

# Procurement and Service Delivery

*An Overview of Efforts to Improve Governance of Public Procurement at Local Levels in South Asia*

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# Acknowledgements

This activity was supported by the Norwegian Governance Trust Fund on 'Procurement and Service Delivery: Monitoring Procurement Outcomes' which was implemented by the South Asia Agriculture and Rural Development Unit, in collaboration with the South Asia Procurement Hub of the World Bank. The task was jointly managed by a team led by Asmeen Khan, Joel Turkewitz and Benjamin Powis.

Partners in this activity include The Centre for Youth and Social Development in Orissa, The Water and Sanitation Program in Pakistan, Mass-line Mass Centre in Bangladesh, and the South Asian Procurement Hub – World Bank. The World Bank Institute assisted in the development of 'International Case Studies', and capacity building activities in partnership with Administrative Staff College of India, Yashada, and the Centre for Good Governance.

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# Abbreviations and Acronyms

CBO	Community Based Organization
CDD	Community Driven Development
CSO	Civil Society Organization
CYSD	Centre for Youth and Social Development
LGSP	Local Governance Support Project
NREGA	National Rural Employment Guarantee Act
OREGS	Orissa Rural Employment Guarantee Scheme
TMA	Tehsil Municipal Administration
UP	Union Parishads

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# Introduction

Over the past decade, the overly centralized governance structures commonly found across South Asia have begun to change, with program and fiscal responsibility being devolved to local level government authorities and community-based organizations. This has led to greater participation of ordinary citizens in governance and public decision-making. The move to localize decision-making creates enormous opportunities for increasing the effectiveness of public spending since it creates the potential for establishing direct accountability of governance mechanisms to citizens. It also raises a number of significant challenges in ensuring that public funds are spent effectively at the local level, and provokes important new questions regarding the manner by which governments can maintain oversight over the quality of assets.

The movement of funds to community levels has occurred concurrently with changes in the role of governments in the provision of public services. As governments have extended the scope of their work increasingly down to community levels they have at the same time become less involved in the direct provision of services or the creation of assets. The situation that existed across South Asia ten years ago – with the government acting as the monopoly provider of social services and the direct builder of infrastructure – has changed dramatically, as governments increasingly contract with private sector and other parties to do public work. This evolution in the role and function of government has made public sector performance strongly dependent on the ability of the state to initiate and manage contracts effectively and the ability and skills of the contracted parties to deliver.

The two concurrent developments – the decentralization of spending authority and service responsibility and the rise of contracting – combine to situate enhancing public procurement performance at local and community levels at the core of the governance challenge of improving public services. Moreover, establishing effective

contracting practices at local and community levels is also fundamental for the development of trust in government since public procurement has often been at the center of public sector mismanagement and the wastage of public money due to corrupt practices.

Despite its importance, there exists no clear model for how to establish effective public procurement practices at local levels. Traditional approaches to improving procurement – standardizing rules and professionalizing the procurement function, emphasizing competition and enforcing strict compliance with regulations – may not yield the expected results given the environmental constraints caused by thin private sector markets, low capacity, and daunting difficulties in monitoring a small number of transactions spread across an enormous number of locations. Enabling direct participation – the driver of many improvements in government performance at the local level – may similarly have restricted impact due to the technical nature of many dimensions of contracting. There exists very limited literature on the topic, with a notable scarcity of conceptual frameworks to analyze the challenge or empirical research findings to guide policy makers and practitioners.

Starting in 2007, the World Bank, with support from a Norwegian Government Trust Fund, undertook an innovative project that aimed to support efforts on improving public procurement outcomes at the local level. The program was designed to build upon on-going innovations in the region and support new approaches and thinking on how governments and civil society organizations can work together to promote efficient and effective public spending at the local level.

This paper provides an overview of the activities supported under the project, with the aim of contributing to a broader perspective on improving governance and service delivery at the local level. The paper is divided into three parts. In Part One we explore the challenges of spending money effectively at the local level, with a special focus on the governance challenges that exist in public

procurement. In Part Two, we explore different approaches to addressing those challenges by discussing innovative work that has taken place with the support of the Project in the areas of regulation, contracting, transparency, and accountability. In Part Three, we analyze some broader themes and key questions that remain to be addressed while developing a strategic research and operational agenda around local level procurement.

