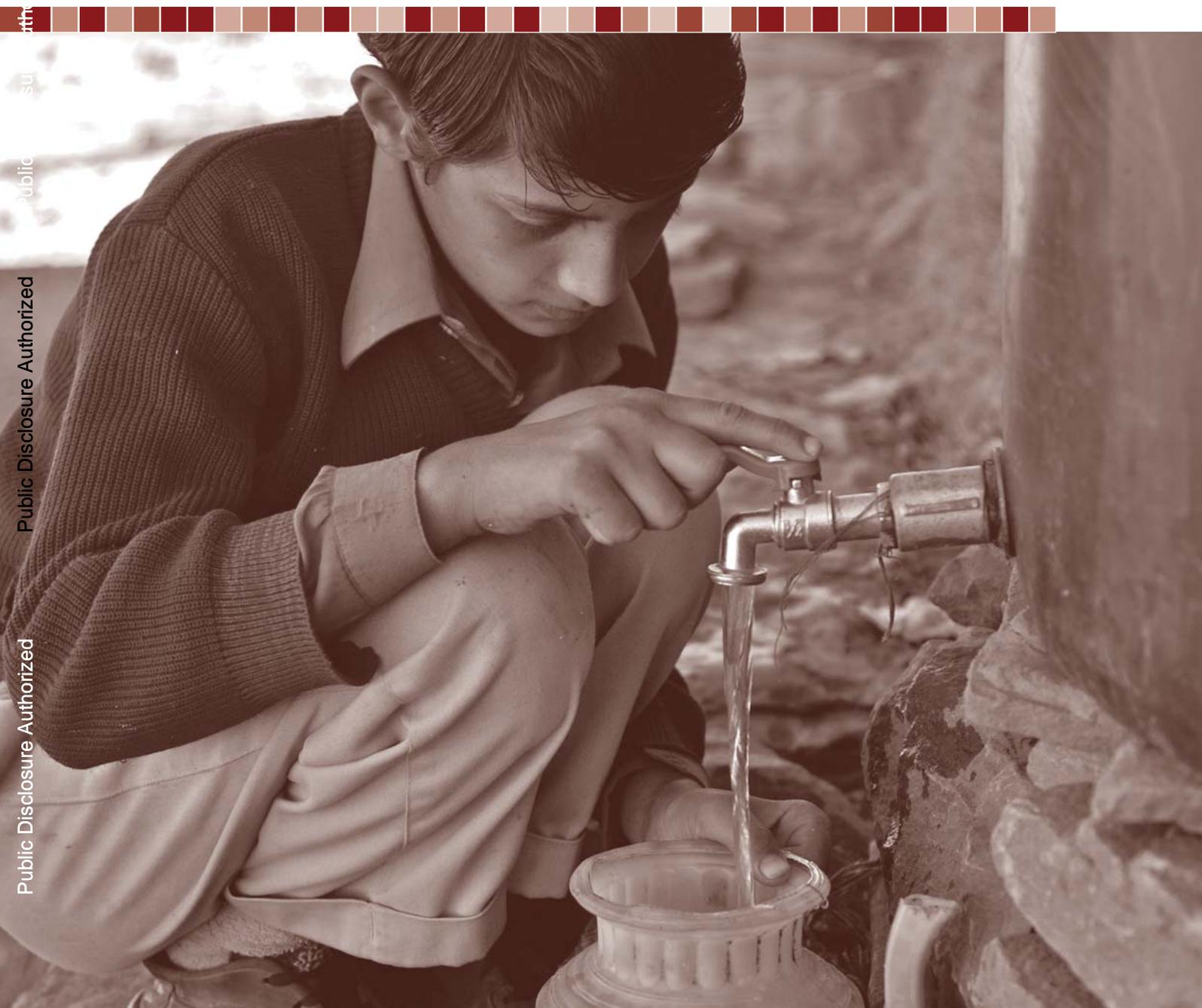


Civic Engagement in Procurement

*A Review of
Eight International Case Studies*



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Table of Contents

<i>Acknowledgements</i>	3
<i>List of Boxes and Tables</i>	4
Introduction	7
Summary of the case studies	7
Five Key Issues emerging from experience	8
Use of the case studies	10
Case Study One: Tracking Social Spending: Fundar, Mexico	11
Background	11
Fostering Transparency through Budget Analysis	13
References	16
Contact Details	16
Case Study 2: Civil Society Participation in Textbook Count: G-Watch at Ateneo School, Philippines	17
Background	17
Textbook Production and Delivery	17
Heightened Emphasis on Monitoring	18
Piloting Community-Based Initiatives	19
Institutionalizing Textbook Count	20
References	21
Contact Details	21
Case study 3: K-III Greater Karachi Water Supply Scheme: Pakistan	22
Background	22
What is an Integrity Pact?	22
Formalizing the Integrity Pact	23
Monitoring the Integrity Pact: Citizen's Engagement	24
Impact: Providing a Model for Others	25
Scale up and Expansion	25
The Critical Role of Drivers of Reform	25
References	26
Contact details	26
Case Study 4: Program for Transparent Contracting: Morón, Argentina	27
Background	27
Ensuring a Successful Public Hearing	28
Integrity Pact	29
Citizens Engagement: Reaching Service Users	29
Lower Costs, Better Service	30
Impact	31
Is Political Will Essential?	31
Generic Lessons	32
References	32
Contact Details	32

Case Study 5: Making the Public Procurement System Work: Naga City, Philippines	33
Background	33
Challenges in Implementation and Creating an Enabling Environment	33
Citizens Engagement	34
Ensuring Quality and Objectivity	37
Drivers of Change	37
Impact	37
References	39
Contact Details	39
Case Study 6: The OPEN System: Municipality of Seoul, South Korea	40
Background	40
Issue to be addressed	40
Citizens' Engagement	40
Social and Political Context	42
Simplifying Regulations	42
Impact of Mechanism- An Anti Corruption Culture	42
Drivers of Change	43
References	44
Contact Details	44
Case Study 7: Tracking Government Service Delivery: Public Service Accountability Monitor (PSAM), South Africa	45
Background	45
Citizen's Engagement	46
Judging benefits and satisfaction level	46
Impact	47
Media Coverage	48
Constraints and Challenges in Implementation	49
Replicability and potential for scale	49
Contact Details	49
Case Study 8: Procurement Reform in Philippines: The Role of Civil Society	50
Background	50
The New Law	50
Public Bidding Checklists	52
Networking with Civil Society	52
Overcoming Challenges and Constraints	53
Looking Ahead	53
References	55

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List of Boxes and Tables

Box 1: Making public spending more transparent	13
Box 2: Analyzing the use of HIV/AIDS funds: Some Results	15
Box 3: Reorganizing the Tenders	24
Box 4: Implementing the Program for Transparent Contracting	28
Box 5: Anti-Corruption Initiatives	31
Box 6: Examples of Other Public Hearings	32
Box 7: The <i>i</i> -Governance Program	35
Box 8: Special Local Bodies established under the “Empowerment Ordinance of the City of Naga”	36
Box 9: Objectives of the OPEN System	40
Box 10: Changes in the Handling System for Multiple Stakeholders	41
Box 11: The New Anti-Corruption Index	41
Box 12: Centre for Social Accountability (CSA)	45
Box 13: How PSAM reaches its target audiences	47
Box 14: PWI Strategy in Planning a Reform Process: Key Steps for Effective Advocacy	51
Box 15: Differential Expenditure Efficiency Measurement	54
Table 1: Total Savings in Consultancy and Construction Contracts due to Transparent Procurement in the Greater Karachi Water Supply Scheme (Over 3 years)	26

Abbreviations and Acronyms

ACI	Anti Corruption Index
AusAID	Australian Government's Overseas Aid Program
BAC	Bids and Awards Committee
CAC	Coalition against Corruption
CAGG	Collective Action for Good Governance
CBCP	Catholic Bishops Conference of the Philippines
CDGK	City District Government Karachi
CENSIDA	National HIV/AIDS Center, Mexico (<i>Centro Nacional para la Prevención y el Control del VIH/SIDA</i>)
CIDE	Center for Research and Teaching in Economics
CIMAC	Communication and Information on Women
CSA	Centre for Social Accountability
CSO	Civil society organization
DEEM	Differential Efficiency Expenditure Management
FIDIC	Fédération Internationale Des Ingénieurs-Conseils
G-Watch	Government Watch, an action research initiative of the Ateneo School of Government
GoP	Government of Pakistan
GPPB	Government Procurement Policy Board
ICT-DEV	Information and Communication Technology (ICT) Development
IFAI	Federal Institute of Access to Information
IP	Integrity Pact
KW&SB	Karachi Water & Sewerage Board
LGU	Local Government Units
Lol	Letter of Invitation
MDGs	Millennium Development Goals
MoH	Ministry of Health
NAMFREL	National Movement for Free Elections
NCPC	Naga City People's Council
NGO	Non-governmental organization
OECD	Organization for Economic Co-operation and Development
OPEN	Outline Procedures Enhancement for Civil Applications
OSI	Open Society Institute
PCA	Philippines Contractors Association
PGS	Public Governance Score Card
PIP	Productivity Improvement Program
PSAM	Public Service Accountability Monitor
PTF	Partnership for Transparency Fund
PWI	Procurement Watch, Incorporated

RA	Republic Act
SADC	Southern African Development Community
SAI	Supreme Audit Institution
SMS	Short Message Service
TAN	Transparency and Accountability Network
TI	Transparency International
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States Dollars

Introduction

Procurement monitoring is a relatively new field for civic engagement. This paper is a collection of eight selected cases studies which aim to provide examples of practices that have emerged globally in recent years. We hope that the paper will stimulate new thinking on the range of existing options for the establishment of effective partnerships between state and non-state actors. The objective is not to offer ‘blueprints’ or ready-made solutions to the challenge of civic monitoring, but rather to highlight some of the broader complexities underpinning the successful development of new approaches.

The cases have been drawn from Latin America, South Africa and East Asia, and have been developed based on reviews of secondary material. Where possible, case studies have been reviewed and finalized in collaboration with people directly involved in the process. The cases were selected with the aim of highlighting the diverse forms of civic engagement across different sectors and levels of government. The different types of civic engagement mechanisms include: autonomous research and monitoring, proactive disclosure of information for public access, state-civic partnerships in the implementation of public expenditure decisions, and engagement of civic actors to support the process of reform.

The cases studies are designed to explore how different mechanisms of civic engagement are forged within specific social and political contexts, and, more importantly, how the nature of such engagement changes over time. In particular, the studies focus on understanding the driving forces behind the process as it evolved, the impact of the intervention, and the potential for replication at greater scale.

Summary of the case studies

While each case study can be viewed as a ‘stand-alone’ example, it is also important to emphasize the value of the collection in terms of developing the discussion of common principles of civic engagement in procurement. A brief summary of the cases provides a starting point.

Tracking Social Spending (Mexico). Fundar was established in 1999 with the aim of enhancing transparency in public expenditure on health. Just a few years later, Fundar spearheaded an investigation into a US\$3m contract from the national HIV/AIDS prevention program that was given to an anti-abortion group. On the basis of the success of this initiative, Fundar has established itself as a group that monitors corruption and the improper use of funds, with a specific emphasis on health; and as an advocacy and networking group supporting improved access to budgetary information and capacity-building for government and non-governmental actors.

Civil Society Participation in Text Book Count (Philippines). This initiative was started as an action research project, called ‘G-Watch’, by the Ateneo School of Government with the aim of monitoring the production and distribution of textbooks to elementary schools. Made possible by the Government Procurement Reform Initiative, which enabled civil society to monitor bid processes, the initiative expanded considerably and has become very effective at monitoring quality and delivery at the local level through a network of volunteers that have come to be known as ‘Textbook Watch’.

Integrity Pact in Greater Karachi’s Water Supply Scheme (Karachi, Pakistan). The Integrity Pact (IP), implemented by Transparency International Pakistan with the Karachi Water and Sewerage Board, focuses on the prevention of securing or retaining a contract through bribery or other improper means. Important innovations include the reduction of the number of tender packages, and the development of a ‘two-envelope system’ for proposals, which resulted in an estimated twenty percent cost saving. However, the memorandum of understanding on the use of the IP was left to expire following a change in leadership in the public sector utility.

Program for Transparent Contracting (Morón, Argentina). A non-profit organization based in Buenos Aires, Poder Ciudadano was created in 1989 to improve access to information pertaining to public interest. Because the city

has faced longstanding administrative abuse, as soon he entered office in 1999, the new mayor, Martin Sabatella, promoted the 'Program for Transparency and Modernization.' Poder Ciudadano and Sabatella worked together to introduce an innovative contracting process for the city's waste collection. Sabatella requested Poder Ciudadano to help establish a program that combined the use of public hearings with an 'integrity pact.' This program achieved active citizen engagement at every step of the procurement process.

Making the Public Procurement System Work (*Naga City, Philippines*). Faced with a city in a state of economic decline, Mayor Jesse Robredo promoted the use of information technology to bring about more inclusive and effective governance. Revising procurement practices was a major part of this. Two key elements combined to bring about more open governance; first, proactive disclosure of information and performance standards; and second, institutionalized civic engagement, notably through the establishment of a citizen watch-dog, the Naga City People's Council, which monitored the procurement processes.

The OPEN System (*Seoul, South Korea*). Rapid economic growth in Seoul and the expansion of the municipal bureaucracy had resulted in extensive and complex systems of regulation, which in turn created opportunities for corruption. A key aspect of the Seoul Metropolitan Government's response was the creation of an internet portal to make information relating to governance processes publically available. In addition, the government introduced new types of performance benchmarks, which were based on citizens' perceptions of governance.

Tracking Government Service Delivery (*South Africa*). The *Public Service Accountability Monitor* (PSAM) produces research and monitors key aspects of service delivery and government performance in the Eastern Cape Province. In addition to research on expenditure, in order to improve strategic planning and reporting procedures, PSAM has developed training

courses for parliamentarians and non-state actors on integrity and accountability and on the use of public expenditure monitoring tools.

Partnerships in Procurement Reform (*Philippines*) Procurement Watch Incorporated (PWI) was established with the support of various donor agencies in 2001 with the objective of fighting corruption through improved public procurement oversight. A key component of its strategy is using print, television, and radio media to raise awareness over the leakage of funds. The passage of the Procurement Act has significantly aided the institutionalization of PWI as both a watch-dog and a partner in procurement reform. By informing the public of the new provisions and their consequences, PWI has actively promoted civil society participation in monitoring procurement.

Five Key Issues emerging from experience

From this wide canvas of experiences emerges a number of common themes that can help stimulate new thinking about how to best support enhanced civic engagement in procurement.

1. Procurement work is a part of public expenditure monitoring

When promoting civic engagement as a way to improve transparency, there is often an implicit assumption that alternative practices can be 'mapped' directly onto the formal project processes. This is rarely the case. One of the reasons that demand side procurement work is fairly nascent is due to the inherent difficulty of isolating this component of a public expenditure cycle in a way that attracts the active participation of civic actors. Globally many good examples exist of civic engagement in budget monitoring, expenditure tracking and outcomes monitoring, and some of the best examples of civic engagement in procurement have evolved as an extension of these other activities.

While supply side initiatives have sought to open the procurement process to public

scrutiny though enhanced public disclosure, demand side initiatives have tended to approach procurement work from the broader perspective of outcomes. For example, in the case of G-Watch in the Philippines, while the monitoring agency was given access to records on contracting, this was found to be less meaningful than the issues of distribution and quality assurance. It is therefore important to consider the comparative advantage that civic actors have when promoting new forms of procurement monitoring.

2. Importance of entry points

Civic engagement tends to be more successful when it is oriented toward tangible issues and specific cases, rather than procurement processes in general. For example, the issue of funding allocations for HIV/AIDS which led to the Provida corruption scandal acted as a focal point for Fundar's initial activities on government monitoring. From this entry point, the organization rapidly expanded its scope to broader issues of monitoring in the health sector. In this case, the scandal was also important because it galvanized a broader coalition of civic and political actors, which Fundar supported through advocacy and awareness-building activities.

Broader shifts in the political context – or crises - can also create important entry points for civic engagement. In the case of Morón in Argentina, a history of malpractice in the administration was one of the main reasons why the new mayor decided to promote transparency as a key issue in his administration. In Seoul, a high level of economic growth provided the backdrop for the establishment of a new, simplified, and transparent system of governance processes to cope with the increasingly complex challenges of administration.

