Outcomes Rule: Getting Development from Development Expenditure

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ABSTRACT:

This discussion document provides an overview of issues to be considered at the "Outlays to Outcomes: Getting Development from Development" Conference on August 25, 2009. It first motivates the conference by discussing some challenges in development expenditure and our rationale for focusing on centrally sponsored schemes in particular. Next, we discuss accountability - both within the public sector and from the public sector to the public - as a key part of the institutional foundation for improving public service delivery to address development gaps in India. We discuss various definitions of "accountability" in the literature and link these to effectiveness of development expenditure. The last sections offer some guidelines for institutional and process change to increase accountability and improve the impact of development expenditure. We present this as a basis for discussion rather than any definitive statement.

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"I am convinced that the government, at every level, is today not adequately equipped and attuned to deal with this challenge and meet the aspirations of the people. To be able to do so, we require reform of government and of public institutions....No objective in this development agenda can be met if we do not reform the instrument in our hand with which we have to work, namely the government and public institutions."

- Prime Minister, Manmohan Singh, June 24, 2004

Contemporary India presents a unique contradiction. On the one hand, many commentators describe it as a 'miracle economy,' averaging a growth rate of over 8% since 2003.[2] This high growth has resulted in an increased investment in the social sector from Rs. 7,600 crore in 1994-95 to Rs. 12,000 crore in 2008-09.[3] Yet, on every conceivable human development indicator, India fails miserably. India actually fell in her rankings in the human development index from 128 in 2007 to 132 in 2008. Contrast India to her neighbors and the contradictions are even sharper. India spends twice as much, per capita, on health as Bangladesh yet Bangladesh reports a higher percentage fall in infant mortality of 57% between 1980 and 2006 compared with India's 43.8%. India's immunization coverage rates for DPT3 actually *fell* from 70% in 1995 to 55% in 2006 while immunization coverage in Bangladesh rose to 88%.[4] Another startling figure, malnourishment rates are 47%. The list goes on. Poor outcomes cannot simply be blamed on income levels.

The collective failure of the Indian state to deliver public services to its people contributes significantly to these gaps in human development. Numerous studies on the state of public service delivery in India amply demonstrate, at every level, in nearly every routine service that the state delivers, inefficiency, absenteeism, incompetence and

[2] World Bank, World Development Indicators
[3] Figure Calculated by Ministry of Panchayati Raj (MoPR) from indiabudget.nic in 2009
[4] Pritchett, L. (2008) ,"Is India a Flailing State: Detours on the Four Lane Highway to Modernization", Data on infant mortality from Gap Minder. DPT3, a series of vaccines preventing diptheria, pertussis, and tetanus, is often considered a good indicator of actual immunization coverage because it requires 3 doses during infancy.

corruption are rampant.[5] The numerous and growing number of schemes, programs and subsidies services rarely reach their intended beneficiaries – the poor. As Kapur et al argue "…in each case only a small fraction of overall resources reaches the poor due to, in varying degrees, targeting inefficiency (inability to reach the poor), leakages (to the non-poor), participation costs (foregone earnings that are especially consequential in employment programmes) and large administrative costs[6]."

Accountability failure is at the heart of this outcome failure. Governments' lack of accountability to their citizens, bureaucrats' ability to evade directives from policymakers, and service providers' discretion in implementing the orders from their managers lessen incentives and ability to set clear, feasible, goals and act on them.

Creating accountability is a difficult task. The roots of current accountability weaknesses run deep – patronage politics, bureaucratic politicization, lack of information and above all weak citizen voice are some commonly cited factors.[7] These failures have contributed to an overall environment for service delivery where institutional mechanisms are riddled with problems of weak planning, limited reliable data for decision making, fragmentation of authority and confusion over roles and responsibilities, unevenly distributed implementation capacity, weak public finance management systems, to name a few.

The specific changes and actions required to create incentives to "do what it takes" to deliver outcomes depend on the program and institution. Understanding the problem is the first step to resolving it. This paper offers a brief diagnostic of some of the key challenges to the current framework for public service delivery in India as background for the upcoming Conference 'Outlays to Outcomes: Getting Development from Development Expenditures' being held by the Centre for Development Finance and the Accountability Initiative. Our focus here is on centrally sponsored schemes (CSS), currently one of the

[5] Pritchett, L (2008), World Bank 2006, Kremer et al (2005), Probe Report (1999)

[6] Kapur, D., Mukhopadhyay, P, Subramanian, A., "More for the Poor and Less for and by the State: The case for Direct Cash Transfers, *Economic and Political Weekly* April 12, 2008

[7] Mehta, B.P (2003), Saxena, NC (2005), Aiyar,Y and Samji, S (2006)

dominant mechanisms for social sector spending, but many of the points carry over to mechanisms for delivery basic services and other social sector programs more generally.

In this paper, we emphasize three key challenges that need to be addressed to strengthen accountability, improve service delivery and therefore human development outcomes. These are i) planning process and goal setting, ii) implementation, particularly capacity and process related problems and finally iii) improving ex-post monitoring and oversight. We argue for an overall shift away from the current emphasis on inputs to an outcomes based approach to development expenditures is a necessary condition for improving impact. Well-defined and clearly assigned responsibility for outcomes, coupled with support for efforts to meet these goals, is the pre-requisite for translating public pressures for better services into political pressure to reform expenditure programs and managerial incentives to improve the actual implementation.

