

Module3: Introduction to Public Expenditure Tracking Surveys

Slide 1: Introduction

In this presentation, we will introduce a commonly-used social accountability tool that citizen groups use to monitor public spending: public expenditure tracking surveys, or PETS. We'll discuss the underlying problem that PETS seek to mitigate and then provide you with a basic definition of the tool. We'll then move on to PETS in practice, looking at international experience with the tool, key findings, and some common implementation challenges.

Slide 2: Weak Link: Spending & Outcomes

Quite often, there can be a weak link between public spending and outcomes. Some examples of this are illustrated in the graph above. As you can see, both Ethiopia and Malawi heavily increased public expenditure on education between 1980 and 1990, by as much as \$8 per child of primary school age. As the second graph shows, however, despite this investment, primary school completion rates remained stagnant in Ethiopia, whereas they improved greatly in Malawi, rising from 30% to 50%. It is clear, then, that similar changes in public spending can be associated with vastly different changes in outcomes. Another example of the weak link between public spending and outcomes is illustrated by the third graph, entitled "Public spending on health." As you can see, Mexico and Jordan followed opposite paths with respect to public spending on health between 1980 and 1990. However, despite their varying levels of investment, outcomes with respect to under-five mortality rates are nearly identical for the same time period. Again, we see that public spending increases and decreases are by no means necessarily associated with changes in outcomes. So how can we explain this situation?

Slide 3: Challenges to Budget Performance

One of the reasons for a weak link between public spending and outcomes has to do with the multifaceted challenges to budget performance that governments face. In an *'ideal situation'*, plans or program objectives determine inputs. These inputs automatically generate outputs. Likewise, these outputs allow for the reaching of expected long-term outcomes. For example, ideally, increased expenditures on health services would lead to increased immunization rates and lower levels of infant mortality. In a *'more typical situation'*, very real challenges are confronted along the chain from plans to inputs to outputs to outcomes. Budget allocation is made according to unclear objectives. Due to weak service delivery systems, these inputs are not used in an efficient way, and inputs thus do not produce the expected outputs. Ultimately, in this type of situation, it is unlikely that the expected outcomes will be reached.

Slide 4: Services Failing the Poor

How and why are services failing poor people? A number of studies and surveys show that public spending often fails to reach the poor, and that services provided to the poor are inferior both in terms of quantity and quality. How can this unfortunate fact be explained? Firstly, in some cases, public resources do not reach frontline service providers such as schools or health clinics. Secondly, it has been

proven that public spending generally tends to benefit the rich more than the poor. Thirdly, the quality of services in poor areas is affected by factors such as staff absenteeism, facilities in poor conditions, lack of supplies, and others. Fourthly, some problems are linked to the relatively lower demand for education or health services from poor households. Public Expenditure Tracking Surveys are unable to resolve *all* of these issues. However, at the very least, they can help us to obtain some useful information for answering the first three reasons, all of which are linked to poor service delivery.

Slide 5: Definition

What exactly are public expenditure tracking surveys? As the definition above states, a PETS is a well-known social accountability tool that is used to track flows of funds and materials from the central government to local service providers, via regional and local governments. PETS attempt to determine how much of the originally-allocated resources reach each level, in particular frontline service providers.” The central question that PETS answer is: How much of the planned funds actually reach the intended beneficiaries in local communities?

Slide 6: Objectives

PETS have three main objectives. First, in the absence of functional accounting, monitoring and reporting systems, PETS aim to determine how much of the originally allocated resources actually reached each level and when they reached the intended beneficiaries. Next, PETS seek to identify and analyze the factors that are responsible for the differences in performance between different types of facilities. Third, this tool aims to pinpoint the causes of problems in public service provision and to propose solutions to these problems.

Slide 7: Characteristics of PETS

Many PETS have been conducted during the last decade in different sectors, regions of the world, and under different circumstances. Although PETS vary according to their scope and objectives, they have the following common characteristics. PETS collect factual data, or hard facts – whereas perception surveys only collect subjective data. Next, as seen in the graph above, PETS collect data at different levels of government, from the central government level right down to the service delivery units. Finally, typical PETS rely not only on records, but also on interviews with key personnel – such as teachers, health facility managers, service providers, and others.

Slide 8: Variations in PETS

PETS vary in their design and content, according to many factors. One such factor is the particular sector being examined. For example, PETS measuring education and health will vary significantly with respect to survey design and content. Next, PETS vary based on the type of expenditure that is being tracked. For example, PETS can measure investment expenditures, current expenditures, or others. Furthermore, the design of PETS questionnaires will differ significantly based on the suspected problem regarding financial flows. Additionally, PETS will vary based on the number of administrative levels studied, which in turn depends on the administrative structure of the concerned country. Finally,

variations in PETS around the world can be due to the scope of the tracking exercise: PETS can focus on a specific sector, or they can be limited to only a few units of service provision. The latter is especially common when PETS are undertaken by civil society organizations.