3. Non-linear process of evolution

In all these cases, the dynamic nature of state-society collaboration should be emphasized. A valid entry point and an

enabling context provide opportunities for civic actors to effectively engage with governance processes in the short-term. However, long-term sustainability depends on the capacity of both state and civic actors to evolve towards the production of new procurement practices. In many of these cases, involving the media was important in expanding the reach of civil society organizations. In others, civil society actors were successful in securing their role in the procurement process by not only offering training and capacity-building support to administrators and politicians, but also sharing tools or methodologies for monitoring. One of the best examples of this non-linear evolution process is G-Watch in the Philippines. Starting with the narrow objective of monitoring the procurement of schoolbooks, the 'Textbook Watch' evolved as a social campaign to monitor a highly decentralized program. Equally remarkable was the partnership that was forged with a private sector firm (Coca-Cola) to provide a low-cost solution to the problem of delivery at the elementary school level.

The evolution of initiatives is not always positive. Following a change in leadership in the Greater Karachi water supply project, the memorandum of understanding was not renewed, and as a result the Integrity Pact only applied to the initial stages of the procurement contract. This case highlights the fact that sound and comprehensive technical design of improved procurement practices cannot be insulated from changes in the social and political context. This finding reinforces the need to develop strategies that are based on principles that emerge out of current practice, rather than externally driven blueprints.

4. Information is key, but information flows are more important

Access to information is one of the founding principles of new approaches to governance. As these cases show, however, the creation of effective information channels is not an

issue related to the supply side alone. Rather, the engagement of ‘users’ in the design of both the type and channels of information is an important component of effectiveness. One good example of this is the development of common information formats for demand side monitoring by the Public Service Accountability Monitor (PSAM) network in South Africa, which allowed a broader network of civil society organization to collaborate and thus expand the scope of the initiative.

Collaborations with media are also highlighted as a common factor in the success of many of these initiatives. In Mexico, Fundar’s use of a targeted media campaign led to the generation of various information products and dissemination of official documents were then used by local journalists in their own investigations.

Information is a two-way process, and engaging citizens to interact with procurement processes demands creative approaches. Seeking to engage ordinary citizens, the mayor of Morón established multiple channels of communication, including monthly bulletins which were distributed to all households, telephone lines, and local grievance redressal offices to encourage people to report malpractice. In Naga city, short message (SMS) technology was used to allow residents to send queries and feedback to the government.

5. Impact is important, but so are outcomes

Many of these cases contain impressive evidence of impact in terms of reducing contracting costs and time usage and of improving quality of final delivery. In most case, however, quantifiable evidence of impact is difficult to assess which makes the task of advocating the need for civic engagement in procurement processes more complex. One of the reasons for this is that often detailed data on past transactions is not available to the public. However, there are a couple of

broader issues that are worth considering when it comes to assessing impact.

While monetary assessments of impact are important for policy advocacy, citizen engagement in procurement processes tend to be influenced more by tangible outcomes in terms of quality. While the two issues should be related, at times they are not. In the case of schoolbook distribution in the Philippines, the contracting amount was found to be less important than the quality of the products and the speed they reached the pupils. In Karachi, the application of the Integrity Pact resulted in a twenty percent cost saving in consultancy and construction contracts. What is less clear, however, is the extent to which this innovative governance approach delivered improved water and sanitation services to the citizens of the city.

The second issue is that citizen centered governance is intricately linked to the development of new benchmarks or performance standards. Good examples of this are the citizen satisfaction surveys the Seoul Metropolitan Government established as part of the OPEN system in Seoul, or the establishment of public hearings in Morón. As new innovations, tracking the improvement in the results of these types of performance assessments will not be possible until they have been used for some time.

Use of the case studies

Besides contributing to the analysis of the concept of civic engagement in procurement, we hope that these case studies can be used as part of training sessions and advocacy efforts by both government and non-government actors. The structure of the cases aims to draw out some of the unique features of the various experiments, rather than attempt a cohesive or comparative assessment. We therefore would encourage the reader to consider how these experiences can inform the development of procurement work in other contexts.

Case Study One: Tracking Social Spending: Fundar, Mexico

This case discusses Fundar's strategy of advocating increased public access to government budget information coupled with budget analyses and expenditure tracking to influence government expenditures allocated for HIV/AIDS.

Background

The budget is a government's most powerful economic policy instrument, and therefore a major influence on income distribution and poverty. Though the budget has traditionally been the product of a closed decision-making process, a new international public finance consensus is emerging that promotes transparency and effective oversight.

Budget analysis is a tool to expand information, encourage debate, and promote accountability by showing whether government promises are being translated into sound policies and appropriate allocations. Civil society can make important contributions in these situations by opening up the debate, organizing information to make it more accessible to other researchers and advocates, or by pressing for greater transparency.

Fundar came into existence in Mexico in 1999 as a non-governmental organization when a change of government was imminent and civil society was changing its strategy from pressure and confrontation to a focus on dialogue, monitoring, and policy research. The focus of transparency work was changing from simply obtaining and publicizing information to using thorough, research-based evidence to promote good governance. This made technical expertise essential to civil society if it was to remain effective in the new political context.¹

As part of its early efforts, Fundar obtained accounting records from the Ministry of Health using the national freedom of information law,² and identified corruption in a contract awarded to a private agency for an HIV/AIDS prevention program. Known as the Provida Case, it illustrates how Fundar with a civil society alliance pursued a successful campaign against the corrupt appropriation of budget resources intended for NGOs working on health issues. Fundar and the consortium used the new transparency law to gather evidence to support its case.

Unearthing the Provida Scandal

In 2002 the Mexican Congress approved US\$20 million for HIV/AIDS prevention. Luis Pazos, then President of the Appropriations Committee in the Federal Chamber of Deputies, sent an official note informing the Minister of Health that the budget for the HIV/AIDS prevention program had been reduced by US\$ 3 million to US\$ 17 million. The US\$3 million was allocated to Provida, an anti-abortion group in Mexico. In this case, money was transferred directly from Ministry of Health (MoH) to Provida through an entity -within MoH- called "*Administración del Patrimonio de la Beneficencia Pública*" (roughly translated as Regulatory Body for Public Charity). Although the process to receive grants goes by submitting a project proposal by the CSO, there is no evidence Provida submitted its own. There is only the agreement between Provida and the Regulatory body to receive the grant.

At the end of 2003, Provida submitted invoices to justify the money spent from the grant. At midyear 2004, using the new access to information law, Fundar received the file containing the agreement between Provida and the Regulatory Body and all

¹ The Ford Foundation provided an early source of financial support for Fundar's budget transparency work first in Mexico and later at the regional level. It encouraged Fundar's collaboration with Mexico's Center for Research and Teaching in Economics (CIDE) to create the Latin American Transparency Index. Fundar's work on improved federal and state level transparency and accountability has also been funded by the MacArthur Foundation, Open Society Institute (OSI), and the Hewlett Foundation.

² In the late 1990s, a series of reports revealing the existence of secret presidential slush funds galvanized civil society groups in Mexico to push for increased public access to information, including increased access to information on the Mexican government's budget. By 2002, a law guaranteeing citizen's rights to information had been passed and a highly respected commission established to oversee its implementation.

the invoices. An auditor was needed to check all those documents, clarify questions and produce a joint report.

Fundar and five other CSOs³ investigated where the money was finally allocated. They found that Provida had requested the funds to open a dozen Women's Support Centers, to encourage women to reject abortion. Both Mr. Pazos and the Ministry of Health denied they had reassigned funds or that the HIV/AIDS budget had even been cut.

Using the Federal Law on Transparency and Access to Public Government Information, the CSOs confirmed that the Ministry of Health had paid Provida US\$3 million, despite the legal requirement that US\$ 50,000 is the maximum amount that can be received by a CSO. They were also able to obtain the financial records of all Women's Support Centers, totaling 6,525 documents. Fundar's investigations revealed that payments were made without proper invoices, to bodies that shared the same address as Provida.⁴

This loose coalition of CSOs concluded that there were three main sets of irregularities: conflict of interest, tax evasion, and luxurious expenses. More than 90 percent of the US\$3 million was marked by these irregularities. The main observations were:

- Luis Pazos misused and exceeded his parliamentary powers.
- The Health Ministry did not fulfill its responsibilities for transparency and accountability.
- Provida diverted public funds without proper surveillance by the government.
- Provida received public funds despite their actions being contrary to government health policies.

In one week, 700 Mexican CSOs backed the claim for transparency and sanctions, and demanded the intervention of the Supreme Audit Institution. The findings were presented in full to legislators from the three main political parties in November 2003.

A targeted media campaign was launched with the advice of a specialist media organization – CIMAC - (Communication and Information on Women) after a request for a meeting with the health minister was denied. Using information provided by the coalition, the mainstream newspaper *Reforma* carried the details in an exclusive front-page story in July 2004, which gave rise to a stream of articles, features, and cartoons in the mainstream press that continued for more than two months.

The coalition produced compact disks with a PowerPoint presentation explaining the case and illustrating each argument with scanned official documents. As a result, every reporter had access to the official documents to illustrate and build the case. Journalists started their own investigations.

The Congress asked for explanations from the minister of health, began procedures for an auditing process, and promised to create a special committee on the case (though this never took place). The Supreme Audit Institution (SAI) started its own investigations based on the information already available. As a result, in September 2005, the Ministry of Public Function fined Provida's chairman US\$ 1.2 million and punished him with a 15-year ban on receiving public funds or serving as a public servant. In October 2006 the Supreme Court confirmed this resolution. Three other low-ranking public servants from the ministry of health were punished with administrative sanctions, as well.

³ In addition to Fundar, the network included two feminist organizations and three groups working on health issues and reproductive rights.

⁴ Among the more egregious items purchased by Provida with public funds were Mont Blanc pens and women's underwear, which attracted considerable coverage in the media. Also, over 42 percent of the funds had been spent on 'marketing,' particularly to challenge emergency contraception.

The official investigation conducted by the Supreme Audit Institution corroborated Fundar's findings. Pressure brought to bear by the Fundar-led campaign resulted in government proceedings to recover misappropriated funds and changes in the policies governing the management of discretionary funds, including the HIV/AIDS prevention program. In March 2006 the Supreme Audit Institution delivered a comprehensive report on Provida's 2003 activities. It confirmed the CSOs' audit results and recommended penal actions against Provida's chairman. The Ministry of Health cancelled all contracts with Provida (They were due to receive another US\$5.7 million in public funds). It audited Provida and demanded the US\$3 million received in 2003 be refunded.

More significantly, the ministry changed budgeting procedures, particularly those related to CSO funding, and created an agency focused

on auditing such funding. The Regulatory Body produced a manual to tighten the process, which at least meant homogeneous grants.

Fostering Transparency through Budget Analysis

How does government use public funds? How much does government spend on programs for the people? Where does the money go? Are the funds allocated for specific programs sufficient to accomplish them? And most important, where should they go?

These questions were new to Mexican citizens and many policymakers when Fundar started its work. Thus a key task before Fundar was, and is, to help the Government and the public learn what to do with the information it helps make available (Box 1). Fundar took the lead in helping to ask and answer these questions, which are critical to

Box 1: Making public spending more transparent

In March 2006 the government passed the Budget and Fiscal Responsibility law, which attempts to make public spending more transparent and disciplined. Article 106 of the law mandates the Executive to disclose information on government expenditures on a quarterly basis. The Ministry of Finance already publishes this information in quarterly reports, which can be found at www.shcp.gob.mx. In addition, information of expenditures in poverty reduction programs is also accessible through the Internet at the Secretary of Social Development (www.sedesol.gob.mx).

However, the 2006 law applies only to central government activities. Although the current decentralization initiative will pass increasing responsibilities to state governments, there is no federal law requiring that local authorities publicly disclose their spending. State governments must publish their annual budgets in the official gazette, which provides budget information for state agencies, but these reports are limited and lack detail.

In a recent overview of transparency in Mexico, Fundar, reported that despite concrete improvements due to increases in political plurality and division of power, Mexico still faces two major challenges:

- Discretionary use of surplus income on the part of the Treasury Ministry;
- Lack of transparency and accountability mechanisms that would make it possible to monitor the use of surplus income transferred to the states

Despite the country's genuine advances, the need remains for clarifications regarding the public right to information, accountability rules and checks and balances to the Treasury's discretionary power, the power of legislative commissions, and the obstacle of opaque areas such as government trust funds.

Source: <http://www.revenuewatch.org/our-work/countries/mexico-transparency.php> (accessed June 2008)

making effective policy and ensuring a healthy and lasting democratic transition.

Through careful research and analysis, Fundar monitors corruption, tracks improper use of public funds, analyzes budgets, particularly as they apply to marginalized populations, and develops accountability measures. Budget analysis offers new tools for strengthening assessment of government responses to resource needs. In Mexico, Fundar's budget analysis went a step further, revealing that the formulas for distributing funds for critical services for needy populations actually perpetuate, rather than correct, underlying inequities.

Each year since 2003, Fundar has analyzed the Mexican government's spending on HIV/AIDS. In its analysis of the 2005 federal budget, Fundar identified a new allocation scheme for HIV/AIDS funds. For the first time, the Seguro Popular (the country's health care program) was given resources for HIV/AIDS—more such funding than any other institution, including the National HIV/AIDS Center (CENSIDA).

Fundar decided to follow up this analysis by monitoring the application and use of HIV/AIDS funds. Using the electronic system established by IFAI (Federal Institute of Access to Information), Fundar submitted more than 200 formal requests for information to the Finance Department, Federal Health Department, CENSIDA, and the National Commission for the Seguro Popular over the course of the year. These requests aimed to determine the criteria used to allocate HIV/AIDS funds, and how the hospitals and other institutions that received the funds used them. Fundar's main purpose was to launch a public campaign informing patients who required HIV/AIDS health services about the availability of additional care resources.

The investigations reported some troublesome findings—among them that the Department of Health had distributed funds to hospitals that had

no experience treating HIV/AIDS patients (Box 2).⁵ The hospitals in this case were part of the Ministry of Health and therefore were under its administrative control, so grants did not need to be "procured." Based on the data, the organization developed an advocacy strategy to boost HIV/AIDS allocations in the 2006 budget.

Apparently, financial requests from hospitals were the reason for the choice made by the Ministry of Health rather than epidemiological ones. They simply channeled the money through HIV/AIDS budget category, as odd as it sounds. The reasons for the choice of hospitals were not clear at all and, thus the case.

Working in alliance with a group of HIV/AIDS patients, Fundar initiated an advocacy strategy that comprised a press conference, meetings with the directors of CENSIDA and the financial-administrative head of the Health Department, Internal Comptroller, and two congressional committees on Health and Gender.

By researching the chapter on HIV/AIDS in the federal budget, Fundar has tested the Mexican government's level of transparency. In addition, Fundar has produced the only comparative analysis of the legal framework and accountability mechanisms of the 33 Mexican Human Rights Commissions. It has studied accountability in the Mexico City police force and initiated a pilot program with partners in Guerrero for evaluating police performance. After Fundar protested a Finance Ministry decision to cease publication of detailed information on federal expenditures, the Ministry recommenced publication, this time with an enhanced search engine on the Web. Fundar also led a regional effort to create a Latin American Budget Transparency Index. Fundar has also looked at maternal health programs. Through its analysis and coalition-building efforts, the organization has influenced government programs to combat maternal mortality and pressed for additional funds.

⁵ *Human Rights Watch, Lost in Transition: Bold Ambitions, Limited Results for Human Rights Under Fox, 2006, p. 44.*

Box 2: Analyzing the use of HIV/AIDS funds: Some Results

- The information provided by government agencies is of low quality. Fundar received contradictory responses from different institutions regarding their role in the distribution of funds, the level of spent resources by mid-year, and the reallocation of resources to different objectives.
- The Ministry of Health allocates funds on the basis of financial rather than epidemiological criteria. When funding for HIV/AIDS prevention and treatment was increased in 2005, the Health Department distributed these resources among hospitals that had suffered general operational cutbacks, even if they had no HIV/AIDS component. Meanwhile, hospitals that actually specialized in HIV/AIDS received no extra help.
- Institutions have wide discretion over how they spend HIV/AIDS funds. Three out of the seven institutions that received HIV/AIDS resources (with the exception of CENSIDA and Seguro Popular) reclassified those funds under “General Services” and spent them on banking and financial services, cleaning, surveillance, and building and vehicle maintenance.
- Accountability is lacking. Because hospitals and institutions are autonomous, the Health Department cannot specify how HIV/AIDS funds should be spent. In addition, even though CENSIDA is responsible for overseeing the national HIV/AIDS strategy, it does not have a mandate to coordinate the use of these funds. Also, the Finance Department considers the resources spent as soon as they are transferred to the institution, regardless of how they are actually used. As a result, money spent on cleaning, maintenance, and banking services will appear as having been spent on HIV/AIDS programs. This issue reflects a major structural problem in Mexico’s budget system: the balance of spent money, which is yearly handed over to Congress, is not a faithful portrayal of reality

In 2002 Fundar’s research resulted in greater transparency in the government’s decentralized health funding and, for the first time, specific earmarking of funding for maternal health programs. In 2003 its work led to a tenfold increase in budgetary allocation for a national program designed to reduce maternal mortality through emergency health care provision. This represented an additional increase on the order of US\$50 million for a program to directly benefit underserved pregnant women, especially those from indigenous communities. Its 2004 study on the cost of equipping health centers with basic emergency obstetric equipment and staff contributed to the Ministry of Health’s decision to enhance coverage for common pregnancy and delivery complications in the government’s Popular Insurance program.

