers they received. School committees also received training on how to use such information to hold authorities accountable. The effect of these efforts was dramatic: when the school survey was repeated in 1999, it found that schools received more than 90 percent of the funding budgeted for them (Sundet, 2004).*

CSCQBE has used PETS three times between 2002 and 2007 to survey education expenditures, improving its methodology in each round.

As part of the PETS process, community-based members of CSCQBE administer a series of standardized questionnaires to teachers and education officials around the country. Questionnaires administered to the head teachers in a number of schools obtain information on students (enrollment, exam pass rates, drop-out rates, etc.), teachers (qualifications, teacher shortages, housing, etc.), salary pickup (teachers' salaries are often made in cash, especially in rural areas), availability of teaching and learning materials, facilities, and supervision and accountability. CSCQBE selects a representative sample of 500 schools (roughly one-tenth of those in the country) for its surveys, including both rural and urban schools.

School-level questionnaires collect data on student enrollment, staff levels, student and teacher housing, and teacher qualifications. These questionnaires include questions on the school's proposed recurring expenditure budget sent to the Finance Ministry, actual funds received from the ministry, and actual recurrent expenditures in three sample months. Other questions address the adequacy of classrooms and learning materials.

CSCQBE also collects data from district assemblies, district education offices, division offices, the Education Supplies Unit, and teacher training colleges. District commissioners are given a questionnaire that seeks information on the amount of funding requested from the Finance Ministry for recurrent expenditures, the amounts subsequently allocated to the district, and the actual amounts the district received and spent on a monthly basis (including the purposes for which they were spent). Other questions ask about primary education projects that are planned in the current budget and projects that have recently been implemented, as well as their cost.

Similarly, district education managers are asked about recurrent expenditures in three sample months and monthly allocations in the primary education budget (as compared to funds received and expenditures). Also requested are data on enrollment, staffing, salary distribution, and transportation and facilities.

The supplies unit is surveyed to ascertain budget requirements versus actual funding allocations for teaching and learning materials, to assess

the procurement and delivery processes, and to obtain information on the quantities of materials received.

The CSCQBE secretariat collects the questionnaires, enters the data into electronic spreadsheets, and analyzes it to produce its annual report. Particular attention is paid to:

- any increases in budget allocations;
- differences between the budgets for different levels of education;
- the amount of teaching and learning materials received by schools and colleges;
- the amount and timeliness of teachers' salaries;
- the number of teachers who were recruited and trained;
- the distribution of teachers across geographic areas;
- enrollment of pupils in each school, particularly with regard to gender; and
- enrollment of children with special needs and the availability of teaching materials for them.

A draft report is circulated among CSCQBE organizations and discussed at a special meeting for adoption. Subsequently, a final report is produced.

CSCQBE unveils the report during a public meeting with ministry officials, parliamentarians, development partners, and the media during the annual parliamentary budget deliberation. It then holds district meetings during which district assembly officials, district education officials, non-governmental organizations, and school officials can discuss the results and, if necessary, formulate action plans to address problems. The report receives news coverage in newspapers and on radio and television. CSCQBE also gives copies of the report to key stakeholders such as ministers, the office of the president, and donors and seeks commitments on how they will respond to the issues it raises. CSCQBE takes note of these commitments and then monitors their implementation.

## c. Results Achieved

### **Successes**

CSCQBE has achieved important successes through PETS. In 2002, for example, when the government closed teacher training colleges due to a lack of funding, civil society groups mounted a three-month campaign that compelled the government to reopen them. The coalition argued that closing the colleges violated the government's commitment to train 6,000 new teachers a year.

In 2003, it was discovered that a number of teachers received their salaries late or not at all. Civil society groups pressed a parliamentary committee to look into the issue. The committee returned a report to the National Assembly.

In 2004, the government undertook its own expenditure tracking survey after observing CSCQBE's successful work. Civil society was involved in planning and monitoring the survey.

Civil society groups have also pressured the government into making budget allocations aimed specifically at children with special needs, to purchase specialized materials for teachers who focus on these students.

In addition, the government is now seeking to address the educational disparities between rural and urban areas. It plans to introduce incentives to attract teachers to rural areas and construct housing for rural teachers.

In its activities, CSCQBE has worked closely with international organizations such as the World Bank, UNESCO, the Global Campaign for Education, and the Africa Network Campaign for Education For All. It also has been invited to participate in government meetings and working groups on education. The coalition has used these experiences to help widen civil society's space and influence in Malawian society and enhance its capacity for monitoring and evaluation.

## Challenges

CSCQBE faces several challenges in implementing the public expenditure tracking surveys. First, government officials do not always fully release budget and expenditure data, which makes it more difficult to track expenditures and determine the extent to which the government is working to improve the educational system.

Second, in many instances officials provide information that is incomplete or refuse to provide it, claiming they are still compiling the information.

Third, many coalition members have only limited technical capacity to analyze education budget data.

Fourth, coalition members are busy with multiple commitments and can invest only limited time in the PETS process. In some cases, this affects the quality of the reports submitted by those who are collecting information for the survey.

Finally, as a nation, Malawi faces many challenges that it must overcome before it can meet the Education For All and Millennium Development Goals. Education constituted just 13 percent of the country's budget in the 2005/6 fiscal year – down from 28 percent in the 1990s. This falls well short of the internationally recommended 26 percent needed to achieve the Education For All goals by 2015. In spite of CSCQBE's important successes through its expenditure tracking surveys, the coalition faces a significant challenge in convincing the government to increase the education budget. Such an increase will likely be key to achieving the needed improvements in Malawi's education system.

*Information on CSCQBE can be obtained by emailing [cscqbe@sdp.org.mw](mailto:cscqbe@sdp.org.mw). The coalition does not operate a website.*

## d. Additional Resources on PETS

Additional information on PETS is available in publications from the World Bank, the International Institute for Educational Planning, and the United Nations Educational Scientific and Cultural Organization. These institutions have developed detailed instructions that can help organizations undertake PETS.

The following two documents are also helpful:

- Reinikka, R. and Svensson, J. “Assessing Frontline Service Delivery.” World Bank, Washington D.C. 2002. Retrieved on April 20, 2007 <http://www.worldbank.org/wbi/governance/assessing/pdf/reinikka.pdf>

Public spending data tends to be a poor proxy for actual service delivery. Micro-level tools are needed to understand the translation of public spending into services. This paper presents a new survey tool and describes its first application to document service delivery from public, private not-for-profit, and private for-profit providers. This tool has two variants: a diagnostic public expenditure tracking survey and a more comprehensive facility-based quantitative service delivery survey.

- “Sub-regional Course on Public Expenditure Tracking Surveys in Education” (Accra: 22-26 May 2006) <http://www.unesco.org/iiep/eng/focus/etico/pdfs/ghana.pdf>

The International Institute for Educational Planning and the World Bank Institute conducted a course on public expenditure tracking surveys in education in March 2006 in Accra, Ghana. The course introduced participants to PETS, allowing them to implement a PETS in a fictional country and then discuss how to apply this methodology to their own countries. This report includes the materials that were used for the course; the appendices contain the list of participants as well as bibliographical references.

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## Chapter 5: Other Successful Initiatives to Monitor Budget Execution

The MKSS and CSCQBE experiences are just two success stories in civil society efforts to monitor expenditures. Below are short descriptions of two other examples. The first examines the steps taken by the Uganda Debt Network (UDN) to establish a community based monitoring and evaluation system to monitor school construction. The second showcases the success of the Mexican group Fundar in ensuring that funding intended for HIV/AIDS programs was expended for that purpose.

### 1. UDN Establishes a Community Based Monitoring and Evaluation System

UDN was established in 1996, when a coalition of advocacy and lobbying organizations and individuals united to coordinate a national debt relief campaign.<sup>8</sup> After achieving success in that campaign, UDN expanded its activities to include monitoring expenditures incurred by the government from the savings it realized from debt relief.

To monitor government programs from the district level down to the village level, UDN established a Community Based Monitoring and Evaluation System (CBMES). UDN is using the system in eight districts and approximately 47 sub-counties. The CBMES is implemented through the following steps:

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<sup>8</sup> This case study draws on De Renzio et al., 2006.

1. Select target districts and sub-counties.
2. Hold preliminary meetings at the district level to build support for CBMES among district authorities and mobilize key organizations and individuals.
3. Meet with local communities to introduce the CBMES concept, elicit community responses, and mobilize participants.
4. Select monitors (about 80-100) from local communities.
5. Train selected monitors.
6. Develop community indicators and an information management and action system, and formulate proposals on the use of monitoring to demand action at different governmental levels.
7. Monitor community-level projects and activities.
8. Compile findings gathered by monitors at the sub-county level.
9. Hold a sub-county debriefing with local authorities, identify issues to be brought to higher level authorities, and appoint representatives to the district-level committee.
10. Compile findings gathered by monitors at the district level.
11. Hold a one-day district feedback workshop facilitated by UDN to discuss the outcomes of the monitoring effort, current challenges, and followup activities. Senior district officials typically attend this workshop.

Using the CBMES, UDN has successfully monitored several government programs at the local level and used the information it generated to conduct advocacy at the national level. One of the best examples of this is the case of the School Facilities Grant (SFG), which the government introduced in 1998 to fund improvements in education infrastructure (classrooms, toilets, teacher housing, etc.) in poor communities.

In April 2002, UDN and its partners in the Teso region of eastern Uganda published a report documenting the misuse of SFG funds in the Katakwi district. UDN also produced a documentary on this misuse of funds, which received wide media coverage. The report drew the attention of the prime minister's office, which ordered an official investigation. The investigation confirmed many of UDN's

findings and resulted in the dismissal of the district tender board and the appointment of a new district engineer to oversee SFG projects in the district. Further, the contractors responsible for the poor construction of school buildings were ordered to rebuild the classrooms that did not meet construction standards.

In addition, the government revised the SFG guidelines to help improve the quality of future projects funded by the grants. Contractors are now required to submit performance guarantees declaring that they will do quality work and deliver all projects on time. Further, contractors are required to submit bank guarantees that cover any advances released to them for project costs. In this way, if a contractor fails to meet the terms of the contract, the government can recover the advance directly from the contractor's bank.

*Information on UDN can be obtained from the organization's website at [www.udn.or.ug](http://www.udn.or.ug).*

## 2. Fundar Monitors HIV/AIDS Programs in Mexico

Each year since 2003, Fundar – a research and advocacy organization – has analyzed the Mexican government's spending on HIV/AIDS. In its analysis of the 2005 federal budget, Fundar identified a new allocation scheme for HIV/AIDS funds. For the first time, the *Seguro Popular* (the country's health care program) was given resources to combat HIV/AIDS; in fact, it received more such funding than any other institution, including the National HIV/AIDS Center (CENSI-DA). In addition, some national hospitals – not all of which specialize in treating the epidemic – received funds for HIV/AIDS treatment.

Fundar decided to follow up this analysis by monitoring the use of the budgeted HIV/AIDS funds. Using the electronic system established by Mexico's Federal Institute of Access to Public Information (IFAI), Fundar submitted more than 200 formal requests for information to the Finance Department, Federal Health Department, CENSI-DA, the National Commission for the *Seguro Popular*, and national hospitals over the course of the year. The requests aimed to obtain

the information necessary to determine what criteria were used to allocate HIV/AIDS funds and how the hospitals and other institutions that received the funds used them.

Fundar's investigation uncovered some troubling findings. First, the information provided by government agencies was of low quality. Fundar received contradictory responses from different institutions regarding their role in the distribution of funds, the level of resources spent by mid-year, and the reallocation of resources among different objectives.

Second, institutions exercised wide discretion over how they would spend their HIV/AIDS funds. Three of them reclassified those funds under "General Services" and spent them on banking and financial services, cleaning, surveillance, and building and vehicle maintenance.

Finally, accountability was lacking. Since hospitals and institutions are autonomous in Mexico, the Health Department could not specify how HIV/AIDS funds were to be spent. In addition, even though CENSI-DA is responsible for overseeing the national HIV/AIDS strategy, it did not have a mandate to coordinate the use of these funds. Further, the Finance Department considered the resources spent as soon as they were transferred to the recipient institution – regardless of how they were actually used. As a result, money that may eventually have been spent on cleaning, maintenance, and banking services was recorded as having been spent on HIV/AIDS programs.

Working with a group of HIV/AIDS patients, Fundar initiated a four-part advocacy strategy:

1. Fundar and the IFAI held a successful press conference to explain Fundar's findings and demand action.
2. As a result of the press conference, Fundar held a number of meetings with the directors of CENSI-DA and the financial-administrative head of the Health Department, where Fundar received explicit commitments regarding accountability for earmarked funds. The Health Department agreed to determine, along with other government health institutions, the maximum percentage of resources that

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<sup>9</sup> This case study draws on Athie, 2005.

could be reassigned to non-HIV/AIDS expenditures and to investigate how the resources had been spent in 2005. CENSIDA, meanwhile, promised to implement mechanisms to better control spending on HIV/AIDS by the autonomous institutions.

3. The case was presented to the internal comptroller, who agreed to inquire into possible modifications to prevent the “unregistered” reclassification of line items and spending objectives.
4. Fundar met with two congressional committees, the Health Committee and the Gender Committee, to present its research results and its proposals regarding Congress’ role in overseeing the uses of earmarked resources. Fundar also discussed the need to increase HIV/AIDS funding and to make additional allocations to the main hospitals that treat HIV/AIDS patients.

As a result of these discussions, the House of Representatives approved as part of the 2006 budget a substantial increase in funding for two of the most important institutions working on HIV/AIDS, as well as a considerable increase in funding for CENSIDA. The latter funds are earmarked for prevention. Fundar and other civil society organizations had emphasized the need to take such a step in order to make HIV/AIDS prevention a national priority.

*Information on Fundar can be obtained from the organization’s website at <http://www.fundar.org.mx>.*





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## Chapter 6: The Procurement Process

This chapter presents an overview of the procedures followed by government in procuring goods and services. It also describes the documents that are typically maintained by government to record procurement transactions.

### 1. Introduction

According to the Organization for Economic Cooperation and Development (OECD), “procurement is the process of (1) identifying what is needed; (2) determining who is the best person or organization to supply this need; and (3) ensuring what is needed is delivered to the right place, at the right time, for the best price and that all this is done in a fair and open manner” (OECD, 2006). Procurements can be made by governments, private companies, or individuals. Typically they use detailed contracts when placing large and expensive orders.

Why should civil society focus on monitoring procurement? Governments spend significant public resources on it. In fact, the OECD estimates that in non-OECD (i.e., developing) countries, procurement by all levels of government typically constitutes about 4.5 percent of the total gross domestic product (OECD, 2006). Each year, developing countries spend an astounding US \$820 billion on procurement-related transactions. These expenditures are critical to enabling governments to deliver goods and services to citizens, but they are also extremely vulnerable to corruption. Yet civil society organizations have rarely addressed the issue.<sup>10</sup>

## 2. The Procurement Process and Documents That Can Help Monitor Procurement

As shown in Chart 4, when a government agency needs to purchase goods or services for which it will incur a significant expenditure, the following stages are typically involved: (1) the pre-bidding process, (2) the bidding process, (3) issuance of a purchase order, (4) inspection of the goods or services procured, and (5) documentation of accounts payable. These stages are discussed below.<sup>11</sup>

### **Pre-bidding**

Some agencies centralize procurement within a department or division that is responsible specifically for managing the procurement process. In such cases, divisions within the agency that procure goods or services from an external entity must submit a purchase request form to the procurement department, which will then manage much of the subsequent process. This form allows the agency requiring goods or services to specify its requirements.

The purchase request may be directly followed by the issuance of a purchase order (discussed below) to a supplier regularly used by the agency. In some instances, however – particularly if a specialized good or service is sought or the price is likely to be above a specified amount – the agency may initiate a bidding process to select an appropriate supplier.

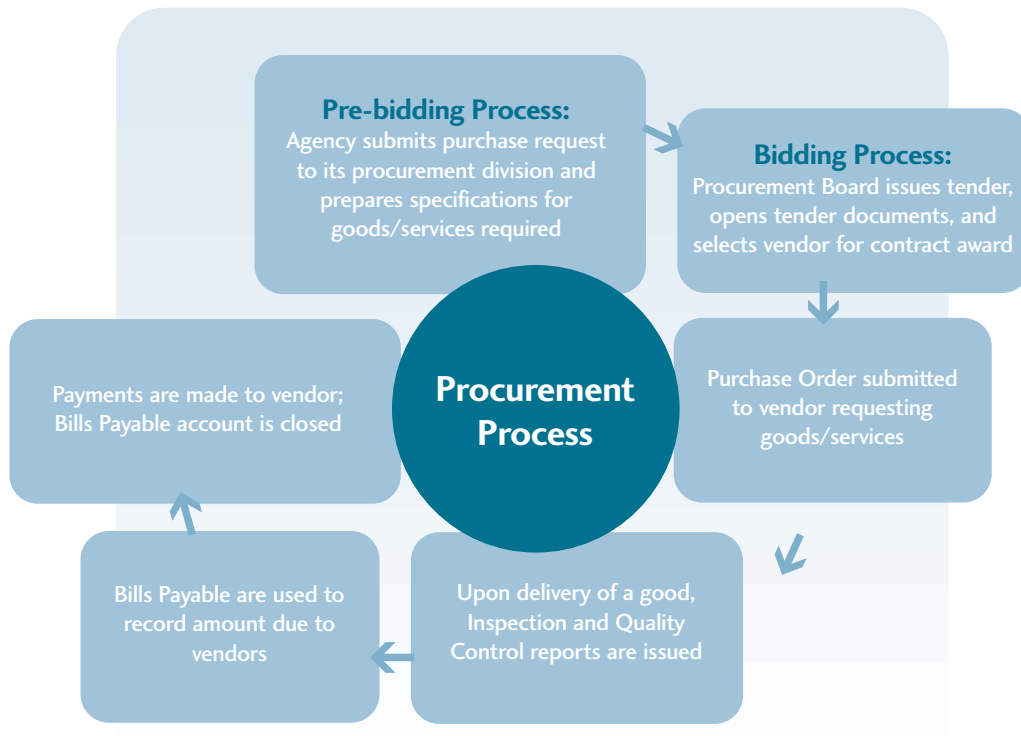
If a bidding process is initiated, government will prepare a specifications document setting forth the technical guidelines of the procurement process as well as the details and approximate cost of the good or service required. The rules may require government to initiate an open bidding process. Usually, such a process is managed by an independent tender board. However, because an open bidding process may be time-consuming and expensive, the procurement rules may not require the use of this method if the value of the good or service sought is below a certain threshold.

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<sup>10</sup>Transparency International is one of the few international organizations to have systematically supported efforts to monitor and evaluate procurement practices around the world.

<sup>11</sup>This section draws from "Transparency and Accountability in Government Financial Management," published by the United Nations Department of Economic and Social Affairs in 2000.

**Chart 4:** The Procurement Process



The process of preparing technical and price guidelines can be highly non-transparent and thus subject to abuse by agency officials. For example, in order to avoid going through the independent tendering process, a government agency may split a contract into two or more parts, thereby reducing the amount of each contract. Such contracts could then be easily awarded to contractors that are favored by corrupt officials.

Another potential abuse is government collusion with suppliers to develop specifications for a contract that favor a particular supplier. Officials may also time the release of the specification to benefit a particular supplier's work schedule.

### **Bidding**

Once the government has received bids for a procurement contract, the agency will typically open all the bid documents (which are required to be sealed before submission) at the same pre-set time and

begin evaluating them. While governments often select the vendor that offers the goods or services at the cheapest rate, price is not always the only factor. The agency should also consider factors such as the vendor's experience and reliability.

An agency may choose to invite bids only from pre-determined (typically called "short-listed" or "pre-qualified") vendors rather than inviting any interested entity to bid. This is called a closed bidding system. It is not necessarily corrupt, but it relies on an agency's discretionary powers, which can easily be abused – particularly if the list of firms deemed qualified to bid on a particular job is not regularly updated.