The Outlays to Outcomes conference is one of an increasing number of calls for increased attention to outcomes from public programs. Virmani calls for a web-accessible Public Accountability Information System focused on enabling monitoring[8]. The Government of India has published an outcomes budget for several years now (although, technically, it is more of an inputs check since it tracks actual versus planned expenditures rather than impact of these expenditures). Even as this paper is written, there are calls for increased accountability and transparency, including formation of an Independent Evaluation Office[9] for flagship programs, appointment of district-level ombudsmen, and promulgation of a public data policy. Headlines are proposing an "e-PRI", designed to track funds under schemes across panchayati raj institutions. [10] The President recently suggested creation of "A model Public Services Law, that covers functionaries providing important social services like education, health, rural development etc. and commits them to their duties, will be drawn up in consultation with states"[11] All of these initiatives emphasize that the public wants and needs major public programs to deliver positive results and improved outcomes.

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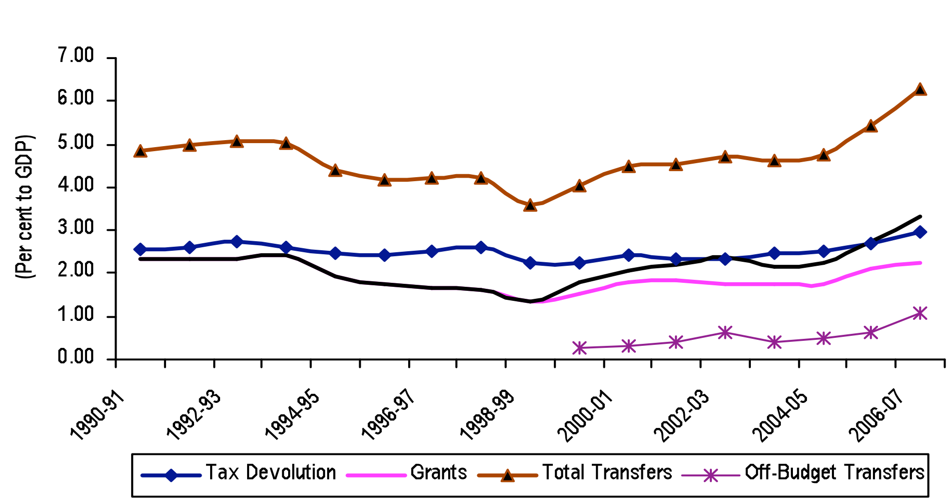
[8] Virmani 2007
[9] http://presidentofindia.nic.in/sp040609.html
[10] "Govt plans tech push for better rural fund spread", Economic Times, Aug 6, 2009
[11] http://presidentofindia.nic.in/sp040609.html

The remainder of the paper is structured as follows. We begin with a brief note on Centrally Sponsored Schemes and a rationale for why they are the focus for this paper. In section Two we articulate a conceptual framework for understanding accountability and its impact on service delivery. Section Three articulates the challenges; Section Four concludes.

2. Centrally Sponsored Schemes & Their Relevance in Development Expenditure

In the last two decades, social sector expenditures in India have undergone a significant change. Constitutionally, most of the social sectors are in states' domain (with a few exceptions of joint responsibility such as health and education), but social sector programs are now increasingly being directly funded by the central government.

Figure 1: Transfers to States: 1990-91 to 2006-07



Source: Incidence of Central Expenditure at the State Level, NIPFP Report, 2009

As Figure 1 shows, central grants to state governments surpassed tax devolution for the first time in independent India's history in 2005-6.[12] In the last decade, the largest increase in center to state transfers has been through centrally sponsored schemes (CSS), or specific purpose fiscal transfers intended to address infrastructure and human development needs. According to recent estimates, the more than 100 Centrally Sponsored Schemes will account for 2.35 percent of the GDP in the Eleventh Five Year Plan period. Their prominence in social sector spending has also increased as state governments have struggled with fiscal stress over the 1990s and today.

The rationale and agenda for the central government involvement is to address issues of national priority, reduce inequality across states, and provide special focus to poverty alleviation and human development issues or equity concerns (such as gender inequality, or SC/ST development). The majority of these schemes are focused on rural areas. Many studies argue that the increase in and distribution of central government transfers to states are also influenced by political considerations.[13] Srivastava's analysis of poverty alleviation schemes in India, for example, argues that the genesis of CSS as mechanisms for poverty alleviation in the 1960's was part of Indira Gandhi's political strategy to promote her slogan of Garibi Hatoa and leverage state governments, many of which were no longer ruled by the Congress party[14]. To the extent that CSS are a political vehicle for parties in power at the center to influence state outcomes, the current political environment of multi-party competition with strong regional parties would encourage more centrally sponsored schemes to emerge.[15]

The UPA government's flagship National Rural Employment Guarantee Act (NREGA) is an interesting illustration of the politics of claiming credit for CSS. Prior to the national election, the Congress Party reportedly considered renaming the NREGA with the name of a national icon or Congress leader to prevent non-congress ruled states from staking claim

[12] These include grants for i) non-plan expenditures, ii) for state plan schemes, ii) central plan schemes iii) centrally sponsored schemes iv) special plan schemes.
[13] Rao and Singh (2000), Saxena and Farringdon (2003), Kapur and Mehta (2003)
[14] Srivastava, P (2004) "Poverty Targeting in Asia: Country experience of India", ADB Institute Discussion Paper, No. 5
[15] The Congress party, that leads the UPA in the center, currently rules in 11 of India's 28 states according to its website.

and gaining political mileage for the NREGA.[16] Post the elections, the UPA's newly appointed minister of state for planning issued a press statement noting that the UPA government 'would not allow NDA ruled states to rename flagship schemes for their political gains'.[17]

CSS's are also an interesting focal point for improving public expenditure management because they operate in the challenging – but inevitable – institutional setting of intergovernmental collaboration. They are complex by design: the schemes are typically funded in part or completely by the central government while states undertake the execution and implementation of the programmes in keeping with some prescribed norms.[18] Initially most of these schemes were fully financed by the central government but this has evolved over time into a shared burden with states contributing anywhere from 10 to 90 percent of the scheme funding, with 25 percent as the typical norm. In many cases, central governments have chosen to bypass state government by dropping funds in to parallel bodies such as state and district level societies creating a new arm in the implementation process. The involvement of these multiple jurisdictions comes with its own problems and raises important questions for the nature of India's fiscal architecture and the role of the center and states within this architecture. Crucially, from the perspective of accountability the presence of multiple jurisdictions creates many problems for it results in fragmentation of local authority and confusion of roles at responsibilities.