Greater Access to Budget Information

Fundar’s success in earning a respected space in the national political context and providing useful

information and tested analysis to policymakers serves as an instructive and inspiring example to other organizations. But perhaps the greatest impact of its work has been in improving the quality of public debate and giving legislators and CSOs better access to budget information. These results have contributed to simplifying and more widely disseminating information—including persuading the government to publish official budget data online; to fostering transparency; and to building capacity and awareness among other civil society organizations.

Capacity building in Mexico and throughout Latin America, in the form of workshops and training for the media, NGOs, journalists, and legislators, has contributed to wider understanding of budget issues in order to enhance advocacy campaigns. Fundar also provides orientation sessions for legislators on various aspects of the federal budget, and provides the congressional budget committee a steady supply of information

and analysis. In addition, it produces several publications that contribute to both knowledge and advocacy efforts—among them a regular quarterly bulletin (*Pesos y Contrapesos*) for a wide range of budget issue stakeholders. The organization publishes government budget data on its Web site as a resource for legislators, the media, and civil society actors.

Working within a Coalition

An important factor behind Fundar's success was an emphasis from the beginning on building alliances with organizations and networks with significant experience in health concerns. The Provida case encouraged civil society organizations to work together collaboratively through a carefully orchestrated strategy of systematic research, legislative advocacy, and media influence. The six participating organizations worked together on the objectives of the collective, and then on a media strategy. The idea of working with a mainstream newspaper to expose this corruption emerged from the collective, with inputs from a specialist media organization.

The case remained prominent on the public agenda partly thanks to opposition politicians, who were outraged at the diversion of funds and sought to capitalize on the scandal. Fundar was an integral part of the effort, unearthing documents and expenditure statements that provided critical evidence to support the campaign.

Fundar's institutional character, and its implications for alliances with other organizations, is an important strategic issue. Fundar does not ally itself with political parties on policy issues, since a nonpartisan approach is essential for the legitimacy of its work with the congress. Rather, it works as part of broader alliances and coalitions

within civil society to maximize the visibility and use of its analysis. A distinct organizational attribute is presenting budget analysis and information on a range of issues under legislative and policy debate with inputs from multiple sources.

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Case Study 2: Civil Society Participation in Textbook Count: G-Watch at Ateneo School, Philippines

This case illustrates how civil society, with G-Watch in the lead, has partnered with the Department of Education since 2003 to increase the delivery of textbooks to school children across the Philippines. A unique feature of this case is that G-Watch's role extends beyond procurement, and extends down to assessing distribution – with an implicit focus on quality, and the mass mobilization of volunteers to monitor distribution at a decentralized level.

Background

In 2003 the Department of Education of the Philippines launched Textbook Count: National Textbook Delivery Program. The purpose of the program is to improve the efficiency of the procurement, production, and distribution of textbooks to schools throughout the country. A notable feature of the program is the extensive involvement of civil society organizations. Five annual rounds have been completed, covering the academic years 2003–04 through 2007–08. (These are subsequently referred to as Textbook Count 1, 2, 3, 4 and 5).

Under Textbook Count, which uses the International Competitive Bidding system, textbook prices were reduced by nearly 50 percent, the procurement process (bidding to delivery) was shortened from 24 to 12 months, and ghost deliveries were almost entirely eliminated.

G-Watch (Government Watch) is an action research program under the Ateneo University's School of Government and serves as the national coordinator for civil society participation in Textbook Count. G-Watch was created in response to widespread reports of corruption and inefficiency in the government of ousted President Joseph Estrada. It partners with different government agencies to put in place mechanisms that improve the delivery of basic government services by integrating participatory mechanisms into government policies and programs, allowing direct citizen scrutiny of government transactions. This is expected to

guide and constrain the administrators and other players to appropriate actions and decisions. To complement perception surveys, researchers are deployed as G-Watch monitors to visit project sites and collect documents to be used to assess government performance in service delivery. The group has developed and tested tools to monitor textbook delivery, medicines procurement, school building construction, and public works projects.

Textbook Production and Delivery

With a provision in the Government Procurement Reform Act (Republic Act 9184) giving representation to civil society observers in the bid processes of the government, G-Watch is able to sit in all stages of textbook procurement. The Department of Education sends notices to G-Watch regarding its procurement schedule –from the pre-bid conference up to the bid evaluation and post-qualification. Information on the awarding of contract and the release of the notice to proceed given to the winning suppliers are also made available to G-Watch.

In support of the Procurement Reform Act, the Department of Education issued Department Order 59, which further institutionalizes civil society participation in the Department's procurement processes. Not only does the Order open up the Department's procurement of textbooks to civil society, it also opens up all other procurement items.

During the production of textbooks, G-Watch coordinates with the Department of Education's Instructional Materials Council Secretariat for civil society organization participation in surprise textbook quality inspections in printing presses (or warehouses for textbooks from outside the country). Inspections are undertaken at every stage of production. The civil society organizations attending the quality inspections underwent training given by the Instructional Materials Council Secretariat.

The Instructional Materials Council Secretariat informs G-Watch of the textbook delivery schedule and gives copies of the notices sent to school heads and district supervisors which G-Watch in turn forwards to the executives and/or chapter heads of the Boy and Girl Scouts of the Philippines, as well as the National Movement for Free Elections (NAMFREL). Personnel on the ground coordinate with the school heads, and district supervisors for the schedule of delivery. During the actual delivery, representatives of civil society organizations, together with other personnel from the Department of Education conduct a last check on the textbooks. The Inspection and Acceptance Reports to be submitted to the Department of Education Central Office also contain boxes for the third-party inspectors to sign.

Elementary school textbooks, unlike those for high schools, are delivered only up to the district office. This poses a challenge for those elementary schools that are very far from the district office. A documentation of this problem was made by G-Watch, prompting the introduction of an initiative called the Textbook Walk.

A Memorandum of Agreement had been signed with Coca Cola. The company's involvement and the program's use of the company's trucks for textbook deliveries (from district offices to elementary schools) was a unique and successful innovation seen in Textbook Count 3. In the succeeding rounds, this was no longer availed because of the change in management of the company. The Department of Education is looking into tapping other companies for a partnership like that with Coca-Cola. In Textbook Count 5, a mining company in Palawan province was tapped to help in the distribution within its area of operations.

Heightened Emphasis on Monitoring

Textbook Count 4 began monitoring the production and delivery of 12 million textbooks and teacher

manuals to 40,000 elementary schools around the country. The textbooks represented a total value of 542 million pesos (US\$ 12.9 million). The monitoring process was divided into three phases:

- (i) Procurement of Textbooks: Civil Society Organization volunteers did not participate in the procurement meetings, but all procurement-related documents were provided to G-Watch. These were reviewed and no anomalies found. However, the project was seriously affected by a delay of around four months due to legal challenges mounted by losing bidders.
- (ii) Printing - Upon the release of the notice to proceed to winning bidders, Department of Education's- Instructional Materials Council Secretariat and the Civil Society Organizations, through G-Watch, closely coordinate with each other for the textbook quality inspections. Department of Education staff members carried out around 70 surprise inspections. Civil Society Organization volunteers participated in 18 of these (against a target of 20). The defects found in locally produced textbooks were minimal, suggesting that the surprise visits to local printing plants during Textbook Count 3 were effective. However, a serious defect was found in the books printed abroad. This led to the decision to include visits to overseas printers in Textbook Count 5.
- (iii) Distribution –books were initially scheduled to be delivered by printers to Department of Education's district offices during August–September 2006. As a result of delays mentioned above, the deliveries took place during January–February 2007. This delayed onward delivery from district offices to elementary schools, which took place during March–May 2007.⁶ These delays put considerable strain on those responsible for mobilizing volunteers, and meant that Coca

⁷ The Philippine school year starts in May each calendar year. In some cases it was decided to keep the books at the district headquarters during the summer holidays.

Cola was unable to offer the same distribution services they had provided so successfully during previous rounds. Deliveries did not always take place as scheduled and sometimes took place well outside working hours. Though this made it difficult to mobilize volunteers in a timely fashion, 70 percent of deliveries were monitored by volunteers, who completed 4,700 Inspection and Acceptance Reports.

An estimated 4,700 volunteers carried out the monitoring activities. Parents, students, scouts, church parishioners, and village leaders all volunteered their services.

In Textbook Count 4, 39 Civil Society Organizations participated, up from 33 during Textbook Count 3. G-Watch and Department of Education provided training for the volunteers involved in printing plant inspection. The volunteers engaged in delivery monitoring required no further training, as the knowledge and experience acquired in previous rounds was retained.

Formalizing the government–civil society engagement was a Commitment of Support and Cooperation signed by the Department of Education and the Consortium of Civil Society Organizations. The civil society and private sectors committed to help during the bidding, production, and delivery stages and with distribution of textbooks from the districts to elementary schools. When the local suppliers began printing, the Civil Society Organizations joined in a series of quality inspections of the presses. There were also pre-delivery warehouse inspections for the books sourced from an international supplier.

Piloting Community-Based Initiatives

Textbook Count 4 piloted an initiative called Textbook Walk in 7 schools in each of 12 districts (of 2,359). The initiative had three aims: i) address the problems of undelivered books encountered

in previous transfers from Department of Education district offices to elementary schools;⁷ ii) test whether monitoring could be decentralized to the local level and handled entirely by local community groups; and iii) make education a central priority at the local level.

Textbook Walk involved multi-stakeholder partnerships, community participation, and public awareness and education. The project received financial support from the Partnership for Transparency Fund (PTF) and the Coalition against Corruption (CAC), two international organizations.

Textbook Walk included a festive occasion involving local community groups, in the Filipino spirit of fiesta, to celebrate the transfer of books from district Department of Education offices to elementary schools. Members of the Boy Scouts and Girl Scouts of the Philippines, the National Movement for Free Elections (NAMFREL), church-based groups, and other local organizations took part. It covered more than 90 elementary schools and involved some 60,000 textbooks and teacher's manuals. Festive activities took place simultaneously in all of the pilot areas and different modes of transporting the books were used –pedicabs, pushcarts, *carabao* (buffalo), trucks, tricycles, human chains, and motorcycles. The activity proved effective in helping districts bring textbooks to schools and start localizing the Textbook Count.

Textbook Walk stimulated greater interest in locally generated partnerships, reducing dependence on centralized management and facilitating institutionalization through a culturally sensitive approach. It offered proof that local communities can and will take the lead and can own the textbook delivery process. This augurs well for efforts to detach G-Watch from its central coordinating function.

Importantly, Textbook Walk also generated feedback from the field on the existing textbook situation. The ideal 1:1 student-textbook ratio is

⁷ In this annual round, no textbooks were to be delivered to schools, which receive books directly from suppliers.

still a far cry from the real ratios of 1:3, 1:4, or 1:5 in the schools. Defective textbooks were not being replaced because principals and teachers were unaware of their available stock or believed replacing them would take too long. The quality of the content of the current public school textbooks also was perceived negatively. Textbook Walk expanded to many more districts during Textbook Count 5.

Institutionalizing Textbook Count

The Department of Education's commitment to government–CSO collaboration on Textbook Count has been remarkably consistent. With each round of the program, the role of the Civil Society Organizations expanded, to the point where they became almost a natural part of textbook procurement and delivery process. This allowed G-Watch to focus more on other aspects of program implementation. Notable in Textbook Count 4 was the reduced reliance of local monitors on coordination directed at the national level. With less supervision from G-Watch, the local monitors were still able to carry out their tasks. This indicated growing local initiative, a welcome spillover from the familiarity with the process that the local volunteers developed in previous rounds. In the report on institutionalization prepared under Textbook Count 3, four dimensions of institutionalization were distinguished:

- **Legal Framework** - The most significant development in institutionalizing Textbook Count has been the issuance of Department of Education Order 59/2007— “Institutionalizing NGO and Private Sector Participation in the Department's Procurement Process.”
- **Civil Service Practices** – There appears to be general acceptance within the Department of Education bureaucracy of the cooperation program with civil society. Department of Order 59/2007 in fact pushes this cooperation well beyond textbooks into areas such as school buildings and supplies.
- **Reliable Financing** – The Textbook Count 3

assessment report stated that “a vulnerability is that G-Watch remains dependent on donor funds to finance its work.” Progress is still required to reduce this vulnerability. The ongoing Textbook Count 5 is a test to the non reliance of G-Watch on donor funding.

- **Cultural Adaptation** – Textbook Walk was a successful attempt to recognize and use to good advantage aspects of Filipino culture to advance the cause of timely delivery of textbooks.

The Department of Education order is especially beneficial to civil society because it was seen to expand the scope of monitoring, lower barriers to participation by organized groups, and deepen the cadre of procurement observers/monitors to include concerned but unorganized citizens. Undeniably, the signing of the order has provided a stronger basis for expanding the monitoring of contract implementation, not only for textbooks, but for other procurement items as well, at all levels of the Department of Education bureaucracy. The actual application of this policy, however, has yet to be seen.

Another G-Watch initiative was piloted during Textbook Count 5 which operationalized an order called PRO: Protect Procurement Project - the project protects, expands and sustains the gains of Civil Society Organization participation in the Department of Education, specifically in procurement.

Five annual rounds of Textbook Count have resulted in a well-established and well-accepted program of government–civil society cooperation. The experience gained over the years shows in many ways: the comfortable way in which all parties involved deal with each other, the reduced need for training field staff, and the development of ‘horizontal linkages’ between different organizations (at district level and below) so fewer matters require the involvement of the top of the organizations in Manila.

Certain achievements suggest that what has been achieved will not be easily reversed: the Department of Education order cementing the role

of Civil Society Organizations in the procurement and distribution of textbooks; the reduced cost of books over the past few years; the minimal number of defective books found during surprise inspections; and the virtual elimination of the original problem—that 40 percent of books went undelivered.

G-Watch initiatives are financed mainly through grants from donors including the United Nations Development Program, the Partnership for Transparency Fund, and the United States Agency for International Development. The Ateneo de Manila University provides for other operational needs, such as offices, equipment, and administrative services. Currently, G-Watch is not financially sustainable or profitable. To avoid possible conflicts of interest and the risk of co-option, the organization does not ask for funding or other assistance from any government agencies it monitors. Nor are citizen groups or communities asked for monetary contributions—the time and resources they volunteer for the monitoring are already their vital contributions.

Looking ahead, there are two key questions: can Textbook Count now finance itself? Can the program operate without G-Watch? Textbook Count 5 has proceeded without donor financing, and G-Watch has taken a hands-off approach—ready to provide advice but leaving the lead to the Department of Education and the Consortium of Civil Society Organizations.

The G-Watch approach is unique because it has demonstrated concrete results respected by both the government agencies being monitored and the citizen-monitors themselves. By being collaborative and inclusive, it puts anticorruption work in a productive and positive mode. From the government's perspective, this approach eliminates any thoughts that civil society is interested only in highlighting social problems, making demands, fault finding, and headhunting. Instead, there is growing recognition that citizens can capably share responsibility for making programs more effective. G-Watch is trying to "culturally institutionalize" the participation of civil

society by creating a culture of participation at the local level. Central coordination will become unnecessary if people at the local level already know how to monitor service delivery. For citizens, G-Watch's approach opens up another avenue for civic engagement and opportunities to become part of a solution that helps institutions serve them better.

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Case study 3: K-III Greater Karachi Water Supply Scheme: Pakistan

The Greater Karachi Water Supply Scheme highlights the Integrity Pact developed by Transparency International as a tool to promote transparency and accountability in public contracts, as well as illustrates how fragile social accountability reforms can be and how dependent on leadership support for sustainability.

Background

The Greater Karachi Water Supply Scheme (K-III) forms part of the City of Karachi's 13-point *Program for Economic Revival of Karachi*. A project critical to improving the city's water supply situation, K-III had serious problems at the pre-tendering stage. Among them: it was structured on untenable and outdated contract stipulations and defective package structuring; contractors were prequalified without proper due diligence; and the possibility of bribery—common in previous situations—threatened the integrity of the process.

