PETS as a tool to improve accountability and transparency in public services

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1. INTRODUCTION: MOTIVATION AND USEFULNESS

• The Public Expenditure tracking survey (PETS) is a tool that has been developed to strengthen the relationships of accountability in budgeting and service delivery by improving the quality of information at the decentralized level on public expenditure and on provider performance.

• They are conceived to trace the flows of resources (financial, salaries, in-kind items) through the administrative system down to service providers (e.g., schools, health clinics) and final users in order to determine how much of the originally allocated resources reach each level and identify various shortcomings in the public expenditure and service delivery system, and to assess if funds are used as intended.

• Since their creation in 1996, PETS have been implemented in more than 60 countries, typically at the sector level in education and health, but some have also focused on specific social protection programs and other sectors (e.g. water and sanitation, agriculture).
2. COMPLEMENTARITIES: Diagnostic tools to improve public spending

- Often combined with QSDS, which collects more detailed information on characteristics and activities of service providers
- Complement PERs and other central government focused PFM tools (e.g. PEFA) through their focus on sub-national levels, allowing to move from official to effective resource allocation at the decentralized level and to assess the performance of the administrative systems and in some cases linking information on the demand and supply sides of service delivery.

Source: Velenyi (2014)
3. MAIN BOTTLENECKS IDENTIFIED

• PETS have proved useful for identifying and quantifying several inefficiencies and shortcomings in public expenditure and service delivery, in particular:
  • Leakage of expenditures / shortfalls of public funding at various levels
  • Delays / predictability of public funding
  • Inequities in resource allocations
  • User fees and informal payments
  • Problem of deployment/shortages of in-kind resources (drugs, textbooks...)
  • Poor accountability, recording and reporting of information
A significant portion of the school grant does not reach schools in the Philippines

- In the context of a *fixed allocation rule*, Philippines PETS 2014 tracked a school grant to support school maintenance and operation and found that only 77% of total allocations for elementary and high schools ultimately reached schools in 2013.

- Of the 23% of school grant not reaching schools, 16% is due to DepEd central official allocation not reaching divisions and the other 7% to funds withheld by division offices.

• In the context of *discretionary allocation*, the Chad PETS 2004 tracked all financial resources from MoH to Health centers and a sample of material and drugs. High leakage rate was found to be mainly due to capture at the central level.
• On average, RHDs received only 26.7% of their official non-wage budgetary expenditures from the MoH.
• Leakage also pronounced at regional level and PHCs ultimately received only about 1.3% of MoH non-wage expenditures.
• Drug and other leakages impacted on medication prices sold by PHCs and reduced services to patients.
Also in the context of discretionary allocation, the Morocco PETS 2011 tracked a sample of 16 drugs (most frequent in terms of quantities) from the Procurement division (DA) toward provincial delegations, hospitals and PHCs.

Overall, only 29.6% of medication value officially sent by the central pharmacy reached health providers.

Leakage between DA and delegations on average 24% of value and delegations to PHCs another 61%
Nigeria Health PETS 2016 - Main flows of resources toward PHCs

- Very fragmented PHC expenditure system in Nigeria, with no fixed allocation rules, mainly discretionary funding at LGA level to PHCs and no requirements or mechanisms for reporting across tiers of government, budget categories or types of services.
- The very poor information at the decentralized made difficult to implement a traditional PETS approach based on records.
- A new PETS approach was devised making use of a continuous (prospective) data collection method (instead of retrospective), recording in-kind and financial resources on a continuous, real-time basis.
**Nigeria PETS 2016** sought to measure the share of resources received for PHC services in 2 States.

- While official budget allocated to PHC services by the three tiers of government represents about 50% of total health budget (excluding and including salaries) in both states, actual expenditures are much smaller (third column).
- Ultimately, only about 1% of non-wage resources reached PHC services in both states.
MAIN BOTTLENECKS IDENTIFIED

DELAYS

• PETS have also shed light on the problem of delays, volatility and bottlenecks in the allocation of resources through public administrations (e.g., salaries, allowances, financing, material, equipment, drugs and vaccines).

• Delays and unpredictable transfers could have important effects on the quality of services, staff morale and the capacity of providers to deliver services.
  
  • In Nigeria PETS 2001: 42% of the health staff respondents in one State (Kogi) reported not receiving salaries for 6 months or more. PETS 2016: 3 months of salary arrears observed in one State (Ekiti).

  • In Vietnam (small scale) PETS 2012 tracked a monthly conditional cash transfer program to poor minority students and found important delays in cash disbursements to households (3 to 12 months relative to official guidelines)

  • In Thailand PETS 2015: Education subsidies reached schools and students late during semesters, with up to 2 ½ months delays due to delays in budget petition and budget disbursement at central level.
MAIN BOTTLENECKS IDENTIFIED

EQUITY ISSUES

• PETS also allowed measuring important inequities of final allocations

• In several countries, large variability of health and school spending across regions, districts and types of providers was observed.
  • Mozambique 2002: nine-fold variation of health spending per capita at the district level
  • Chad 2004: 16 to 1 variation in non-wage public health spending per capita across districts
  • Zambia 2001: the most funded school district received 8 times more average per-student public resources than the least funded district.
  • Thailand 2015: School funding formula (FEP) was not successful at leveling initial financing inequalities (associated with local community and household incomes), and significant per-student resource gaps and learning results across schools based on wealth were observed.
4. LIMITATIONS AND WAYS FORWARD

• Various criticisms addressed to PETS: some methodological, others about capacity to bring about changes -- as limited number of countries have effectively translated PETS findings into policy and institutional reforms

• Features to improve success:
  o Ensuring government ownership, participation and commitment to a sector reform agenda
  o Ensuring dissemination and client power
  o Embedding PETS within a multi-year, multi-step program (instead of stand-alone studies)
  o Complement Service Delivery Indicator (SDI) surveys in providing identification of sources of bottlenecks

• Areas to explore:
  o Harmonization of tools and methodology could be useful
  o Continuous tracking in situation of poor quality of records
  o New generation of PETS using information technology (e-PETS), including in the pharmaceutical sector
Some resources

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