However, CSS are here to stay. They are the only all India effort to meet development goals and main fiscal mechanism through which the central government can influence state development expenditure decisions. The design and policy management of CSS are derived at the center, as they are at their core, efforts by the center to influence outcomes in every state. In this scenario, they also offer an opportunity for the center to systematically address implementation problems across the system and in so doing generate the momentum for further reforms.

[16] Times of India, April 2009
[17] Indian Express June 4 2009
[18] Initially most of these schemes were fully financed by the central government but this has evolved over time into a shared burden with states contributing anywhere from 10 to 90 percent of the scheme funding, with 25 percent as the typical norm.

Section 3: Accountability & Service Delivery

In contemporary public policy discourse, accountability has been defined as a relationship in which power holders can be held answerable for their conduct.[19] It is a relational concept concerning the interaction between the person that performs an action or deliver a service, i.e., the *agent*, and those who specify the nature of the action, or the *principal.* This principal may be the policymaker who designs a scheme or intends to direct public expenditure toward a particular end; ultimately, however, citizens (beneficiaries) are the principals directing these political agents. There are various elements that come together in the notion of accountability, including *answerability* – the need for justification of actions, *enforcement* – the sanctions that could be imposed if the actions or justification for the actions are found to be unsatisfactory, and *responsiveness* - the ability of those held accountable to respond to the demands made.

Public accountability i.e., the need for the state to be accountable to its citizens stems from the 'social contract' that the citizens share with the state. There are institutional provisions to ensure that the state respects this contract. On the one hand, there are mechanisms for vertical accountability or voice. In democracies, elections are the chief institutional mechanism through which this is achieved, though recent formulations of accountability have expanded the realm of vertical accountability to include citizen based action such as lobbying and advocacy. There are also mechanisms for horizontal accountability – institutional checks and balances and internal oversight. The constitutional separation of powers into the judiciary, executive and the legislature, internal performance monitoring and official oversight including bodies like the auditor general and ombudsmen are some examples.[20] Theorists such as Goetz and Gaventa, Goetz and Jenkins emphasize that both the horizontal and vertical relationships of accountability must operate in tandem for accountability to be feasible. This breaks the States monopoly over institutional oversight and ensures that citizen perceptions contribute to State policy.

[19] Goetz,A.M and Gaventa, J (2001)' Bringing Client Voice and Client Focus in Service Delivery', IDS Working Paper No. 138, www.ids.ac.uk; Goetz and Jenkins (2004); 'Accountability', in Adam Kuper and Jessica Kuper (eds*),* The Social Science Encyclopedia , New York, Routledge, 2004; and Newell, P. and Bellour, S. (2002), 'Mapping Accountability: origins, context and implications for development', IDS Working Paper No. 168, www.ids.ac.uk

[20] Goetz and Jenkins (2004)

Synthesizing these ideas in to a comprehensive framework, the World Development Report (2004) identifies *four* key relationships of accountability: **voice** (between citizens and policy makers or politicians); **compact** (between policy makers and organizational providers), **management** (the relationship between organizational providers and frontline providers) and **client power** (between citizens and organizational providers)[21].

Delivering services effectively involves what the World Development Report (WDR) defines as the 'long route' to accountability. First, citizens must be able to draw on political processes, primarily elections, to articulate their voice and hold the state accountable for the services they receive. Second, the state, acting as an agent for its citizens, must be able to transmit these demands to the actual provider of services and to make sure that the incentives for these providers are aligned to the ultimate preferences and well being of the citizens. At every level of this 'long route' there are four generic elements that need to be. These are delegation (of roles and responsibilities), finance (accessing funds to fulfill these roles), performance (ability to monitor performance), information and enforcement.

Many elements of the accountability system are weak in India's current mechanisms for delivering public expenditure. Providers are typically held accountable for money spent and processes followed but not for the quality of services rendered. Electoral politics often revolves around quality of public services in rhetoric, but less so in action. There are few opportunities for citizens to directly participate or demand systematic improvements in service delivery – more often problems are resolved one by one as part of policymakers constituency service. Incentives for performance are weak and quality compromised.

Drawing on recent literature, we argue that there are five core characteristics of an accountable public service delivery system:

1. ***Clear articulation of goals that focus on outcomes***: The clear articulation of goals is crucial to providing a benchmark against which real performance can be measured and accountability sought. This is the first step to ensure that the 'doer' has clarity of roles and expectations that makes measurement possible. However, it

[21] World Bank, (2004), 'Making Services Work for Poor people', Oxford University Press, 2004

is crucial that these goals be defined in terms of outcomes, so that performance measures are based on public expenditures outcomes rather than narrow inputs.

2. ***Unbundling to create clear lines of accountability and rational delegation of roles:*** Accountability requires that roles and responsibilities be delegated such that there is no overlap of administrative boundaries, and such that specific levels of government and specific service provider can be held accountable for performance of specific functions. The normatively desirable allocation of responsibilities depends on the type of program under consideration. Pritchett and Woolcock (2003) make two important distinctions that provide the basis for this delegation of roles. They distinguish between services that are transaction intensive and non-transaction activities (e.g. teaching, which involves repeated teacher-student interaction, vs. curriculum design) and between discretionary and non-discretionary activities. (e.g. activities such as curative care that require adaptation to local conditions vs. routine activities like immunization). Activities that are neither discretionary nor transaction intensive are easiest to implement and less dependent on specific, locally knowable, information. These should be done by higher tiers of government to achieve economies of scale while activities that are transaction intensive and discretionary ought to be implemented by lower levels of government. In a similar vein, the government of India invokes the principle of subsidiarity – what can be done at the local level must be done at the local level as the rationale for devolution of powers and responsibilities across levels of government.