The integrity pact (IP) implemented by Transparency International (TI) Pakistan with the Karachi Water & Sewerage Board (KW&SB) focused on the prevention of bribery to secure or retain a contract or other improper advantage. The Integrity Pact along with public information provided through a Web site, established the credibility of the procurement procedures of KW&SB. In an unprecedented move globally, the Integrity Pact was signed by all participating consultants and contractors on the K-III Project and by relevant KW&SB staff. Also, the signing was mandatory and not voluntary, for the first time globally.

TI Pakistan closely monitored the application of the integrity pact in the K-III project during the first phase—the tender process for selecting design and supervision consultants—until awarding of the contract. For the second phase, TI Pakistan disassociated itself from the project after the prequalification of contractors. A change in government happened while the contracting was still on and the new City Nazim

who took over was not supportive of the actions of the previous incumbent. This resulted in TI Pakistan's disassociation with KW&SB on the K-III contracting process.

What is an Integrity Pact?

The “Integrity Pact” was developed by Transparency International following extensive discussions with governments and international agencies such as the World Bank, the Inter-American Development Bank, the Asian Development Bank, the International Finance Corporation, the United Nations Development Programme (UNDP), the Court of Arbitration of the International Chamber of Commerce, and Fédération Internationale Des Ingénieurs-Conseils (FIDIC) or International Federation of Consulting Engineers. The pact is a system which insures that all activities and decisions of public offices are transparent and that the projects/works are implemented, services are provided or taken, and goods/materials are supplied without the giving or taking of any kind of benefit, financial or otherwise. Justification of the decisions taken is provided without reservation to the parties concerned and to any interested individual or institution/organization.

The integrity pact is designed to make public procurement practices more transparent by accomplishing two objectives:

- Enable companies to abstain from bribing by providing assurances that their competitors will also refrain
- Enable governments to reduce the high cost and the impact of corruption on public procurement

The IP concept can also be applied when a government, as part of its privatization program, invites bids for the acquisition of government assets, or for the granting of telecommunications, transport, mining, logging, or other such licenses.

Considering the critical role normally played by consulting engineers or other consultants in

preparing procurement documents, evaluating bids and supervising contract execution, their selection should be subject to the IP concept as well.

The IP is an agreement between the government agency and the companies that bid for the supply of goods or services for a selected contract or project that bribes will not be offered, granted, or sought, during both the bidding process and the implementation of the contract by the successful bidder. The IP has the following main features:

- A formal no-bribery commitment by the bidder, as part of the signed tender document, [supported by a company Code of Conduct and a Compliance Program]
- A corresponding commitment by the government to prevent extortion and the acceptance of bribes by its officials
- Disclosure of all payments to agents and other third parties
- Sanctions against bidders who violate their no-bribery commitment
- The involvement of civil society in monitoring bid evaluation, the award decision process, and the implementation of the contract
- Public disclosure of the award decision, including the major elements of the evaluation and the reasons for the selection of the successful bidder

Formalizing the Integrity Pact

The integrity pact was introduced by TI Pakistan, who executed the first phase of the project in 2002 with an estimated contract value of nearly US\$ 1 billion.⁸

First phase: Selection of Consultants

In May 2001, to confirm the establishment of the Integrity Pact, TI Pakistan organized a workshop for KW&SB. The workshop introduced the Integrity Pact's principles and its benefits in establishing

transparency in procurement within KW&SB. Following the workshop, the Integrity Pact was signed by all consultants and contractors bidding for contracts related to the K-III Project. Signing was mandatory for all consultants—a first for TI projects the world over. Many other TI chapters have since made the pact mandatory for all bidders in a public contracting process.

TI Pakistan prepared the evaluation criteria for the selection of design and supervision consultants for the K-III project. After the short-listing, TI Pakistan provided assistance in developing transparent and discretion-free evaluation criteria for the 'Letter of Invitation' (LoI), based on the "two-envelope-system," which requires separately sealed envelopes for the technical and financial proposals. Only those technically evaluated proposals that scored 75 percent were considered for financial evaluation, and the best of those proposals were selected for award of the contract.

One important step in the K-III project was the reorganization of the project that combined 18 tenders into 8 packages. The arrangement was essential not only to make the bidders' workload economical and to complete the tender award as quickly as possible, but also to make the awarded contracts easier to monitor (box 3). The contract was awarded to the top ranking technical firm on the lowest price quoted by the top three ranked firms.

Finally, based on the Integrity Pact, KW&SB awarded the consultancy contract for US\$1.4 million in July 2002. The contract was awarded to Techno Consult Pakistan, Ltd. and importantly, the consultant contract agreement included the TI Pakistan integrity pact in its implementation. The contract amounted to a net saving of nearly US\$4.2 million compared to the Planning Commission estimate of US\$ 5.6 million. The earlier K-II Project, which comprised work volume similar to that of K-III, was executed in the years 1993–2001 at a consultancy fee of about US\$4 million.

⁸ Approximately Rs 44 = US\$1

Box 3: Reorganizing the Tenders

Eighteen tenders were combined and reduced to eight packages of two to three contracts each. The decision was based on the need to stagger the implementation of different groups of contracts. Since implementation of some contracts would take longer than others, contracts had to start at different times. Otherwise, there would have been a risk of delay, and the early completion of some contracts would have meant that they could not be checked for the required testing of standards. The testing could occur only after the completion of the entire project, before which water could not be released into the system. Therefore it was essential that all the contracts be completed simultaneously.

Second Phase: Selection of Contractors

After TI Pakistan ceased to implement the Integrity Pact once the contract had been awarded, Brigadier Sardar Javed Ashraf Khan, the managing director of KW&SB, supported and continued the process of transparent procurement that had been established at the consultancy tendering stage. He regularly sought TI Pakistan's advice on transparency and on procedural aspects of the award of tenders. The advice given by TI Pakistan was fully implemented.

The tender process for contractors' contracts was completed in September 2003, and all major construction contracts were awarded at a total cost of US\$ 100 million. This total cost for award meant net savings of US\$ 20 million against the approved Planning Commission estimates of US\$120 million. TI Pakistan felt that the process was overall in accordance with the spirit of the Integrity Pact. The project was completed ahead of schedule at a total cost of US\$ 100.2 million.

Monitoring the Integrity Pact: Citizen's Engagement

Monitoring is an ongoing process in which the bidders, civil society, and anticorruption agencies

play an important role. One of TI Pakistan's findings is that benchmarks, standards, and constant monitoring are important for the credibility of any procurement system. The monitoring mechanism was integrated in Public Procurement Rules 2004 on the basis of TI Pakistan's recommendations.

Monitoring during the contract award process

The KW&SB Evaluation Committee comprising KW&SB and Government of Sindh officials prepares an evaluation report on the bids and forwards it to all bidders 10 days before the contract is awarded. The competitors—who are technically the most competent to examine the recommendations and reasons cited for or against their winning the contract—are thereby given an opportunity to check and comment on the official evaluation. This exercise helps prevent evaluators from either manipulating the award or making mistakes in the evaluation process.

Monitoring after the award of contract

Media is actively involved in monitoring the contracts awarded- ensuring the Public Procurement Rules 2004 (issued by Ministry of Finance, S.R.O. 432 (I)/2004) are followed. The contract documents as well as the evaluation report are made public on the Web site of the procuring agency. This gives civil society watchdogs the opportunity to monitor the contract and its physical implementation and to raise questions whenever they find, for example, substandard works. The published contract document also provides an opportunity for bidders to learn about the contract rates, and if they are high, to encourage their interest in participating in future tenders. The anticorruption agencies (National Accountability Bureau and the Sindh Anti Corruption Department) also have ready access to the evaluation report and the contract, which lets them to check the process without the delay caused by obtaining documents in hard copy. Maintaining a transparent tendering process has ensured a reduction in complaints.

Impact: Providing a Model for Others

In May 2006 the project was completed ahead of schedule, providing additional evidence that transparent procurement procedures generate healthy market competition, which coincides with high-quality constructions.

In a report prepared by the Working Party of the Trade Committee of the OECD on transparency in government procurement, the case is explicitly highlighted as an example of cost-savings under transparent procurement systems. Details of those savings are provided in Table 3.1.

The net savings of US\$ 24.2 million is due to the implementation of transparency in the procedures adopted for award of the contracts. This has also achieved, at the same time, a more efficient allocation of resources through increased competition and higher quality procurement, not only for the government, but also for taxpayers.

These results would have not been possible without the commitment, integrity, and professionalism of the KW&SB managing director. In an environment where contract awards are subject to intense pulls and pressures, and rules are subject to discretion an example of transparent and merit-based tendering was established. During the entire process, including pre-bid meetings, bid evaluation, and contract award, no negotiations were held to change the contract stipulations or scope of work, or to reduce contract prices

Scale up and Expansion

The National Accountability Bureau, the national agency for enforcing anticorruption measures, recognizing the benefit of the integrity pact in the K-III Project, decided to make the pact part of the National Anticorruption Strategy for all future projects with consultants' fees exceeding US\$ 100,000 and construction or works costs

exceeding US\$ 1 million. The Mayor of Karachi decided to apply the integrity pact concept, in partnership with TI Pakistan, to all public contracting and procurements for the city.

TI Pakistan has been assisting different procurement agencies since 2004 in across-the-board implementations of public procurement rules to build confidence in the bidding process in Pakistan. The direct involvement of civil society is built into the new procurement procedures. In 2007 TI Pakistan signed a Memorandum of Understanding with the Minister of Irrigation & Power, Government of Sindh, to guide the ministry in preparing transparent tender documents for irrigation projects⁹ and the World Bank funded Sindh Water Sector Improvement Project Phase-I included TI Pakistan as an independent observer. TI Pakistan has signed (since 2002) MoUs with many departments for implementation of "Integrity Pacts". They include Pakistan Steel, Pakistan International Airlines, Port Qasim, National Bank of Pakistan, Central Board of Revenue, Trading Corporation of Pakistan etc. The "Integrity Pact" has been included by the Public Procurement Regulatory Authority as a mandatory condition for all Tenders. (www.ppra.org.pk)

The Critical Role of Drivers of Reform

The then Managing Director of KW&SB was critical to the procurement reforms implemented. Although it had been envisaged that the demonstration impact of the Integrity Pact applied to the implementation of K-III would have a spill-over effect across all of KW&SB's operations, a change in management prevented this. Brigadier Sardar Javed Ashraf Khan's term as managing director of KW&SB lasted one and a half years. The new administration of City District Government Karachi (CDGK) took over after local government elections and did not

⁹ The Sindh Water Sector Improvement Project of Pakistan aims to improve the efficiency and effectiveness of irrigation water distribution in three area water boards (Ghotlu, Nara, and Left Bank), particularly with respect to measures of reliability, equity, and user satisfaction. Total cost of the project is US\$ 175 million, with the World Bank's share US\$150.2 million and the Government of Sindh's US\$ 24.8 million. The project period is from July 1, 2007 to April 30, 2011.

Table 1: Total Savings in Consultancy and Construction Contracts due to Transparent Procurement in the Greater Karachi Water Supply Scheme (Over 3 years)

Nature of Assignment	GoP Approved Estimated Cost (US\$)	Contract Award Cost (US\$)	Savings (US\$)
Design & Supervision Consultants	5.6 million	1.4 Million	4.2 Million
Construction Contracts	120 Million	100 Million	20 Million
Total	125.6 Million	101.4 Million	24.2 Million

Source: Transparency International

sign the MoU with Transparency International for implementation of the “Integrity Pacts” in contracts. The result was that objectives were only partially met, because the integrity pact could only be applied to one segment of KW&SB projects—procurement of engineering and supervision services for the K-III project. A major lesson here is the fragility of sustaining the effort through regime or leadership change before the changes have penetrated throughout the institution.

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Case Study 4: Program for Transparent Contracting: Morón, Argentina

This case discusses several mechanisms implemented in Morón, for making public procurement for municipal services more transparent: policy reform for broader accountability, partnership with an NGO, and public consultation through public hearings. This resulted in better and cheaper municipal waste collection.

Background

Most problems in public procurement originate in the substantial powers of discretion public officials have in designing and awarding public contracts—while other interested parties lack access to crucial information. To address this problem, Argentine NGO Poder Ciudadano proposed their “Program for Transparent Contracting”, a program with two main components: public hearings and integrity pacts (IP).

Poder Ciudadano (<http://www.poderciudadano.org>) is a non-profit and nonpartisan organization in Buenos Aires, Argentina. It was created in 1989, six years after Argentina’s re democratization, in order to promote civic participation and generate government-related information of public interest. Poder Ciudadano was one of the first NGOs in Argentina to address democracy, transparency, civil society, and governance. It is also the Argentine Chapter of Transparency International (TI).

Like many other local governments in Greater Buenos Aires, Morón was ruled by a Justicialista mayor between 1987 and 1999. One particular mayor from this party was suspended, tried, and forced to resign under charges of bribery in 1991, was re-elected in 1995, and resigned again under new charges of maladministration. Morón’s new mayor, 29 year old Martin Sabatella, took office in December 1999. Given the city’s history of administrative abuse, the new mayor made government transparency one of the main goals of his administration. He and his young team created the Program for Transparency and Modernization of the Municipality, with

the intention to transform Morón into a city encouraging civil participation and responding directly to the needs of the community. In order to overcome public mistrust after years of corruption, one of Sabatella’s initiatives was the inauguration of an Anti-Corruption Office in December 2000. The office, intended to encourage citizens to report corruption by public officials, is located on a major street and easily accessible to the citizens of Morón. There is also a free telephone line available for the same purpose. Since February 2000, the monthly bulletin “El Municipio” published by the Municipality and distributed to all households, informs citizens of major projects and reports on their development.

One of the most important management issues in Morón in 1999 was the contracting of a waste collection service for the city. The collection and discharge of domestic and industrial waste, the manual and mechanic street cleaning and the maintenance of the drainage system as well as of public parks is one of the most important and costly issues a municipality has to address. In the case of Morón, a municipality with a relatively high degree of fiscal autonomy, the bid amounted to roughly US\$ 32 million, which represents about 10% of the city’s tax income.

When Poder Ciudadano offered their “Program for Transparent Contracting” to 40 local governments in the Province of Buenos Aires, only the new mayor of Morón expressed interest in having Poder Ciudadano monitor the bidding for this very important public contracting decision from the very beginning. Under the previous government, Morón had become synonymous with corruption and administrative chaos. In the previous contracting of a waste collection service, the municipal officials were known to have been the owners of the company chosen to deliver the service. This had created an atmosphere of distrust and suspicion among the citizens. In order to promote citizen participation and transparency in this highly important decision making process, Poder Ciudadano supported the initiative of the mayor and successfully implemented its

“Program for Transparent Contracting” for the first time in Argentina.

In March 2000, Morón and Poder Ciudadano signed an agreement of cooperation establishing the requirements to implement the program for municipal waste collection services. The program combined two components:

- Holding a Public Hearing
- Signing an Integrity Pact

In 2003, three years after the contract was awarded, the cost structure of the contract had to be renegotiated. Poder Ciudadano designed a process to introduce transparency to this renegotiation by using public hearings.

Ensuring a Successful Public Hearing

Several steps are involved in preparing the conditions for a successful public hearing (Box 4). While a law is not necessary to authorize a public hearing, guidelines on the process are needed. These specify the conditions for the hearing, the documents involved, the form of participation, the dates for each stage, the registration process for those interested in taking part, and other procedural issues. Once these guidelines are established, the hearing needs to be broadly publicized, and interested parties invited to participate. In addition to using the media, the government must issue special invitations to guarantee a wide range of views.

Box 4: Implementing the Program for Transparent Contracting

1. Select a municipality willing to implement the program. To this end, send a project proposal to municipal governments and identify those with a strong willingness to implement reforms.
2. Conclude a cooperation agreement with one or more sincerely interested municipalities to implement the Program for Transparent Contracting.
3. Cooperate with the municipality in conducting a public hearing about the bid documents. If the municipality has no experience in organizing such meetings, Transparency International provides training and advice. Otherwise, TI concentrates on a monitoring role, ensuring that the hearing fulfils the following formal requirements:
 - The hearing takes place before the bidding documents are finalized and before the bidding process begins
 - The hearings are appropriately advertised in the local media
 - The invitations to the hearing are distributed more than 30 days prior to the event
 - The draft bidding documents are available to participants in advance
4. During the public hearing, citizens, bidders, officials, and, if possible, independent technical, legal, and economic experts discuss the draft bid documents and have a chance to propose amendments.
5. Within a short time after the hearing, the municipality publishes the final bid documents, including the reasons for incorporating or rejecting proposed amendments.
6. The municipality and all interested bidders sign an integrity pact, containing reciprocal commitments not to bribe and not to accept bribes, outlining sanctions, and giving civil society a role in monitoring the bid evaluation, the award decision process, and the implementation of the contract.
7. Monitor the bid evaluation, award decision process, and implementation of the contract
8. Design follow-up projects with the municipality and invite other municipalities to participate

At the same time, the government should establish a small unit responsible for registering participants, distributing the available information, and receiving the information submitted by interested parties. Before the hearing, a program should be prepared, which includes the list of speakers, the time granted to each speaker, and the schedule.