Slide 9: Results

What are some of the results we've seen from PETS? We'll now look at a few examples of countries that have undertaken a PETS between the late 1990s and 2001. As shown in this table, the leakage of non-wage funds in the education sector can vary significantly, from a high of 87% in Uganda, down to 10% in a particular instance in Zambia.

Slide 10: International Experience with PETS

The first-ever PETS was conducted in Uganda in 1996 by a group of World Bank researchers. Since then, PETS have been implemented in more than 35 countries worldwide, in all regions: Africa, Asia, Latin America and Eastern Europe. A non-exhaustive list of countries that have completed PETS is above.

Slide 11: Who can implement PETS?

A range of different actors with varying objectives can implement PETS. In earlier years, PETS were conducted largely by and in partnership with the World Bank. But in recent years, many other actors have conducted PETS, including donor agencies, governments and civil society organizations. The objectives of a PETS can be quite different for each of these actors. For *development banks or donor agencies*, PETS are seen as a way to evaluate past investments or to consider new lending. For *government agencies* such as Ministries of Finance, Education or Health, PETS can be used for self-evaluations of performance, with ultimate objective of understanding shortcomings and improving upon them. For *government oversight bodies*, such as the Auditor General, the objective of a PETS is to improve understanding of the use of public funds. Finally, for *civil society organizations*, PETS can be effective advocacy instruments to increase local government accountability. Whichever group implements the PETS, the collection and analysis of data should be in the hands of independent researchers. This is the only way to ensure the reliability and credibility of the survey's results.

Slide 12: Uses of PETS

Who uses PETS, and for what? Two main stakeholders can be considered here: policy-makers and managers and researchers. PETS are invaluable tools for *policy-makers and managers*. They allow a greater understanding of many things, such as the way in which funds are actually spent. They also allow for an enhanced comprehension of the location and quantification of fund leakages and help policy-makers analyze the allocation of funds to different levels. Lastly, they can shed light upon the best ways to initiate reforms to reduce leakage. PETS are also extremely useful for *researchers*. PETS can be used to observe the results of service provision; or to inform policy makers and citizens of how budgets are used to provide services. They are also useful tools for identifying staff incentives and consequences; and also to demonstrate the political aspects of financing.

Slide 13: Follow-up

A PETS should be thought of, first and foremost, as a means to an end. More important than specific results, the true value in PETS lies in how policy-makers and civil society organizations can use these results to improve service delivery and other outcomes. For example, in Uganda, where the first-ever PETS was conducted, the follow-up to the exercise was considerable. Following the release of PETS results in 1996, a large information campaign was conducted in the country. This included a monthly publication in local newspapers showing monthly transfers of capitation grants from central government to districts. It also included placing posters at district headquarters that announced the date and amount of funds received. In addition, as a result of the PETS, schools maintained public notice boards where they posted and displayed for all funds and material received. As seen in this graph, the information campaign in Uganda served in part to significantly increase the share of funds that reached the schools – reducing leakage from 78% to a much lower 20%.

Slide 14: Challenges

While PETS are clearly effective as a social accountability tool, it is important to recognize the challenges associated with the use of this tool. One of the main challenges in implementing a PETS is the design of the survey tool. A lack of political dialogue, complex systems of financial transfers, or the absence of disaggregated data at different levels of the system can be major obstacles to the effective tracking of funds through the system. Another challenge lies in the implementation of the survey and the accessing of data. Problems such as poor bookkeeping; data inconsistencies; and lack of the requisite survey implementation skills may all present potent obstacles to the implementation of a PETS. The high cost of implementing a PETS -- from 50,000 US dollars to more than 100,000 US dollars -- may also prevent many actors from using this type of social accountability tool. Finally, another common challenge in the implementation of PETS centers upon the issue of sustainability, follow-up, and impact. Unfortunately, in some countries, PETS are limited in their ultimate efficacy due to a lack of political will. In these instances, PETS results are often not properly disseminated, not followed up upon, and are a one-time exercise that is never again repeated.

Slide 15: Review

In this presentation, we've covered the basic definition of PETS and its uses as a social accountability tool to heighten transparency and improve public sector performance. The following key takeaways are important to keep in mind as we move on to looking at PETS in greater detail. First, timely information about actual spending is not always provided by public accounting systems. In these cases, PETS can be extremely useful by providing a picture of how service delivery actually functions. Next, PETS can be a powerful tool in making budget transfers more transparent. They can help to minimize discretion and maximize predictability in public spending and the transfer of public funds from central government to localities. Finally, the widespread dissemination of PETS results can contribute to significant reductions in terms of leakage of public funds. As such, they can be important tools to improve service delivery at the local level while concurrently strengthening the transparency and accountability of a given governance system.