3. ***Autonomy of the service provider within these domains:*** With clearly articulated roles and responsibilities and performance targets, front line service providers must be empowered to take decisions and innovate with mechanisms for the provision of services based on local conditions. The actual provision of services involves a number of activities that require local-level decision-making and innovation. It is only when frontline service providers are given this autonomy that they will be in a position to effectively tailor resource allocations to suit citizen needs and

preferences and hence be held accountable by them. For autonomy to be realized, service providers must have discretion over the utilization of funds transferred.

4. ***Information and performance benchmarking:*** Information lies at the heart of an accountable system. Information performs two crucial functions: first, it facilitates citizen mobilization and engagement with the state, a point to which we shall return in greater detail in the discussion to follow. Second, the generation of reliable information on process, quality, and outcomes of service delivery helps strengthen accountability even *within* the system. Information on performance and outcomes and service quality levels enables policymakers to make effective plans, to link resource allocation with realities on the ground, to benchmark and monitor performance, and ensure that resources are being spent well, and hence ensure accountability.

5. ***Enforceability:*** If actions have no consequences, there are very few incentives for accountability. Enforcement – the ability to sanction, reward or punish – is thus a core characteristics of an accountable public delivery system.

To ensure accountability in a system, it is fundamentally important that the institutional design i.e. the mechanisms through which services are delivered, balances these different characteristics of accountability such that the rules of the game are clear to all players, that the incentives are properly aligned and sanctions unfailingly enforced so that the system that then obtains, structurally fosters accountable behavior. Finally, information flows must be dynamic so that performance can be monitored and citizens can participate.

Section 4: Accountability and CSS Performance

The remainder of this paper examines weaknesses in India's CSS through this lens of accountability. We focus on three main areas for improvement.

1- **Planning and Goal setting:** Excessive focus on inputs, limited evidence based planning, limited local discretion on resource allocation;

2- **Implementation process:** Unclear delegation (multiple institutional arrangements with overlapping roles and responsibilities), limited information on processes particularly fund flows, low capacity;

3- **Monitoring and enforcement:** No transparency, no systematic monitoring process, no link between spending capability, outcomes and access to finances, weak oversight, limited citizen participation in oversight.

Planning and Goal Setting:

CSS's face two main challenges at the planning stage. First, identification of goals and objectives has to move from an input to an outcome focus with realistic, time bound targets for fulfilling these outcome goals. Second, the information and capacity to create local plans must be improved.

Setting goals: From Inputs to Outcomes

In India, as in much of the developing world, the primary goal for all service delivery programs has been to improve *access* through increased *inputs*. Pritchett and Woolcock characterize this approach as a 'needs-supply-civil services' approach to development where problems have been addressed through 'schemes' and 'missions' that are designed and implemented by a civil service that is driven by technical, input driven objectives. [22]These are easier targets to measure and allocate. But, as is increasingly being recognized, a mere increase in access is not closely correlated to with specific improvements in outcomes.

Take the instance of the delivery of primary education in India. On all major indicators of access, India has performed reasonably well. In 2001, in keeping with its 'input' focus and 'mission' mode, the government of India launched the Sarva Shiksha Abhiyaan (SSA) a scheme to ensure that every child has access basic elementary education.

[22] Pritchett and Woolcock (2003) 'Solutions When Solutions is the Problem: Arraying Disarray in Development, Center for Global Development

The additional financial investments in elementary education have improved inputs. Schools have been built – over 2 lakh schools have been built since 2002-03; enrollments have increased – net enrolment rates now stand at 89%; and teachers have been hired. Yet education levels and learning outcomes are still lacking. The recent Annual Survey of Education Report (ASER 2008) estimates that 44% children in standard five cannot read a standard two text book and far fewer can do basic arithmetic.

Shifting to outcomes would in many ways ensure that schemes better achieve their intent by motivating equalization of outcomes rather than equality of inputs. [23]

It is imperative that there be a shift in orientation from targets based on inputs to a focus on outcomes. Interestingly, in 2005, the government of India announced an outcomes budget with the objective of addressing this very failure of goal setting. The stated aim of the outcomes budget was to make central ministries more performance oriented by making explicit the objectives, outcomes and outputs expected from public expenditures and providing financing for these objectives. The creation of an outcomes budget in principle is an important step, but its success depends on the practical identification of clear, concise, quantifiable relevant indicators. Here the outcomes budget falls short. The outcomes budget for the health sector for instance describes 'funding of the institutions' as one of its indicators. A second aspect of a successful outcomes budget is regularity of information flows on how well the objectives are being met. Here to, the outcomes budget in its current form has fallen short. Although an outcomes budget is tabled in parliament, this rarely gets debated and discussed.

The changes that come with moving away from an inputs based approach will not come easily. The new attention will have an effect on operational processes and how local planners approach implementation as the apparatus to measure and track a new set of performance indicators are developed. Measuring quality is very different than measuring quantity – sometimes tests will do, other times citizen feedback will be required. Important 'non-program' returns can be hard to measure and attribute. In all cases, more

[23] Jhingran,D. and Sankar, D. , Addressing Educational Disparity: Using District level Development Indices for Equitable Resource Allocations in India (June 2009) World Bank Policy Research Paper 4955

fine-grained local information will need to be collected, managed, protected from manipulation, and analyzed for insights. This would be a fundamental change in the traditional "counting" and process-based reviews of CSS.