#### **BOX 2: WORLD BANK CHARGED WITH MALPRACTICE IN CONSULTANCY CONTRACT IN INDIA**

*In 2005, Parivartan – a non-governmental organization based in India – charged the World Bank with irregularly promoting a private firm, Price Waterhouse Coopers (PWC), as the preferred consultant for a Delhi Water Board reform project for which the World Bank had approved a \$150 million loan to India.*

*PWC was one of 35 firms that applied for the \$2.5 million contract. Parivartan used the state's right to information law to obtain documents from the Delhi Water Board showing that the Board's contract evaluation committee initially ranked PWC tenth of the 35 bids. Letters from the World Bank to the Board, however, indicate that Bank officials pressured the Board to repeat the bidding process – which the Board did, three times. PWC's ranking improved each time. PWC ultimately "won" in the fourth round and was awarded the contract. In each round of bidding, the World Bank raised objections to the Board's evaluation criteria and prescribed new criteria.*

*Parivartan charged that the criteria were clearly altered in PWC's favor. The World Bank's country director for India denied this charge in a letter to Parivartan but did not address any of the substantive issues raised by Parivartan (World Bank, 2005). No further action has been taken on this case.*

Some other abuses are more explicit. For example, if an agency privately opens the bid documents prior to the submission deadline and then releases information on those bids to a favored vendor that has not yet submitted a bid, that vendor has an unfair advantage over other bidders.

Further, officials overseeing the procurement process can abuse their powers of discretion. Whereas specifications for common goods with well-publicized prices (such as personal computers) can set clear requirements that are simple to measure objectively, specifications for specialized goods (such as medical equipment) or services may give those evaluating the bids more flexibility to use non-objective criteria in making their decision. This creates the potential for abuse (see Box 2).

Some abuses can occur during procurements that are not the agency's fault. For example, even if an agency follows its procurement procedures diligently, suppliers may engage in corrupt bidding practices such as price-rigging and market-sharing agreements. In price-rigging, all prospective suppliers agree to bid at a certain price (typically, higher than the prevalent market rate), then one of them bids at a slightly lower rate, winning the contract at a price well above normal. Under market-sharing agreements, a cabal of suppliers divides the market among itself and designates a single supplier to be the dominant contractor in each region (or for a specific agency or business cycle).

### **Purchase Orders**

Purchase orders are forms that the agency seeking to make the purchase completes and forwards to the vendor prior to the delivery of the goods or services. A purchase order normally contains a unique purchase order number, shipping date, billing address, shipping address, and order terms. Often it also contains details on the goods/services required by the purchasing entity, including the quantity and specifications (quality, model, etc.). The purchase order can also specify a purchase rate for each good or service.

After the supplier delivers the requested goods/services, the purchasing entity can use the purchase order to check whether the proper items were supplied and the proper rate of payment was billed.

Purchase orders protect suppliers as well as buyers against fraud and error. If the agency refuses to accept the goods/services it ordered, the supplier can use the purchase order as a legal document to institute proceedings for any losses incurred.

### **Inspection Reports**

Before accepting delivery of goods/services, the agency making a purchase may designate its own technical experts to inspect the goods/services to ensure that they meet its requirements. The experts may be required to fill out an inspection report, which would record any discrepancies between what the agency ordered and what was delivered. Deductions from the final payment may also be made by the government agency for (1) delays in shipment, (2) delivery of sub-standard goods/services, and (3) failure to meet purchase order specifications.

### **Accounts Payable**

After the supplier sends a shipment of goods/services to an agency, the supplier will draw up an invoice (or bill) indicating the total amount due. The invoice, much like the purchase order, will contain information on the quality and technical specifications of each good/service supplied, along with the quantity and rate for each good/service. An invoice will usually contain its own unique number but may also reference the appropriate purchase order number.

After receiving an invoice, the agency will record the invoice in accounting documents as “accounts payable.” Subsequently, the agency that has purchased the goods/services will pay the vendor and clear the account.

While this process might appear straightforward, it is not always seamless. Most agencies procure hundreds of items from dozens of suppliers throughout the year; if they do not follow a clear set of procedures for recording purchases and authorizing payments, they can very easily fail to pay amounts due or can make duplicate payments as a result of error or fraud. Late payments impose a particularly heavy burden on smaller suppliers, which do not have large reserves.

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## Chapter 7:

### Case Studies of Successful Civil Initiatives to Monitor Procurement

This chapter examines an innovative methodology employed by a non-governmental organization in the Philippines, Procurement Watch Inc., to analyze procurement documents and hold government agencies accountable for their procurement transactions. It then discusses the techniques used by a large civil society coalition in the Philippines that cooperated with the government to monitor the procurement and delivery of textbooks for schoolchildren.

#### 1. Procurement Watch Inc. Specializes in Monitoring Public Procurement in the Philippines

##### ORGANIZATIONAL PROFILE

*In 2001, a group of individuals determined to fight corruption in government procurement in the Philippines established Procurement Watch Inc. (PWI) as a non-governmental organization to advocate for a new procurement law and to monitor enforcement of the law after it was enacted. In 2003, PWI's advocacy efforts assisted passage by the national legislature of a new procurement law – perhaps the first time in the country's history that a civil society group successfully advocated for a law on a subject that required a high degree of technical expertise. Currently, PWI conducts a wide variety of capacity-building activities with different groups and individuals, including anti-corruption officials, agencies involved in large procurements, civil society organizations, and private citizens.*

## a. Introduction

When PWI was created in 2001, procurements laws in the Philippines governing public infrastructure projects were confusing, and there were no laws governing the procurement of office goods and supplies. The government could change procurement practices for these commodities simply by issuing an executive order.

Some members of PWI's governing board were also members of a government task force created to examine procurement reforms and draft a new law on procurement. Drawing on these connections, PWI became involved with the task force activities and established itself as a non-governmental procurement expert. Over the next two years, PWI led a civil society campaign to mobilize public opinion in support of procurement reform. In 2003, PWI's advocacy efforts supported passage by the national legislature of a new procurement law.

The new law specifies clear, simple “pass/fail” non-discretionary criteria that are to be used during the evaluation of bids to make the procurement process more corruption-resistant and efficient. The new law also provides for criminal and administrative sanctions against procurement officials and bidders who violate the law. In addition, it empowers civil society monitors to file reports on deviations from the mandated procurement process with government “Ombuds,” whose mission includes preventing and investigating government corruption and prosecuting corrupt officials.

## b. Methodology

PWI's most recent initiative has been to develop Differential Expenditure Efficiency Measurement (DEEM), a tool to measure corruption and inefficiency in public procurement. PWI has tested DEEM by collaborating with the government's internal audit agency, which agreed to provide PWI with access to procurement documents maintained by the agencies it was auditing.

PWI begins this process by examining all government documents produced at each stage of a completed procurement transaction. PWI staff enter data from these documents into ten forms that collect relevant

information about the procurement. Each form covers a specific stage of the procurement process:

- The first form provides an overview of the transaction, including information on the check issued in payment of an invoice (its number, date, and amount) and the corresponding disbursement voucher. It also provides information on the officials who authorized payment for the procurement, including their names and titles.
- The second form describes the items that were procured and summarizes the information pertaining to that procurement that is available from the government.
- The third form addresses the purchase request form, providing the form number, date, requesting department/section/person, requested items, estimated costs, purpose, authorized signatures, etc.
- The fourth form addresses the purchase order, including the question of whether this information is consistent with the information provided in the purchase request form and the corresponding disbursement (payment) voucher. The form also collects information on the supplier of the goods/services.
- The fifth form collects information on the invoice and prompts the person assessing the procurement to check whether it is consistent with the information in the disbursement voucher and purchase order and whether it has been duly signed by the appropriate officials.
- The remaining forms cover other stages of the procurement, including the pre-bidding process, the assessment of bids received, and the inspection reporting process. The forms allow for the collection of other potentially pertinent information, on such topics as annual procurement plans and the minutes of meetings held regarding the procurement.

PWI then analyzes the summary sheets to identify inconsistencies and other potential irregularities in the procurement process. For example:

1. Is the purchase request form dated after the purchase order form?
2. Does the purchase order form show a higher cost for a procured item than the bid document does?
3. Does the payment invoice show a higher amount paid to a vendor than the purchase order does?
4. Does the purchase order contain a different quantity of items than the payment invoice does?
5. Is the delivery date (as recorded in the goods inspection and acceptance form) the same as the date mentioned in the contract or purchase order, and is any delay accounted for?

Through this assessment, PWI can uncover inconsistencies that merit further investigation. For example, if a purchase order is dated before or only a few days after the bids were due, that may indicate an irregularity in the procurement process requiring explanation by officials, since it would normally take several weeks for a purchase order to be created after the bids are evaluated and the winner selected.

DEEM also allows reviewers to compare the price paid for a good or service with its fair market value. The degree to which the amount paid by government exceeds an item's true cost is a reasonably objective measure of the extent of corruption or inefficiency. This enables PWI to go beyond making anecdotal claims of problems and provide specific, concrete evidence of them.

## c. Results Achieved

### **Successes**

During its pilot test of DEEM at a government hospital, PWI achieved important results. Investigators found a certificate signed by a hospital official justifying a contract with a particular company on the grounds that it was the only company that could make good-quality Vitamin C available to the hospital. Given the number of Vitamin C brands available in the Philippines, this claim is doubtful. Had the contract been bid out, the hospital would likely have saved money, since the Vitamin C brand provided by the selected vendor is one of the most expensive on the market (Magalit, 2006).

PWI is now conducting a wide variety of activities with different groups and individuals, including the Ombuds, government agencies involved in large procurements, civil society organizations, and private citizens. PWI has a particularly close relationship with the national Ombuds. It conducts training sessions on the new procurement law for Ombuds staff and has helped them publicize information on procurement laws. It has also created a mechanism to respond to information from procurement observers about potential fraud and abuse. As many citizens prefer not to contact government officials with complaints themselves (due to the fear of harassment from corrupt officials), PWI serves as a critical link between citizens and the Ombuds.

PWI has also developed partnerships with government agencies to study systems for soliciting proposals and evaluating bids and awards. As part of this process, PWI conducts diagnostic exercises on the activities of the bid evaluation committees of various agencies. PWI also conducts workshops and conferences on the national procurement law, develops research papers on the subject, and provides technical assistance to the government on best practices in procurement procedures.

PWI's efforts have helped establish systems that allow citizens not only to sit as observers on government bid and award committees but also to act as monitors to ensure that contractors comply with their contracts. However, PWI estimates that of the 8,000 trained monitors that are needed throughout the Philippines only 800 exist. PWI has therefore embarked on a national effort to train new monitors.

### **Challenges**

Any organization interested in using DEEM should take into consideration the five challenges PWI faced in implementing this methodology. They are:

- The detailed checks for inconsistencies that are conducted under DEEM may be of limited use in monitoring agencies whose procurement systems do not follow specific rules and regulations under a procurement law.

- An organization must have access to all (or most) procurement documents maintained by an agency during a procurement process. Even if agencies maintain this information, it may not be easily accessible.
- An organization wishing to use DEEM may need to collaborate with the audit agency (and time its investigation according to the audit's schedule) in order to obtain audit documents that contain information unavailable through the procuring agency. PWI did this during its pilot test of the DEEM methodology.
- PWI found that the agencies most likely to have irregularities in their procurement processes are *least* likely to cooperate with a procurement-related investigation.
- While a payment invoice will tell the actual cost paid for a good/service, the true market cost may be much more difficult to obtain. Very little information on market costs may be available in many countries, or other factors may prevent a non-governmental organization from obtaining or using information on actual costs. For example, there may not be any records of an item's true cost at the time the procurement was conducted, or vendors may be reluctant to disclose information on the true cost. Also, the good/service procured by an agency may have technical specifications that make the transaction unique, which would give officials wide discretion when setting the price.

*Information on PWI can be obtained from the organization's website, <http://www.procurementwatch.org.ph/>.*

## 2. G-Watch Monitors Textbook Procurements in the Philippines

This case study discusses the participatory techniques used by a large civil society coalition in the Philippines that cooperates with the government to monitor the procurement and delivery of school textbooks. The campaign relies on the work of thousands of citizen-volunteers.

## ORGANIZATIONAL PROFILE

*Government Watch (“G-Watch”), an anti-corruption initiative of the Ateneo School of Government in the Philippines, tracks public expenditures and monitors implementation of government programs in order to help agencies prevent corruption. Since its creation in 2000, G-Watch has monitored textbook deliveries, school building construction, public works, drug procurement, and disaster relief distribution. It has just three full-time staff but partners with civil society organizations throughout the country in budget monitoring activities.*

### a. Introduction

In the 1990s, the education sector in the Philippines faced a major crisis. The Department of Education, responsible for delivering education services to approximately 18 million students, was accused of extensive corruption. Instances of corruption were especially severe in the procurement of textbooks. (Under Philippine law, schoolchildren are entitled to receive free textbooks from the government.)

At least three forms of corruption were suspected: officials were awarding overpriced contracts to unqualified bidders, suppliers were not honoring their contracts (many textbooks remained undelivered even after the government had paid for them), and some vendors were providing books of poor quality (OECD, 2006).

In 2003, after a newly elected government appointed a new head of the Department of Education, the department instituted an anti-corruption “Textbook Count Program” featuring collaboration with a number of civil society organizations, led by G-Watch. They have worked with the department to monitor the procurement and supply of more than one million school textbooks each year.

The Textbook Count Program has achieved a high degree of civil society participation, including the National Citizen’s Movement for Free Elections (an NGO that monitors the country’s electoral process

and has more than 250,000 members), the Transparency and Accountability Network (a network of 24 groups that focuses on transparency and accountability issues), the Boy Scouts and Girl Scouts, and a number of faith-based organizations.

## b. Methodology

Civil society's role in the Textbook Count Program has focused on monitoring the bidding process, the production of textbooks, and their delivery. The description below draws on a 2006 G-Watch report that analyzed the program's efforts the previous year (Government Watch, 2006).

### **i. Monitoring the Bidding Process**

The monitoring program began with the Department of Education's solicitation and assessment of bids. G-Watch observed all stages of the bidding process, including the pre-bid conference, the opening of tenders and the evaluation of their content, pre-award deliberations, and the issuance of contracts. Volunteers examined whether those submitting bids had complied with all bidding requirements, such as demonstrating that they met all financial and technical eligibility criteria.

### **ii. Inspection of Textbooks at Printing Presses and Warehouses**

After the contracts were awarded to three private suppliers, the Department of Education set up a quality inspection team comprised of both department officials and civil society representatives.

G-Watch helped the department organize a training seminar for team members, which covered such issues as the book production and printing process, typical defects that occur during printing and how to detect them, and how to inspect production plants. Participants were taken to a printing press to practice the inspection process.

The team then visited each supplier's printing presses and warehouses during the printing, binding, and packing stages to check that the contract specifications were being met. Visits were generally announced only on the day the visit was conducted. Each inspection team was provided with a checklist of issues to verify (such as whether the books

were properly bound) and was required to spot-check roughly 10 percent of the available stock. Vendors were informed of any deficiencies and required to take corrective action, which was subsequently verified in a followup visit.

### **iii. Monitoring the Delivery and Distribution of Textbooks**

Monitoring textbook delivery and distribution was by far the most challenging aspect of the Textbook Count Program. Nearly 6,000 volunteers from civil society groups joined in a massive, nationwide effort over the four months during which textbooks were delivered to 4,800 locations.

Previously, textbook suppliers had been provided with a general timeframe (approximately 150 days) in which to make their deliveries. Delivery delays were frequent. Under the Textbook Count Program, in contrast, the Department of Education asserted itself: suppliers were required to synchronize their delivery schedules so civil society volunteers could witness the deliveries. Their presence put significant pressure on suppliers to conform to the new delivery schedule.

The department sent G-Watch a list of the locations where textbooks would be delivered, the number to be delivered, and a delivery timetable. In return, G-Watch sent the department – as well as the suppliers – a list of the names of monitors who would be present at each delivery point.

G-Watch helped prepare materials for volunteers, including: (1) a list of monitors' duties, (2) a blank report to be filled out after deliveries were made, (3) guidelines on the delivery and inspection process, and (4) an identity card. It also held orientation workshops with the department to familiarize participants with the delivery process and their duties as monitors.

Despite the advance preparations, delays in the delivery process caused confusion and frustration for a number of monitors; delays occurred in roughly one-third of the locations. As a result, in some cases monitors did not check the deliveries.

## c. Results Achieved

### **Successes**

*i. Bidding Process Became Competitive:* The entire bidding process took nine months, and final contracts were issued for approximately 108 million Philippines Pesos (US \$2.2 million). G-Watch estimates that the use of transparent and competitive practices cut the average unit price of a textbook in half, resulting in savings of approximately 68.5 million Philippines Pesos (US \$1.4 million).

*ii. Defective Books Were Identified and Replaced:* Civil society members participated in 19 of the 25 inspection visits undertaken by the quality inspection team. During these visits, approximately 165,000 textbooks were inspected, 13 percent of the total number procured. The inspections led to the repair or replacement of approximately 62,000 defective textbooks, worth approximately 3 million Philippines Pesos (US \$61,000).

*iii. Delivery of Textbooks to Schools Improved:* G-Watch estimates that civil society monitors were present at approximately 76 percent of the delivery sites and checked the delivery of approximately 767,000 textbooks costing approximately 47 million Philippines Pesos (or US \$1 million). G-Watch estimates that before it began monitoring textbook deliveries, 40 percent of books due to schools were not delivered; this percentage has fallen significantly as a result of the Textbook Count Program, G-Watch believes.

### **Challenges**

After the monitoring process was completed, G-Watch and the Department of Education organized two evaluation workshops to identify shortcomings in the process that need to be overcome.

*i. Delays Due To Sub-Contracting of Deliveries:* A major cause of delivery delays was lack of communication between the vendors and the delivery agencies to which they had subcontracted the deliveries. It was recommended that in subsequent procurements, the Department of Education require vendors to submit the names and technical capacity statements of any subcontractors that are to be hired to deliver textbooks.

*ii. Inadequate Reporting of Poor Quality Textbooks:* Due to the sheer number of textbooks supplied, monitors could check only a sample for quality purposes. G-Watch and its partner organizations received many complaints that poor-quality textbooks had been supplied, but few of these complaints reached the Department of Education. G-Watch traces the problem to the fact that end-users – including school principals and teachers – have yet to develop a culture in which they demand accountability from vendors.

*iii. Deliveries to Primary Schools Remain a Problem:* Only limited funding is available in the Department of Education to support the delivery of textbooks to rural schools – and this hampers the supply process. District education offices are responsible for distributing textbooks to individual primary schools, but due to a paucity of funds, they have begun to rely on a private firm, Coca Cola, to make deliveries to approximately 8,400 remote rural schools at the same time Coke deliveries are made. Critics charge that Coke is harmful to children and the company should not be involved. Moreover, Coca Cola itself has had trouble making deliveries as intended. Civil society monitors, particularly the Boy Scouts and Girl Scouts, suggested a separate campaign should be undertaken to obtain monitors specifically to assist with deliveries to rural schools.

*Information on the Textbook Count Project can be obtained from G-Watch's website, <http://www.g-watch.org>.*

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## Chapter 8: Other Successful Initiatives to Monitor Public Procurement

This chapter presents two additional case studies on successful civil society projects to monitor government procurements. The first describes Transparency International’s successes in using an “integrity pact” to curb corruption. The second describes the achievements of the group Namys in Kazakhstan in monitoring programs for the disabled.

### 1. Transparency International Uses Integrity Pacts to Curb Procurement Corruption

Transparency International (TI) is a global network of more than 90 locally established national chapters that fight corruption in the national arena and promote transparency in elections, public administration, procurement, and business. TI also runs advocacy campaigns in support of anti-corruption reforms at both the international and national levels.<sup>12</sup>

TI has developed the Integrity Pact to prevent corruption in public procurements. An agreement between a government agency initiating a procurement contract and all bidders for the contract, an Integrity Pact forbids any of the parties to offer or demand bribes. Bidders also agree not to collude in order to obtain the contract and, if they do obtain the contract, to avoid abusive practices while executing it. Any entity that violates these terms is liable to sanctions, which could include loss of the contract and of any advance monies paid. Violators also are likely to be blacklisted from future government contracts.

An independent third party – in most cases, the TI national chapter – participates in the bidding process. TI reviews the adequacy of the publicity the government provides to the bids, hires an expert on the good/service being procured to review the bid documents, and reviews the procurement committee’s decision. This increases participants’ confidence in the process.

In these ways the Integrity Pact helps establish a level playing field for all bidders and enables governments to reduce costly procurement-related corruption. A detailed description of Integrity Pacts, their applications, and the current uses of the pacts is available in a TI publication, available at [http://www.transparency.org/content/download/2012/12184/file/i\\_pact.pdf](http://www.transparency.org/content/download/2012/12184/file/i_pact.pdf).

TI chapters around the world have used Integrity Pacts successfully. In Mexico, for example, the Federal Electricity Commission attempted to improve its poor image by accepting an offer from Transparencia Mexicana (TI-M) to use an Integrity Pact during the procurement for construction of a hydroelectric plant. TI-M appointed an expert to oversee the pact, and each bidder was required to agree to its terms.