An independent party usually monitors the process. It can be a local NGO, a group of distinguished citizens, or a committee of experts that have no direct or indirect interest on the outcome of the hearing. During the hearing, all participants are allowed equal time to highlight their positions

Integrity Pact

Poder Ciudadano introduced the integrity pact concept to the four respective bidders for Morón's waste collection contract early in the process, to insure that the new rules were established before interested parties had opportunities to enter into alternative arrangements. All four bidders accepted the conditions imposed by the pact without objection, and signed in September 2000.

The integrity pact contained important mutual commitments made by the city and the bidders, including the following:

- A formal voluntary commitment by the bidders not to bribe or collude; to disclose all payments; and to report any violations by other bidders during the bidding process and during contract execution
- A commitment to guarantee: full transparency of all documentation; public disclosure of the award; the major elements of the evaluation, and reasons for the selection of the successful bidder; resolution of any conflict by national arbitration
- A corresponding commitment by the Mayor of Morón (on behalf of all officials in his office) not to demand or accept any bribes, and to prevent the extortion and acceptance of bribes by other officials

- Heavy sanctions by the government against any official or bidder violating the no-bribery commitment, including damages to the municipality in the amount of 10 percent of the contract value and blacklisting for 5 years

Citizens Engagement: Reaching Service Users

The main strategy of the implementation process was to guarantee free access to the draft tender document, and to allow modification of the document before the initiation of the bidding process. This was necessary to promote the participation of the bidders, the unionized workers currently under contract to the municipality, and the taxpaying citizens of Morón.

On June 15, 2000 the Mayor of Morón convened an extraordinary session of the city council to discuss the draft bidding documents with interested citizens and potential bidders. Posters throughout Morón announced the public hearing, and all local media were informed about the project. Monitored by Poder Ciudadano, the meeting was announced in various important newspapers (*La Nacion, Clarin*), as well as on local radio and TV. Participants were invited more than 30 days prior to the event. The draft documents had been made available online on the Web site of the municipality and were available in print from Poder Ciudadano. Independent local experts, including lawyers, engineers, and economists, among others, were invited to review the documents and present their opinions.

Nearly 500 people participated in the meeting and over 60 comments were submitted concerning the draft bid document. The results of the public hearing were quite significant: consensus was reached that the tender lacked objective criteria detailing the quality of the service required by the municipality, as well as a clear definition of the prerequisites for participation in the process.

As a result, significant changes were made in the draft tender to establish more objective criteria for participation and selection. The power of the

municipality to easily disqualify proposals, or to make decisions driven by vested interests, was thus minimized.

The draft tender also failed to include specifications of the form of service delivery, and acknowledged the need for an independent arbitrator in cases of potential complaints made during the process. The process thus was also opened for participation of foreign companies (which had not been the case before, as municipality officials tended to award the bids to their local cronies).

Ten days after the meeting, the municipality published the revised version of the bid documents along with the reasons for accepting or rejecting proposed amendments. Suggestions to include more objective criteria for the award decision, and to focus regulations on outputs, rather than inputs, were incorporated in the final tender document.

In September 2000 the Mayor and all interested bidders signed the integrity pact. Poder Ciudadano monitored the award decision and the municipality published the reasoning behind it.

In 2003, three years after the contract was awarded, the cost structure of the contract had to be renegotiated. Poder Ciudadano again took part in the public hearings as an independent observer, facilitator, and monitor, and presented a public report on the deliberations and their outcome. Some 150 community and trade union members, public officials, representatives of Professional Associations, universities, and Chambers of Commerce attended the hearing. They made a considerable contribution to the issues related to the contract adjustment.

A high level of civic participation was ensured by holding public hearings early in the bidding process—giving interested citizens and contractors an opportunity to influence the design of the bidding documents. The importance of the choice of contractor to the municipality and the high value of the contract also ensured interest by both citizens and contractors.

Lower Costs, Better Service

Poder Ciudadano's successful use of public hearings and the integrity pact demonstrated that the process can save cities substantial sums of money. An additional benefit was the immense spillover in terms of citizen participation and involvement.

- **Savings:** As a result of the public hearing, the bid documents were revised substantially. The terms of the contract were improved so that the cost to the municipality was reduced by 35 percent—a savings of US\$13 million compared to the previous contract. The Spanish company chosen offered better service for less money.
- **Transparency:** A forum was created whereby bidders, external experts, and the interested public all presented comments on or objections to the nature of the service required and the terms for the bidding as part of the decision-making process.
- **Consensus:** Critical decisions about the service required and the bidding process—the need for an arbitrator, for example—were made by consensus.
- **Better Service:** The involvement of citizens and external experts resulted in the changes described above, and in the extension of the tender documents to include environmental concerns, including a recycling plan for the collected waste.
- **More Control:** The formal integrity pact provided an important control mechanism for the losing bidders to monitor how the winning bidder addressed the terms of the contract, and provided for an independent arbitrator in cases of complaint.
- **Confidence and Empowerment:** The implementation of the process opened to public view a previously closed and stigmatized institution, and empowered the citizens of Morón to monitor the meeting of the terms of contract.

Box 5: Anti-Corruption Initiatives

In order to deepen transparency in governance and expand citizen participation, the Municipality of Morón implemented various measures such as the creation of the Office of Access to Public Information and the opening of an Anti-Corruption Office in December 2000, and made government information, such as affidavits from officials and staff payroll details, available to all citizens on an official Web site. The Office of Access to Public Information, which began its duties in 2005, is part of the program “Discretion Zero,” which Moron’s Mayor Sabbatella Martin signed with Poder Ciudadano in March 2004. Under Discretion Zero, among other things, the Municipality discloses affidavits of assets of all its officials, provides frequent, regular summaries of budget performance, and gives an account of each meeting of the mayor and his staff. Salaries paid to almost 4,000 employees of the Municipality, and all the decrees and orders that are relevant to the commune, are published on the Internet. Moreover, all citizens receive a newsletter in their homes every three months, detailing the actions of the municipality and providing a summary of government revenues and investments.

Impact

The success of what has widely become known as “the Morón case” depended on a large set of transparent and trust- building mechanisms applied by the Municipality of Morón through out the process. Due to the intervention of Poder Ciudadano and extensive media coverage, the methodology applied in Morón has been recognized by many on the provincial level and in other municipalities of Buenos Aires Metropolitan Area as a model case. Poder Ciudadano has already been approached by other municipalities in the Metropolitan Area of Buenos Aires to replicate the same methodology.

In subsequent opinion polls, 80 percent of the citizens expressed their satisfaction with the refuse collection service. Clients’ views on service quality are now part of the performance assessment exercises of public officials in Morón. However, some issues still remain to be resolved. The Pilot Plan designed to develop a program for the recycling of the municipal waste cannot be implemented because of conflicts between the municipal and provincial laws. The Province is legally the owner of the waste produced in 25 municipalities in the outskirts of Buenos Aires and does not allow for political autonomy in this area, making it impossible to implement an innovative recycling program

in Morón. A fundamental change towards an ecological use of the waste, the establishment of a recycling system and the implementation of environmental education on primary and secondary level will largely depend on a reform of the Provincial laws, which is not expected in the short term.

Is Political Will Essential?

Strong political will at the top of local government is a critical precondition for initiating anticorruption reform. Political will normally coincides with a change in government— newly formed governments or elections—which provides a window of opportunity for reformers within and outside the government to design a reform strategy together.

Morón was chosen by Poder Ciudadano as a partner for implementing the pilot program because the new political leadership of the city undertook a broader reform effort and responded very positively to Poder Ciudadano’s offer to implement the transparent contracting program. The success of the program clearly depended on the creation of other transparent and trust-building mechanisms by the municipality (Box 5).

As well as in Morón, Poder Ciudadano has implemented its Program for Transparent Contracting in cooperation with the municipalities

Box 6: Examples of Other Public Hearings

- A public hearing was implemented in the Province of Mendoza to discuss the bidding and the concession for the Contracting of TETRA, a radio communication system for the local police. The hearing was publicized in two local newspapers and on the city hall Web site. Nearly 60 people attended.
- A public hearing was implemented to discuss the terms and conditions of a debt owed by the City Hall of Córdoba to a private company. The hearing was announced in three local newspapers, on two local radio stations, and on the province Web site, and was attended by 120 people.

of Buenos Aires¹⁰ and Avellaneda¹¹, and the concept of public hearings been used in other municipal projects (Box 6).

Generic Lessons

Municipalities could prepare a survey before defining the object of a bidding process and themselves calculate the price for the service wanted instead of depending only on the market and the offers of the bidding companies (This may result in a reduction of public spending)

The surveys prepared by the municipality to evaluate public administration should include all major decision making processes on municipal level and should be done by an independent surveying institution (this will increase credibility)

Citizen organizations should encourage “neighborhood surveys” to evaluate the quality of services provided by the municipality on a regular basis. This will stimulate communication and involvement among citizens.

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¹⁰ The ‘Program for Transparent Contracting was applied in the construction of a new subway line in Buenos Aires, called Linea H. The total cost of this investment project is estimated at about US\$1.2 billion. Poder Ciudadano entered the dialogue after a number of companies or consortia of companies had been pre-qualified, making it difficult to impose new rules on the selection process. The Government of the City of Buenos Aires had in fact at first argued that the Integrity Pact needed to be based on a changed law but finally agreed to use the Integrity Pact on Linea H as a pilot case, assuming voluntary consent by the bidders.

¹¹ The City of Avellaneda did not have any experience with public hearings, and Poder Ciudadano in less than one month trained the staff of the City and then supervised the preparation and execution of the public hearing.

Case Study 5: Making the Public Procurement System Work: Naga City, Philippines

The rules for procurement and bidding on projects have long been established by the Philippines government. This case examines how Naga City incorporated transparency and civic engagement in the implementation of the rules, and succeeded in reducing public sector expenditure while increasing service delivery. In 2007, Naga City was selected by the United Nations Development Programme (UNDP) as a high achiever of the Millennium Development Goals (MDGs).

Background

Naga, a city of more than 150,000 in the Philippines' Southern Luzon province, is noted for its participatory governance processes and for mechanisms that have empowered communities and individual citizens alike. Its efforts toward continuous improvement have ensured the development and deployment of new ways to engage ordinary residents in governance. Naga's populace is relatively better off than its neighboring towns and cities in the Bicol Region, which has six provinces, and seven cities. Its official poverty incidence as reported by the National Statistics Office in early 2000 was 19%, much lower than the national average of around 30%. But beyond socio-economics is the inherent attitude of *Nagauenos* (citizens of Naga City) to demand performance from their government, and to participate in the public discourse of local and national issues. As a result, participating in governance is not alien to them.

In the late 1980s, the city was in a state of economic decline, with a large municipal deficit, high unemployment, low business confidence, and little government accountability or transparency. Incoming Mayor Jesse Robredo believed in the potential of information technologies to bring about a more inclusive and effective governance model. Once in office, he supported the development of e-governance initiatives giving citizens greater access to decision-making processes and

engaging them in civic affairs—on the premise that increased citizen participation fuels innovation and results in greater government accountability and responsiveness.¹² Naga City tried to address a twin predicament: lack of resources and increasing demand for services and facilities. Solutions included a system of partnerships with the private sector and nongovernment organizations and a series of reforms within city hall itself. Revising the city's procurement practices formed a crucial part of the internal reforms.

Challenges in Implementation and Creating an Enabling Environment

Building an enabling environment requires nurturing a culture that values innovation, accountability, adherence to standards, and honesty in government transactions. This is first a function of leadership. By example, local leaders must show their commitment to the qualities and standards it expects from government employees.

There must also be mechanisms to ensure that the desired culture takes root within the

"We started by organizing and reaching out to all sectors of the community – from the ambulant to the market vendors, jeepney drivers, farmers and labour groups to the civic clubs, professional associations, business leaders and non-government organizations. To secure their trust and confidence, we tackled head-on longstanding problems that hound the community – vice, urban blight, red tape, and graft and corruption. We worked to make local government as transparent as possible. Specifically, we worked to break down an old patronage system that has fostered corruption and crippled the ability of people to think and work for themselves."

Source: Jesse M Robredo. "The Naga City Case: Communicating Local Governance Strategies to Transform a Community." Speech delivered at the 2006 Asia Pacific Communication Conference, Makati City on March 30, 2006.

¹² *Mayors in the Philippines are powerful; especially since the 1991 Local Government Autonomy Act, they wield significantly greater financial power.*

government. In Naga City, this started with the 1988 Productivity Improvement Program (PIP), a program that aimed to transform city government personnel from being process-oriented to results-oriented.

PIP focused on improving and setting standards for the delivery of city services. Each office at city hall had a “Performance Pledge”— a contract of deliverables specifying the office’s services, persons responsible, and promised response time. It is displayed in conspicuous areas and can be used by constituents and clients to hold an office or person accountable.

The main message is that city hall is being benchmarked similarly to the private sector. The City Engineer’s Office, for example, knows that its project estimates will not be compared to similar government projects, but to estimates from the private sector for the same project.

Increasing transparency in the procurement process ensures wider participation of qualified providers and gives the city government a control mechanism to ensure that the system works. It makes government more accountable and provides feedback mechanisms that can help government source lower prices for goods and services.

After PIP, recounts Mayor Jesse Robredo, “The challenge then was how to engage with the households. So probably a majority are interested in making sure that when they apply for a permit, everything is in order. They get it as correctly and as quickly as they can. They’re interested in busted street lamps at the corners near their houses. They’re interested in clogged drainages, garbage being collected, and the like.” The resulting initiative is called *i*-Governance (*i* to reflect the project’s inclusive, information-open, interactive, and innovative characteristics) and gives Nagueños information about their local government. It seeks to increase opportunities for individual stakeholder participation in city governance.

Robredo envisioned that this would enable the city’s residents to fully use the services provided by their government—and tell officials and employees when they were performing below expectations (Box 7).

The *i*-Governance Program aims to achieve:

- Inclusive governance
- Information openness
- Interactive engagement
- Innovative management

Through public posting of Naga City’s budget on the Internet, government agencies are constantly reminded of the requirement to streamline and improve efficiency. One result— streamlining of personnel services—has enabled city government to channel a greater proportion of funds into service provision.

Complementing this effort were logos and slogans¹³ that conveyed the vision for the city and the kind or “brand” of governance being promulgated—reinforcing the messages of partnership, participation, and progress.

Citizens Engagement

Several measures have been institutionalized to ensure transparency, not only in the procurement process but in their outcomes, as well. Among these are:

Wider dissemination of notices of bids. These are now not only posted on bulletin boards or circulated in newspapers, but also disseminated through radio and television. Authorities also send notices to all accredited bidders.

Participation by non-governmental organizations. In 1997, city government took the concept of NGO participation in governance a step forward through landmark legislation: the “Empowerment Ordinance of the City of Naga.” A Naga City People’s Council (NCPC) composed

¹³ The Program was captured more succinctly by the battlecry: “Kauswagan kan Naga—Kun Bako. Literally, it means “Naga’s Progress—If Not Now, When?”

Box 7: The *i*-Governance Program

i-Governance has three features: a citizens' charter; a website; and texting. The Naga City Citizens Charter is a guidebook on the city government's key services, each of which gets a detailed description. There are step-by-step instructions on how to use each service, the standard response time for its delivery, and the City Hall officers and staff responsible for its operation. There is also a list of requirements a customer must comply with to facilitate service delivery, plus location maps of the departments handling the enumerated services.

The Web site, naga.gov.ph, meanwhile, caters to Naga residents with Internet connectivity. The site provides accurate, relevant and essential information about Naga, including an extensive city profile, urban indicators and statistics, tourism assets, investment opportunities, and downloadable maps and tables.

An online component of the Web site called NetServe has an extensive catalogue of City Hall's services and, just like the charter, lists procedures, response time, and responsible personnel for each of these. Plus, it contains information about the city's finances, including the annual city budget; postings of biddings and public offerings and their outcomes; city ordinances and resolutions; and a directory of city officials, complete with their contact numbers and email addresses.