From the traditional evaluations of Pradhan Mandtri Gram Sadak Yojana (PMGSY), for example, we know how many roads have been built, and where they have been built, and how much they cost. From these data we can infer the extent to which PMGSY has met its goal of connecting remote habitations. But understanding how new roads are being used to improve peoples' lives and how they affect the dynamics of local communities is harder. The program almost has to be set up and implemented in a way that enables researchers to identify the effect of the roads (versus other changes in the context) on the broad development outcomes in question. [24] A mid-term evaluation from the Planning Commission suggested that the creation of rural roads under the schemes resulted in positive outcomes in school enrolment, incomes, health, and maternal care, but how can systems be set up to make this more than a one-time exercise and more than a before and after comparison?

In the final analysis, the success of an outcomes based approach is dependent on increased information – information that conveys progress (or lack of) towards the achievement of stated goals should be made publicly available. Much work remains to implement systems that will not only provide information on the efficacy of individual programs, but also the real-time progress towards desired outcomes. Some areas which can help 1) setting up expenditure monitoring systems, 2) social audits, 3) setting up institutional processes such as random or staggered implementation of schemes which enable outcomes measurement, 4) independent evaluation of schemes which incorporate achievement of intended outcomes as well as unintended outcomes.

Setting goals: Realistic, time-bound and measurable

"Mission mode" public programs seem to fall into two categories: targets designed for good rhetoric, or no targets at all. The former are so ambitious as to be impossible to

[24] For more on this how rural roads affect poverty, health and education, see the research of Fan and Gulati at IFPRI

actually hold governments to meeting, while the latter leave no guidelines to track progress. Seemingly goalless schemes, such as the National Horticulture Mission, for example, have limited ways to measure progress and accountability.

Ambitious goals are good political rhetoric, but do not seem to be taken as credible benchmarks for performance – failure is almost pre-assumed when reaching the target would require magic. Conditional and nuanced goals that own up to local capacity gaps are less amenable for political rhetoric, but more likely to enforced. PMGSY, for example, is a time bound scheme that has overrun its bounds. The goal of the scheme failed to reach its target of connecting every remote habitation with an all-weather road by 2007/8 and the scheme was granted a four year extension. Even with its progress in the last year, it is still questionable whether the objective can be achieved in three more years. Similarly, rural electrification scheme RGGVY promising Power for All by 2012 is chronically behind schedule. NREGA provides a third kind of example of missed goals. It promises 100 days of employment to households, but most states do not meet this. Building capacity in local institutions for planning and execution of such a large workfare programme requires time.

Targets based on the status quo and an assessment of resources available seems few and far between. For PMGSY, a large number of districts have not even submitted road proposals. States such as Madhya Pradesh and Rajasthan have been far better at building roads and therefore utilizing funds made available to them than states like Orissa, Bihar and Assam that are still to meet 2004 targets. The universal goal in this context seems quite unrealistic and conditional standards for improvement may have been more compelling for local governments to strive for. PMGSY is not unique in the sense that most schemes are continually behind on reaching state and national targets. Often these deadlines and targets are set without truly examining the evidence and in particular the evidence on implementation capacity of the vast (and varying) number of implementing bodies.

Time bound targets for many of these programs need to take an evidence-based approach and be sensitive to areas that need extra assistance. For example, data should be available on which districts or states are unable to appropriately plan or implement PMGSY, whether due to weak administration, a lack of existing infrastructure, or an inability to complete projects. And thereby weaker states could receive technical assistance or greater human or financial resources. Goals should also be responsive to the fluctuations of both inputs and outputs. Risk and institutional performance indicators can be used to track key contextual changes that may affect outcome achievement. [25]

Data Gaps

> The government is often called a "good collector of information but a poor user of it. It is also a poor presenter of information." – Monmohan Singh [26]

What is the best use of government rupees to alleviate poverty and promote development? Which state, village, or district should any new program focus on? Which individuals, households, or groups? And what should the rupees be spent on for maximum impact? Whatever the in-principle prioritization – the philosophy of impact and effect as well as a determination of the basis on which competing claims can be ranked – implementing this intention requires data.

With decentralization, decision-making has in principle become closer to beneficiaries and local communities. This is reflected in CSS implementation, with district planners and commissioners having a strong role in how the schemes are managed and implemented. If local plans are actually to be made, however, then we need data and information to assist in making those plans as well as mechanisms for disseminating this data at the local level and in particular the sub-district level. Despite increased responsibilities, local planners, panchayats and decision makers often lack the basic data to make informed decisions. District level distributional data is lacking, for example, which has specific importance to how schemes and plans are prioritized. Local decision makers are also lacking evidence based feedback mechanisms such as how schemes have affected local outcomes. Financial information is another particularly important gap. The Ministry of Panchayati Raj's 2009 analysis of local planning suggests that with the exception of 7 -8 states in India, most state government do not make information on resource availability to

[25] Managing for Development Results, Principles (www.mfdr.org)
[26] 'PM Bats for Independent Evaluation of Schemes' Indian Express, Sept 10, 2008. Accessible at http://www.indianexpress.com/news/pm-bats-for-independent-evaluation-of-schemes/359486/0

Panchayats at every level. In the absence of information on funds available, planning is a misnomer[27].