TI-M also met with each bidder before the procurement began and asked if it had concerns about irregularities in the procurement process. Most replied that they suspected the bid-evaluation process would be unfair. In the end, however, TI-M received no complaints from bidders about the process. TI-M is building on this success by undertaking similar activities with other agencies.

*Information on TI can be obtained from the organization’s website, <http://www.transparency.org/>.*

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<sup>12</sup> This case study draws heavily from Transparency International, “Corruption in Construction and Post-Conflict Reconstruction.”

## 2. Namys Monitors Procurement Expenditures on the Disabled in Kazakhstan

In Kazakhstan, the non-governmental organization Namys (“Conscience”) advocates for the rights of disabled persons. Namys registered as a non-profit in 2002 and operates with a relatively small (12 full-time) staff, though it also relies on approximately 70 volunteers.

Initially, Namys focused its attention on advocating for a law that recognized the rights of disabled persons and established programs to provide rehabilitative services. In 2003, the government proposed a regressive law that would represent a return to the old Soviet policy of essentially blaming the disabled for their condition. Namys launched an aggressive campaign to influence this proposal: it held a number of events to protest the law, submitted petitions to the president outlining its concerns, and organized media events to publicize its demand for improvements. These efforts paid off when the government accepted some of Namys’s main provisions, such as by placing clear responsibility on public agencies to protect the rights of disabled persons.

Namys next focused on analyzing the funds allocated to public agencies to help disabled persons to ensure that they were used appropriately. It initiated its monitoring activities as part of a broad coalition that included more than 30 non-governmental organizations supporting disabled persons from all over the country.

Initially, Namys monitored the budget for disabled persons in the Almaty province in southeastern Kazakhstan. Namys uncovered several irregularities in the execution of programs for disabled persons, particularly in the procurement of goods and services. The group documented these findings in a report to the government.

For example, Namys found that a program under which the city of Almaty provides new wheelchairs to 250 disabled persons every year was procuring wheelchairs of a very poor quality. This was not con-

sidered illegal, since low price was the main procurement criterion. Namys brought this issue to the attention of the mayor, who responded by appointing a disabled person to serve on the board assembled to manage wheelchair procurement. The next year, this person tested sample wheelchairs from bidders and made a recommendation. Further, procurement rules were changed to include quality as a criterion.

To expand on its successes, Namys is planning new monitoring activities in other regions of Kazakhstan, in coordination with local partners. It has established a network (consisting of members of the national legislature, media outlets, and regional authorities) to monitor the various budgets and programs created for disabled persons and will oversee this network. Further, Namys is planning to set up an information clearinghouse that will provide information on programs and budgets for disabled persons, along with information on techniques that interested persons can use to monitor these budgets.

*Information on Namys can be obtained from the organization's website at [www.invalid.kz](http://www.invalid.kz) and [www.namys.os.kz](http://www.namys.os.kz).*



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## Chapter 9: The Impact Measurement Process

Once expenditures are incurred, governments may wish to use an impact measurement process to evaluate whether they have achieved the desired results. This can be an annual, end-of-year activity or part of an ongoing process throughout the budget year. Frequently the executive measures the impact of expenditures, but more recently, countries' supreme audit institutions have begun measuring budget impact through value-for-money audits (see Part Five).

Unfortunately, most developing countries have not instituted systems to comprehensively measure the impacts of their budgets. In these countries, in-year and year-end government reports show whether money was spent as appropriated in the enacted budgets, and audit reports examine the government's adherence to financial laws and regulations, but these documents generally do not examine the results of government expenditures.

Presented below are four techniques that a government can use to measure and evaluate the impacts of its budgets.

### **a. Performance Indicators and Performance Targets**

Budgets that include non-financial performance data, including specific performance targets for expenditure programs, are often called "performance budgets" or "outcome budgets." Countries that identify performance targets for their budgets may include them in budget documents or in associated strategic or performance plans.

Unfortunately, some governments attempt to adopt a performance budget before setting up a support system that would enable officials

responsible for implementing the budget to report on performance measures. This can undermine the usefulness of the performance targets.

Table 3 presents examples of performance targets contained in the 2005/06 annual plan of India's Department of Elementary Education.

**Table 3:** Outcome Budget of the Education Ministry Of the Government of India for 2005-06

Name of Scheme/Program	Objective/ Outcome	Outlay	Quantifiable Deliverables
Education for All Campaign (Sarva Shiksha Abhyan)	Enrolling all children 6-14 years old in elementary schools (thereby improving access, enrollment, retention, and quality of elementary education)	78 billion Indian Rupees	Enrolling all 8.13 million out-of-school children in regular schools
			Reducing drop-out rate at primary school level (Class 1-4) by 5 percentage points
			School Infrastructure (a)Sanction of new schools (b)Construction of school buildings (i) Approved (ii) Completed (iii) In progress (c)Drinking water facilities (i) Approved (ii) Completed (iii) In progress (d)Construction of toilets (i) Approved (ii) Completed (iii) In progress
			Quality Education a) Supply of books b) Teacher appointment c) Annual in-service training of teachers
Mid Day Meal	Improving children's nutritional status through universal supply of cooked meals to primary school children	33.45 billion Indian Rupees	Regular provision of meals to 112 million children in primary schools

Source: Adapted from "Statement of Outlays and Outcomes/Targets: Annual Plan 2005-06," Department of Elementary Education and Literacy, Government of India

Sometimes it is difficult for government to measure its performance accurately or to set targets that will help it achieve its policy goals. For example, agencies that primarily provide support services for other agencies – such as the Department of Finance – may not be able to set the same kind of performance measures that the Department of Education would set.

One of the most common errors governments make as they develop performance indicators is to focus on the processes by which they deliver services rather than the *results* these services are intended to accomplish. For example, an agency may list as its performance indicator the number of meetings it plans to hold to formulate a policy rather than establishing indicators that assess the policy’s intended impact (such as a reduction in maternal mortality).

Agencies may also formulate performance measures that are not easily measurable. For example, an agency may set as a performance measure that it will “provide the best urban transportation service in the country” rather than that it will “operate 50 new bus routes and purchase 200 new buses for these routes.”

Performance indicators included in budget documents should clearly indicate what government will try to achieve – and enable observers to monitor what has actually been achieved. A year-end report or related documents should compare performance targets with actual results.

### **BOX 3: UNDERSTANDING PERFORMANCE INDICATORS**

*Performance indicators can focus on inputs (such as “number of staff required in a hospital”) or outputs (such as “number of patients treated in a hospital”). Though it is more difficult to measure actual outcomes, which can be influenced by multiple factors and can take years to assess, the best indicators do address outcomes (such as “decrease in incidence of HIV/AIDS”) or program efficiency (such as “cost expended per patient served”).*

One method often used to promote the utility of performance measurement is the SMART system. According to this system, performance indicators should be:

- Specific:** The indicator should clearly define what should be done, by whom, and where.
- Measurable:** The indicator should contain an answer to the question, “How much or how many?”
- Attainable:** Goals should be attainable during the period for which they have been set.
- Realistic:** Goals should be attainable through steps that are practically achievable in light of government's capacity and the external environment.
- Timely:** A goal should have a specific time frame. Given the annual nature of budgets, performance goals submitted with the budget should generally cover a one-year period.

#### **b. Efficiency Measures**

Some agencies attempt to monitor their own efficiency by conducting internal performance reviews using efficiency measures, such as the share of total expenditures devoted to administration (refer to Table 4) or to personnel. Such indicators become useful measures of efficiency when results are tracked over time or compared to results obtained by other, similar agencies.

**Table 4:** Administrative Expenditures as a Share of Total Budget Allocation per Department

*All figures are stated in percentages*

Department	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Budget	2005-06 Budget	2006-07 Budget
Provincial Administration	6.47	7.62	9.34	12.62	12.03	12.38
Provincial Parliament	36.65	35.32	36.96	40.21	41.63	41.65
Provincial Treasury	34.49	34.37	26.45	19.81	20.90	21.12
Community Safety	10.05	10.80	11.85	13.74	13.91	13.97
Education	3.56	3.46	40.58	4.14	3.61	3.75
Health	3.45	3.15	5.32	4.59	4.54	4.51
Social Service	4.84	4.3	4.42	5.49	5.08	4.76
Housing	4.57	3.84	4.57	4.15	4.54	4.7
Environmental Affairs and Plan	11.33	13.73	12.27	12.17	12.86	12.36
Transport	1.83	1.64	1.73	2.29	2.03	1.87
Agriculture	14.05	13.06	18.26	13.33	12.74	12.56
Local Government	9.07	10.19	20.37	26.73	39.05	38.61
Econ. Development and Tourism	5.72	2.53	9.02	14.62	9.77	11.14
Cultural Affairs and Sports	2.28	2.73	14.04	14.12	14.54	14.68
<b>Total</b>	<b>4.12</b>	<b>3.92</b>	<b>5.00</b>	<b>5.19</b>	<b>4.88</b>	<b>4.79</b>

*Source: Provincial Government Western Cape 2005 Service Delivery Review, Working Paper 2004*

### c. Use of Customer Satisfaction Surveys

Performance monitoring can provide information on whether services have been delivered and what they achieved, while efficiency reviews can provide information on how services were delivered. But neither tool can tell us whether the people who received the services were satisfied with them.

In order to collect this type of information, some governments conduct “customer” (user) satisfaction surveys. Such surveys generally pose two kinds of questions: whether users felt that the service was

appropriate to their needs (i.e., would they prefer government to provide something else instead?) and whether they were satisfied with the service delivered.

One example is the 2006 survey by the government of the Philippines on how many customers the civil registry service of the National Statistical Office served within 30 minutes of their arrival in the office (National Statistical Office, GoP, 2006). It states in part, “The number of satisfied clients who reported to have been served within 30 minutes increased by 17 percentage points to 61 percent from 44 percent in September 2006. It was also 14 percentage points higher than a year ago in December 2005 when 47 percent of the clients were satisfactorily served within 30 minutes.”

#### **d. Value-for-Money Audits**

Performance measurement systems generally indicate whether services were delivered – but they often do not tell us much about how these services were delivered. As a result, they often do not provide information that can help the government or the public measure waste in government spending or assess the quality of service delivery.

In some countries, public audit institutions have initiated value-for-money (or performance) audits that try to assess the economy, efficiency, and effectiveness of government service delivery. When done properly, these audits provide a good measure of government performance.

Canada’s national audit institution, the Office of the Auditor General, uses four tools to conduct value-for-money audits (OAG, Canada, 2004):

*(i) Case studies* highlight good practices by comparing instances of good performance with instances of poor performance and explaining why the one provided better value than the other.

*(ii) Performance benchmarking* utilizes a range of measures – such as resource utilization, unit costs, and efficiency – to compare performance among several agencies.

(iii) *Focus groups* of 8 to 12 people can be selected as samples of a larger population (such as senior officials, service users, etc.) and then enlisted to provide feedback on the quality of services delivered by the government. The evidence gathered from focus groups is qualitative in nature and gives real-life perspectives on a given topic. Focus groups are particularly useful in helping to identify issues, understand why particular actions have been taken, test emerging findings to generate survey questions, and develop practical approaches to policy issues.

(iv) *High-level comparisons* with other organizations that perform similar functions can also provide useful information on an entity's performance. A number of criteria can be used, such as organizational structure, operational policies, and problem solving processes. The emphasis is on learning from others' experiences and putting findings regarding the organization in a broader context.

This issue is discussed in greater detail in Part Five.

23-7779 683 56-203 8834  
73-2337 876 56-203 8333  
22-2889 986 56-203 8884  
23-2333 977 56-203 5554  
7-23987 911 56-203 8888  
23-2829 955 56-203 4654  
23-2829 95556-203 46549  
28-2399 92356-203 85549  
73-2289 783 56-203 5554  
23-7779 683 56-203 8834  
73-2337 876 56-203 8333  
22-2889 986 56-203 8884  
23-2333 977 56-203 5554  
7-23987 911 56-203 8888  
23-2829 955 56-203 4654  
23-2333 977 56-203 5554  
7-23987 911 56-203 8888

## Chapter 10:

### Case Studies of Successful Civil Society Initiatives to Measure Budget Impact

This chapter presents two case studies profiling successful civil society projects to measure the impact of budget execution. The first, from India, describes “citizen report cards” that measure public satisfaction with the delivery of public services. The second, from Tanzania, describes a community scorecard used to track government expenditures in local communities and gauge public satisfaction with government services.

#### 1. Public Affairs Centre Develops Citizen Report Cards in India

##### ORGANIZATIONAL PROFILE

*The Public Affairs Centre (PAC), a non-profit organization formed in India in 1996, is dedicated to improving the quality of governance in the country. Beginning as a small citizens’ initiative to help citizens make informed choices during the Bangalore municipal elections, PAC has since striven to enhance transparency, accountability, and citizen participation in electoral and governance processes. PAC undertakes and supports research on public policy and services, disseminates research findings, facilitates collective action, and provides advisory services to state and non-state agencies.*

## a. Introduction

Bangalore is one of India's largest cities and a major software and industrial center.<sup>13</sup> However, the city suffers from poor public services. Agencies in charge of municipal services (water, garbage collection, road and park maintenance, etc.) are unreliable, and corruption is rampant among all service providers. Inspired by the private sector practice in India of conducting client satisfaction surveys, a group of residents undertook a citizen report card exercise in 1993 to measure citizen satisfaction with public service providers. Subsequently, the group formed PAC to undertake additional surveys. The report card exercise raises awareness of service providers' poor performance and compels them to take corrective action.

The initiative asks users: How satisfactory are the public services you receive? Which aspects of the services are satisfactory and which are not? What are the direct and indirect costs (including bribes) of acquiring these services?

The first report card exercise, in 1993, surveyed 480 middle-income and 330 low-income households that had interacted with one of eight selected public service providers in the preceding six months. Subsequent surveys in 1999 and 2003 focused on seven of these agencies, which were chosen because they served the largest number of people. Agencies assessed in all three report card exercises to date include the water and sewer board, electricity board, public hospitals, development authority, and regional transport office. The questionnaire used for the survey measured user satisfaction in such areas as staff behavior, the number of visits required to complete a task, the ease with which problems were resolved, and the quality of information provided.

The 1993 exercise revealed low levels of public satisfaction with all service providers. Just one percent of the people surveyed expressed satisfaction with the Bangalore Development Authority, for example. Corruption was widespread in almost all agencies; one-third of the poor households surveyed had paid a bribe to public officials in the previous

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<sup>13</sup> This case study draws on Bhatnagar *et al.*, 2006 and Thampi, 2006.

six months. Middle-income customers generally gave low marks in regard to staff behavior, problem resolution, and the number of visits required. The situation was even worse for the poor, many of whom reported ill-treatment by public officials.

These results were shared with senior agency officials and were widely publicized. Many newspapers and magazines highlighted the findings of corruption in public services. The findings were also disseminated through seminars and meetings across the city. A series of “open house” meetings brought together citizen groups that had not been involved in the survey.

The report card exercise was repeated in 1999 and 2003. The 1999 report card results showed a partial improvement for two agencies, but overall citizen satisfaction remained low and respondents seemed even less satisfied with staff in all of the agencies than in 1993. The 2003 report card, in contrast, revealed substantial improvement in almost all agencies; average user satisfaction increased by more than 40 percent between 1999 and 2003.

## b. Methodology

The process of developing a citizen report card (CRC) can be divided into six phases, described below. (For more detail, see Wagle *et al.*, “Citizen Report Card Surveys – A Note on the Concept and Methodology,” 2004.)

### **Phase One: Identification of Scope, Actors, and Purpose**

#### *First Step: Clarify Scope of CRC Evaluation*

The first step is defining the scope of the survey to be conducted, namely, what type(s) of public services will be assessed and how the findings will be used. CRC surveys are often repeated on a single subject or in a single community; the first CRC is frequently used to identify poor service providers, while later CRCs are used to determine whether providers have improved in response to earlier survey findings.

### *Second Step: Coalition Building for Credibility*

The credibility of survey findings depends to some degree on the initial legitimacy of the group conducting the survey. In some cases, the involvement of international organizations can heighten the survey's credibility, but in other cases this type of external involvement may be ineffectual or even counterproductive. The World Bank, for instance, has technically proficient staff who can assist or fund an organization conducting a survey, but they are not always looked upon favorably.

## **Phase Two: Questionnaire Design**

### *First Step: Arrange Focus Group Sessions With Service Providers and Service Users*

Prior to soliciting views from service users, the group conducting the survey must decide which users will be surveyed – for example, those who have used the services within the past three months, six months, 18 months, or during any time period? Service providers can be asked for information on the services they provide and on needed improvements that have already been identified. The information gathered from these focus groups should inform the questionnaire content.

### *Second Step: Define the Structure and Size of the Questionnaire*

As with any survey, time and quality constraints limit the number of questions that can be asked. One useful practice is to break the questionnaire into sections that different members of the household can answer. Another is to conduct “rotating interviews,” in which the first household is asked questions related to one set of public services, the next household is asked about a different set of services, and so on.

## **Guidelines for CRC Questions**

Where standards for a particular public service exist, the questionnaire should check whether they are being met. For example, if the provider of drinking water has committed to provide water once a day, include a specific question to assess whether service is provided as promised:

Sample question: How often do you get drinking water?

1 – More than once a day    2 – Once a day    3 – Less than once a day

When standards do not exist (which is the case in many countries), another way must be found to evaluate the quality of service delivery. The following are examples of questions that can be asked to obtain feedback on the accessibility of health centers.

- Option 1: How long does it take to travel to the health center that you most regularly visit? Followup question: And what is your mode of transportation?
- Option 2: What is the distance from your house to the health center that you most regularly visit?

Both options provide useful information, so try to identify the type of feedback that would be most useful given the purpose of the CRC and the local setting.

To avoid collecting outdated information, include a time frame when necessary. For example, one might want feedback only from households that have used a service in the past year.

Sample question: Have you or anyone in your household used public hospital services in the past year?

If you are asking a distance-related question or any other question for which the unit of information (distance in kilometers, time in minutes, etc.) affects the respondent's answer, make sure the unit is identified in the question. For open-ended questions, ask investigators to note the unit of measurement used in the answer, even when the unit is specified in the question. This provides a double-check and allows for conversions when a respondent's answer is given in a unit different from the one in the question.

Sample question: On average, how many minutes do you wait to see a member of the hospital staff?

Several types of answer scales are commonly used to collect feedback. The type of scale used affects the interpretation of the survey findings: extensive scales allow for more nuanced conclusions, while simple scales provide findings that are easy to convey.

Sample question: How do you rate the reliability of public transport service in your area/village? 1 – Good, 2 – Average, 3 – Poor, 4 – Not applicable

Finally, questions should be written as neutrally as possible. A question such as “What do you dislike the most about the services you receive?” presupposes that the user dislikes something about the services unless balanced by another question that asks: “What do you like the most about the services you receive?”

#### *Third Step: Pre-Test the Questionnaire*

Questionnaires should be tested on focus groups similar to those organized in the first step, and any necessary modifications made prior to the survey’s launch. The persons who will conduct the survey should also test it before going into the field, and time should be allowed to modify questions or questioning methods based on their feedback. If a question confuses a significant number of people or requires a great deal of clarification, it should probably be changed.

If the survey has been translated into multiple languages, all surveys should be re-translated back into the primary language (by someone other than the original translator) before the survey is conducted, to ensure consistency across all instruments.

### **Phase 3: Sampling**

#### *First Step: Identify the Geographic Regions From Which Respondents Will Be Drawn*

Prior to determining the survey sample size, attention should be paid to the geographic region(s) in which the survey will be launched. It may be useful to divide the regions into areas based on factors such as type of housing, age of locality, or median income. Within these divisions, select a number of localities from which households in different income brackets will be chosen once the survey sample size has been decided.

#### *Second Step: Determine Survey Sample Size*

Budget, time, and organizational capacity will limit the survey size; enumerators (the people who conduct the survey) must be paid and perhaps transported to the survey areas, leaflets must be printed, and

so on. Keep in mind that the goal is to achieve good representation of different parts of the population rather than simply to generate a large number of completed questionnaires. Try to capture as many social strata as possible in the locality being surveyed. PAC has found that a sample size of 300-350 households is ideal for each public service that is the subject of a survey.