TextServe is a cell phone-based service that allows Naga residents to send queries and feedback to the city government through short message service (SMS) or text. Launched in April 2003, *Nagueños* have been using it to comment on development programs and policies, as well as to complain, usually about drainage systems and collection of fees. On average, we receive 20 text messages per day but it can go as high as 50 messages when there are major issues facing the city. A text message is automatically responded to with a system-generated acknowledgement to the sender and assurance that his concern will be acted upon. A human controller routes the messages to the appropriate department for action and such information is sent back to the sender. The department in turn must feedback to the sender within three days the action taken.

i-Governance's concomitant streamlining of processes and computerization of basic applications has dramatically improved the delivery of city hall's frontline services. For instance, the determination of business and real property tax due has been reduced from four hours to one minute. Birth certificates are now issued within 30 minutes when in the past it took almost a week's wait. The processing of mayor's permits is down to half an hour from two hours; and building permits, from 15 days (as mandated by the National Building Code) to just five days.

of all accredited business, nongovernment, and people's organizations within the city was established with duties including appointing representatives to local special bodies (Box 8)

The Naga City People's Council (NCPC) is a highly independent body, amounting to city government putting a watchdog over itself. As regards the procurement process, it is the NCPC that selects a representative to the Pre-Qualification, Bids and Awards Committee.

As city government does not have all the

necessary expertise and information to evaluate project estimates and bids, it has encouraged individuals and other NGOs to participate in various phases of procurement processes. For example, the Philippine Institute of Civil Engineers has a representative in the Pre-Qualification, Bids and Awards Committee. The representative is able to provide valuable input on how the private sector would undertake a civil works project, and has been instrumental in identifying items that can be removed from estimates or programs of work.

Box 8: Special Local Bodies established under the “Empowerment Ordinance of the City of Naga”

- **City Development Council** – this body is composed of representatives of national government agencies with offices in the city, city government officials (executive and legislative) the private sector and non-government organizations and people’s organizations. The law creating the Council mandates that 25% of the membership should come from civil society, in Naga’s case its more than 40% of the membership the selection of which is done by the Naga City People’s Council (NCPC).
- **Naga City Investment Board**– established by the city to craft and recommend policies and pass upon applications for incentives. It is chaired by the private sector and had 50% of its membership designated by the NCPC.
- **Naga City Health Board** – charged with oversight powers over health-related offices of the city government, it recommends policy measures to the executive and local legislature. One-half of its membership come from the professional medical organizations (e.g. Camarines Sur Medical society and Camarines Sur Dental Society), representatives of key health facilities run by the national government and the private sector, and NGO representatives, the latter designated by the NCPC. The rest are from the city government.
- **Naga City Peace and Order Council**- tasked with reviewing programs of city departments responsible for public safety, one-fourth of its membership.
- **Naga City Women’s Council** – majority of its membership comes from civil society designated by the NCPC

Beginning in September 2006, city government, through its local planning office, began updating its development and land use plans. This provided an opportunity to further institutionalize participative approaches in local governance processes and the adoption of several innovations:

- **Using the Millennium Development Goals (MDGs) and the Public Governance Scorecard (PGS) vision–mission statement and scorecards as planning targets.** This means the city will no longer need to reinvent the wheel with a time-consuming visioning process. Instead, it will update the local land use and development plans with a nine-year time horizon. The previous planning horizon was five years. The current planning horizon was influenced by the 2015 deadline of the MDGs. The planning process will therefore focus on revisiting outputs, refining targets, and aligning plans toward attaining these nine-year targets.
- **Working with existing and mandated local councils and special bodies as basic planning units.** This involves tapping such councils—which all have strong civil society representation—to create sectoral components in both land use and development plans under the umbrella of the City Development Council. For example, with regard to the social sector, the city works with groups representing children, women, youth, senior citizens, and the urban poor in establishing baseline data; assessing needs; crafting and costing programs, projects, and activities that will respond to these needs in the context of the MDG and PGS targets and laying out a nine-year action plan for implementation, monitoring, and evaluation.
- **Creating stronger partnerships with academia.** Cognizant of its limited technical expertise in some areas of urban management, the city tapped graduate students from the University of British Columbia School

of Community and Regional Planning in Vancouver, Canada to join students from the Ateneo de Naga University—to research six areas vital to city development: transportation and land use planning; investment promotion; urban agriculture; youth development; and social housing and education. Their results are another invaluable input to the planning process and have revitalized partnerships.

All of the initiatives and innovations the city has put in place ensure that all citizens, from the well-off to the underserved, can participate in and benefit from the city’s development and land use plans.

Ensuring Quality and Objectivity

The city developed a sunshine policy to provide for transparent public transactions. Under this policy it is required that bidding announcements, aside from the required publications in newspapers, must be posted on bulletin boards of parishes, chambers of commerce, the Rotary, and other civic-spirited organizations. Such bidding notices must also be aired on local TV and radio. At the local level, this entails no extra cost because such organizations, including the local radio stations, are quite willing to accommodate bidding announcements for the public good. The city’s sunshine policy has drastically reduced the opportunity for collusion among bidders and contractors. This and other city procurement practices have resulted in significant cost reductions in the cost of social services, items purchased and civil works projects bid.

- Road construction – savings of 38 percent per kilometer of road compared to national government standards
- Asphalt overlays – savings of 47 per cent
- Public school classroom – savings of 36 percent
- Medicine – savings of 19-70 percent compared to other local government units, 62 percent compared to branded products imported by the national government

- Supplies – savings up to 33 percent compared to local government standards

These refer to cost savings. The figures quoted are based on cost figures culled from 2002-03 procurements. The figures vary from time to time. The gap in procurement cost of the city and those of national agencies, particularly the Department of Public Works and highways, is substantial however.

The City Accountant’s Office estimates savings of at least PhP 10 million (over 200,000 USD) a year through transparent procurement. I-Governance and ICT-DEV (ICT DEV refers to the computerization of payroll, property tax collection and business tax collection) contributed to an increase in local revenues from PhP 13 million (275,000 USD) in 1988 to PhP 132 million (2,801,474 USD) in 2002, sustaining the growth of Naga City (economic growth is estimated by the Asian Development Bank at an average of 6.5 per cent annually). ICT-DEV was instrumental in increasing local government income by 76 percent–112 per cent and reducing operating costs through manpower reductions and improved personnel productivity. This has provided the city with more funds for its growth and equity-building programs. In addition, streamlining of processes and the computerization of common applications has improved service delivery times.

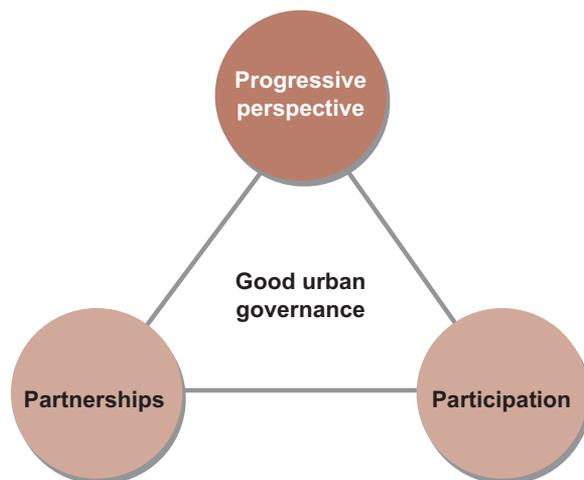
There is little new in the way the Naga City government has been able to attain relatively lower costs for supplies, equipment, and infrastructure projects. The rules for procurement and bidding have long been established by the national government. What makes Naga different is that it has tried to implement the rules.

Drivers of Change

Naga City has creatively used a decentralization policy to support diverse goals such as reducing poverty, promoting economic productivity, social justice, and community participation in the delivery of basic services, and building urban infrastructures. Guided by experience in

engaging with constituents, the city has evolved its own governance model, which may be useful when considering replicability. In this model, three elements form the foundation of good urban governance:

Progressive perspective is at the apex of the triangle because it is a function of leadership that the local administration must provide. Among other goals, a progressive perspective seeks to build prosperity for the community at large. The goal of prosperity building is informed by an enlightened perception of the poor; uplifting this group is a goal of governance.



The Naga Governance Model

Functional partnerships are vehicles that enable the city to tap community resources for priority undertakings, in the process multiplying its capacity and enabling it to overcome resource constraints that usually impede government action.

Participation mechanisms ensure long-term sustainability by generating broad-based stakeholder and community ownership of local undertakings. Partnerships and participation lie at the base of the triangle because they are the elements that provide sustainability.

Naga City is nationally and internationally recognized for its innovations, whose common denominator is the premium placed on citizen participation in governance. These innovations include the initiatives described above and more, which all result in a more transparent local authority, good quality yet cost-effective public services, a vibrant and inclusive urban community, and a society of empowered citizens.

Importantly, many of these outcomes are measurable. The Kaantabay social housing¹⁴ outcomes are a case in point. Another recent proof that the city's people-centric approach works was an affirmation in relation to the Millennium Development Goals (MDGs). In 2007, the United Nations Development Program selected Naga as one of ten leading-edge Philippine local communities in progressing towards and attaining the MDGs. Naga was given recognition for its MDG aligned local programs and its role as the first MDG resource city (learning laboratory) in the Philippines. As a resource city, it showed other cities how one can localize and mainstream MDGs. A progress monitoring report commissioned by the Philippine government showed that the city had already attained or is on track towards attaining all MDG indicators.

In 2006, Naga beat bigger and richer urban centers like Manila, Makati, Cebu, Marikina, and Davao when it was recognized as the "Most Business-Friendly City" by the Philippine Chamber of Commerce and Industry—for the third time.

The Naga City experience shows that the present government procurement system can work. However, the focus should be on more than guidelines and procedures, although they have their own value. Ultimately, it is the people and institutions that ensure that government gets the

¹⁴ The Kaantabay sa Kauswagan (or Partners in Development) Program is aimed to empower squatters and slum dwellers. Anchored in the belief that the urban poor are a vital sector in Naga's quest for total development, the program addresses the sector's two main problems—absence of security of land tenure and lack of basic infrastructure and facilities—primarily by adopting a "partner-beneficiary" perspective in dealing with clients. Kaantabay sa Kauswagan's most important achievement to date was institutionalization of a mechanism that effectively addresses the sector's pressing problems. This mechanism brings together government agencies, urban poor associations and their allied NGOs, and private landowners to solve standing tenurial problems with finality. Today, all land problems involving the urban poor in Naga are referred to and pass through this mechanism.

“best deal.” This requires building an environment that values service and cost standards. Good practices must be reinforced while improper ones must be exposed to public scrutiny. This is where transparency and participation are invaluable.

The case of Naga City has shown some of the conditions and strategies that allow good political leadership and collaborative government–civil society interactions to make decentralization an effective instrument of participatory planning and governance.

The present administration has been re-elected seven times already with an interregnum of one term (under the Local Government Code, local officials can serve for only three successive terms.) The present administration’s initial term was not covered by this limitation, the succeeding six terms were covered thus the interregnum of one term wherein an ally of the present administration was elected as mayor. In essence then, there was not much of a change in the political leadership. What is noteworthy is that from the second to the present term, the people elected all the candidates on the ticket of the incumbent mayor.

Impact

The citizen’s charter pioneered by Naga, which catalogues the services rendered by each department and office of the city government, how to access them, who is the employee responsible, etc is now mandatory on all Philippines provinces, towns and cities by virtue of a recently enacted national law. The empowerment ordinance, which institutionalized civil society participation at the policy level, was likewise adopted by a number

of Philippine Local Government Units (LGUs). So were several other initiatives (e.g., a more outcome-oriented School Board, the Metro Naga Development Council which is an inter-LGU partnership among Naga and 14 neighboring towns).

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Case Study 6: The OPEN System: Municipality of Seoul, South Korea

The Seoul Metropolitan Government's OPEN system makes all processes of civil affairs administration, from acceptance to final processing, publicly available on the Internet.

Background

In the Municipality of Seoul, South Korea, the mayor has insisted that all transactions between the citizens and the municipality are posted on an open Internet Web site. This is one facet of The OPEN system (Online Procedures Enhancement for Civil Applications), devised with the intention of targeting and addressing corruption.

The system publishes a variety of information related to the services, permits, and licenses issued by the local government. The applicant can track the status of any application on the Web site. For example, applications for building licenses are processed automatically, and information accessible by anyone, at any time, can show when the application was requested and granted, and the time it took for the process to be completed. This, together with the public announcement of the costs of all transactions with the municipality, has removed the discretionary powers of government officials and has reduced corruption considerably.

Issue to be addressed

Rapid economic growth in Seoul has been accompanied by an expansion of the municipal bureaucracy. The extensive municipal regulations also created new opportunities for corruption. Some bribes were meant to be insurance fees to avoid unfavorable treatment, others were honorariums for preferential treatment, and still others were express fees to facilitate speedy processing.

With the inauguration of Mayor Goh in 1998, Seoul City declared an all out war on corruption. To minimize the potential for collusion, the longstanding practice of giving one individual jurisdiction over permits, approvals, or inspections within a particular geographic area was abolished.

Citizens' Engagement

Officials are now assigned on a daily basis to handle applications submitted from different areas. For a direct and convenient interface with the citizens, and to target corruption, the Seoul Municipal Government created an Internet portal (Box 9) called OPEN, symbolizing that it opens administrative procedures to the public. The portal explains the various elements of the anticorruption drive, displays an anticorruption index and survey results, educates citizens on rules and procedures, and as noted, provides real-time monitoring of the progress of a permit or license application.

A review team composed of staff experienced in audit and inspection was set up on February 1, 1999 to determine which municipal government activities should be made open to the public. The team analyzed the entire array of civil permits and approvals by title, processing procedures, susceptibility to corruption, and types of irregularities. The twenty six categories of civil applications published on the Web are those that most frequently cause irregularities and inconvenience to citizens due to the complexity

Box 9: Objectives of the OPEN System

To ensure transparency in administrative procedures: Information on civil applications, procedure of approvals, document reviews, schedules, etc. can be viewed on the Internet
To provide citizens' easy access to civil applications processing: Citizens can monitor the processing of civil applications on the Internet anytime, anywhere, without making telephone calls or visiting government offices, reversing the long-standing policies that kept ongoing processes unknown to the public

To increase credibility of the city administration: Offering all citizens access to information a sense that the city administration is fair and objective, reducing public distrust

Box 10 : Changes in the Handling System for Multiple Stakeholders

Citizens: Able to check who is handling their applications, whether there is any problem, and when applications are expected to be done. Reduced need for phone calls and face-to-face meetings

Civil Servants: Fewer applicants' phone calls and face-to-face meetings. Process applications in timely manner (paperwork), Then, enter the results into the OPEN System in 10 working hours (online work). No labour force added (no increase cost to government)

Audit and Inspection Bureau (Mayor): Any delays and mistakes directly reported by the OPEN System. Improvement of monitoring and control

of the processing procedure, and those whose publication is expected to curb requests for concessions. Information about required paperwork and how applications are processed is provided for each procedure. The system also includes information on the city department in charge, staff-in-charge, and a telephone number. All application documents provide an email address so people can easily ask questions or make comments directly to the staff-in-charge (Box 10).

The OPEN system requires that at each review stage, the relevant official input the date and time when each application is processed. Free access to the status of an application eliminates applicants' feeling a need to contact officials or to offer a bribe to complete the process. Return postcards are sent to those who have applied for permits or approvals from the municipal government, ensuring some feedback. The results of these surveys form part of a new "Anti-Corruption Index" (Box 11).

Box 11: The New Anti-Corruption Index

Seoul City introduced an Anti-Corruption Index (ACI) in 1999. The first of its kind in Korea, the ACI is primarily designed to assess the level of integrity of the city's departments and autonomous districts. By making this public, the ACI intends to induce the Seoul Metropolitan Government and the autonomous districts to eradicate corruption, increase the level of integrity among public officials, and establish a more transparent government.

One should add here that while Transparency International's Corruption Perception Index is derived from international opinion polls, Seoul's Anti-Corruption Index is calculated on the basis of opinion polls among those who submitted applications during the past year. This being the case, back in 1999, Gallop Korea was given the task of carrying out the survey for the Anti-Corruption Index. Eventually, seven different administrative aspects of the Seoul Metropolitan Government were surveyed, including the five civil affairs fields of sanitation, taxation, housing and architecture, construction, and fire prevention and control.

On a later date, two additional fields, transportation administration and park and landscape, were added to this survey. On a scale of zero to one hundred, the latter being the highest possible index point for administrative integrity, it should be noted that the overall average of the Anti-Corruption Index in the previous mentioned seven fields was 68.3. Fire prevention and control scored the highest at 72.8, followed by sanitation at 68.9, housing and architecture at 65.9, and taxation at 65.8, while the transportation administration and park and landscape, which were newly installed in 2000, scored 69.1 and 67.0 points, respectively.