Data are also important for identifying early warning signs that affect schemes' ability to meet their goals. While CSS are intended to address inter-regional inequality, the schemes actually have heterogeneous levels of success. With varying levels of successful implemention and fund utilization, the question is how funds (or technical assistance) can be targeted to lagging regions. Yet not enough data is available on lagging regions. The challenge is to identify both types and channels for this data. A few examples: Geographical targeting such as poverty maps are not part of the decision-making framework, even though for the relevant CSS, such tools could enhance execution and implementation. Another approach would to use district level indices that convey local need and capacity to improve fund allocation. [28]

Aligning plans to people's preferences & prospects for local participation

Once goals and outcomes are set, detailed operational plans need to be developed in order to ensure that the institutional mechanisms are in place for the operationalization of these plans. The very nature of CSS complicates this planning process immensely. First, CSS are by their very nature the articulation of a national plan for the country. Guidelines for implementation are developed by the center and states are tasked with the operation of these guidelines. Most often, these guidelines are extremely rigid allowing for very little flexibility at the state level to address differing needs and capacities. This "one size fits all" model of CSS is thus extremely problematic and can actually skew state incentives away from development achievements. So for instance, as argued recently by Member of Parliament Deepender Hooda in an insightful article on the subject, the national scheme aimed at ensuring 100% rural electricity connectivity is far more relevant for states like Jharkhand and Bihar that are yet to connect thousands of their villages than state likes Haryana and Maharashtra that achieved electrification in the 1970's. For these states the challenge lies in ensuring uninterrupted power supply to improve agricultural productivity

[27] MOPR website
[28] Jingran and Sankar (2009)

and relevant “electrification” funds would be better utilized for investments in capacity rather than connectivity[29]. Current guidelines for CSS do not allow this kind of state specific flexibility in resource allocations. Focusing on outcomes could help in ensuring this. For if performance is measured on the basis of outcomes, the processes and inputs that go in to achieving these outcomes become less relevant.

A second weakness with the current planning process lies in the limited capacity at the state and local level to develop plans and the failure of the center to integrate these plans into its planning processes. One of the long accepted critiques of India’s planning processes is that it does not adequately reflect realities on the ground (Virmani 2007). This seriously compromises accountability. As we discussed, accountability is premised on the assumption that local needs and preferences are adequately reflected in plans and programs. The closer one is to the problem, then a priori, the more likely one is to see it, understand it and develop processes to address it. This is the logic behind world-wide efforts to decentralize governance structures. Moreover, even within states, there are large variations in terrain, geography, demography and socio-economic conditions. In determining the operational mechanisms for national schemes such as CSS, these local variations need to be taken in to account or else the schemes lose their effectiveness and relevance.

To some extent, the design of many CSS reflects this general challenge. Most large social sector schemes be it the NREGA, National Rural Health Mission (NRHM), or Accelerated Rural Water Supply Program (ARWSP) incorporate some role for local governments and local community based organizations in the planning process. The importance of local level planning is also stressed in the eleventh five year plan that argues it is absolutely critical for the inclusiveness of our growth process that the large numbers of elected local government representatives are fully involved in planning, implementing and supervising the delivery of essential public services. It further suggests the need for inter-related plans over three timeframes: (i) perspective or structure plans (20-25 years), (ii) short-term

[29] Hooda Indian express

integrated infrastructure development plans coterminous with the National Five Year Plan, and (iii) plans of specific projects and schemes.

However, in practice this arm of the planning process is extremely weak. The Ministry of Panchayati Raj's (MoPR) recent analysis of district level planning in India articulates some of the key weaknesses with current mechanisms for planning at the local level. First and foremost, capacity for planning is weak and very little has been done by state governments to build this capacity. Second, Panchayats have no technical support or finances available to hire technical support. To the extent that plans are made, these are usually made at the district level, by the district administrative arm with little or no participation of elected representatives. Third, quality is variable. Independent evaluations of these plans, including an on going one of the education sector by the Accountability Initiative highlight that the quality of these plans is extremely variable and for the most part they focus on infrastructure related inputs.

Administrative hurdles apart, we would argue that perhaps the greatest reason for the failure of local level planning to take root is that the system creates no incentives for people to participate in these processes. The MoPR has developed comprehensive guidelines on the basis of which local planning can be done, but whether it is done comes down to incentives. One way of creating these incentives would be for the central government to evaluate the quality of plans and give awards and financial incentives to states and districts that develop quality plans. Most of all, this requires that norms and guidelines for public expenditure are developed such that funds are transferred to local bodies as untied block grants that allow flexibility but are tied to specific outcomes. The current fiscal transfer system's specific norms and guidelines create no incentive for innovation.

Implementation Processes

The CSS' complicated institutional nature has important consequences for delivery because the institutional framework can hinder service delivery, and therefore prevent the achievement of outcomes. Second, the institutional framework prevents clear accountability to the concerned implementing parties. Since the scheme designs are so varied and complex, any number of local institutions (panchayats, districts, states, municipalities, etc) can be hindering service delivery. Accountabilities become blurred and citizens are unsure of roles and responsibilities.

Varying local capacity for planning and implementation also creates a vacuum that leads de facto roles to sometimes be quite different than de jure. Some talk now of using the Backward Region Grant Fund to strengthen capacity, for example, but there is also always temptation of the district administration to take over decision making in order to make schemes work. Also there is often a contradiction with states having not yet devolved subjects to Panchayats, while CSS officially mandate implementation through Panchayats.

Given the complexity of CSS and the fact that it involves multiple levels of jurisdiction in its implementation, transparency and efficiency in the mechanisms for fiscal transfers across these levels of jurisdiction is crucial. However, this is one of CSS's greatest weaknesses.

CSS guidelines have very strict norms about timing and processes through which funds are released from the center to the states and onwards. Broadly, the process follows the following logic. Once plans are in place and budgets have been approved, the central government releases its first installment of finances for the state. The state then adds its share and releases requisite funds – as determined by the plans – to the district which in turn releases funds to the service delivery units. Funds are released in three tranches. In the first quarter, usually June/July, the second quarter – the half way point – September/October and the third quarter – January to March. The release of funds is contingent upon various procedures being fulfilled at the state and district level.

In practice these guidelines are not always followed. Analysis of the SSA by the Accountability Initiative, for example, found that funds tend to reach schools in the last quarter of the financial year resulting in a last minute rush to spend money. This of course leads to obvious inefficiencies and wastage. Part of the reason for these last minute releases is the complexity of reporting practices and procedures caused due to capacity deficiencies at the district and below. Another contributor is that the system is not designed to track fund flows across the chain from the point of release to the point of expenditure and motivate compliance by making failures easy to identify.