#### *Third Step: Choose Sample Respondents*

In a CRC survey, the most likely unit of analysis is the household. However, even within a household, sample respondents need to be selected. Typically, the head of the household will be chosen to respond, though if the survey is broken into different sets of questions, other household members may be approached for answers. Other members of the household may also be better informed about some questions than the head of the household; for example, someone who does not work outside the home may know more about daytime power outages than a household head who works outside the home.

Proper sampling is no easy task. One useful technique is random sampling, in which each household is assigned a number and then numbers are drawn at random; households with numbers corresponding to the drawn numbers are surveyed. Another useful technique is stratified random sampling, in which researchers establish categories such as men/women or slum/non-slum households and then choose random samples from within each category. Many other ways of sampling exist as well.

### **Phase 4: Execution of Survey**

#### *First Step: Select and Train a Team of Enumerators*

Survey personnel should have a good understanding of the purpose of the project and how the survey contributes to this purpose. They should receive training before being sent to conduct the survey. In some cases, it may be useful to employ female interviewers to speak to female respondents and male interviewers to speak to male respondents.

### *Second Step: Perform Random Checks of Interviews*

To ensure the survey's credibility is not compromised by inaccurate recording of household responses, it is useful to perform random spot monitoring of interviews. If survey questions are misinterpreted or some answers are found to be inconsistent, re-interviewing is required. Enumerators should ask the questions exactly as they are written. This prevents an interviewer's own biases from affecting the answers and ensures better comparability across survey responses.

After completing each interview, survey personnel should review the collected information and identify any inconsistencies. Only after the collected information has been deemed accurate and satisfactory should it be entered into data spreadsheets.

## **Phase 5: Analyze Data**

Once all the data have been consolidated, analysis can begin. Respondents likely will have rated government services on a scale, for example, -5 to +5, or 1 to 7. One way to generate aggregate scores is to tally the responses for a common set of questions, calculate the average response, and then express this average as a percentage. For example, if the average user rating on a particular public agency's overall effectiveness was 3.7 on a scale of 1 to 7, the percentage would be 53 percent (3.7 divided by 7). This percentage can be read as the "grade" for the report card.

Statistical tests should be run on the data to determine whether the survey results can be applied to the greater population and whether differences between sub-groups are statistically significant. It is helpful – if not essential – to find a person or group (for example, a research center at a university, a graduate student, or an experienced survey company) with the statistical analysis skills to assist with this phase of the process, if these skills are not available internally.

## **Phase 6: Dissemination**

### *First Step: Engage Officials*

It may not be helpful to use report card results to publicly embarrass particular service providers. Instead, one can first share the preliminary

findings with them so they can respond; any genuine explanations should then be noted in the final report and factored into the recommendations.

### *Second Step: Engage the Media*

The findings from the report card initiative could be presented at a press conference or similar event. To increase coverage of the event, the group that conducted the survey can prepare press kits that include brief printable stories, media-friendly press releases, and translations of the report into local languages. The group should seek to attract multiple media formats – including print, television, radio, and new media such as websites, discussion boards, and blogs.

### *Third Step: Foster Communication Between Service Providers and Users*

Bringing together service providers and users after the report cards have been published gives both parties a chance to discuss their reactions. These discussions can put added pressure on service providers to improve their performance; at the very least, they allow users to voice their opinions. If possible, schedule an event like a public hearing during which the public can ask questions of service providers.

### *Fourth Step: Present Your Message*

The final report should present the survey results, draw conclusions from them, and recommend steps to fix any problems the survey identified. It should include both the positive and the negative results, and apart from exceptional cases, it should be a catalyst for change rather than a condemnation of service providers.

For a more in-depth look at CRCs, consult *Improving Local Governance and Service Delivery: Citizen Report Card Learning Toolkit*, created by PAC, the Asian Development Bank, and the Asian Development Bank Institute, at <http://www.citizenreportcard.com/index.html#>. The appendices of the PDF version include additional resources such as sample press releases, sample final reports, and budget checklists.

## c. Results Achieved

### **Successes**

Public satisfaction with service delivery fluctuated among the three surveys conducted over the ten-year period in Bangalore – though the 2003 results showed remarkable improvements in public satisfaction over the 1993 results. Even though the 1999 survey did not compare very favorably to the 1993 survey, its findings showed that some agencies had attempted to respond to the public dissatisfaction revealed in the first report card.

Three agencies – Bangalore Telecom, the Electricity Board, and the Water and Sewerage Board – streamlined their bill collection systems after the 1999 survey. With PAC’s assistance, the Bangalore Development Authority developed its own report card, which it used to obtain feedback from customers on corruption and to identify weaknesses in service delivery. The Bangalore City Corporation and the Bangalore Development Authority also initiated a joint forum of representatives from non-governmental organizations and public officials to identify solutions to high-priority problems. Two large public hospitals in the city that had received very poor rankings agreed to support an initiative designed by a non-governmental organization to set up “help desks” to assist patients and to train their staff to be more responsive to patients’ needs.

PAC acknowledges that a number of factors caused the dramatic improvement in agency performance between 1999 and 2003. These include pressure from international donor organizations and a responsive chief minister in the state, who encouraged civic participation in governance. However, ten years of sustained advocacy and media publicity regarding the report card results also played a major role in pressuring city agencies to improve their service delivery.

### **Challenges**

Completing a CRC project can take six months to a year, or even longer. PAC has assisted groups in many other countries seeking to implement its methodology and has developed a list of issues that any group interested in conducting a report card survey should consider.

*i. Requirement of a Strong Lead Institution:* The ultimate success of a CRC project depends in large part on the institution that leads it. This institution should be legitimate in the eyes of those who will be surveyed and familiar with the locality where the CRC is to take place. It should also be experienced in conducting surveys and willing to work with multiple stakeholders drawn from throughout society. It is also helpful if the institution can draw from an established network of organizations and individuals to supplement its own skills and personnel.

*ii. Evaluation of the Socio-Political Context:* Governments must be able to respond to feedback in order for a CRC to produce meaningful changes. Furthermore, the relationships among different sectors of society (government, media, civil society, businesses, and citizens) must be conducive to the use of a CRC. Citizens must not be too intimidated to respond to survey questions, and the safety of enumerators and respondents should not be in question.

*iii. Development of an Advocacy Strategy:* Advocacy efforts should always be directed to the level of government (local, state, or national) responsible for the service being assessed. Further, the group conducting the CRC survey should cultivate strong relationships with local media, which can help disseminate the survey results and thereby build the pressure needed to effect change in a service provider's practices. The greater the amount of media censorship in a country, the less likely it is that a group's advocacy efforts will succeed.

Advocacy efforts will be even less likely to succeed if service providers are not willing to change their practices. Including some survey results that reflect favorably upon the service provider will help the provider feel more comfortable with the process. Repeating the report card at regular intervals also gives providers input on whether their efforts to improve services are working, which could even create an incentive for them to become involved in the survey process.

*iv. Requirement of Technical Skills:* The group conducting the CRC survey may need technical assistance from outside groups on such issues as survey techniques, details of local service provision, and survey fieldwork. Universities and private companies can be good places to find people with skills in these technical areas.

v. *Consideration of Cost:* The cost of a CRC survey will vary depending on factors such as the sample size, the number of personnel needed to conduct the survey and the level of training they will need, communication and information equipment needed (computers, phones, etc.), the cost of printing questionnaires, wages to be paid to interviewers and supervisors, any fees due to outside agencies to which certain tasks have been outsourced, and travel and dissemination costs.

*Information on PAC can be obtained from the organization's website, <http://www.pacindia.org>.*

## 2. Hakikazi Catalyst Uses PIMA Cards in Tanzania

### **ORGANIZATIONAL PROFILE**

*Formed in 2000, Hakikazi Catalyst is a Tanzania-based economic and social justice advocacy organization that empowers marginalized people both to influence government decisions affecting their lives and to achieve their civil and political rights at the local, national, and international levels. The organization has 14 full-time staff members and is governed by a board of directors, an advisory council, and a committee of members.*

*Hakikazi produces a number of publications every year that disseminate information on public policy to local communities in accessible and popular formats. Its overarching goals are to support the initiatives of poor and marginalized communities, influence change in national and local policies, and eradicate poverty.*

## a. Introduction

In 2003, the International Budget Project organized a conference in Mexico that brought together budget advocacy organizations from 40 countries. One of the presentations was made by the Public Affairs Centre from India, which has successfully implemented citizen report cards to evaluate public satisfaction with government service delivery (see previous case study). After attending this conference, the director of a Tanzanian economic and social justice advocacy organization, Hakikazi Catalyst, decided to adapt the citizen report card methodology to his country context and developed the PIMA card.

Hakikazi's PIMA cards (pima means "measure" in Swahili) provide a simple, flexible evaluation tool that enables communities to gather qualitative and quantitative information on inputs (what funds did the community receive?), outputs (how were the funds used?), and outcomes (how did the projects affect the community?) of government expenditures on poverty-reduction strategies.

Under this methodology, both local communities and district governments complete a card assessing the quality of goods and services provided by the district government to local communities. Based on the results, the district government and local communities decide on the next steps to be taken to address communities' priorities and to continue information-sharing in a systematic way.

Between 2003 and 2007, Hakikazi completed two budget monitoring exercises using the PIMA card process. The main objective was to determine how the government's poverty reduction strategies are being funded and implemented at the local level and whether they are actually improving the welfare of poor communities.

The government's monitoring system for Tanzania's poverty reduction strategy, popularly known by its Swahili acronym MKUKUTA, is set forth in *MKUKUTA Monitoring Master Plan and Indicator Information* (2006), which describes a framework to enhance the participation of all stakeholders – particularly civil society – in monitoring the strategy's implementation. The document also outlines specific indicators for each of the goals in MKUKUTA, which are useful tools for civil society organizations and other groups conducting monitoring activities.

## b. Methodology

### **The PIMA card process involves eight steps:<sup>14</sup>**

#### *Step 1: District-Level Groundwork*

Hakikazi selects villages to participate in the exercise based on the relationships the group has developed with them over time. It organizes district workshops to mobilize stakeholders, explain budget monitoring systems and the PIMA card process, and generate support for the process. Participants include village and ward-level government leaders; district officials from the planning, agriculture, natural resources, education, health, and community development departments; district council members; civil society organizations; and community representatives. During these meetings, local officials are approached about providing information on budgeting and planning on a regular (quarterly) basis in an agreed-upon format. If an agreement is reached, this information is disseminated to participating communities.

#### *Step 2: Skills Building*

Hakikazi organizes workshops to train individuals within a community (drawn from existing community-based organizations) who will lead the PIMA card process. These “training of trainers” workshops are a key component of the MKUKUTA monitoring process. They provide participants with the skills to gather quantitative and qualitative budget information in communities, analyze government budgets, and present their results to decision-makers and communities.

Civil society representatives, local government staff (e.g., community development workers), and research facilitators from Hakikazi participate in the training workshops and are involved in every subsequent step of the PIMA card process, including designing the PIMA cards, analyzing budgets, facilitating community meetings, facilitating data collection in communities, and analyzing and disseminating findings.

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<sup>14</sup> This section draws on Hakikazi Catalyst, REPOA, TGNP, 2007

### *Step 3: Community-Level Groundwork*

Next, Hakikazi convenes public debates on MKUKUTA in the participating communities. Their objective is to enable communities to understand MKUKUTA and its monitoring system and to provide feedback on poverty reduction strategies.

At the public debates, communities discuss the causes of poverty; MKUKUTA strategies, targets, and indicators; and the purpose and benefits of budget monitoring in general and PIMA cards in particular. Following discussions in small groups, community members select two of the MKUKUTA sectors they want to monitor, such as education, health, roads, agriculture, or water. Each community also selects seven to 15 people to serve as a village monitoring committee, which will collect information on the selected priority areas using the PIMA cards. Members are chosen from a broad cross-section of the community, including youth, women, elderly people, and disabled people.

### *Step 4: Design of Village PIMA Cards*

Monitors use the PIMA cards to collect information in their communities on the quality and quantity of expenditures in the sectors under investigation, including:

- which MKUKUTA activities were allocated funds in the district budget in the selected sectors;
- how much funding was received in the community for sector activities in the last 12 months (inputs);
- how many activities were completed in the community in the last 12 months (outputs);
- what were the actual expenditures on those activities;
- what was the level of community satisfaction with the results of activities;
- which MKUKUTA activities carried out in the community in the last 12 months were not allocated funds in the district budget (and how they were funded); and
- what are the community's other priority issues, ranked by importance.

Table 5 illustrates the information collection process for one common budget expenditure: agriculture and markets. Hakikazi creates similar PIMA cards for each of the other budget expenditures that a community prioritizes for monitoring.

**Table 5:** Sample Village PIMA Card A – The Village Development Budget

Agriculture and Markets				
Development Budget Item	Budgeted Amount	Source of Funds	Actual Expenditure	Is expenditure producing desired benefits?
1.				
2.				

Hakikazi provides the following instructions for completing this sample village PIMA card:

- The PIMA card should be completed using the village development budget.
- The source of the funds should be stated. For example, was the money provided by the government, community contributions, or an organization?
- The actual amount spent on the development work should be stated. This should be available in the village bank statement(s) and accounting records maintained by the village government.
- Finally, it should be stated whether the work was completed and whether the village is benefiting from the work in the way intended. This information should be based on a physical verification of the project site(s).

Table 6 is a sample village PIMA card that collects information on the quality of expenditures in the agriculture and markets sector.

**Table 6:** Abstract of Village PIMA Card B – Production Factors

Agriculture and Markets					
B1	Extension Services				
	What types of extension advice were provided in your village last year and how satisfied are you with these services?				
		Not received	Poor	Satisfactory	Good
	Pest management				
	Improved seeds				
	Soil conservation				
	Farmers' support association				
	Irrigation techniques				
	Crop processing (etc.)				

Hakikazi provides the following instructions for completing this card:

- Consider and record all the training or information services your community has received from agricultural experts in the last 12 months.
- If training or information services were not received in the last 12 months, please mark the box indicating that the service was “Not Received.”
- If a service was received, discuss and agree on whether the service was Poor, Satisfactory, or Good and mark the corresponding box.

Similar instructions are provided on the PIMA card to collect information on many other service delivery and infrastructure issues, such as access to agricultural credit, access to seeds and fertilizers, and the condition of irrigation infrastructure.

*Step 5: Design of District-Level PIMA Cards*

The district-level PIMA Card is called a district self-evaluation and is completed by a district-level government official. Hakikazi designs a self-evaluation for each sector selected by communities for the monitoring exercise. For example, the district agriculture officer should

complete the self-evaluation for the agriculture sector (refer to Table 7). The questions in the self-evaluation card should mirror the questions asked by the village monitors at the community level. For example, the card should ask about MKUKUTA activities funded in the budget, the sources of funds, actual expenditures, and the impact of funded activities.

**Table 7:** Sample Abstract of District Self-Evaluation Card

Agriculture and Markets									
<b>A</b>	<b>Crop Production</b>								
<b>A1</b>	<p>Quantity of Cash Crop What quantity of each cash crop was produced in the District in each of the last 3 years?</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Crop</td> <td style="width: 25%; text-align: center;">2004</td> <td style="width: 25%; text-align: center;">2005</td> <td style="width: 25%; text-align: center;">2006</td> </tr> <tr> <td></td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </table> <p>What reasons are there for any increase or decrease?</p>	Crop	2004	2005	2006		_____	_____	_____
Crop	2004	2005	2006						
	_____	_____	_____						
<b>B</b>	<b>General Questions</b>								
<b>B1</b>	Please list, in order of importance, the five most important problems facing crop and livestock production in the District.								
<b>C</b>	<b>Extension Services</b>								
<b>C1</b>	<p>In the previous financial year, which communities have your agricultural experts given training, information or supplies to for these aspects of farming?</p> <p>Pest management _____</p> <p>Improved seeds _____</p> <p>Soil conservation _____ (etc.)</p>								

*Step 7: Information Collection with PIMA Cards*

Information collection at the village level generally takes about two weeks. Hakikazi and its facilitators start by training one village monitoring committee on how to collect data using the PIMA card, which is then tested in that committee's community. If needed, the PIMA card is revised after the testing and then used to train other village monitoring committees.

With support from Hakikazi’s trained facilitators, the village monitoring committees collect information on allocations received from the district and on expenditures at the community level through analysis of the village government’s bank statements, accounting records, and receipts. Hakikazi reviews this information for accuracy and consistency and obtains more information from communities, if necessary. When the PIMA cards are completed, Hakikazi facilitators work with village monitoring committees to help them summarize their findings, which are then presented and discussed at village meetings.

#### *Step 7: Analysis of Local Government Budgets*

Hakikazi analyzes district budgets to identify budget allocations for the sectors selected for monitoring. District budgets, obtained from the district planning office, show approved expenditure estimates – the funds that are meant to be disbursed to village governments and service providers. The district budget analysis is conducted to identify:

- recurrent (operating budget) expenditures and development (capital and operating budgets for new programs) expenditures for the selected sectors;
- what MKUKUTA activities for the selected sectors were included in the budgets;
- what MKUKUTA activities were *not* included in the budgets; and
- expenditures in “Other Charges” and development (capital) budgets for MKUKUTA activities.

Hakikazi compares the results from its budget analysis with the results reported in the PIMA cards completed by the district officials (through the self-evaluation) and by the communities.

#### *Step 8: Analysis and Feedback*

A report combining information from both the district and communities is drafted, peer-reviewed, and then shared with the communities and local government. Community representatives and local government officials then meet to discuss the monitoring results, decide on next steps to address communities’ priorities, and determine how to continue information-sharing.

The results of the PIMA card studies are shared at the community level (where the village government can act upon them), the district and regional levels (where key practical decisions that favor poor people can be influenced), and the national level (where policymaking bodies can respond to them).

Hakikazi also collaborates with other civil society organizations to use its findings to influence pro-poor decision-making at all levels of government.

## c. Results Achieved

### **Successes**

As stated earlier, Hakikazi has undertaken PIMA card studies only twice. However, it has already achieved some success in identifying problems in village development expenditures. For example, one of the communities that participated in Hakikazi's 2006 project is Mkonoo, a village near Arusha in northern Tanzania. Mkonoo's village assembly chose to monitor the use of primary education funds and made the following discoveries:

- Of the Tshs. 9,300,000 (approximately US\$7,500) withdrawn from the village's bank account, no records were available to account for expenditures totaling Tshs. 1,100,000 (approximately US\$880).
- A physical verification of the schools constructed during the year under investigation revealed that the iron sheets used for roofing on the classrooms were thinner than those listed in the budget (and required by government standards). The thinner sheets that were used could easily blow off during a strong storm.
- The village government also had no explanation or accounts for Tshs. 1,124,700 (approximately US\$900) allocated for the construction of a teacher's house, even though this amount had been withdrawn from the village bank account.

The misuse of funds was brought to the attention of the village, ward, and district governments by the village monitoring committee and Hakikazi. The district government subsequently formed a team to

investigate. At the time of this writing, the government's Prevention of Corruption Bureau was also investigating the matter, since district officials may have been involved. This is one small example of how simple, community-level monitoring can lead to improvements in local governance and accountability and, ultimately, in the lives of poor people. Hakikazi has achieved similar successes in other communities too.

## **Challenges**

Hakikazi relies on a government guideline that requires local governments to provide information to the public upon request. However, in the absence of a national right to information law, access to information remains a major obstacle for Hakikazi and the local communities that implement the PIMA card process.

Hakikazi has also found that variations in the standard of facilitation during the information collection process lead to variations in the completed PIMA cards. In the future, it will be necessary to ensure that all facilitators are committed and competent.

Finally, analysis of district budgets has often been difficult and time-consuming due to their opaque and inconsistent presentation. It is also frequently questionable whether budget documents provide honest representations of what development activities are realistically possible, given the extreme financial constraints.

In spite of these challenges, Hakikazi plans to continue improving the PIMA card process and to build on its expenditure tracking experience by working in additional communities and districts.

*Information on Hakikazi can be obtained from the organization's website, <http://www.hakikazi.org>.*

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## Chapter 11: Other Successful Initiatives to Measure Budget Impact

This chapter presents two additional case studies profiling successful civil society projects to measure the impact of a government's budget execution. The first, from Nicaragua, describes an effort to track the impact of hurricane relief aid and gauge the level of public satisfaction with the government's response to the hurricane. The second, from Guatemala, describes an effort to monitor the impact of government education programs through local surveys.