Social and Political Context

The development of the system continued from February to March 1999, followed by an internal test operation in early April. The system was opened to the public on April 15, 1999. The City of Seoul's key ingredient for the successful completion of such an extensive task in just ten weeks was the commitment demonstrated by all parties involved in implementation. Mayor Goh Kun demonstrated strong commitment to make available all relevant information to the public by encouraging government officials, who are traditionally reluctant, to disclose information, by checking every step of the system's development phase, and by encouraging the project team.

The initial development cost was 421,900,000 Won (US\$ 319,308), which included program development and hardware and software procurement. These costs include an allowance for additional hardware needed in the future by system users. Three city computer experts maintain the OPEN system.

Toward the end of the development of the system, training workshops on system development and data input were held for 4,000 employees from 485 departments whose information on administrative procedures was to be disclosed. Personnel from related departments completed input practice sessions that simulated real-life situations in conference rooms equipped with computers. Identities and passwords for the OPEN System were provided for the personnel assigned to the task, enabling them to input data on services underway.

The OPEN system appears on the homepage of the Seoul Metropolitan Government (<http://open.seoul.go.kr>). Additional channels of direct dialogue have been opened between citizens and the mayor. Examples include hotlines, email, and the "Mayor's Saturday Date with Citizens" program. The OPEN system is an excellent example of the strategic application of information technology that enables better access to information related to citizen services and queries—significantly

reducing the probability of corruption at the level of municipal governance.

Simplifying Regulations

The focus of the anticorruption program was not on technology but on simplifying regulations and procedures, re-engineering work practices, increasing transparency in procedures, and improving communication with citizens. Technology has been simply an enabler, particularly in building a transparent tracking system for permit and license applications.

Since the start of its operation, the OPEN System has added several more services, to the initial 26 services accessible to the public—a total of 54 services, including construction, transportation, urban planning, culture and tourism, environment, women and welfare and industry and economy among others are now available.

Deregulation has been a core element of the action plan. By May 2000, 392 municipal regulations had been eliminated, 203 eased, and another 3,897 improved leading to greater clarity and limiting confusing overlaps.

Impact of Mechanism- An Anti Corruption Culture

A survey in April 2004 on the Internet among 606 OPEN system users showed 69 percent (417 users) of the respondents were satisfied with the system. Moreover, 64 percent (388 users) replied that the OPEN system contributes to securing transparency in city administration and preventing corruption. The Seoul Metropolitan Government, as part of its anticorruption index, has carried out surveys each year since 1999 to assess the level of transparency in city government. This survey explores citizens' own experiences, asking if they have personally witnessed corruption by city government officials. This is done through a 'Happy Call Service'. Within a couple of weeks after the public complaints are resolved, this service is provided to citizens

whose public complaints are dealt with by the Seoul Metropolitan Government. The Seoul Metropolitan Government's representatives call citizens and ask if they observe any corrupt practices while their public complaints are dealt with; if public officials ask for money in return for service; and if the public officials are kind and courteous throughout the service. In the year 2008, only 3 out of a total of 1000 respondents said that they found public officials to be corrupt. (And those public officials who have found to be corrupt are subject to punishment.)

A survey by the Audit & Inspection Division of those seeking services from the city government showed that favorable opinions about the kindness of civil servants increased significantly from 54.8 percent in December 1998 to 71.2 percent in June 1999. Results from a survey of 1,245 citizens in the year 2000 showed that 84.3 percent believed that OPEN led to greater transparency and 72.3 percent of the respondents again expressed their satisfaction with the system.¹⁵

Furthermore, according to surveys in March and April 2001, of 48,000 people who had submitted their civil applications to the Seoul Metropolitan Government and Ku (district) offices in the previous year, over 86 percent of the respondents said that the process of civil application became simpler and more efficient. As for opinions of the OPEN system's anticorruption effects, the respondents said that the system appeared to be very effective in controlling corruption in housing, construction work, and city planning, but ineffective in general administration, culture and tourism, and public hygiene.

In 1999, the first year surveyed, the anticorruption index was 64.0. It has improved continuously since then, reaching 77 in 2004.

The national government showed great interest in the success of the OPEN system. It was reported

on in a meeting of vice-ministers (October 28, 1999) and a Cabinet meeting (November 2, 1999). In 2001, when Seoul co-hosted the Seoul Anti-Corruption Symposium with the United Nations, the OPEN system was hailed as an internationally approved anticorruption system. In the symposium, the system's effectiveness was recognized, as it was found to have enhanced transparency and restored public trust in civic administrations. It was suggested that the manual be provided for countries that wish to introduce the system by mutual agreement with the UN. As of this writing, the manual for the OPEN system has been printed in six different official languages of the United Nations. The Anticorruption Committee of the Korean national government applied the anticorruption index initiated by the Seoul Metropolitan Government to all departments of national and local government in 2002.

Today, the OPEN system also applies to business contracts with civil parties with regard to material procurement, construction works, or construction superintendent services. The use of the OPEN System is expected to be extended in the near future to include almost every commercial trading transaction between individuals, as well.¹⁶

Drivers of Change

There were problems to overcome before successful implementation of the OPEN system could take place. One was the uncooperative attitude of some employees in municipal clerical offices and their objections to office computerization. Another typical objection, in this case among municipal officials, was that the OPEN system would greatly reduce their discretionary power and that the system's data input requirements would significantly increase their workload.

¹⁵ Survey conducted by Gallup Korea from November 24 to December 13, 1999.

¹⁶ The Seoul Metropolitan Government has also installed a range of systematic methods and anti-corruption policies, apart from the OPEN system, and has achieved fairly good results in improving integrity in the administrative services provided. New initiatives include:

* The "Clean Contract System" to prevent irregularities in processing public contracts.

* The "Civil Auditor System" to encourage direct participation by representatives of NGOs and other civil society associations in city government auditing processes.

“While in office as Seoul’s mayor for four years, I witnessed city officials become reformers, not the target of reform, so well that they could eliminate the infamous longstanding title of Seoul City— “Pandemonium”— fraught with irregularities after Japan’s colonial rule. Such reforms— fighting corruption—could not have been achieved only by the mayor. It also needed city officials who initiated them. I consider one of my roles to be changing all officeholders to reformers, not the target of reforms, so I will endeavour to urge officialdom to be in the vanguard of changes and reforms ahead of other sectors. To this end, besides measures aimed to boost their morale, the most important thing to do, first of all, is to provide the motivation for reforms and make them find worthwhile doing and sharing the sympathy for the cause.”

Prime Minister Goh Kun, former Mayor of Seoul, in an interview in March 2003

Source: *News World*, March 2003

<http://www.newsworld.co.kr/cont/0305/14.html>

In due course, officials began to see the merits of the system. It saved time and money for both public servants and citizens. Citizens no longer had to come to city hall in person to submit their complaints, and, as a result, public officials’ time was being used more efficiently, as well.

Commitment from the top (in this case, the mayor) was a key driver of the OPEN initiative’s success. Adequate resources were provided for the project and there was significant participation from line management in carrying out systems analysis.

Seoul’s OPEN system illustrates how e-government can become one of the key components of a broader anticorruption strategy. The e-government process provides centralized data that will improve audits and analyses; permit unbiased sampling procedures for audit purposes;

and allow data integration across applications for improved intelligence. Moreover, e-government can make decisions traceable. As the possibility of exposure of wrongdoing increases, the fear of embarrassment can be a deterrent to corrupt practices. Publishing government information on the Web built accountability by providing documentation to citizens to substantiate complaints against corrupt practices and providing evidence of government competence and transparency.

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Case Study 7: Tracking Government Service Delivery: Public Service Accountability Monitor (PSAM), South Africa

This case highlights how the PSAM, a program of the Centre for Social Accountability (CSA) undertakes research and advocacy in the Eastern Cape Province of South Africa. The PSAM promotes transparent and accountable governance through its various outputs and interventions, which seek to empower citizens and the provincial legislature's oversight function, while also engaging government and a wider network of civil society organizations.

Background

The PSAM has been engaged in social accountability monitoring since 1999. In 2007 the PSAM became a programme of the newly established Centre for Social Accountability (CSA) which is an independent institute affiliated to Rhodes University and based in the Eastern Cape Province of South Africa (Box 12).

The centre's vision is the institutionalisation of the right to social accountability and the realisation of social and economic rights through the effective management of public resources. It seeks to achieve this vision in the Southern African

region by generating, disseminating and sharing knowledge about the right to social accountability and the tools necessary to give effect to this right.

The PSAM produces research and monitors the following key service delivery departments of the Eastern Cape Province: Health, Education, Housing and Social Development.

The Eastern Cape Province has historically been perceived as one of the most corrupt in South Africa. The PSAM commenced operation as an institute affiliated to Rhodes University with its research and case monitoring focus directed towards issues within the Eastern Cape. The province has a large rural and poverty affected population who are highly dependent upon the state for the provision of services and the progressive realization of constitutional rights. Systemic challenges faced by government within this region prompted PSAM's focus on the Eastern Cape initially.

The organization is funded by the Swiss Agency for Development and Cooperation, the Open Society Initiative for Southern Africa, the Gates Foundation and the Ford Foundation.

Box 12: Centre for Social Accountability (CSA)

The CSA aims to realize its vision through two main programs:

PSAM: The PSAM aims to improve public service delivery and the progressive realisation of constitutional rights to healthcare, education, social security and housing by using various social accountability monitoring tools (relating to resource allocation, strategic planning, performance monitoring, expenditure management, integrity and oversight processes). These tools have been developed in order to systematically monitor the public resource management cycle, enabling citizens to hold government officials accountable for the delivery of services and the performance of their duties.

Training: An 11-day course on the *Fundamentals of Social Accountability* is offered three times a year to 20 participants from throughout Southern Africa. *Country Consultation Visits* are held with civic actors in Southern African countries to share social accountability monitoring approaches and to exchange budget and monitoring tools and experiences. *Country Consultation Reports* are then co-written with regional partners and seek to document different approaches to social accountability monitoring, experiences and tools. The report provides a detailed account of the resource management framework and recommends additional monitoring entry points. The report is then shared with civic actors through workshops in the relevant country and disseminated in the region. *In-country exposure workshops* are presented in response to requests by partner organizations for training on how to implement the CSA's social accountability monitoring methodology/tools.

Citizen's Engagement

The PSAM is prioritizing its engagement with civic partners, encouraging them to participate in more inclusive joint advocacy strategies around the findings and recommendations of their outputs. It has developed a research methodology that enables persons to utilize the research, monitoring and advocacy tools (employed by PSAM) at various stages within the public resource management framework of a state.

The PSAM currently:

- assesses select departmental strategic plans;
- evaluates certain departmental budgets against plans and policy priorities;
- monitors and assesses departmental expenditure;
- monitors and assesses performance management processes within select departments
- considers integrity systems operating within certain departments
- considers the extent to which departments account to the Legislature and the Auditor-General.

Following recent access to information litigation successes, the PSAM intends to make increased use of access to information legislation to obtain copies of documents which remain outside of the public domain. The PSAM also intends using administrative justice legislation to obtain explanations for decisions taken.

In addition, if by 2010 the PSAM has not discerned a notable improvement in the performance of certain departments in implementing basic expenditure management, and public integrity management controls in response to repetitive findings of the Auditor-General, it plans to approach the High Court with an application for a structural interdict against offending department heads. Such an interdict will seek to have the

relevant individuals report directly to the court on the performance of required corrective action and on compliance with their statutory duties.

Judging benefits and satisfaction level

The PSAM produces various annual research outputs which assess government's performance in the areas of education, health, housing and social development. These outputs can be downloaded off the website www.psam.org.za. Certain outputs have emphasized audit findings and investigations which have revealed widespread misuse of funds and the presence of theft, fraud, corruption and irregular procurement activities.

The various research outputs are produced to coincide with the public resource management framework/calendar of the South African government. The PSAM collects a range of government reports and documents which are periodically produced. Documents collected include: budget statements, policy speeches, strategic plans, operational plans, annual reports; the reports of oversight bodies such as the Auditor-General's office; and minutes of parliamentary committee meetings and so forth.

These documents are then considered and assessed during the production of the following research outputs: Budget Analyses and Strategic Plan Evaluations (produced between April and June each year), Occasional Research Reports (produced between July and October each year); Service Delivery Reviews (November/December each year and Accountability to Oversight Reports (January/February each year). The PSAM publishes its findings on a regular basis (See Box 13).

The PSAM aims to provide members of parliament, civil society organizations, and citizens with credible evidence, information and tools that will enable them to participate in the promotion of democracy while holding government accountable. The PSAM also aims to provide government with information that will assist in the

Box 13: How PSAM reaches its target audiences

- Research outputs are submitted and/or presented to the legislature, government departments and interested parties.
- Press releases distributed to various media.
- Responding to journalists' requests for comment on specific issues
- Workshops held to report research and monitoring findings to civil society organisations and advocacy groups
- Comprehensive PSAM website offering access to all PSAM publications and other information
- Papers presented at seminars/conferences by PSAM staff.
- "Know your rights" booklets produced and circulates amongst communities,
- CSA annual report.
- The CSA's training programme shares the PSAM research, experiences and tools with participants attending the *Fundamentals of Social Accountability* Course.

progressive realization of human rights.

PSAM's research reports/case studies involve on-site visits to areas where services should be provided and some of these visits have allowed for citizen participation and feedback on levels of satisfaction with service delivery.

For example the Premier of the Eastern Cape Province had commissioned a household survey (Rapid Assessment of Service Delivery and Socio-Economic Survey) in 2005 that was undertaken by the Fort Hare Institute of Social and Economic Research and was completed in June 2006. The Premier refused to release the survey. The PSAM took the Premier to court using the Promotion of Access to Information Act and secured the survey's release in 2008 following a court order in favor of the PSAM.

Impact

Several examples illustrate PSAM's impact:

- Eastern Cape departmental strategic plans have improved in quality and detail and have become more publicly accessible. The average length of departmental strategic

plans (for key service delivery departments) has increased from around 20 pages in 1997 to over 300 pages in 2008. Departmental and program operational plans have been made routinely available to the public after the PSAM litigated the Eastern Cape Department of Health and successfully obtained copies of its HIV/AIDS plans in 2003.

- Improved quality of annual financial reporting. There has been a dramatic decrease in audit disclaimers¹⁴ issued to Eastern Cape government departments from 99 percent of the Provincial budget in 1999 to 2 percent in 2006/07. The PSAM has consistently highlighted the issue of ineffective financial reporting and lack of compliance with financial controls that have resulted in audit disclaimers since 2000.
- Improved disciplinary and integrity systems. Continuous demands for access to departmental disciplinary databases led to the establishment of these databases in the key service delivery departments of Education and Health in 2005. Ongoing PSAM demands to publish declarations of

¹⁷ Audit disclaimers are usually an indication of a serious lack of financial control measures and lack of effective financial management. They do not indicate that the amounts that have not been properly accounted for have been misappropriated or stolen, however.

interest by members of the Eastern Cape Executive and Legislature from 2000 led to the establishment and publication of a declaration of interest register for the Eastern Cape Provincial Government Executive and Legislature in 2004.

- Training of National Assembly parliamentarians on issues of integrity and accountability.
- Presentations have been made before various Legislature Portfolio Committees over the past decade by researchers of the PSAM.
- Continuous advocacy by PSAM around external audit findings has served to strengthen the impact of the Auditor-General. In December 2007 the national office of the South African Auditor-General commended the work of the PSAM as follows: "I want to thank you and your colleagues for all your assistance and support this year. You really played a meaningful role in helping us profile the work of this Office and how it can improve, and continue to play a crucial role in safeguarding taxpayers' public resources. Thanks again, much, much appreciated".
- In addition, the ability of the PSAM to provide research and monitoring findings across multiple financial years and to make these findings available to parliamentary committees has strengthened the oversight capacity of these committees.
- PSAM was asked by a Commission of Inquiry to make a submission on the key areas affecting service delivery within the Eastern Cape Provincial Administration. The PSAM produced a 246-page submission that was supported by 5 staff giving oral evidence/testimony during late February and early March 2006. The submission was used by Commission investigators and evidence leaders to cross-examine public officials who were subsequently called to testify. PSAM

archive/library was used by the Commission to access vital information that could not be provided by the administration to assist the Commission with their investigations and terms of reference.

- The PSAM has used the Promotion of Access to Information Act regularly since its enactment. In 2008 the PSAM obtained two court orders against the provincial government with costs. The first case involved ensuring public access to survey information forming the basis for the needs analyses underpinning government strategic plans. The second case involved access to the performance agreements of heads of government departments. The latter court case also enabled the PSAM to obtain information relating to housing subsidy fraud committed by public officials that revealed that little disciplinary action had been taken against implicated officials. The information has since been circulated by the PSAM to enable departments to commence with the requisite corrective action.
- The PSAM produced a research report in 2005 entitled 'Staff Shortages, Incapacity and the Excessive Use of Consultants by the Eastern Cape Provincial Government' which assessed the extent of external contractors procured to undertake departmental functions.
- PSAM are regularly called upon by the media to comment upon alleged irregular tender awards made by government departments.

