

Public Expenditure Tracking Surveys

When assessing service delivery, most surveys examine the effects of policies or interventions on households and their demands for and perceptions of the quality of services. Inputs and outputs on the supply side—such as the flow of public funds and school enrollment rates—are left for official statistics or administrative records. Public Expenditure Tracking Surveys (PETS) and Quantitative Service Delivery Surveys (QSDS) are two new tools that seek to document service delivery on the supply side, and have proven effective in increasing both the accountability and the effectiveness of service providers. In both instruments, the facility or frontline service provider is typically the main unit of analysis, in much the same way that the firm is the unit of observation in enterprise surveys and the household in household surveys.

Diagnostic surveys such as these can provide vital information for decision makers when institutional weaknesses inhibit a more regular flow of information. They are particularly helpful in identifying areas where actions are needed to improve the relationships among different levels of government involved in service delivery; illustrating areas where information asymmetries exist among agencies; and highlighting opportunities for more effective means of accountability within agencies, among agencies at different levels, and between agencies and end users. When surveys are strategically designed, their findings can help induce policy change by making it easier for policy makers to find solutions. This note describes these tools in more detail and highlights their recent application in Uganda, Tanzania, Ghana, and Honduras.

What Are the PETS and QSDS?

When increases in public spending do not appear to be generating improvements in the delivery of basic services, two explanations are possible. One possibility is ineffective transfers of funds among public sector agencies, such as leakage of funds that prevents spending from reaching the intended end producer. A second possibility is deficiencies in the capacity of end users to create valuable goods and services, along with waste and corruption.

Because of this, micro-level tools are needed to reveal provider behavior and illuminate the translation of public spending into services, where the quantity and quality of services reflect the public funds spent on them. PETS and QSDS have recently been tested in several countries to document frontline service delivery from public, private not-for-profit, and private for-profit providers. The PETS and QSDS approach focuses on provider behavior in general, including issues of incentives, oversight, accountability, and multiple-principal multiple-agent dynamics in the public sector.

As information on actual public spending is generally unavailable in many developing countries, the PETS was designed to provide the missing information from different tiers of government

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and frontline service facilities. It focuses on collecting micro-level data on the characteristics of the service facility, the nature of financial flows from facility records, outputs, and accountability arrangements. In this process, a PETS can also help uncover where and to what extent corruption and abuse are leading to breakdowns in service delivery systems. Nearly all applications of the PETS so far have been in the health and education sectors, although the survey can be applied in other areas as well.

In the QSDS, quantitative data are collected both through interviews and directly from the service provider's records. Facility data can be "triangulated" by also surveying local governments, umbrella NGOs, and private provider associations. The compilation of facility-level quantitative data typically requires much more effort than, say, a perception survey of service users, which makes the QSDS both more costly and time consuming to implement than its qualitative alternatives.¹⁵⁶ The PETS and QSDS can be conducted in conjunction, and their combination allows a direct evaluation of the effect of wider institutional and resource-flow problems on frontline service delivery.

In general, the surveys have two broad uses. First, they serve as diagnostic tools on service delivery, enabling the analysis of public expenditure priorities to take into account the implementation capacity of governments. Second, these surveys provide primary data on service providers for empirical research, data that up to now have been severely lacking on questions of incentives and moral hazard.¹⁵⁷

PETS in Practice

Several countries have already implemented diagnostic Public Expenditure Tracking Surveys, while the QSDS is just beginning to be applied in a number of countries. This section reviews the experience gained from the use of PETS in Uganda, Tanzania, Ghana, and Honduras.

Analysis of these surveys provides several key findings, particularly related to information and accountability:

- *Information.* The surveys show that the flow of funds to the frontline and the efficacy of service delivery agencies are seriously hampered by information asymmetries, both among agencies at different levels and between agencies and end users. Further, as access to and ability to acquire information differ among segments of society, the actual programs benefits may also be unequally distributed. In addition, the surveys show that cash budgeting, deemed necessary in a number of low-income countries to bring about fiscal discipline, has serious negative side effects in that it produces volatile monthly releases of funds, aggravating the informational disadvantage that beneficiaries typically have. This may lead to substantial leakage of funds.
- *Accountability.* Nonwage expenditures are found to suffer more from leakage than salary expenditures. Furthermore, the sources of leakage can be located at different tiers of government. In Uganda and Tanzania, the most serious leakage arose at the local

¹⁵⁶ Examples of these survey instruments can be found at www.publicspending.org (tools).

¹⁵⁷ For further information on the diagnostic, data collection, and research benefits of the PETS and QSDS, along with the potential for capacity building, see Reinikka and Svensson 2002.

government level, while in Ghana it occurred before the resources reached the local government.

Uganda

In 1996 Uganda became the first country to carry out a PETS, prompted by the observation that despite a substantial increase in public spending on education since the late 1980s, officially reported primary enrollment remained stagnant. The PETS compared budget allocations to actual spending through various levels of government, including frontline service delivery points, in primary education and health care. It also collected quantitative data on outputs produced by schools and clinics, as well as data on facility characteristics. Adequate public accounts were not available to report on actual spending, so the surveys of 19 districts (out of 39), 250 government primary schools, and 100 health clinics collected a panel dataset on spending (including in-kind transfers) and outputs for 1991–95.

The school survey showed that, on average, only 13 percent of per-student nonwage funds distributed annually by the central government reached schools during the survey period. Eighty-seven percent either disappeared for private gain or was used by district officials for purposes unrelated to education. Most schools (roughly 70 percent) received very little or nothing. In fact, based on yearly data 73 percent of the schools received less than 5 percent, while only 10 percent of the schools received more than 50 percent of the intended funds. Although the trend was showing improvements over time, by 1995 only 22 percent of funds reached the schools.