### 1. Coordinadora Civil Compiled Customer Satisfaction Surveys to Measure the Impact of Hurricane Relief Aid in Nicaragua

Following the devastation wrought in Nicaragua by Hurricane Mitch in 1998, civil society was concerned with the government's management of the resulting international aid flows. In addition, there were rumors about discrimination in the delivery of aid based on party or religious preferences and about the use of aid funds for unofficial purposes. A local civil society network, *Coordinadora Civil para la Emergencia y la Reconstrucción*, decided to investigate these claims.

Because the large number of affected communities made it difficult to measure the distribution of aid, *Coordinadora Civil* undertook an audit of communities' perceptions of aid delivery. The first phase of the

audit was carried out through surveys and interviews with respondents from roughly 10,000 households in 61 municipalities, along with 179 community leaders, 48 mayors, and 82 directors of non-governmental organizations and associations. Interviewees were asked when aid had been delivered and by whom, how much had been delivered, and whether the aid had been appropriate for each situation.

In the second phase, *Coordinadora Civil* sought to gauge households' perceptions about whether their conditions had improved and how they evaluated the government's (and other organizations') service delivery. Of the 6,000 households interviewed, 29 percent said their situation had improved, 34 percent said it had remained the same, and 37 percent said it had worsened. When asked the most important action the government had taken in response to the hurricane, 60 percent said "nothing," 29 percent identified some action, and 10 percent said they did not know. When asked to identify civil society, religious, national, and international organizations that had responded to the disaster, 49 percent mentioned an international organization, 27 percent a non-governmental organization, 18 percent the Red Cross, and 6 percent a religious organization. The audit also obtained data on the percentages of households that currently receive agricultural, housing, and food assistance.

*Coordinadora Civil* also sought to highlight the most pressing needs by asking interviewees to identify problems they felt should be reconstruction priorities. Responses included emotional despair, mistreatment of women (which many feel has increased since the hurricane), and inadequate preparation for future disasters. *Coordinadora Civil* then designed a survey of community leaders and households heads to measure the levels of these problems and the hurricane's impact on them. The survey results, along with the final audit report, were delivered to all survey participants.

*Coordinadora Civil* compared these responses to official reports from donor governments and institutions and the Nicaraguan government. The audit confirmed the charge that aid distribution had been mismanaged. The group shared its findings with local organizations and authorities and then informed government officials, national organizations, the international community, and the media. Reporters subse-

quently found additional information supporting the audit's results. The government first denied the findings, then began harassing those who presented them. However, the audit subsequently helped form the basis for investigations that led to the 2003 imprisonment of former president Arnaldo Alemán for money laundering and embezzlement (Quiros, 2005).

*Information on Coordinadora Civil can be obtained from the organization's website, <http://www.ccer.org.ni/>.*

## 2. Association for Research and Social Studies Tracks Education Expenditures in Guatemala

Guatemala has one of the lowest educational standards in Central America. In 2002, more than 31 percent of the country's population was illiterate, student dropout rates averaged approximately 50 percent annually (reaching as high as 75 percent in rural areas), and investment in education as a share of GDP was less than 7 percent.<sup>15</sup> By comparison, Guatemala's neighbors invest approximately 10 percent of their GDP in education.

The Ministry of Education initiated a number of programs in 1996 to improve school retention rates, including free breakfasts and lunches for all students and the distribution of free textbooks for all students. However, almost seven years later, there was still no tangible evidence that education standards in the country were improving.

In 2002, ASIES – a research and advocacy organization – launched a Grand National Campaign for Education (Gran Campaña Nacional por la Educación or GCNE), working with a coalition of 77 non-governmental organizations from around the country. Since then, GCNE has organized a number of community-focused surveys (which it calls social audits) to monitor the implementation of public primary school programs, particularly programs that provide free meals and textbooks.

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<sup>15</sup> The case study draws on ASIES, 2003 and Rubio, 2002.

Since the government does not maintain detailed information on education programs, GCNE has come to rely on its own surveys, instituted in individual public schools, for information on the delivery of education programs. GCNE uses a scientific stratified sampling methodology to select schools from across the country for its surveys. The surveys target principals, teachers, parents, and students regarding issues such as their awareness of the availability of free meals and textbooks, the adequacy of the budgets for these programs, and their level of satisfaction with these programs.

The surveys have uncovered startling findings that help explain the country's lack of improvement in education. For example, one survey found that approximately 80 percent of principals were unaware of the free meal program and that approximately 75 percent of schools did not receive textbooks for all students.

GCNE prepares a formal report following each survey (see <http://www.asies.org.gt/grancampaña/CGAUDITORIASOCIAL2005.pdf>) and has made a series of recommendations to the government, such as that it drastically increase the number of free textbooks it distributes. GCNE also sends an annual report to senior government officials, the media, and other stakeholders, including the teachers' union. In 2006, GCNE's persistent efforts won a commitment from the Ministry of Education that it will follow up on the results of the audit.

*Information on ASIES can be obtained from the organization's website, <http://www.asies.org.gt>.*



# Part V

## The Audit and Legislative Oversight Process

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## Chapter 12: The Audit and Legislative Oversight Process

Once expenditures have been completed and all transactions have been recorded, the executive prepares an annual report that shows the total expenditures incurred by agencies during the year. An independent auditing agency then verifies these expenditures for accuracy. In many countries, audit reports are submitted to the national legislature, which evaluates the comments in the audit reports and makes recommendations to the executive for corrective action.

**Chart 5: Oversight Process**



This chapter discusses the audit and legislative oversight functions undertaken by a country’s supreme audit institution (SAI) – the main body responsible for oversight of government accounts – and by the legislative committee that oversees audit results. The first section examines the three basic models of SAIs. The second section examines the types of audits SAIs undertake and the types of audit opinions provided in audit reports. The third section presents an overview of the basic procedures followed by a legislature as it conducts oversight of the annual budget.

## 1. Models of Supreme Audit Institutions

Almost every country legally mandates the existence of an entity to oversee public expenditures. Known generally as supreme audit institutions, they may have such names as Office of the Auditor General, Board of Audit, or Court of Accounts. In addition to SAIs, individual agencies may have internal auditors who report to agency management, and in some countries, local government audits are undertaken by audit bodies created specifically to fulfill this function. Also, the SAI or the government may appoint private sector auditors to undertake audits of some public agencies and public corporations.

Broadly speaking, most SAIs can be classified under one of the following three models (refer to Table 8): Westminster (or parliamentary), judicial (or Napoleonic), and board (or collegiate).<sup>16</sup>

**Table 8:** Types of SAIs and Where They Are Found

Model	Countries
Westminster Model	Most Commonwealth countries and a few Latin American countries, such as Peru and Chile
Judicial Model	Most francophone countries and several Latin American countries, including Brazil and Colombia
Board Model	Most Southeast Asian and East Asian countries and a few Latin American countries, such as Argentina

## **Westminster Model**

SAIs that follow the Westminster model typically have a powerful head – called the auditor general – who can be removed only with the parliament’s agreement. The SAIs organized according to this system primarily perform financial audits (though some, including those in South Africa and the United Kingdom, also undertake performance audits); they place less emphasis on compliance audits (discussed in the next section).

Sometimes the auditor general under this model is required to perform an additional set of non-audit tasks that have a control function and that under other models are performed by a separate functionary called the comptroller (or controller). These tasks include authorizing requests for transfers of funds from a central agency to departmental accounts.

At the end of the fiscal year, the SAI conducts audits of the financial management and annual accounts of government agencies. The auditor general’s audit reports are laid before the parliament and considered in detail by a legislative committee.

The Westminster model requires the legislature’s active participation to follow up on the SAI’s audit findings. This provides some room for civil society organizations to work with both SAIs and legislatures to highlight government failures and enforce corrective action.

## **Judicial Model**

As suggested by the name, SAIs following the judicial model are part of the national judicial system and consist of judges who are members of the SAI. A key aspect of the judicial model is that government officials (specifically, accountants<sup>17</sup> in government agencies) are held personally liable for illegal transactions. The SAI judges the legality of the public accountant’s actions and can either “discharge” the public accountant from further liability or impose a penalty.

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<sup>16</sup> This section draws on DFID, 2004 and 2005.

<sup>17</sup> Ministry of Finance officials based in line ministries and other bodies as public accountants are responsible for maintenance of financial statements in countries following the judicial model.

Unlike the Westminster model, an SAI following the judicial model has only a limited relationship with the legislature. Audit reports of individual agencies are not placed before the legislature, and the SAI itself acts on these audit findings. However, the SAI does present the legislature with a report on the national accounts (compiled by the Ministry of Finance), which is based in part on audit findings from individual agencies and other findings of SAI reviews. The legislature relies on this report to hold the government accountable for the management of state finances.

The SAI in the judicial system is sometimes called the Court of Accounts or Court of Audit and exists as an independent court dealing only with financial matters. In some countries, the Court of Accounts might form part of the Supreme Court, in which case it might not have the same degree of autonomy as it would if it were independent of the Supreme Court.

In some countries – Portugal, Italy, and their former colonies – the SAI performs not only audit functions but also control functions, such as approving certain types of public expenditures. While this resembles the control functions found in the Westminster system, it differs from that system in the level of detailed checks that the SAI initiates prior to making transfers. Specifically, in the Westminster model the SAI authorizes the release of funds from the consolidated fund to the control of individual ministries and departments; under some judicial models, in contrast, the SAI performs “pre-audit” functions before authorizing payments for procurements the government makes to individual suppliers.

The main focus of the SAI audit under the judicial system is to verify the legality of transactions rather than to assess either the value achieved for the expenditure or the quality of agency performance. The legislature’s limited involvement in reviewing audit findings can reduce the opportunities for civil society to participate in holding agencies accountable under this system. However, the strong powers vested in the SAI under this model (especially its penal powers) provide an incentive for civil society to engage with the SAI and demand corrective action against agencies or projects of concern.

## **Board Model**

Under the board system, the SAI consists of several members who form part of its governing board and report jointly to the legislature, through committees such as the Public Accounts Committee (PAC). This system is similar to the Westminster system in terms of the relationship of the SAI to the legislature – the board submits audit reports to the PAC, which uses the audit findings to hold government agencies accountable. The board system is also similar to the judicial system in that it has multiple board members (like the multiple judges in the judicial system), though they lack judicial powers. The board might consist of multiple committees (“colleges”) specializing in certain technical areas and following different audit approaches.

The board model is highly inclusive and accommodates the views of its different colleges. However, this can also slow down decision-making processes. Depending on the degree of autonomy assigned to individual colleges, the board may not always speak with one voice, which may undermine the SAI’s consistency in the conduct of its activities.

The length of board member terms and the schedule of appointments can reduce the system’s effectiveness. The terms must be neither too long nor too short, and they should be staggered so there is not a sudden loss of leadership and institutional memory when members’ terms expire.

Under the board model, the SAI refers any audit findings that point to fraud or corruption to the public prosecutor. This is different from the Westminster model, in which the findings are submitted to the legislature. By taking up cases of corruption directly with the prosecuting agency, the board model can shorten the process by which public officials are held accountable for fraud and corruption.

The board model gives civil society organizations an opportunity to interact with officials who have a great degree of autonomy and who work on a variety of auditing issues. However, while civil society may find a few sympathetic voices within the SAI, convincing the SAI as a whole to take up a particular position could prove difficult.

## 2. Types of Audits Undertaken and Audit Opinions Provided by SAIs

Public sector audits generally take one of the following three forms: financial audits, compliance audits, or performance audits.

### **Financial Audits**

Financial audits are also referred to as attestation audits because the auditor attests to, or verifies, the accuracy and fairness of the presentation of financial statements. All government agencies maintain books of accounts (cash books, ledger accounts, etc.) in which they record individual financial transactions. Each transaction in the books of accounts should be recorded from vouchers authorized by designated officials and supported by evidence specifying the nature of the transaction, such as bills and receipts. The agency then uses the books of accounts to prepare financial statements such as a consolidated receipts and disbursements statement, which shows the overall level of receipts and expenditures incurred by the agency during a financial period (usually a year).

In the course of a financial audit, an auditor scrutinizes a sample of vouchers to establish the authenticity of the transactions in the books of accounts and consolidated financial statements and to determine whether the accounts fairly present the entity's financial affairs.

The auditor's observations are recorded in an audit report, which may list all errors and irregularities that were uncovered. In many countries, the audit report also contains a formal opinion by the auditor on whether the financial statements present a true and fair picture of the government's financial position and whether the receipts and payments have been applied as per the budget law. (Audit opinions are discussed in greater detail below.)

### **Compliance Audits**

When conducting a compliance audit, the government auditor determines whether the following conditions have been satisfied:

1. Has the expenditure been authorized by a competent authority?
2. Has the expenditure been authorized by the budget appropriation law and made in accordance with the terms of the law?
3. Does the expenditure conform to the procedures (relevant rules, regulations, and orders) promulgated under the country's various public finance and other laws?

### **Performance Audits**

In recent decades, SAIs in some countries have broadened their mandates to include measuring “value-for-money” considerations in public spending. Such performance auditing requires expertise not just in accounting and finance but also in such disciplines as economics, computer science, and engineering. Since the auditor seeks to report on a particular program's management and technical operations, the performance audit team must be familiar with the program's technical and managerial aspects. Therefore, performance audits are often resource intensive and require large expenditures.

In undertaking a performance audit, an auditor typically reports on the following three factors:

1. *Economy*: Can the program be run at less expense?
2. *Efficiency*: Can the relationship between inputs (both human and material) and outputs (goods or services) be improved? Put another way, are maximum outputs being achieved from minimum inputs?
3. *Effectiveness*: Is the program delivering its intended results, as assessed by measuring program performance indicators against actual results (National Audit Office, UK, 2007)?

### **Audit Opinions**

An audit opinion is expressed after the auditor examines the following four issues:

1. Has the auditor received all of the information required to conduct an audit?

2. Are the financial statements presented in the prescribed form?
3. Have the requirements of all relevant laws been met in all significant respects during the maintenance of the accounts?
4. Do the financial statements present a true and fair view of the accounts (i.e., are they reliable)?

An auditor's opinion can fall into one of the following five categories: "unqualified," "emphasis of matter," "qualified," "adverse," or "disclaimer" (meaning that s/he is unable to express an opinion). These terms are explained below.

*Unqualified Opinion:* An unqualified audit opinion is issued when an auditor believes that all four of the above conditions have been met. This does not mean the financial statements are correct to the exact amount, but any misstatements are not large enough to affect a typical user's judgment. For example, an audit report on a District Council in Tanzania stated:

In my opinion, the financial statements fairly reflect, in all material respects, the financial position of Arumeru District Council as of 30th June 2005 and the results of its operations and cash flows for the year then ended, in accordance with Part IV of the Local Government Finances Act No. 9 of 1982 (National Audit Office, Tanzania, 2005a).

*Emphasis of Matter:* When an auditor wishes to highlight an issue of concern in the financial statements that does not affect the audit opinion itself, s/he issues an opinion that is somewhere between an unqualified opinion and a qualified opinion and is called "matters emphasized." Such an opinion is normally contained in a separate paragraph from the audit opinion. For example, an audit report on the statistics agency of South Africa presented a clean audit opinion subject to "matters emphasized" as follows:

In my opinion, the financial statements fairly present, in all material respects, the results of the operations of Statistics South Africa for the year ended 31 March 2000, in accordance with prescribed accounting practice and in the manner required by the relevant act. Without qual-

ifying the audit opinion expressed above, attention is drawn to the following matters: During the audit, certain shortcomings in the internal control were reported in the management letter and the accounting officer confirmed that the necessary corrective steps would be taken. These steps were evaluated and many of the matters were again reported in the management letter. These matters included the recoverability of R687 233 owed by ex-employees, long-outstanding cases of theft and losses, monies received at provincial offices not being banked in a timely manner, receipts issued after money had been banked, and fixed assets not being adequately maintained resulting in the non-confirmation of the completeness and existence thereof. The corrective steps taken by the accounting officer will be evaluated during the audit of the 2001 financial year (AG South Africa, 2001).

*Qualified Opinion:* Contrary to its literal meaning, a “qualified” audit opinion is not a good thing; it is issued if the SAI concludes that the accounts and financial statements are misleading, but not totally bogus. For example, an audit of Tanzania’s Ministry of Agriculture presented a qualified audit opinion as follows:

In my opinion, except for non-delivery of one motor vehicle worth [Tanzanian Shillings] Shs. 29,640,000 and farm assets and implements valued at [Tanzanian Shillings] Shs. 35,737,056.60, the procurements of household furniture and equipments, chemicals, fumigants, pesticides and maintenance of physical infrastructures and other services were generally done in accordance with the Public Procurement Act No. 21 of 2004 (National Audit Office, Tanzania, 2005b).

*Adverse Opinion:* If the auditor feels that the financial statements are not fairly stated and the concerns raised by the audit findings are fundamental, s/he is compelled to issue an “adverse” opinion. For example, the auditor in the Philippines gave an adverse opinion on the financial statements of the Department of Education for 2005 due to significant variances regarding cash, inventory, property, plant and equipment, liabilities, and income and expenses, which affected the accuracy and validity of the account balances. The audit certificate concluded:

[I]n our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the Department of Education as of December 31, 2005 or the results of its operations and its cash flows for the year then ended (Commission on Audit, Philippines, 2005).

*Audit Disclaimer:* The auditor issues an audit disclaimer when s/he has not been able to obtain sufficient appropriate evidence and accordingly is unable to express an opinion. Audit disclaimers are most often issued when the auditor is not provided access to all the books of accounts, when the values of significant items in the accounts are uncertain, or when officials in the audited agency do not provide certain information on the financial statements. For example, an audit report on the financial statements of the consolidated fund of the Government of Uganda presented an audit disclaimer as follows:

Because of the significance of the matters discussed in the preceding paragraphs [ten matters, including some relating to undisclosed project accounts, departure from accounting policy, non-production of financial statements, etc.], I do not express an opinion on the financial statements (Uganda Auditor General 2003).

### 3. The Role of the Legislature in the Audit Process

The SAI usually submits its audit reports to the national legislature, typically to a committee mandated to review audit findings. The committee reviews the information; it may also hold public hearings during which executive agency officials must testify regarding any significant audit findings. The committee then prepares a report laying out specific recommendations regarding the corrective action the agencies should take. The entire legislature then debates and adopts the report.

In most countries, the legislature depends on the national audit institution for reports on the government's financial performance and adherence to the budget law. If the linkages between the legislature (through its committee responsible for public accounts and audits) and

the national audit institution are weak, this will hamper the legislature's capacity to oversee government finances. The national audit institution should be independent, its head should be removable only by an act of the legislature, and it should have the financial and human resources to undertake audits of the government. Further, the institution should have the power to audit *all* government finances and, therefore, should have full access to government information (accounts and finances) in a timely manner. An independent audit institution can significantly enhance the functions of the legislative committee responsible for budgetary oversight by providing it with critical information through its financial, compliance, and performance audits.

The legislature's precise role in the audit process depends in part on the country's audit system. As discussed above, in the Westminster system, audit reports largely direct the legislature's oversight function. The legislatures in these countries often establish committees such as the PAC, which are responsible for overseeing the audit reports on behalf of the legislature. The PAC organizes hearings on audit findings at which officials from the relevant agencies testify regarding the contents of audit reports.

In countries following the judicial model, judges of the Court of Accounts deal with audit issues; the legislature has only a limited role in the audit process and the president of the Court of Accounts sends audit reports to the legislature only at his/her discretion. However, even in this system, the Court of Accounts submits a report to the legislature on the extent to which the execution of the budget corresponds to budgeted appropriations – and the legislature has the power to request that the court conduct an audit of a specific government entity. In addition, while the Court of Accounts has the power to impose sanctions on the executive for failing to comply with financial management laws, the legislature can add political weight to such sanctions.

In countries following the board system, the national audit institution submits its audit reports to the executive (specifically, to the national Cabinet or Council of Ministers). The executive in turn sends its annual report (along with its audit findings and its comments on

them) to the legislature. Staff of the national audit institution attend legislative deliberations on the executive's annual report to explain the opinions and decisions it contains.

In some countries, PACs also have a formal mandate to conduct their own investigations, so their oversight is not limited to the issues contained in audit reports. These PACs are empowered to summon officials to appear for formal hearings – though relatively few actually use their power to take up issues not contained in audit reports. Upon completion of their hearings, the PACs submit to the legislature for its consideration a list of specific actions to be performed by the relevant agencies. (Generally, the PACs do not have the power to sanction the executive for non-adherence to public finance laws; instead they rely on the legislature to impose such sanctions.)