Media Coverage

PSAM maintains an up to date website and issues press releases via a comprehensive media mailing list. In December 2008 they had issued 12 press releases while they had recorded 115 mentions in the electronic media (this excludes mentions in print media which they do not access/archive (e.g. newspapers in other provinces etc) and other forms of media where a

subscription is required). In the same year they made 129 comments to the media, alongside 11 television interviews and 34 radio interviews. In 2007 the PSAM issued 32 press releases and were involved in 11 television interviews, 51 radio interviews and gave 52 comments to the media. They have also produced a number of opinion pieces at the request of various media houses.

Constraints and Challenges in Implementation

The PSAM experiences similar challenges to those experienced by parliamentary oversight committees in that many of its findings and recommendations require responses and corrective action to be implemented by senior leadership within government who have historically displayed an inability and/or unwillingness to act decisively in the interests of good governance. Human resource and budgetary constraints also continue to affect the implementation of government policies and programs. PSAM have also had relatively ineffective civil society engagement with issues of underperformance within government.

Replicability and potential for scale

The Training Program of the Centre for Social Accountability (CSA) (the PSAM is the other program of the CSA) offers a two week Rhodes University accredited course on the 'Fundamentals

of Social Accountability' which seeks to equip parliamentarians and staff of NGOs and CSOs with the tools employed by the PSAM, so as to strengthen democracy in the Southern African Development Community (SADC) region.

PSAM currently does not have the human resource capacity to replicate in other provinces. They have therefore opted to share their monitoring and research tools with participants who attend the course and with partners in the field.

Perhaps the most critical for sustainability of good governance is that the PSAM has developed constructive engagements over time with certain government departments who recognize their role and are prepared to interact on issues of mutual importance. PSAM feels they have progressed steadily towards overcoming resistance, primarily because they adopt an evidence-based approach that draws heavily upon the Constitution.

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Case Study 8: Procurement Reform in Philippines: The Role of Civil Society

A particular characteristic of procurement reform in the Philippines has been the focus on civil society oversight. This case discusses the role of Procurement Watch, Incorporated (PWI), a civil society organization created to monitor the implementation of the reforms.

Background

Procurement Watch, Incorporated (PWI) was established in February, 2001 with the objective of fighting corruption through public procurement oversight. The organization is independent of government, with diverse sources of funding, primarily outside the Philippines. Major donors are World Bank, USAID and AusAID. Civil society oversight of tender decisions is now a legal requirement, and PWI is seen as a legitimate and valuable contributor to governance of procurement in the Philippines.

The Estrada impeachment had given a useful boost to civil society's efforts to pass a law on procurement reform as a way to curb corruption. But, post-Estrada, the hunger for reform abated and it was back to normal in both the lower house and the senate, so passing the procurement bill would now be a much greater challenge. PWI saw its immediate task as to generate the same anticorruption fervor as during the impeachment, to focus enough public attention on corruption again to convince legislators to support the needed legislation.

PWI developed a two-pronged strategy for building public support: (i) vigorous engagement with key civil society groups and associations to gain their support; (ii) focus on print, radio, and TV media to raise the news profile of corruption in government procurement.

The first tasks were demanding. While there were a number of credible anticorruption and good governance NGOs, only the local chapter of Transparency International had a good understanding of the legal issues on government procurement. PWI had to educate the others and convince them that the draft law was sound and

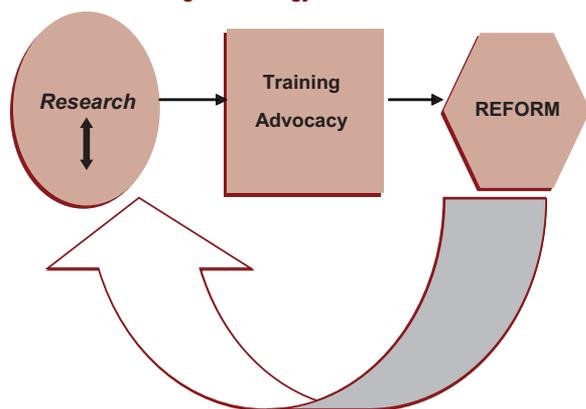
addressed the key problems. The Catholic Church proved to be a key ally. The role of the church became more visible during the implementation of the procurement law, but not so much in the advocacy and drafting of the law. PWI tried to get support from the church at that time, but was not successful until the passage of the law and more clamor for governance was realized by the Catholic Bishop's Conference of the Philippines when they signed a covenant under the Coalition against Corruption.

The media became part of a well-planned awareness campaign that was integral to the project, comprising of i) targeted use of AM radio, ii) invitations to "60 Minutes" type TV shows, iii) regular news releases in print media, and iv) an advertising and promotions campaign including streamers, posters, stickers, and free gifts. The focus of the campaign was to raise public awareness that there was a lot of leakage in funds from public procurement. A survey in 2000 revealed that about 20% - 50% of public funds were lost to corruption. Part of the problem was that there were a lot of laws, administrative/executive orders and policy guidelines on public procurement that sometimes were conflicting that added to the confusion and difficulty to implement good governance. The campaign also focused not only in streamlining the procurement process through an omnibus law, but also increase transparency, accountability, economy, and efficiency in the process.

The New Law

In January, 2003, nearly thirty months after various versions of the bill were first submitted to Congress, President Arroyo signed the Consolidated Procurement Reform bill (HB 4809/SB 2248) into law as Republic Act (RA) No. 9184, "An Act Providing for the Modernization, Standardization and Regulation of the Procurement Activities of the Government and for Other Purposes." RA 9184 was published on January 11, 2003, in two national newspapers, *Malaya* and the *Manila Times*, and in accordance with Section 78 of the bill, took effect 15 days later.

Defining the Strategy - A Possible Model



By mid 2004, a number of well established civil society organizations had agreed to work together to train and/or field observers for bids and awards committees. This included, among others, PWI, the Catholic Bishops Conference of the Philippines (CBCP), the National Movement for Free Elections (NAMFREL), the Philippines Contractors Association (PCA), and the Transparency and Accountability Network (TAN). PWI served as the secretariat. Since PWI was the only civil society organization (CSO) that was part of the Technical Working Group in drafting the procurement law, PWI had to take on the responsibility of training other CSOs on the law –

multiplying and cascading effect of procurement cadres that were fielded in government agencies.

In addition, The Office of the Ombudsman established a 'loose alliance' and networking with these groups to monitor and report on government bidding activities. This was first established by the Government Procurement Policy Board (GPPB) and PWI was the secretariat under the Asia Europe Meeting grant of the World Bank. Later, the Ombudsman under Simeon Marcelo took on a more active role in stimulating discussions and activating partnerships with the civil society organizations (CSO) network.

The passage of the Government Procurement Reform Act (GPRA) laid the legal foundation for overhauling the entire public procurement process in the Philippines. The procurement reform act applies to three procurement types - infrastructure projects, goods, and consulting services - and covers both national and local government. The Act also standardized, to the extent possible, the procurement procedures that must be adopted by all government agencies and required issuance of procurement manuals and standard bidding documents.

Box 14: PWI Strategy in Planning a Reform Process: Key Steps for Effective Advocacy

1. Research and state the problem.
2. Develop goals and objectives.
3. Identify the target audience(s).
4. Identify stakeholders-other groups who are affected or could be affected through your campaign.
5. Formulate the advocacy message and identify the means needed to communicate it to the target audience.
6. Prepare a plan of action and schedule of activities.
7. Identify resource requirements: human, organizational, and financial.
8. Gather your allies-enlist support from other key players, other CSOs, the public, the government.
9. Identify monitoring and evaluation criteria and indicators.
10. Assess success or failure and determine next steps.
11. Identify possible conflict areas (even with allies).
12. Make use of legal and regulatory mechanisms to seek protection, compliance, and accountability.
13. Create channels for public participation.

The Act uses clear, simple “pass/fail” nondiscretionary criteria, which makes the procurement process more corruption-resistant and more efficient. The complexity and lack of transparency in the previous procurement system made it difficult for auditors to assess whether agencies’ procurement practices complied with the law. It also provides for criminal and administrative sanctions against procurement officials and bidders who violate the law, and empowers civil society monitors to file reports of deviations from the mandated procurement process with the government ombudsman.¹⁸

Public Bidding Checklists

It was determined that public bidding checklists would help provide the Bids and Awards Committees, including the observer, proper guidance on performing its tasks. The checklist details step-by-step procedures to be followed in undertaking a procurement activity, following the usual path from pre-procurement conference to award of contract. The checklist user would simply note if the indicated steps were followed or not by marking the appropriate box—yes or no.

To develop public bidding checklists, PWI hired two Technical Support Officers for six months to draft the public bidding checklist for the procurement of goods, consulting services, and infrastructure projects. The Technical Support Officers observed the proceedings of bid openings for some government corporations’ projects. They also utilized the draft Implementing Rules and Regulations to formulate the draft checklists, which were completed by September 2003. The Government Procurement Policy Board approved the public bidding checklists at the end of 2003.

There was resistance from local government to the Act – some felt they had not been sufficiently consulted on its formulation and on the development of the Implementing Rules and Regulations. The League of Municipalities asked to defer the Act’s enactment on grounds that local

governments were unprepared to implement it. This position allowed local government to not change their bidding procedures to conform to the new law and its implementing rules and regulations.

Despite resistance from local government, PWI uses the checklist tool extensively to train civil society “observers” on the Bids and Awards Committee (BAC).

Networking with Civil Society

Initially, procurement was not the priority of many other civil society organizations, but PWI went about educating them and slowly they realized they were all working towards the common goal of good governance and that no single entity could achieve it on its own- it had to be a collective effort. Every time PWI has an initiative or project, it calls for a roundtable discussion to inform civil society organizations and involve them. For example, for the development of an anti-corruption measurement methodology called the Differential Efficiency Expenditure Management (DEEM) Tool study, they involved National Citizen’s Movement for Free Elections (NAMFREL) because they were doing medicines watch/count. Instead of duplicating their efforts, PWI came up with a methodology that complimented their existing initiative. PWI’s philosophy is to build on existing initiatives and partnerships. In the case of Collective Action for Good Governance (CAGG) and Government Watch (GWatch), PWI partners with them in training sessions because PWI does not have the expertise in the field they excel in – they call upon those resources in order to ensure the trainees get to see the bigger and better picture of advocacy and reforms. Functioning in this manner has helped PWI to forge more partnerships and linkages with other civil society organizations.

Funding is entirely autonomous from government. PWI implements its own projects and reports it the way they see it. Government partners see

¹⁸ *The Ombudsman’s mission includes the prevention, investigation, and prosecution of corrupt government officials.*

it as a way to improve their system because it comes from a third party or external scrutiny. Departments of Health and Education see the collaboration with PWI as positive. PWI believes that the enemy is corruption and not the government.

Overcoming Challenges and Constraints

One of the challenges is - how to bring down reforms to the community level to make more impact felt at the ground level. Most of PWI's work admittedly is at the national level, but they are beginning to work directly with the communities in a new project called Bantay Eskuwela (School Based Procurement Watch).

Another challenge is to fund volunteers and trained civil society organizations that do not have budgets to cover transportation expenses to monitor bidding activities in their locality. Luckily for PWI, they have operational funds to do so, but since the role of observers was institutionalized in the procurement law, it is a challenge as to how to operationalize its role without funds; this tends to dissuade them to even attend the biddings. To rectify this, PWI is bringing reforms to the communities – the direct beneficiaries so that the expenses are minimized – perhaps a tricycle ride costing less than one USD becomes insignificant compared to 10 USD per trip that partners pay to travel from Surigao to Butuan in Mindanao just to observe the bidding process of the Department of Public Works and Highways (DPWH)

Another immense challenge is the fact that some of the trained observers do not see the value of reporting their findings. This is a huge loss because to evaluate and monitor the effectiveness of the reforms it is crucial to report findings. To overcome this, PWI has tried to open other ways and means for observers to report such as E-reporting, simplified Diagnostic Report Templates, Public Bidding Checklist toolkits etc. The challenge is to further simplify and popularize the tools for the common man – they have built in a mentoring or shepherding component in their

training programs for the volunteers to gain more confidence in report writing.

Observers feel threatened if they find adverse findings. To overcome this, PWI developed a feedback and complaints handling mechanism with the Ombudsman where they could file complaints anonymously.

The enormity of the task is a challenge in itself. Even with close to a thousand people PWI has trained directly, there are a lot of procurement transactions that are left unmonitored. PWI could not keep up with the demand due to other priorities from their primary organizations. PWI is more strategic now – dealing with one sector at a time, before moving to the next government agency. Currently they are focusing on health and education sectors.

Looking Ahead

PWI is an active participant in multisectoral coalitions to fight corruption. This is the niche it has found—to provide technical assistance and training to other organizations as they engage in this work. In general, the work of making the procurement process more transparent seems to have been more successful at the national agency level than at the local level, in part because the required national media attention is more readily focused on higher levels than on the local government units.

PWI staff has acquired the necessary expertise on the highly technical subject of government procurement and has combined it with effective public awareness campaigns involving other civil society organizations and citizens. Their example demonstrates that civil society can be a valuable ally to the supreme audit institution in its efforts to force action on audit findings.

Some civil society organizations in the anticorruption coalitions have taken on the task of monitoring the Bids and Awards Committees at the local government level. It is quite possible they will achieve in the future what PWI wanted to achieve with the project as originally designed.

PWI's most recent initiative is to develop a new tool to measure corruption and inefficiency in public procurement, called Differential Expenditure Efficiency Measurement (DEEM) (Box 15).

Now widely recognized for its expertise, PWI conducts a wide variety of activities with different groups including the ombudsman, government agencies involved in large procurements, and civil society organizations and citizens. The organization has developed close relationships with the national ombudsman, in particular, and even conducts training sessions on the Procurement Act for officials in the Office of the Ombudsman.

As a partner of the ombudsman, PWI has also established the Feedback and Complaint-handling Mechanism to process and respond to reports and other information provided by procurement observers. In many developing countries, citizens prefer not to contact government officials with complaints because they fear harassment from corrupt officials and are more comfortable dealing with nongovernmental organizations to address such issues. The presence of PWI as an intermediate organization that can serve as citizens' link to the ombudsman makes citizens more comfortable registering complaints about irregularities they have observed.

PWI has also developed partnerships with government agencies to observe and study the systems in place for soliciting proposals and evaluating bids and awards. This includes diagnostic exercises on procurements managed by the Bids and Awards committee of the health and defense agencies; and assisting the Philippine

Ports Authority in preparing terms of reference for the bidding of its port security services. PWI also develops research papers and press releases on best practices in procurement procedures. A new partnership is being planned with the ombudsman to take advantage of a law that requires all college graduates to participate in 3-4 weeks of mandatory community service. The ombudsman supports a proposal that time spent by college graduates observing government bids and award decisions will satisfy the that requirement and has asked PWI to assist this initiative by training the trainers in the ombudsman's office to implement this program. This initiative would expand the pool of potential civil society bid observers and help educate the larger public on the importance of an efficient and clean public procurement process –enhancing public accountability and civic consciousness.

PWI's sustainability derives from a strong partnership with reform minded government agencies. PWI has been fortunate to get donor funding that allows them to utilize tools that have been developed in the past in addition to the new tools that they could add to enhance their initiatives. Their partners- the Department of Health and the Department of Education are sincere in implementing reforms. Some local governments such as Naga city have come on board and it has been observed that they have very efficient procurement processes.

There is more general awareness across the country about reforms– more civil society organizations are involved in procurement monitoring. Corruption issues are openly picked up in the media and addressed in several forums (i.e. senate hearings, editorial

Box 15: Differential Expenditure Efficiency Measurement

DEEM seeks to determine the true (fair-market) cost of a publicly procured good or service and then compare that to what the purchasing agency paid. When the purchase cost is higher than the true cost, the difference can be attributed to corruption or inefficiency. The amount serves as a precise and objective measure of the extent of the problem. The assumption behind the tool is that competitive bidding, done properly, should produce prices comparable to fair market prices. This means that procurement efficiency can be measured directly in monetary terms.

commentaries, even the taxi drivers and street vendor conversations). The procurement law offers a stiff penalty – governments are careful about their procurement decisions because they know that they are accountable for their actions/decisions. Bidding timelines are shortened at the Department of Health. The community in general asks more intelligent questions about government procurement i.e. people demand better quality of textbooks, roads, etc.

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The World Bank