The central government has limited incentives to monitor the flow of money once it releases funds and these are booked as expenditures. Program guidelines do require that state governments provide utilization certificates and audited reports in order to access funds once at the start of every financial quarter. However, in practice delays are common and most often, expenditure pressures on the central government have meant that releases are made despite delays. Information on real expenditures are collated and made available through the Comptroller and Auditor General's reports tabled in Parliament every year, but these reports are issued with a two year time lag removing any sense of urgency in correction.

The states also do not have effective monitoring mechanisms and fall back on failures of reporting as the excuse for delayed releases. Moreover, there are no penalties associated with delays in transfers. In the absence of regular monitoring and any penalties for delays in transfers, fund flows remain unpredictable and bunched up to the last financial quarter.

Improvements in the banking, IT, and communications processes would help streamline the flow of funds process (WB 2006). A review of processes in the sanctioning of funds would speed turnaround time. Line ministries by having clear guidelines on approvals would help as well.

Using banking systems to decentralize the fund flow processes has helped. In the case of PMGSY, funds are deposited directly into the bank accounts of the local implementing bodies (DPIU), thereby circumventing various state bodies. IT systems are also used to keep track of both allocated and actual expenditures through an online web portal. This online system also makes data public quite easily.

Process (Evaluation) for Outcomes

We suggest that an emphasis on process be given so that 1) what can be measured can be managed (without penalizing harder to measure outcomes by substituting inputs!); 2) setting responsibilities and roles so that individuals can be held accountable; and 3) processes can be and are screened for quality and improvement. Accountability for outcomes should have the dynamic effect of focusing more attention on improving measurement (to better demonstrate achievement) and improving processes (to lessen barriers to achievement).

The first step toward achieving this set of institutional reforms is to better, and more precisely, map the landscape of the pathologies via comprehensive and uniform process analysis. Process evaluation delves into internal dynamics of implementing organizations, their policy instruments, their service delivery mechanisms, their management practices, and the linkages among these. [30] Guiding process questions can illuminate how important a process is to the broader picture. Is the process doing its best? Is the process under statistical control (can it be measured or captured in data)? If not, how can we minimize variation in these processes?

The CSS are clearly a complicated landscape - many of the implementing bodies are para-statal or autonomous societies, such as village education committees, reducing the control and oversight state and central administrations can have over the execution of many schemes. The varying implementing bodies with their own financial and operational standards seriously complicate the execution of many CSS. Reporting structures have suffered greatly from these institutional gaps. Scheme Processes involve fund sanction, fund transfer, reporting, implementing entities, communication, monitoring, evaluation and scheme design. Each is critical to successful execution of the scheme. It is clear that there exists room for improvement in the current institutional arrangement for improvement in processes. However the “what and how” are unclear because there is a complete lack of data on the topic.

In the short run, data on the results of a process could be better used. One example where process analysis could help would be the lack of proposals submitted by districts for

[30] Managing for Development Results, Definitions

PMGSY. If we knew the bottlenecks of the planning processes, measures could be taken to simplify or streamline the proposal preparation process. Furthermore, the PMGSY planning process could be reexamined if data were available to signal what particular stage of the proposal process was a bottleneck. We can broadly see some contours in PMGSY – where an average timeline can be determined for road construction, or fund sanction. (Chaudhuri 2009, forthcoming).

Monitoring and Oversight

Weakness in monitoring is often due to the complex nature of these schemes. As almost each scheme has a unique delivery system, monitoring becomes difficult as state administrations are responsible for handling unique processes and protocols for each scheme. Expenditure monitoring is needed, as the 'facts' are often fuzzy or completely unknown. While the funds allocated from the centre to states is easily available, there is no information on actual expenditures.

Various state and district level societies are often responsible for implementation, further muddying the picture. Two problems arise as a consequence of this. First, society rules allow funds that remain unspent in a given financial year to 'spill-over' in to the next financial year without being counted in that year's annual plans and expenditure allocations. As a result there are few incentives to track the quantum of spillovers. With spillovers accruing year after year, it becomes impossible to track expenditures and match them to receipts in any given financial year. Secondly, because societies fall outside the purview of the state budget they remain out of the scope of the Comptroller Auditor General and instead are audited by private auditing firms. Private auditing firms do not always follow a uniform methodology and nor is their work timely. The CAG does undertake performance audits of CSS, but only on a sporadic basis.

An expenditure management system which tracks monies spent, would help inform the central government, as well as the public, of how funds are being allocated both locally and nationally. Current reporting structures are of little use to both policymakers as well as to the public. The lack of transparency seriously affects the accountability of these schemes to the public. Since much of the social sector expenditure is routed through CSS, there is a dire need for to reform the current reporting processes so that expenditure data is made transparent in a timely manner. The lack of timely reporting also adversely affects the ability of the government to make data on schemes more transparent. The central government itself is not always aware of how much money is actually spent by state and local administrations, while state budgets are often bypassed by CSS, making state administrations unaware of how much money is being spent on many sectors.

One Answer: IT Enabled Citizen Oversight?

Given the enormously complex tasks involved in monitoring public expenditure and especially the outcomes of public expenditure, an approach that takes advantage of the obvious incentives of the beneficiaries to both track outcomes and identify ways to improve them seems to make sense.

In the last decade, and in part as a consequence of civil society activism, the GOI has taken some significant steps towards developing the institutional architecture to facilitate greater citizen participation and voice. The 73rd and 74th amendments to the Constitution reactivated the local level governments and through provisions such as mandatory gram sabhas opened up spaces for direct citizen participation. The passage of the Right to Information Act in 2005 was another crucial step for it commits the government to unprecedented levels of transparency and in so doing opens up the state to scrutiny by citizens. Following on from the reforms, citizen consultations, oversight committees, social audits and grievance redressal forums are all now a regular feature in many of the state's development programs.