In some countries, the executive is required to respond formally to the legislature's recommendations, normally within a certain period such as two to six months. The legislature, in turn, can take further action if it is not satisfied with the response. In practice, unfortunately, governments often ignore legislative audit recommendations and legislatures rarely follow up to demand corrective action. On the other hand, some national audit institutions include information in their audit reports on previous audit findings and the government's response to them, which facilitates long-term legislative oversight by allowing the legislature to continue to review the executive's response to its recommendations and make additional recommendations.

## Chapter 13:

# Case Studies on Successful Civil Society Initiatives to Engage with the Audit and Legislative Oversight Process

This chapter presents four case studies detailing successful civil society work in the audit and legislative oversight phase of the budget process. The first, from Mexico, examines a coalition's success in auditing an HIV/AIDS program. The second, from Tanzania, involves analysis of trends in government audit opinions. The third, from the Philippines, concerns a joint audit undertaken by civil society and the national audit office on road construction projects. The fourth, from South Africa, examines government oversight systems, including the SAI and the legislative oversight committee.

## 1. Fundar Examines HIV/AIDS Funds in Mexico<sup>18</sup>

### ORGANIZATIONAL PROFILE

*Fundar – Center for Research and Analysis, a Mexican non-governmental organization founded in 1999, has developed a unique role as a professional, research-based organization that participates in social justice debates through applied budget work. Fundar works on transparency, human rights, governance, and citizen capacity building in coordination with alliances of other civil society organizations. Fundar has refined its budget work to center around two broad areas: budgets and public policy, and human rights and governance. It also has cross-cutting programs examining legislative issues, transparency, and local-level power.*

## a. Introduction

In 2002, Mexico's Chamber of Deputies (the lower house of Congress) approved an increase of 600 million pesos for national health programs. Subsequently, however, the president of the chamber's Budget Committee arbitrarily made changes to the chamber's approved budget. One of the changes was to shift 30 million pesos that had been allocated to purchase anti-retroviral drugs for an HIV/AIDS program to help fund ten Centers to Assist Women.

Angry legislators charged that the committee president had acted inappropriately, even unconstitutionally, by ignoring the committee's funding recommendations. A number of civil society organizations, including Fundar as well as groups focusing on reproductive rights, women's health, gender budgeting, and HIV/AIDS advocacy, formed a coalition to investigate these allegations.

As a first step, the coalition requested that the Health Ministry provide documents relating to its health programs. The ministry refused. Undeterred, the coalition repeated its request – this time on the basis of Mexico's recently enacted freedom of information law. Eventually it succeeded.

Ministry of Health documents corroborated the legislators' allegation regarding the diversion of the 30 million pesos. Further investigation revealed that the Centers to Assist Women to which the funds were diverted are managed by Provida, a right-wing, non-governmental organization that campaigns against abortion and the use of condoms – positions that run counter to government HIV/AIDS and population policies. The investigation also revealed that Provida received more than half of the total amount paid by the government to all non-governmental organizations in 2003.

The coalition then examined the actual utilization of the monies appropriated to Provida. Fundar, a member of the coalition, requested copies of all documents Provida submitted to the Health Ministry and

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<sup>18</sup> This case study discusses the work done by Fundar to monitor HIV/AIDS funds in Mexico. However, Fundar was not alone in this initiative and worked as a member of a coalition of civil society groups in the country monitoring the HIV/AIDS funds.

conducted a comprehensive audit of the expenditures. Fundar's audit revealed startling findings: approximately *90 percent* of the 30 million pesos allocated to Provida were blatantly misused. Expenditure invoices submitted by Provida revealed numerous irregularities, such as payments to fictitious organizations (one of which had the same address as Provida), expenditures seemingly unrelated to a health program (such as expensive Mont Blanc pens and lingerie), and excessive expenditures on certain items (such as a publicity campaign).

When the health minister refused to meet and discuss these findings, the coalition launched a targeted media campaign using the services of a media agency that focuses on gender issues. The newspaper *Reforma*, which has a large national circulation, carried the details of the Provida case in an exclusive front-page story in 2004. The story captured national attention. As a result, a number of other mainstream media outlets covered subsequent developments in the story on a routine basis over the next two months.

## b. Methodology

A review of the steps Fundar took during its audit of Provida details how other organizations can conduct similar audits.

### **Accessing Information**

Fundar began by learning what information it would need to conduct the audit and then developing a strategy to obtain this information. Through Mexico's freedom of information law, the coalition was able to obtain approximately 6,800 pages of bills and invoices Provida had submitted to the Health Ministry to account for the 30 million pesos it spent, ostensibly to prevent abortions in cases of unwanted pregnancies. (Part VI discusses how organizations can obtain needed information when the country lacks an access to information law.)

### **Initiating an Audit**

Faced with the daunting task of analyzing such a large number of accounting records, Fundar turned to its in-house accountant.

Fortunately, the methodology the accountant adopted is easy to replicate.

### **Scrutinizing Expenditures**

Fundar undertook five steps to scrutinize expenses incurred by Provida.

1. Fundar entered all 6,800 invoices into a computer spreadsheet. Data from the invoices were divided among five categories.

*Invoice number:* In Mexico, all invoices (whether from the private, public, or non-governmental sector) must be printed at a government printing press. Each invoice is given a unique identification number, which follows a chronological order. Invoices generally have an expiry date, stated in the invoice itself, after which time they cannot be issued in the course of a financial transaction. Fundar recorded the actual invoice number from each invoice.

*Date:* Fundar recorded the date on which the transaction was undertaken or the expenditure was incurred.

*Description of expenditure:* In this category, Fundar provided the details of the transaction recorded on each invoice. Each invoice lists all items purchased, as well as the name, address, and government tax identity number of both the buyer and the seller.

*Expenditure amount:* Fundar recorded the invoice amount.

*Comments:* This category was used in a subsequent stage to record anomalies identified in invoices.

2. Fundar then created a table summarizing all of the expenditures, organized by the ten expenditure categories Provida had used when estimating its costs for the government. Fundar also calculated the share of Provida's total expenditures incurred in each expenditure category, which enabled Fundar to examine Provida's expenditure priorities. Fundar concluded that Provida had spent a much larger share of its budget than originally estimated on publicity, without providing much information to justify this expenditure.

3. In addition, Fundar created a table that categorized expenditures into the four quarters of the year, which enabled Fundar to examine Provida's spending patterns. Such patterns can often disclose information about the quality of spending: for example, if the majority of expenses are incurred in the last quarter of the year, this could indicate that the agency was keen to spend money even if it meant wasting it so that it could apply for the next installment of funding in the subsequent year. One can also examine whether the expenditures followed a logical order. For example, one normally does not buy furniture before renting an office.
4. Fundar then carefully scrutinized all 6,800 invoices for three “value-for-money” factors: economy (could the expenditure have been undertaken at less expense?), efficiency (were maximum outputs achieved from minimum inputs?), and effectiveness (did the expenditure deliver its intended results?). Fundar also looked for procedural irregularities and any evidence of falsification of bills and/or fraud. Any anomalies were recorded under the “comments” category.
5. Fundar consolidated its findings into a brief report that was discussed with other coalition members and subsequently distributed to the media.

## c. Results Achieved

### **Successes**

The publicity received by the Provida case caused additional civil society organizations to join the coalition. In a short period of time, more than 1,000 diverse organizations from all over the country jointly submitted a memorandum to the government seeking an official investigation into the Provida case.

Bowing to civil society pressure, the government instructed its internal controller to conduct an investigation, which corroborated the coalition's findings and identified other administrative irregularities. In its report, the controller recommended that Provida be fined 13 million pesos and required to return the funds provided to it. Mexico's

supreme audit institution also conducted an audit of the Provida case and reconfirmed the controller's findings. The SAI demanded that Provida return the funds, pay the imposed penalty, and be barred from receiving public funds for 15 years. Further, the Ministry of Health cancelled all further disbursements to Provida that had been planned for subsequent years.

### **Challenges**

Legal loopholes have helped Provida avoid paying its penalty, and the case is being adjudicated in court. Also, inadequacies in Mexico's judicial process have allowed the president of the Budget Committee, who was instrumental in getting Provida the government grant, to escape indictment. However, the Provida case enabled civil society organizations to develop the skills and strategies needed to undertake research and advocacy initiatives on budget issues, as well as the media strategies needed to publicize their findings.

The Provida case offers many lessons for civil society organizations in other countries. For example, while Fundar faced a daunting hurdle in deciphering 6,800 pages of financial records, the five-step process it followed (described above) helped the group scrutinize Provida expenditures. Also, since the coalition was unsure whether the government would take action against Provida on the alleged misuse of funds, it developed a successful strategy to guide the release of audit results to the media in a form that immediately attracted public attention. The results show that a civil society organization can undertake its own audit initiative and hold government accountable.

*Information on Fundar can be obtained from the organization's website, <http://www.fundar.org.mx>.*

## 2. HakiElimu Publicizes Trends in Audit Reports in Tanzania

### ORGANIZATIONAL PROFILE

*HakiElimu (“Education Rights” in Kiswahili) was founded in 2001 by 13 Tanzanians with a longstanding commitment to transforming public education for all children. It now has more than 40 staff members and is governed by a board of directors that includes leaders in civil society, academia, the media, the law, and research and development institutions.*

*HakiElimu’s primary objective is to help create and sustain a national movement for social and educational change by stimulating broad public engagement, information sharing, dialogue, membership development, and networking throughout Tanzania. The organization also wishes to influence national policies on education and related matters – and broaden public participation in key policy processes – through research, analysis, advocacy, and networking.*

#### **a. Introduction**

Much of HakiElimu’s work has focused on improving Tanzania’s formal education sector. However, a growing part of the group’s work focuses on civic education, or empowering citizens by educating them about their rights and encouraging them to make sure those rights are protected. HakiElimu’s engagement with audit reports falls into this second category of its work.

In 2006, HakiElimu decided to expand its budget advocacy work to include audit reports. By publicizing the findings of audit reports from the controller and auditor general, HakiElimu hoped to hold government accountable for management of public funds. Furthermore, HakiElimu noted that experiences in a number of other countries, such as South Africa, India, and the Philippines, have shown the power of this type of work.

Another reason for HakiElimu’s decision was that local communities rather than guilty officials have often suffered the consequences of poor audit reports. Districts that receive an “adverse” auditor's opinion are automatically ineligible for a major grant that helps fund school construction, the rehabilitation of health centers, and other projects. Cutting these funds is likely to harm district residents, particularly the poor – even though they are not responsible for the irregularities that lead to poor audit results.

HakiElimu began its involvement in audit reports by creating a set of leaflets that presented the findings of recent audit reports in an attractive and accessible manner and sharing them with the media, executive branch officials, legislators, and civil society partners. (The leaflets also aimed to publicize the Tanzania Governance Noticeboard [TGN], an interactive online database of budget and audit data created by the Research on Poverty Alleviation, one of HakiElimu's partners.) The first round of leaflets, issued in 2006, proved extremely successful, and the controller and auditor general provided significantly more cooperation with the project when it was repeated in 2007.

## b. Methodology

As a first step in its efforts to rank government agencies according to their performance in audit reports, HakiElimu accessed data on audit opinions provided by the Tanzanian SAI from a variety of sources. The TGN was the primary source of data for the first set of leaflets, but HakiElimu also used individual audit reports for the different central government agencies and local government authorities (LGAs) as backup.

HakiElimu reported on the following four indicators that the TGN compiled for each central agency or LGA: the auditor's opinion, “questioned revenues” (revenues about which the auditor is not satisfied that the correct procedures have been followed, or for which there is insufficient documentation), “questioned expenditures,” and questioned expenditures as a percentage of discretionary expenditures. This last indicator allowed HakiElimu to compare government entities with budgets of different sizes. The most recently released audit reports were considered, as well as those of the previous two years.

**Table 9:** Abstract from a HakiElimu Audit Leaflet

Audit Data for the Ten Best- and Ten Worst-Performing Central Agencies in Tanzania (ranked in order of 2004/05 questioned expenditures)					
2004/05					
Vote	Name of Ministry	Questioned Expenditure (thousands of Tshs.)	Questioned Expd. as % of Discretionary Expd.	Auditor's Opinion	2004/05 Rank (Best to worst)
20	State House	0	0%	Clean	1
25	Prime Minister	0	0%	Clean	2
26	Vice President	0	0%	Clean	3
30	President's Office and Cab. Sec.	0	0%	Clean	4
33	Ethics Secretariat	0	0%	Clean	5
59	Law Reform Commission	0	0%	Clean	6
24	Ministries of Cooperatives & Mrktg.	1,546	0%	Qualified	7
27	Registrar of Political Parties	1,940	0%	Qualified	8
60	Industrial Court of Tanzania	2,205	0%	Qualified	9
55	Commission on Human Rights	7,575	1%	Clean	10
40	Judiciary	4,541,194	32%	Qualified	34
38	Defense	5,417,820	8%	Adverse	35
46	Ministry of Education and Culture	7,370,926	10%	Qualified	36
28	Ministry of Home Affairs (Police)	8,161,003	15%	Qualified	37
49	Ministry of Water and Livestock	8,528,534	8%	Qualified	38
68	Ministry of Science & Higher Edtn.	25,554,959	28%	Qualified	39
47	Ministry of Works	27,997,878	47%	Qualified	40
22	Treasury	29,386,850	6%	Qualified	41
52	Ministry of Health	32,445,474	23%	Qualified	42
56	Regional Admin. and Local Govt.	36,367,611	26%	Qualified	43

For the second round of leaflets, HakiElimu received advance copies of the individual audit reports and worked from these alone, as the TGN website was not updated in time to provide the needed information.

HakiElimu issued two different sets of leaflets, one for local governments and other for central agencies; both were printed in English and Kiswahili. The leaflets took the form of a poster that folds into an A2-size leaflet. One side had a table that ranked the central agencies from best to worst (refer to Table 9); the other provided background on the audit process in Tanzania, defined key terms, and highlighted major trends.

Rather than drawing many strong conclusions, the leaflets primarily asked questions and made comparisons to make the data easier to understand. For instance, the audit report for the Ministry of Education and Vocational Training was summarized in the following way:

The Ministry of Education and Vocational Training also came under fire for outstanding issues from previous reports amounting to 11.5 billion shillings. This Ministry received a Qualified opinion in 2005/06, with the audit report citing “unverified transfers and subsidies paid to institutions of Shs. 8.2 billion” and “unvouched and improperly vouched expenditure amounting to Shs. 7.4 billion.” Put differently, the total amount of suspect expenditures for the Ministry (Shs. 15.7 billion) is enough to pay the annual salaries for over 10,000 primary school teachers.

## c. Results Achieved

### **Successes**

The 2006 leaflets were very well received and raised the public profile of government audit reports, generating significant coverage in both the English and Kiswahili media. HakiElimu launched the leaflets at a public meeting for journalists, civil society representatives, and donors; journalists in attendance were encouraged to follow up with the chair of the Public Accounts Committee, which they did, resulting in more in-depth coverage.

After the 2006 release, Tanzania's president called a meeting of top government officials to discuss the audit reports, a truly unprecedented move in that country. While HakiElimu cannot take direct credit for this meeting, it seems clear that the audit leaflets created an environment in which leaders were forced to recognize audit reports after having let them languish on shelves in previous years.

Also after the 2006 release, HakiElimu received a call from the controller and auditor general himself, saying he wanted to work with the organization to create the second set of leaflets. His office subsequently provided HakiElimu with advance copies of the individual audit reports to help prepare the 2007 leaflets and distributed those leaflets at the Tanzania Accountability Conference, organized in collaboration with the World Bank.

HakiElimu also received positive feedback from civil society partners in Tanzania and internationally.

HakiElimu's engagement with audit reports is an example of the group's strategy for promoting change. The traditional channel for much research-based advocacy work is linear, beginning with research that is then turned into a serious policy paper that is then shared with decision makers, often through briefings and workshops. The idea is that change will occur once policymakers are adequately informed. HakiElimu has found, however, that research reports often sit on shelves, their findings ignored. Thus, the group has focused more on getting its research findings into the public domain – in part through collaboration with the media – to create public pressure for change.

## **Challenges**

HakiElimu has faced a number of challenges in its audit work. The group had little familiarity with government audit systems and audit reports, for example, and had to invest resources in building its capacity in this area.

In addition, after encountering a number of errors on the TGN website, HakiElimu decided that all data needed to be double-checked against individual audit reports from the government. This process was time-consuming but essential to ensure that the data were reliable.

Moreover, HakiElimu found it difficult to obtain copies of the individual audit reports, even though they were technically public records. Despite multiple information requests, it was able to obtain these records only through another non-governmental organization (Research on Poverty Alleviation, which works closely with the government). This fact highlights the importance of strategic relationships.

Finally, it should be noted that the Tanzanian controller and auditor general, like his counterparts in many other countries, primarily undertakes *financial* audits, which do not focus on many of the value-for-money concerns that interest civil society. In such situations, organizations like HakiElimu may have to supplement the official audit results with separate studies that highlight other financial and performance management problems in government agencies.

*Information on HakiElimu can be obtained from the organization's website, <http://www.hakielimu.org/first.asp>.*

### 3. Concerned Citizens of Abra for Good Government Audits Public Highway Expenditures in the Philippines<sup>19</sup>

#### **ORGANIZATIONAL PROFILE**

*The Concerned Citizens of Abra for Good Government (CCAGG) is a non-governmental organization that monitors government projects in Abra province of the northern Philippines. CCAGG was formed in 1987 as a result of opportunities created by a new government policy designed to increase community participation in development programs. CCAGG specializes in monitoring infrastructure projects within its province and uses local monitors (volunteers drawn from the area) to verify that road and bridge construction projects are executed according to contract norms. The organization's full-time staff are supported by hundreds of volunteers drawn from the communities in which CCAGG works.*

### **a. Introduction**

Under a government policy imposed in 1987 to increase community participation in government development programs, CCAGG members received training from the National Economic Development Authority in monitoring development projects. Relying on information provided by the government, CCAGG members then used the local media (radio, newspapers) and organized community meetings to inform residents about the details of various infrastructure projects, including budgets, the wage components in the projects, and other relevant data. This experience provided CCAGG members with valuable insight into government contracting and project management.

As they were publicizing information on the projects, CCAGG members were shocked to see a newspaper advertisement issued by the Ministry of Public Works and Highways (MPWH) declaring that it had successfully completed 27 projects in Abra province. Knowing this declaration to be untrue, CCAGG members decided to take action. To strengthen the case against the agency, CCAGG developed detailed documentation on the actual state of projects that had been declared completed; the documentation included affidavits composed by residents of project areas and photographs of the project sites. CCAGG submitted these findings to the MPWH and demanded that the district engineers be investigated.

An official government audit concurred with CCAGG's findings and several officials were charged with corruption. CCAGG members stood as official witnesses for the government prosecutor and provided evidence against officials with the MPWH in Abra province. After a long struggle, 11 government officials were suspended for misconduct. The MPWH's chief engineer and deputy chief engineer in Abra were also barred from serving in the province in the future. CCAGG estimates that this was perhaps the first case in the history of the Philippines in which a civil society organization's vigilance had resulted in the conviction and punishment of government officials on charges of corruption.

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<sup>19</sup> This case study draws heavily on Ramkumar and Krafchik, 2005.

Further, as a result of this case, the MPWH's regional director issued a directive requiring that road construction contractors in Abra province be paid only after CCAAG had verified their bills for accuracy.

## b. Methodology

CCAGG members have developed a distinctive technique for monitoring government projects. Members of CCAGG – primarily housewives, students, and out-of-school youth – observe road construction projects and report their findings to specialist colleagues, such as engineers and accountants who volunteer with or, are employed by, the organization. These staff in turn conduct detailed investigations on project sites. During their site visits, monitors (CCAGG volunteers and staff) are equipped with their own kits – packed lunches, record books, measuring tapes, cameras, and voice recorders – to assist them in the monitoring process.

The Philippines constitution and presidential orders contain a number of legal provisions that encourage non-governmental organizations to participate in governance. CCAGG uses these provisions to defend its right to monitor government projects and to access information from government agencies, including:

- the “Blue Book” issued by DPWH, a technical reference guide with specifications for highways, bridges and airports;
- approved plans and drawings for the project under investigation;
- specifications regarding the size, shape, and quality of construction, and procedures to be followed during the project's implementation; and
- the program of work containing general information on the project under study, such as location, source of funding, contract amount, mode of implementation, schedule, and the agency officer who approved the document.

CCAGG compares information in these documents against both the information obtained by the monitors from their physical inspection of project sites and the financial and accounting documents and other technical reports submitted by the contractor upon the project's com-

pletion. Investigations watch for evidence of corruption or poor performance, including the use of sub-standard materials in road construction projects or fraud in contracting procedures (such as rigged contracts).