The survey confirmed that public primary education was mostly funded by parents who contributed up to 73 percent of total school spending in 1991 (42 percent at the median school). While the government's share increased during the survey period, by 1995 parents still financed 60 percent of total primary school spending on average; furthermore, parental contributions continued to increase in real terms despite higher public spending.

The survey quantified the adverse effects of asymmetric information on the flow of funds. Because local government officials have an informational advantage regarding the amount of funds received as transfers, they can obtain rents at the expense of PTAs simply by reducing the amount of funds actually used for the school. Following publication of the survey findings, the central government began publishing the monthly intergovernmental transfers of public funds in major newspapers and broadcasting the information on radio, and required primary schools to post information on inflows of funds for all to see. This not only made information available to PTAs, but also signaled to local governments that the center had resumed its oversight function, thus creating incentives for increased accountability among local agencies. Initial assessments of these reforms a few years later, through two locally implemented follow-up PETS, show that the flow of intended capitation grants improved dramatically, from 13 percent (on average) reaching schools in 1991–95 to about 80 to 90 percent reaching schools in 1999 and 2000.

Tanzania

Tanzania implemented two Public Expenditure Tracking Surveys in 1999 and 2001 to investigate the suspicion that serious problems existed in the flow of funds from the central government via

the local authorities to frontline service facilities. The first Tanzanian PETS, which covered 45 primary schools and 36 health facilities in three districts, found that local councils diverted a large part of funds disbursed by the center for nonwage education and health expenditures—57 percent in education and 41 percent in health care—to other uses as well as private gain. Salaries appeared to be less prone to diversion, but payrolls suffered from ghost workers and frontline staff suffered delays in pay.

The second PETS covered four primary schools and four clinics in each of five districts. Considerable delays in disbursement of funds were found at all levels of government, particularly for nonwage expenditures and in rural areas. Rural districts received a smaller share of the intended resources than urban districts. One important cause of this was cash budgeting leading to volatile transfers due to fluctuations in revenue, which in turn gave rise to information asymmetry as it became increasingly difficult for beneficiaries to know the amount of their monthly allocation or entitlement. Council staff took advantage of these information asymmetries in their relationship with service facilities. Similarly, highly aggregated government records were found to undermine transparency in public spending.

The findings of the two PETS were disseminated during the national budget consultations, but they have not yet had as strong a catalytic effect on central government oversight or transparency arrangements as the PETS in Uganda. The Treasury has begun regular dissemination of itemized local government budgets to members of Parliament and regular publication of budget allocations for the selected pro-poor spending programs in both Swahili and English-language newspapers, covering allocations for ministries, regions, and local authorities.

Ghana

Ghana implemented a PETS in 2000 to estimate the leakage of funds in the transfer from central government via districts to basic education and primary health care facilities. The Ghana PETS covered four districts in each of the 10 regions, with interviews of 40 district education officers and 40 district health officers, and a survey of 119 primary schools, 79 junior secondary schools, and 173 primary health clinics. The survey found that only about 20 percent of nonwage public health expenditure and 50 percent of nonwage education expenditure reached frontline facilities. As observed in Uganda and Tanzania, the leakage in salaries, in contrast, was much smaller.

Contrary to the Ugandan and Tanzanian experience, a large proportion of the leakage seemed to occur between line ministries and district offices during the process of translating public expenditures from funds into in-kind transfers. The in-kind nature of transfers gave rise to information asymmetries and lack of accountability within the delivery system, and discouraged opportunities for feedback from frontline facilities regarding their resource needs or complaints. The possibilities for leakage were found to be much greater when the value of the materials distributed was unknown to their recipients.

The PETS opened an avenue for interministerial collaboration and provided a practical approach for assessing frontline expenditures and service delivery. However, it has not yet been able to catalyze a strong response to reduce leakage.

Honduras

Honduras used the PETS to diagnose moral hazard with respect to frontline health and education staff, demonstrating that issues related to staff behavior and incentives in public service—such as ghost workers, absenteeism, and capture of multiple jobs by employees—can have adverse effects on service delivery. The hypothesis of the PETS was that the central payroll office in Honduras has no means of ensuring that public employees really exist and that they are actually working where they are supposed to work. The objective of the PETS was thus to quantify the incongruity between budgetary and real assignments of staff and to determine the degree of attendance at work.

In the health sector, 2.4 percent of staff were found to be ghost workers. Absenteeism is a generic problem, with an average attendance rate of 73 percent across all categories of staff (meaning that only 73 percent of staff members were at work in the five days prior to the survey). Thirty-nine percent of these absences were without legitimate reason (such as sick leave, vacations, and compensation for extra hours worked). In addition, multiple jobs were prevalent, especially for general practitioners and specialists: 54 percent of specialist physicians held two or more jobs, of which 60 percent were in a related field. Slightly over 5 percent of staff members had migrated to posts other than those to which they were assigned in the central database, while 40 percent had moved since their first assignment.

In the education sector, 3 percent of staff members were found to be ghosts, while only 5 percent of primary school teachers were unknown in their place of work. Absenteeism is less of a problem than in the health sector, with an average attendance rate of 86 percent across all categories of staff and 15 percent of all absences unexcused.

As the PETS study was carried out fairly recently, there has not yet been much follow-up within government of the findings.

Resources

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