Public Expenditure Tracking Surveys
Usefulness for Improving Governance

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Human Development Week – World Bank
Washington, DC – November 11, 2008
PETS Review

• Purpose & framework
• Character of PETS & General Findings
• Governance: Information & Decision Points
• Conclusions
Introduction

• Purpose: How and why PETS are useful and suggest some ways to increase their usefulness, with World Bank operational staff of HDN as the main audience.

• Other Papers
  – Gauthier & Reinikka
  – Engberg-Pedersen et al 2005
  – Brookings

• Definition of a PETS
Framework

• WDR 2004 and GR 2006
• 3 main parties (govt, clients, providers)
• 2 channels (long route and short route of accountability)
• PETS aims at govt/provider flows
• Therefore, information flows and consistency of decision structure are key
Elements of Typical PETS

- Detailed descriptions of intended flow of funds
- Data collection from natl & subnatl levels
- Collection of data from facilities
- Information of how things “really work”
- Analyses of whether spending reaches facilities
- Other findings, e.g. delays, information, equity
- Recommendations: information systems, publicizing budgets, supervision, new accounting instruments, etc.
The general question

- Do funds reach frontline providers?
- If not, which ones and why?
Examples of Specific Policy Questions

- How are local governmental units allocating their block grants for education? (Albania – Education)
- Does the financial operation of the Priority Action Program work well relative to both international standards and the regular budget system? (Cambodia – Education)
- Are clients satisfied with educ. & health services? (Cameroon)
- Is the current financial allocation formula equitable? (Mongolia – Education)
- Do local expenditures affect service outputs? (Chad – Health)
- How can personnel management be improved? (Honduras)
Different Types of Funding

- rule-bound and discretionary funding,
- in-kind and cash flows,
- recurrent and investment expenditures, and
- salary and non-salary payments
General Structures of Funding with different implications for PETS

• **Direct mechanisms**: transfers directly from a government entity to a frontline unit or its staff.

• **Multiple funding mechanisms**: different levels of government are involved in financing social services and, additionally, subnational levels have independent or alternative sources of revenue.
Figure 1: Representation of Potential Leakage Points

- **Level 1**: Budgeted, Authorized, Disbursed
  - Potential Leakage: Policy Changes
- **Level 2**: Inflow, Outflow
  - Potential Leakage: Diversion
- **Level 3**: Inflow, Outflow
  - Potential Leakage: Diversion, Theft, Administration

- **Facility**: Inflow, Outputs
  - Potential Leakage: Absenteeism, Theft
“Governance”

- Information flows – management, accountability & intelligence
- Decision points – consistency between resources and authority at each point
Information flows

• Inflows & outflows / outflows & inflows
• Upward and downward
• Why is data poor? What incentives for the reporting person or unit?
Inflows & Outflows from Cambodia’s new accounting process

Figure 3.5: Simplified accounting process for PAP2.1 transactions at each tier

- Fund Inflow Receipt
- Budget Tracking Book
- Fund Outflow Receipt
- Spending Report
- Purchase Invoices

Note: PEO, DEO and schools are all required to keep these documents. For the spending report, however, it is more relevant for school levels.

Information flows

- Information for **Management**
- Information for **Accountability**
- Information for **Intelligence**
Decision Points

• People who manage funds need to be accountable to someone …
• but this means they also need appropriate discretion to manage funds.
Flow of Funds in Ghana’s Basic Education Sector

Figure 2: Ghana: Flow of Health Care Related Public Funds

Flow of Funds and Information and Decision Points in Cambodian Education

Table 2. Structure of Resource and Funding Flows in Zambia

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Does Province have discretion? (centralized)</th>
<th>Does Province have discretion? (decentralized)</th>
<th>Does District have discretion? (centralized)</th>
<th>Does District have discretion? (decentralized)</th>
<th>What can the school/teachers expect to receive?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational materials (discretionary)</td>
<td>Handles procurement and distributes to provinces/districts</td>
<td>YES Decides how much to pass on to district</td>
<td>NO Decides how much to pass on to schools</td>
<td>YES Decides how much to pass on to districts</td>
<td>Depends on districts</td>
</tr>
<tr>
<td>Payment of staff: salaries and allowances (rule-based)</td>
<td>Completely centralized and are made directly to teachers</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>Teachers receive salaries and allowances according to the salary scale</td>
</tr>
<tr>
<td>Payment of staff: one-time benefits (discretionary allocations)</td>
<td>Disburses funds to provinces and districts for such payments</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Cash flows from GRZ fixed grant (rule-based funding)</td>
<td>An allocation of either $600 or $850 is made to every primary basic school</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Cash flows from GRZ (discretionary funding)</td>
<td>Allocations are made for recurrent and capital expenditures, as well as disbursement to districts/schools</td>
<td>YES Decides how much to pass on to districts</td>
<td>NO Districts receive most money directly</td>
<td>YES Decides how much to pass on to schools</td>
<td>YES Decides how much to pass on to schools</td>
</tr>
<tr>
<td>Cash flows from case IV donors (discretionary component)</td>
<td>No discretion. Most money from case IV donors is for PAGE (Program for Advancement of Girls’ Education)</td>
<td>YES Province decides how much to pass on to districts</td>
<td>NO Districts receive most money directly</td>
<td>YES District decides how much to pass on to schools</td>
<td>YES District decides how much to pass on to schools</td>
</tr>
</tbody>
</table>

Decision Points

• Structural Changes
  – Decentralization
  – Recentralization
  – New actors
  – Financial allocation mechanisms

• More modest changes
  – Simplification, completeness, public dissemination, conditions for disbursements, etc.
In sum, PETS …

...vary regarding leakage measurement but they still frequently do good expenditure analysis like PERs. So, PETS contribute in different ways:

- Show in detail how the financial management works
- Collect data that sheds light on the ways funds are budgeted allocated and disbursed.
- Information of how things “really work” by interviewing at different government levels and others outside govt
- Analysis of whether spending reaches facilities and is actually applied to intended use.
Conclusion: Improve PETS

Recognize PETS heterogeneity and make them more rigorous by being clearer as to their purpose and methods:

• Some could be more like forensic audits, verifying data, sampling and investigating leakages more intensely.
• Some could aim more squarely at answering policymakers questions about facilities, eg. Absenteeism, productivity, leakages.
• Some could aim to analyze processes and be used to improve M&E, budget and disbursement, financial controls.
Conclusions: Improve PETS

- Clarity on questions, usefulness & feasibility
- Appropriate preparation, sampling, and analysis
- Better dissemination
- Aims:
  - better public expenditure systems
  - more coherent decision points and information flows

End point: Better governance, better services
Bibliography of PETS reviewed in this study, alphabetically by country:


Senegal (#12) (No further identifying information).