At the end of the monitoring process, CCAGG members fill out a form that lists the project's name, location, funding source, mode of implementation, implementing agency, inspection date, and current status, as well as the monitors' findings and recommendations for action by government. If the audit identifies problems with the project, this form is submitted to the relevant government officials along with specific demands for corrective action.

For example, in one project, CCAGG members found that a contractor had not constructed a road properly: the road bed was not properly prepared and the cement mixture was faulty. On receiving this information from CCAGG, the government ordered the contractor to replace the affected sections of the road at its own expense. Similarly, in another project, CCAGG found that a contractor had over-billed the government for the cost of road construction material; the government ordered the contractor to compensate for the overpayment by extending the road at no additional cost.

## c. Results Achieved

### **Successes**

Recognizing the critical role CCAGG plays in preventing corruption as well as the expertise it has developed in monitoring public works projects, the National Commission on Audit (COA) – the SAI of the Philippines – entered into a partnership with CCAGG in 2001 to conduct participatory audit exercises in Abra province. Subsequently, CCAGG staff worked with COA officials to audit road repair projects undertaken by DPWH in Abra province.

The audit exercises assessed the impact of the projects and whether they had been executed with due regard to value-for-money factors (economy, efficiency, and effectiveness). The audit team examined available records, interviewed key project officials, and conducted site visits to determine adherence with applicable laws and confirm information gathered through other means. The team also organized five

group discussions with local residents to learn their views. At the end of the audit period, the team presented an official audit to the COA's regional director.

The community's involvement greatly assisted the audit team in verifying the accuracy of expenditures. In one project, for example, the contractor's invoices showed that a certain task had been accomplished in 18 days, even though the contract had estimated that it would require 100 days. The project engineer explained the discrepancy by claiming that the contractor employed more pieces of equipment than the contract had stipulated. But local residents told the audit team that this claim was false and the poor construction of roads was proof of the hasty and incomplete efforts made by the contractor in this project (COA, 2002).

The head of the COA, to whom the results of the participatory audits were submitted, described the results of the exercise as "very focused and efficient" (Valderrama, 2003). The COA also incorporated the lessons from the audit process into its manual on the Conduct of Participatory Audits (COA 2002).

## **Challenges**

The COA-CCAGG participatory audit illustrates many of the challenges facing civil society groups and audit institutions that wish to collaborate.

First, the participatory audit caused some tensions between CCAGG and COA personnel. COA staff objected to CCAGG demands that they discuss preliminary audit findings with community members, arguing that the audit findings should not be disclosed until they were finalized. In response, CCAGG staff argued that (unlike the COA) they were used to involving citizens at all stages of their investigations. Similarly, CCAGG staff feared that official audits, which were restricted to the post-project period and thus depended on tracking official paper trails, might miss potentially valuable findings. To the credit of both organizations, some aspects of CCAGG's audit methodology were incorporated into the participatory audit exercise. For example, the audit included social impact analysis, which measures the project's impact on targeted communities.

Second, even though the audit exercise was declared a success by all participating organizations, it was discontinued after a change in the COA administration. The new COA commissioner had other priorities and ended the project. This raises serious questions regarding the sustainability of participatory audits if they can be eliminated as the result of a change in administration. Legislation may be needed to ensure that such exercises are not dependent on the whims of the ruling administration.

Finally, a UNDP report suggested that the new COA commissioner was very concerned that the introduction of civil society organizations into the formal audit process might harm “client confidentiality” (Buendia, 2002). When deciding on the viability of a participatory audit process, the government should measure the obvious advantages of including partners from civil society organizations against traditional privacy concerns.

*Information on CCAGG can be obtained through email addressed to [ccagg2000@yahoo.com](mailto:ccagg2000@yahoo.com) (CCAGG does not operate a website).*

## 4. Public Service Accountability Monitor Assesses Oversight Systems in South Africa

### ORGANIZATIONAL PROFILE

*Based at South Africa’s Rhodes University since 1999, the Public Service Accountability Monitor (PSAM) is a non-profit independent monitoring unit that works to build African institutions and ensure government accountability regarding socio-economic rights and the effective use of public resources. PSAM has 11 full-time staff members who focus on the provincial government administration of South Africa’s Eastern Cape province and gather information on the management of public resources and the handling of misconduct and corruption cases by government departments. This information is collected and published to give members of parliament, civil society organizations, and the general public the tools to hold public officials accountable for their performance.*

## a. Introduction

In the mid-1990s, the South African media began reporting widely on instances of maladministration and corruption in the Eastern Cape province. In response to these reports, the PSAM was established as an independent research project at Rhodes University in 1999. PSAM initially worked to track actions taken by the provincial administration in response to reported cases of corruption. Specifically, PSAM analyzed whether the actions taken against officials charged with and/or convicted of corruption were consistent with regulatory provisions governing public servants in post-apartheid South Africa. PSAM collected this information in a database that citizens and civil society organizations could use to gauge agencies' commitment to fighting corruption.

Over time, PSAM realized that collecting and releasing information on instances of corruption and maladministration was not enough. In 2001, it developed a methodology of using scorecards to evaluate the structural challenges that provincial government agencies face in managing their resources effectively and in delivering services efficiently. These scorecards evaluate agencies' strategic planning and financial management processes and assess their accountability to oversight bodies.

PSAM utilizes a wide variety of methods to obtain documents about public misconduct, including freedom of information requests when necessary. It publicizes its findings on a regular basis, including by producing a weekly column (the "Accountability Monitor") in a provincial newspaper. PSAM also writes analyses for the public. These analyses are timed to coincide with the budgeting and oversight cycle to contribute to debates about the use of public resources and the delivery of public goods and services.

## b. Methodology

PSAM compares published budget and policy plans to the actual performance reported by government agencies and oversight institutions to assess whether the agencies achieved the targets set in their budgets/plans. PSAM also verifies whether agencies have adhered to public finance laws in the execution of their duties.

PSAM analyzes financial information from a variety of sources, including plans, budgets, in-year and year-end reports, internal audit reports,

annual reports published by each department, reports published by oversight institutions such as public audit institutions, and reports issued by the legislative committee responsible for the department under assessment. Since 2003, PSAM has completed annual analyses of six government departments (education, finance, health, housing, public works, and social development) in the Eastern Cape and has made its reports available on its website, [www.psam.org.za](http://www.psam.org.za).

PSAM standardized the presentation format of its analyses by creating a number of templates and accompanying guidelines. These assist its staff (and other analysts) in completing the templates and developing analyses. Among other items, the guidelines contain a checklist of questions that PSAM uses to develop analyses on a department's performance.

Described below are PSAM's templates on expenditure tracking and accountability to oversight, as well as its guidelines for filling out the templates and conducting an analysis.

### **i. Developing an Expenditure Tracking Report**

PSAM's Expenditure Tracking Report enables users to develop an account of the expenditures reported by a department and then compare these expenditures to the budget allocations made to the department.

**Table 10:** Budget and Expenditure of the Eastern Cape Department of (Name of Department)

Financial Year	Total Budget (\$'000) A	Expenditure (\$'000) B	Variance: (over)/under expenditure (\$'000) C=A-B	Percentage of (over)/under expenditure D=C/A%
[financial year-3]				
[financial year-2]				
[financial year-1]				
[financial year under review]				
<b>Total</b>				

The first table utilized by PSAM researchers (refer to Table 10) captures spending trends in the department over a four-year period. In South Africa, this information is typically provided in a department's annual report, which is published by the end of September following the end of the financial year under review. PSAM also recommends that researchers look at annual reports and financial statements from prior years to ensure that the figures for those years contained in the current annual report are consistent.

After this analysis is complete, PSAM researchers dig deeper by examining expenditures at the level of individual programs or related activities. PSAM completes a number of charts to facilitate analysis of these data. For example, the Ministry of Health's budget could be broken down into subgroups such as "primary health care," "hospitals," or "administration." Utilizing a table like Table 11, researchers compare the allocated budget against expenditures for the department's programs and key sub-programs for the financial year under review.

**Table 11:** Budget and Expenditure per Program for the (Department), (Financial Year)

Program	Main Appropriation (\$'000) A	Expenditure (\$'000) B	Variance (\$'000) C=A-B	Percentage of (over)/under expenditure D=C/A%
[name of program 1]				
[name of program 2]				
[name of program 3]				
[name of program 4]				
<b>Total</b>				

PSAM encourages researchers to read all relevant budget and performance documentation on the department under review before completing the templates. In addition, researchers should review information contained in such documents as annual strategic plans, budget speeches, policy speeches, annual reports, provincial budgets, and expenditure reviews.

When analyzing the tables, it is useful to compare the allocation amounts in the year under review against allocations in previous years; changes in real (inflation-adjusted) allocations suggest a change in department priorities. The researcher should then ask a number of probing questions to help guide the development of the accompanying narrative, such as:

- What impact did the changes in the overall budget (as shown in Table 10) have on the department's ability to address the most pressing social needs of those it serves?
- In Table 11, which program (or key sub-programs) received the most funding, and what does this reveal about the department's spending priorities?
- In the current financial year, did the department overspend or underspend in its overall budget (Table 10), and/or in individual programs or sub-programs (Table 11)?

If the department has overspent or underspent its budget, the following questions can be analyzed:

- Has the department tended to overspend or underspend in previous years? Has the amount of the overspending or underspending declined over the four-year period?
- Did the department provide a valid explanation for its reported expenditures? (Answering this question may require the narrative documents that accompany and explain the budget, such as the annual report. The researcher may also review such information sources as newspaper articles on the department's expenditure performance.)

- Are there significant or recurring causes of overspending or underspending? Did the department provide any explanation for its failure to address these causes in the financial year under review?
- What impact did the overspending or underspending have on the department's provision of services?
- If the department overspent, was the overspending unauthorized – and will it have to be repaid in the next financial year? If so, what impact will that have on the department's ability to accomplish its objectives that year?

It is important that researchers link the discussions of the tables PSAM has developed in order to form a comprehensive narrative that explains the various aspects of a department's budget and expenditures as presented in the tables.

## **ii. Developing an Accountability to Oversight Report**

PSAM also provides an analysis of the accountability of certain government departments to the supreme audit institution and the legislature. PSAM's Accountability to Oversight Report analyzes any problems identified by the SAI and the legislative committees regarding the department's performance, the department's response to these oversight agencies, and the effectiveness of the oversight conducted by the oversight agencies (based on the department's compliance with the agencies' recommendations).

PSAM uses a standardized template to analyze whether oversight entities have effectively held departments accountable for their expenditures and their overall management. The template consists of a single standard table (refer to Table 12), but PSAM encourages researchers to create additional graphs and diagrams to illustrate a particular point, if needed.

**Table 12:** Department of [Name of Department] Auditor-General’s Opinions, [Previous Financial Year – Financial Year under Review]

Financial Year	Audit Opinion
[financial year-3]	(Audit Opinion)
[financial year-2]	(Audit Opinion)
[financial year-1]	(Audit Opinion)
[financial year under review]	(Audit Opinion)

The table should provide information for the department’s four most recent financial years, including the financial year under review. The information for the table should be taken from audit opinions presented in SAI reports on the department.

To develop the narrative analysis that accompanies the table, PSAM consults reports issued by the SAI, the legislative audit committee, and the legislative committee with oversight responsibility over the department, as well as the department’s response to these findings. (Researchers seeking to adapt the PSAM method will need to identify the relevant documents produced in their country.) When reading these reports, PSAM considers questions such as the following:

- What are the legislative requirements governing the roles and responsibilities of the SAI, the legislative audit committee, and the committee responsible for legislative oversight – as well as the roles and responsibilities of the department under review?
- Did the department submit its annual report within the required time frame? If, not, what does this imply about the department's responsiveness to oversight?
- How many of the issues that the SAI/legislative audit committee/legislative oversight committee raised about the department were also raised in previous years? What does this indicate about the department’s ability and/or willingness to address those issues?
- How many of those issues constitute public breaches of financial management legislation? How many of them could weaken the department’s accountability and service delivery systems?

- Did the department, in its annual report, provide explanations for those issues?

PSAM has developed dozens of reports analyzing the oversight and accountability of six departments in the Eastern Cape Province.

These reports are available on PSAM's website at

<http://perf.psam.ru.ac.za/pm@index.asp>.

## c. Results Achieved

### **Successes**

PSAM has achieved encouraging results in the Eastern Cape, including a temporary decrease in the number of audit disclaimers issued to provincial departments. Such disclaimers are issued when the public auditor's office is unable to form an opinion on the accuracy of the financial statements reported by an agency due to omissions or insufficient documentation.

Between 1996 and 1999 (the year PSAM was formed), audit disclaimers were issued to 12 of the province's 13 major public agencies. Moreover, little was done to rectify the problems cited in the audits.

In response, PSAM began actively publicizing this state of affairs. PSAM staff members gave radio and newspaper interviews in which they explained the meaning of audit disclaimers in non-technical language. They explained that the issuance of audit disclaimers meant that the provincial administration could not account for the large majority of its budget over a period of several years.

Expanded publicity surrounding PSAM's documentation of widespread corruption and mismanagement of funds helped persuade the South African cabinet to appoint an interim management team (IMT) in 2003 to improve financial management within the province. As a result, in 2005 audit disclaimers were issued for expenditures that comprised only 54 percent of the total provincial budget – a drastic reduction from 2002, when disclaimers were issued to more than 90 percent of the budget.

## Challenges

Unfortunately, the improvement cited above has proven to be short-lived. In 2006, the auditor general issued disclaimers for expenditures comprising 88 percent of the provincial budget. PSAM suggests that the problem may result in part from the re-emergence of poor financial management practises after the departure of IMT personnel. Clearly, sustained pressure must be brought to bear upon agencies to improve their expenditure and performance management processes.

PSAM also faces a number of challenges in monitoring expenditure and performance management. The organization does not always have access to budget data, such as detailed monthly financial and quarterly performance reports. In some instances, PSAM has been forced to file lawsuits to obtain information from government agencies; in others, it has been unable to obtain needed information because agencies simply have not maintained records.

Another challenge for PSAM is getting the attention of the provincial legislature. Given PSAM's focus on corruption and misconduct, it is perceived as having an adversarial relationship with the legislature (which is upset with the negative publicity it receives from PSAM exposes). In some instances, PSAM has struggled to obtain access to legislative forums such as standing committee meetings at which it can present its findings.

Maintaining the needed analytic capacity presents a further challenge for PSAM. New researchers entering the monitoring program must familiarize themselves with the significant knowledge base amassed through the systematic, multi-year monitoring of government agencies. In addition, it can take up to a year of training and application before new researchers acquire the unique skill set needed to fully implement PSAM's monitoring methodology.

*Information on PSAM can be obtained from the organization's website, <http://www.psam.org.za/ptlindex.asp>.*

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## Chapter 14:

### Other Successful Initiatives to Monitor Audit and Legislative Oversight

This chapter presents two further case studies of successful civil society work in the audit and legislative oversight phase of the budget process. They concern *Asociación Civil por la Igualdad y la Justicia* (ACIJ) in Argentina and the Concerned Citizens for Economic Justice (CCEJ) in South Korea.

#### 1. *Asociación Civil por la Igualdad y la Justicia* Examines Legislative Audit Recommendations in Argentina

The Civil Association for Equality and Justice (*Asociación Civil por la Igualdad y la Justicia*, or ACIJ) was founded in 2002 by a group of young professionals – including lawyers, social scientists, and economists – to demand transparency and accountability in public institutions and to advocate for pro-poor policies in Argentina. As part of its effort to combat corruption and increase transparency, ACIJ routinely analyzes audit reports and tracks the actions taken to implement recommendations made by public audit institutions. These include audit reports assessing royalties paid by the private sector to the government for hydrocarbon extraction, as well as procurements made by the government for the national airport.

During its investigations, ACIJ discovered evidence of serious deficiencies in the management of the agencies that execute these programs. However, the government took no action to rectify those problems or to implement the national audit institution's recommendations.

ACIJ demanded that it be allowed to attend meetings organized by the legislative committee (*Comisión Mixta Revisora de Cuentas*, or CMRC) responsible for reviewing audit reports. (These meetings had traditionally been closed to the public.) CMRC staff not only denied ACIJ's request, but told ACIJ that the committee *itself* did not meet to discuss the audit findings; instead, the committee secretary approved certain audit recommendations and then obtained signatures of consent from the other committee members. ACIJ filed a legal suit demanding that CMRC meetings be open to the public and obtained a favorable ruling.

ACIJ then filed a second suit demanding access to minutes of previous CMRC meetings. Once again, the court issued a ruling in favor of ACIJ and required that this information be made public.

The meeting reports were found to contain many irregularities. Seventeen of the 65 reports contained false information, including falsified meeting attendance records. ACIJ concluded that CMRC members were not truly interested in analyzing audit reports or demanding corrective action. ACIJ publicized its findings, which were reported in national newspapers, and this negative publicity spurred the CMRC to begin meeting regularly (and properly) to discuss audit reports.

ACIJ also issued a public report detailing the CMRC's deficiencies. For example:

- CMRC members are drawn from political parties based on the composition of the Congress. This means that when the same party controls both the executive and Congress, most CMRC members are unlikely to enforce actions that undermine the executive.
- CMRC reports and resolutions for the entire legislature contain little useful information, which prevents legislators who may be interested in examining an issue from understanding it.
- The CMRC does not impose deadlines by which the executive is required to respond to audit findings.
- The CMRC does not have in place a system to effectively follow up on its audit recommendations and ensure that executive agencies take corrective action.

In a sign of increasing cooperation between ACIJ and Argentina's auditor general, ACIJ created a database of journalists and non-governmental organizations that have expressed interest in receiving the auditor general's monthly bulletin summarizing its main investigations. ACIJ and the auditor general also agreed to create a system whereby civil society organizations can propose topics for audits to be conducted.

*Information on ACIJ can be obtained from the organization's website, <http://www.acij.org.ar/>.*

## 2. Citizens Coalition for Economic Justice Investigates Corruption in South Korea<sup>20</sup>

The Citizens' Coalition for Economic Justice (CCEJ) of the Republic of Korea has been able to use South Korea's public audit system – overseen by the supreme audit institution in the country, the Board for Audit and Inspection (BAI) – to improve government accountability for the use of public resources, particularly with respect to procurement.

CCEJ was founded in 1989 by 500 concerned citizens and has since grown to 35,000 members and 35 local branches. It has a national staff of 50 and can call on the support of 150 volunteer specialists. CCEJ's overarching goals are economic justice, environmental protection, democratic and social development, and the reunification of the Korean peninsula.

The Korean SAI has instituted several processes to facilitate public participation in its work, including establishing a system under which citizens can request the SAI to audit agencies or programs that they are concerned about. CCEJ uses this audit request system to further its goals. Following the recognition of a problem within the adminis-

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<sup>20</sup> This case study draws on Lee, 2006.

trative affairs of government, CCEJ collects and analyzes the relevant information; if there is evidence of a serious problem, CCEJ requests an audit of the institution.

One case in which CCEJ successfully used the audit request system dealt with the government's decision to construct a National Cancer Center (NCC). In 1991, when the decision to build the center was being made, the Ministry of Health and Welfare estimated that construction would require 41.9 billion Korean Won (at the time, approximately US\$58 million) and would provide more than 500 beds. Over time the budget grew, reaching over 200 billion Won in 1999. The NCC was completed in 1999, more than three and half years behind schedule. Full operation did not begin until late 2000.

Expert CCEJ volunteers, as well as other CCEJ staff, doubted the necessity of the NCC when it was first proposed. As the budget grew and construction delays mounted, CCEJ began investigating. CCEJ compared the budgets of cancer wards at other university hospitals with the government's budget plan for the NCC and found that the latter was excessive. CCEJ also consulted with professors and government officers and discovered that a power struggle between two government ministries over control of the NCC had inflated the NCC's budget even further. CCEJ presented its findings to the BAI and requested an audit.

The BAI determined that insufficient planning, unsystematic construction, and a lack of human resources had contributed to budget waste. It also found that overlapping and unclear investments between the NCC and a university hospital had caused inefficiency. The BAI informed the Ministry of Health and Welfare that it should harmonize the functions of the two hospitals and provide a firm plan for acquiring the human and material resources necessary to get the NCC open as soon as possible.