However, much like the planning story described above, much more needs to be done for the effective implementation of these provisions and for participation to be meaningful. The RTI Act's mandate of access to information is the first step towards greater accountability. A recently completed country-wide analysis of the implementation of the RTI suggests that the Act is being implemented, haltingly. While citizens are getting information – on average 50% of applicants surveyed report actually having received information, timelines vary. Crucially, the government itself is doing very little to pro-actively disclose information as mandated in section 4 of the Act. The audited levels of public disclosure through websites in over 100 government departments across 10 states to find that on average a mere 10-30% of the requirement of section 4 are being fulfilled. Crucially, much of the data that is being reported, particularly budgetary data is outdated- usually 2-3 years old.[31]

But making information available is only half the battle. For information to be meaningful to citizens and itself to accountability, it must be understandable and accessible to citizens. For instance, complex budget documents or audit reports will play a limited role in strengthening accountability as they are barely comprehensible to an average citizen. If these reports are de-mystified, using a non-technical vocabulary, they can be made relevant to citizens who can then use it to enforce accountability better.

Stricter adherence to the requirements under the RTI Act could address the information problems substantially. Some steps to strengthening Section 4 of the RTI could include: making it mandatory for all government departments to appoint a public information officer with the exclusive charge of ensuring compliance with section 4 norms; creating a body of best practice on mechanisms for disclosure; incentivizing the system by instituting awards for best practice on section 4 compliance and lastly, Information Commissions could create a rating system for rating government departments on the basis of section 4 compliance and widely disseminating this information.

Mechanisms such as social audits are also important tools through which such platforms can be created. While successive CSS's have begun to incorporate social audits in to their program guidelines evidence from the ground suggest that these are rarely held. Part of the problem lies in the operationalization of the social audit process. Who should

[31] RAAG (2009). Preliminary study results available on www.rti-assesment.org

conduct the audits? And How? How to generate incentives within the system to facilitate these audits? Here, lessons can be learnt from the experience of the government of Andhra Pradesh that has successfully undertaken social audits across the state for the National Rural Employment Guarantee Act. Social Audits apart, many CSS have also mandated the creation of local level committees entrusted with the responsibility of monitoring performance. Here too however, implementation remains weak, lack of information and capacity being the central problem. These aspects of CSS offer an important opportunity to strengthen voice because of the creation of institutional spaces for greater citizens participation. The challenge now lies in making these spaces meaningful.

Social Audits in Andhra Pradesh

With built-in features like decentralized planning and implementation, proactive disclosures, and mandatory social audits on its projects, the National Rural Employment Guarantee Act (NREGA) provides the catalyst for activist governments and civil society organizations to institutionalize accountability tools in governance system. A remarkable instance of one such activist government is Andhra Pradesh which has since the inception of the program in 2006 been conducting systematic and regular social audits on its NREGA works across the state.

A strong political will and committed top-level bureaucracy provided the impetus for this venture. The institutional space for developing a team and managing the social audits was found in the Strategy and Performance Innovation Unit (SPIU) of the Department of Rural Development. Between March and July 2006, the Department collaborated with MKSS, the civic group in Rajasthan that pioneered social auditing in India, to hold training sessions for officials and interested civil society activists, and to help with the design and conduct of pilot social audits. These trainings culminated in the setting up of strong cadre of 25-member state resource persons, drawn exclusively from the civil society, which is crucial to ensuring a high degree of autonomy and objectivity in the exercise. In addition, 260 district-level resource persons have also since been trained. The actual audit is conducted by educated youth volunteers in the village, who are identified and trained by this pool of resource persons. The first social audit was conducted in July 2006. Since then, an average of 54 social audits are conducted every month across all 13 NREGA districts.

This is a unique instance in that nowhere else in India have social audits taken place on such a large scale with such frequency. And although research needs to address whether such deep institutionalization of accountability mechanisms has indeed resulted in improved accountability in service delivery, emerging evidence points to significant and lasting improvements in citizens' awareness levels, their confidence and self-respect, and importantly their ability to engage with local officials.

Both top down and bottom up monitoring can be aided with the usage of appropriate management information systems (MIS). The role of IT can serve to enhance both processes as well as accountability. The Andhra Pradesh MIS serves as a good example, of how MIS systems can encourage transparency and foster accountability to concerned stakeholders. However, such success stories are limited, as most figures on CSS are rarely updated and lack both data quality and utility to citizens. There have been some efforts to develop sophisticated IT based MIS systems, but it has been more difficult to integrate these into the workflow to ensure continuous, recent, high quality data.

5. Bringing it All Together – The Question of Accountability

The above challenges and suggestions are all intended to come back to the fundamental question of how to enhance accountability for outcomes, both in the relationship between the citizen and the state and between actors within the state. Clear, credible goals would create benchmarks that Ministries, states, and local organizations can be held to. The process approach to design and implementation could help subgroups (state/district implementing agencies) and individuals have a clearer sense of purpose in implementing the scheme. The process approach can also clarify roles and responsibilities of implementing bodies to citizens, breaking up the perception that the state is a "black box" and increasing the identifiability of failure. Ex-post monitoring is a driver for reform and sustained performance and innovation. Data – on both administrative processes and outcomes - and the technology to manage this information are the foundation of many of these changes.

The aim of this paper as well as this conference is to demonstrate that while serious accountability issues do exist in the CSS framework, with some practical policy changes, a positive impact on development outcomes can and will be observed. The task is a group effort including the Comptroller and Auditor General, Members of Parliament, party leaders and decisionmakers, government agencies, NGOs, and most importantly citizens.