In a second case, a former audit official told CCEJ that the National Tax Service (NTS) had provided three companies with unfair tax cuts and that he had been demoted because of his opposition to those policies. In 2003, CCEJ began an investigation and issued an open inquiry against NTS citing unfair audit practices, preferential taxation, omitted taxes amounting to 6 billion Korean Won, and retaliatory actions against

whistleblowers. The NTS replied that both the official's demotion and the tax exemption of the three companies were lawful. CCEJ found the answer to be unsatisfactory and formally requested a BAI audit.

The BAI found that the tax collection by the NTS followed fair practices. The former audit official then took his case to the committee in charge of coordinating the Korean government's anti-corruption policies. The committee accepted the arguments by the audit official and CCEJ, finding that there was "reliable reason" for suspicion, and transferred the case to a local prosecutor – who in turn decided that the official's demotion had been unfair and the tax exemption had been unlawful. The prosecutor ordered that the required tax payments be collected.

CCEJ's success in these cases reflects four important factors. First, South Korea has mechanisms in place that give civil society the right to seek official action in cases of suspected corruption; CCEJ was able to use this system to focus the BAI's attention upon suspected budget waste and corruption. Second, as the NTS case shows, if one system of government redress does not yield satisfactory results, CCEJ works to find others. Third, CCEJ has a wide network of experts and volunteers upon which it can draw during investigations; these volunteers help both in identifying and in assessing cases. Finally, CCEJ uses the media strategically as a tool to pressure government to address citizens' concerns.

*Information on CCEJ can be obtained from the organization's website, <http://www.ccej.or.kr/English/>.*





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## Chapter 15: Conclusion, and Suggestions for Getting Started

This Guide has presented case studies of work undertaken by 17 organizations in 12 countries across Asia, Africa, and Latin America. These organizations range from research institutes to grassroots social movements. Some focus on national budgets, others on provincial and state budgets, and still others on local budgets. Some focus on budget advocacy; others use budget advocacy to strengthen their advocacy initiatives on other issues. Some work closely with government in monitoring the budget; others deliberately work independently of government.

In presenting such a wide variety of work, this Guide has aimed to underscore three points:

- Very different types of organizations around the world are conducting budget work effectively.
- Civil society organizations have considerable opportunities to monitor budget implementation – from creating new monitoring methodologies to collaborating with the legislative branch and others on oversight.
- All of the groups profiled here have had some impact on budget execution in their countries, and their successes can inspire other groups to do the same.

The potential for monitoring government budget implementation is large. Moreover, there are many other methods besides the ones presented here that organizations can employ, based on the specific political contexts in which they work. The key is for organizations to develop their own approaches based on the opportunities available to

them. As new ways emerge to hold governments accountable for budget execution, they will be covered in subsequent editions of this Guide.

## Some Ideas for Getting Started

As with many kinds of advocacy, sometimes the most difficult step is the first one – getting started. As the saying goes, if you have an hour to chop a stack of wood, sometimes the best thing to do is spend the first half hour sharpening your axe. In that same vein, organizations that want to start monitoring budget expenditures should take time up front to think about what approaches and projects represent the best use of their resources.

Below are some starting ideas that have worked well for groups:

### *1. Develop a Strategic Objective*

As a first step, an organization might want to define its strategic objective for its budget advocacy work. The objective should have value (for both society and the group), should build on the group's existing knowledge and experience, and should further the group's advocacy efforts. One process that can help a group through this planning is the SMART (**S**pecific, **M**easurable, **A**chievable, **R**ealistic, and **T**ime-bound) framework discussed in Chapter 9.

### *2. Develop a Solid Understanding of the Budget Process*

Before beginning any type of budget work, an organization must take the time to build a solid understanding of the government's budget process, including the execution process. One way to do this is to interview key actors, such as: budget officials, key legislators, journalists who cover government budgets, representatives from donor organizations (if the donors have a major role in the country's budget process), and local civil society organizations that are familiar with the details of government budgets.

The group can also review literature on the government's budget process published by the government itself and/or by multilateral organizations such as the World Bank and the IMF (which frequently

issues assessments of a country's budget process). Finally, the group could review the laws that govern the budget process.

### *3. Produce a Guide on the Budget Process*

As a step toward helping educate citizens about the budget process, some budget advocacy groups have produced guides to the budget process. Developing such a guide can also deepen the organization's own expertise on the budget process.

The production of such a guide is an obvious complement to the step listed above, wherein the organization develops its own expertise on this topic.

While such a guide might focus on the government's budget execution process and the subsequent auditing and oversight processes, it need not be restricted to those phases of the budget cycle. To be complete, a guide should also explain the budget formulation and adoption phases.

### *4. Acquire Budget Monitoring Skills*

Organizations like the International Budget Project provide budget training courses and technical assistance to groups that want to participate in budget issues in an effective way. These courses are an enormous help in enabling groups to secure technical and strategic skills.

Groups interested in budget issues can also learn by visiting other groups that have undertaken the type of budget monitoring activity in which they are interested. Finally, an organization beginning a budget advocacy project could seek a mentor, such as a former government official or other public finance specialist, to provide technical assistance during the initial stages of its work.

### *5. Access Budget Information*

Officials in many developing countries thrive on maintaining secrecy regarding agency functions. Civil society's demand for budget information strikes at the very heart of this system, which over the years may have fostered the development of a cozy nexus among corrupt officials.

The IBP Open Budget Index – a survey conducted in 2006 to measure budget transparency in 59 countries – reported that in many countries, public access to budget information is even more limited during the execution phase of the budget process than during the formulation and enactment phases (Gomez 2006). Not surprisingly, many civil society groups undertaking budget work find that their first project is to campaign for increased transparency in the budget process at the local, regional, and/or national level (depending on the group’s strategic focus).

In addition to advocating for greater budget transparency, an organization can also utilize a range of strategies that other organizations have used to obtain budget information. Among these are:

- a. *Identify sympathetic officials:* No government is a monolith: while some public officials are hostile to civil society’s requests for information and assistance, others are extremely forthcoming. The latter can be critical allies in an effort to obtain information on public programs. To win over officials who are less forthcoming but not completely opposed, groups can try to persuade them of the need for transparency or appeal to their egos by offering them an opportunity to showcase their work. The only way to obtain information from hostile officials is to pressure them, such as by going over their heads, i.e., appealing to their bosses.
- b. *Use “right to information” laws:* Roughly 70 countries around the world have laws that guarantee citizens the right to information (Banisar, 2006). An access to information law can be central to an organization's strategy for conducting a social audit. Even if their country has such a law, however, groups will not always be able to obtain needed information. Information requests can run into a variety of obstacles, including claims that files are missing or that their disclosure would harm national security. An excellent collection of studies on access to information laws, including implementation problems, is available at [www.freedominfo.org](http://www.freedominfo.org).
- c. *Use individual agency disclosure policies, courts, and civil petitions:* In countries where there is no law guaranteeing access to information, individual agencies may sometimes have disclosure policies or charters

on citizen rights that can provide for such access. In other countries, the national constitution may protect individual liberties that include the right to information. Citizens have successfully used constitutional provisions to file petitions in national courts to obtain information, though this is obviously a complicated process that can take years to complete.

d. *Collaborate with auditors, legislators, and donors:* Public audit institutions can be an excellent source of information. Legislators too often have much more information on public projects than ordinary citizens do, and civil society groups may be able to obtain extensive information through a sympathetic legislator. Similarly, in countries that are highly donor-dependent, donor organizations may have access to information on public projects – especially the projects these donors fund. Donors may be very forthcoming to a social audit process given their interest in ensuring that the funds they have donated are spent properly.

e. *Direct action and campaign:* The pioneer of non-violent direct action, Mahatma Gandhi, encouraged the use of direct action campaigns to demand changes from the government. He described the government response to such a campaign as follows: “First they ignore you, then they laugh at you, then they fight you, then you win.” Organizations that are repeatedly denied information might choose a strategy that relies on direct non-violent confrontation with the government agency that denies them information. Such a strategy should be undertaken only after careful deliberation given its possible consequences, including violent retribution from the government.

### 6. *Just Take the Plunge*

While it is good to take time up front to think and plan strategically, ultimately budget groups need to act. Some groups have started budget work based on an initial strategy and preliminary information and then developed both of these elements more deeply as they proceeded. With every new step, groups gain experience, confidence, and strength in making public budgets more accountable.



## A. Glossary

Because budget terminology can differ considerably between countries, it is difficult to compile a common glossary for all systems. Users of this Guide are therefore encouraged to access a glossary on budget terminology compiled by their government, which may often be included in the national budget. Below is a small compilation of budget terms used in this Guide; most of the definitions were taken directly from other glossaries, including:

1. *Managing Public Expenditure – A Reference Book for Transition Countries*, by the World Bank, available at <http://www1.worldbank.org/publicsector/pe/befa05/OECDGlossaryBiblio.pdf>
2. *Manual on Fiscal Transparency*, by the IMF, available at <http://www.imf.org/external/np/fad/trans/manual/gloss.htm>
3. *Glossary of Economic Terms*, by the Organization for Economic Cooperation and Development, available at <http://stats.oecd.org/glossary/index.htm>
4. *Code of Ethics and Auditing Standards*, by the International Organization of Supreme Audit Institutions, available at <http://into-sai.connexcc-hosting.net/blueline/upload/1codethaudstande.pdf>

## Glossary

### **Accounting system**

The set of accounting procedures, internal mechanisms of control, books of account, and plan and chart of accounts that are used for administering, recording, and reporting on financial transactions. Systems should embody double entry bookkeeping, record all stages of the payments and receipts process needed to recognize accounting transactions, integrate asset and liability accounts with operating accounts, and maintain records in a form that can be audited.

### **Accounts payable/receivable**

Money owed to/by suppliers/customers.

**Accrual accounting**

A form of accounting that records fund flows at the time economic value is created, transformed, exchanged, transferred, or extinguished. Thus, flows that imply a change of ownership are entered when ownership passes, services are recorded when provided, output is entered when products are created, and intermediate consumption is recorded when materials and supplies are being used.

**Apportionment**

Authorizations or distributions of funds generally made by the ministry of finance to line ministries and other spending units, permitting them to commit and/or pay out funds within a specified time period and within the amounts appropriated and authorized. See also *Warrant*.

**Appropriation**

An authority granted under a law by the legislature to the executive to spend public funds, up to a set limit, for a specified purpose. Annual appropriations are made through annual budget laws or, in some countries, separate appropriation acts consistent with the budget. Supplementary budgets/appropriations are sometimes granted subsequent to the annual law if the annual appropriation is insufficient to meet the specified purpose. The term “standing appropriation” is sometimes used to define an authority extending beyond a single budget year under separate legislation (such as social security legislation). In most countries, agencies and departments require specific executive authorization (“apportionment, allotment, or warrant”) to actually incur an obligation against an appropriation.

**Arrears**

Amounts that have not been paid or received by the date specified in a contract or within a normal commercial period. Payment arrears may arise from non-payment by government ministries/agencies in areas such as bills due from suppliers, salaries due, transfers, or debt repayment costs. Tax arrears are taxes due to government but not paid.

**Audit opinion**

An audit opinion is rendered by an auditor at the end of an audit investigation. The auditor reports on the nature of his or her work and on the degree of responsibility assumed. In the audit opinion, the auditor

indicates whether in his or her opinion the client's financial statements present fairly the financial position, results of operations, and changes in financial position for the year-ended. Typically, there are four types of audit opinions made by an auditor, including unqualified opinion, qualified opinion, adverse opinion, and disclaimer.

### **Benchmarking**

Methods and procedures for comparing one organization with another as a means of improving performance. Process benchmarking is the study and comparison of the processes and activities that turn inputs into outputs. Results benchmarking compares the actual performance of organizations using performance indicators or measures.

### **Cash accounting**

A form of accounting that records only cash payments/receipts and records them at the time they occur.

### **Cash management**

The development of agency and central cash flow forecasts, the release of funds to spending agencies, the monitoring of cash flows and expected cash requirements, and the issue and redemption of government securities used to finance government programs.

### **Contingency fund (or contingency reserve)**

A fund or a budget provision set aside within the annual budget total, to be allocated later, designed to meet unforeseen changes in external circumstances. In medium-term budgeting, contingency and policy reserves are used to provide flexibility and to avoid premature expenditure commitments, with progressively bigger reserves in the totals set aside for later years.

### **Contingent liability**

Obligations that have been entered into but whose timing and amount are contingent on the occurrence of some specified future event. They are therefore not yet actual liabilities (and may never be if the specific contingency does not materialize).

### **Disclaimer of audit opinion**

A disclaimer the auditor issues when s/he is unable to arrive at an opinion regarding the financial statements taken as a whole, due to a

fundamental uncertainty. The disclaimer makes clear that an opinion cannot be given and specifies all matters of uncertainty.

**Double-entry accounting (or double-entry bookkeeping)**

A system in which each flow gives rise to two equal-valued entries: one credit and one debit. By convention, increases in asset accounts and decreases in liabilities and net worth accounts are debits. Conversely, decreases in asset accounts and increases in liabilities and net worth accounts are credits. Use of the double entry system facilitates consistency checks of recorded flows and stocks.

**Economic classification**

The classification of expenditures (or expenses) and the acquisition/disposal of assets into economic categories, which emphasize the economic nature of the transaction (salaries, interest, transfers, etc.).

**Emphasis of matter (audit opinion)**

A separate paragraph of an audit opinion in which the auditor points out unusual or important matters that are necessary to a proper understanding of the financial statements. It should not be used to rectify a lack of appropriate disclosure in the financial statements or as a substitute for qualifying the opinion. See also *Qualified audit opinion*.

**Ex ante control (or a priori audit)**

Prior authorization of a specific expenditure. Payment orders and supporting documentation received are checked to verify that the transaction is properly authorized, is legal and regular, and that there are sufficient resources in the budget. Such inspections may be carried out by the central authority of the ministry of finance or by line ministries/agencies.

**Financial management**

The legal and administrative systems and procedures put in place to permit government ministries and agencies to conduct their activities so that the use of public funds meets defined standards of probity, regularity, efficiency, and effectiveness. Financial management includes the raising of revenue, the management and control of public expenditure, financial accounting and reporting, cash management, and in some cases asset management.

**Financial statements**

Accounting statements prepared by a reporting entity to communicate information about its financial performance and position. An accrual accounting system commonly entails the preparation of a financial position statement (or balance sheet), which lists total assets, liabilities, and net worth; a financial performance statement (or operating statement), which lists revenues and expenses during the period; and a statement of changes of net worth, which explains movements in the opening and closing balances. These accrual-based statements are supplemented by a statement of cash flows.

**Functional classification**

The classification of expenditure (as well as expense) transactions and acquisitions/disposals of financial assets according to the purpose for which the transactions are undertaken. A functional classification is independent of the administrative organizations or units that carry out the activities or transactions concerned.

**Gross domestic product**

An aggregate measure of production, equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).

**Internal audit**

An audit carried out by a department or unit within a ministry or another government organization, entrusted by its management with assessing the organization's systems and procedures in order to minimize errors, fraud, and inefficiency. Internal audit units must be functionally independent within the organization they audit and report directly to the organization's management.

**Performance measurement**

Assessment of the efficiency and effectiveness of a program or the activities of an organization through an examination of the relevant inputs, processes, outputs, and outcomes.

**Qualified audit opinion**

An opinion in which the auditor disagrees with or is uncertain about one or more items in the financial statements that are material but not fundamental to an understanding of the statements. The wording of the opinion normally indicates a satisfactory outcome to the audit, subject to a clear and concise statement of the matters of disagreement or uncertainty giving rise to the qualified opinion.

**Unqualified audit opinion**

An opinion in which the auditor is satisfied in all material respects that:

- (a) the financial statements have been prepared using acceptable accounting bases and policies, which have been consistently applied;
- (b) the statements comply with statutory requirements and relevant regulations;
- (c) the view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
- (d) there is adequate disclosure of all material matters relevant to the financial statements.

An auditor may not be able to express an unqualified opinion if there has been a limitation in the scope of the audit, the auditor considers the financial statements to be incomplete, misleading, or in violation of acceptable accounting standards, or there is uncertainty affecting the statements.

**Virement**

The process of transferring an expenditure provision from one line-item to another during the budget year. To prevent misuse of funds, spending agencies must normally go through approved administrative procedures to obtain permission to make such a transfer.

**Warrant**

A release of all or (more commonly) a part of the total annual appropriation on a quarterly or monthly basis that allows a line ministry or spending agency to make commitments.

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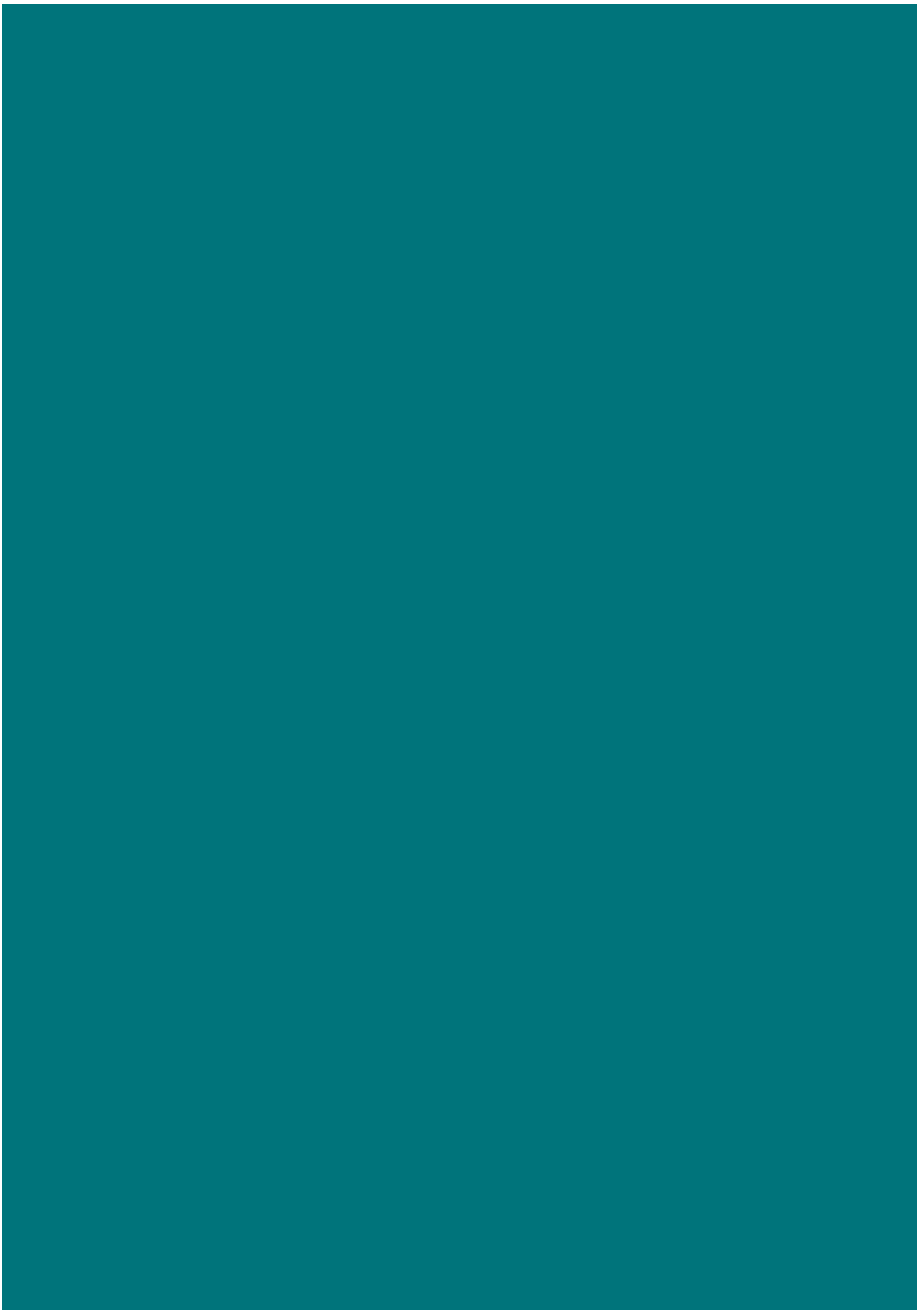
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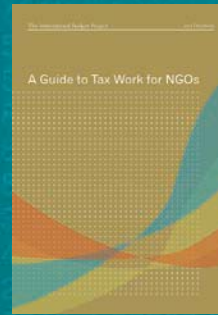
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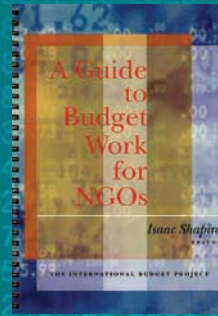


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