The key themes arising out of this discussion can be summarized as follows:

- Public procurement procedures can be developed for use by local-level governments that encompass core procurement principles and reflect the capacity of public and private actors at the local level. Suitable practices that generate value for money can be defined through dialogue between government and core stakeholders and can be shaped to maximize reliance on the resources that exist at community levels.
- Community engagement in procurement can significantly enhance accountability for performance. Enhancing accountability for local procurement is accomplished most

effectively and sustainably when formal accountability structures are shaped to encourage and include the results of non-traditional mechanisms for oversight and monitoring.

- Increasing transparency in regard to procurement processes and outcomes is a key factor in driving improved procurement outcomes at local levels. The link between enhanced transparency and strengthened accountability is strongest if there has been careful consideration of what information is needed, by which audiences, in what form, and with what frequency. The wave of new right to information laws that have been created in South Asia creates an enormous opportunity to increase access to information and non-governmental groups have a critical role in making this information relevant and useable by communities and stakeholders.
- Improving procurement outcomes at the local level requires leadership from government as well as non-governmental parties. Reforms are most sustainable when leadership comes from a coalition of groups and includes inspirational, technical, and transactional dimensions.



# Part One: Challenges of Spending Effectively at the Local Level

The movement of funds, functions, and functionaries away from central governments to local authorities is a phenomenon that has been witnessed across South Asia and the rest of the world. Within this dynamic, sub-national governments have sometimes been vested with responsibility for executing programs (deconcentration) while at other times they have been empowered to make decisions about spending priorities and the authority to implement their own budgets (decentralization). Shifts in the locus of decision-making and responsibility for public sector activities has been driven by a broad range of factors – one of which has been the expectation that the shift will engender more responsive and effective use of public monies and authority. Reducing the space between decision-makers, implementers, and the communities they serve is seen to be a fundamental step towards more accountable government that better serves the needs of the people.

The extent to which empowering local governments with greater fiscal authority and responsibility generates better services is determined by the ability of local governments to spend money effectively. This is a deceptively difficult task. At the most mechanical level, budgets are complicated documents and the processes required to implement an approved budget, or to spend a given amount of money in a year in the ways prescribed by regulations, is an enormous task that is beyond the capability of even many central governments. To translate spending into the provision of services and the achievement of policy objectives complicates the task even further since it requires that procedures to spend money result in actions that deliver services to the public.

Historically, governments build up their systems for spending money and delivering services over time, with system sophistication growing as economies and budgets expand. Spending rules and regulations evolve in order to support and enable ever larger volumes of money to move out of public treasuries to fund the

provision of services and the creation of assets. Reporting and oversight practices and rules similarly develop over time as accountability arrangements expand to ensure that money is spent in accordance with budgets. Officials in ministries and agencies become increasingly skilled and experienced as they acquire the expertise required to perform the complex task of spending public money.

In sharp contrast to historical norms, local governments are often expected to make quantum leaps in their ability to spend money. The introduction of new decentralization policies, often enacted by executive action taken in capital cities, can exponentially increase the amount of money local governments are expected to spend and the volume of services that they are responsible to provide. As would be expected in these circumstances, local governments often do not have systems designed to spend large volumes of money or staff with the necessary skills and expertise. In such a situation, the mechanical task of spending money effectively can be overwhelming threatening to preclude the possibility of better service delivery from the very start.

## Local Level Procurement

Extensive use of public procurement is vital to the spending strategies of local governments and their ability to meet their expanded service responsibilities. Contracting with private sector businesses for the provision of services or the creation of infrastructure assets enables rapid expansion in the scope of government-sponsored activity and can allow the government to access skills and expertise that would otherwise take years to acquire.

Redefining the role of local government – from provider to contractor – carries with it considerable challenges. In this section we first review some of the key governance issues around procurement, and then look at the unique

issues that arise when contracting takes place at local levels.

Recent years have seen a growing appreciation of the close association between public procurement and corruption, with procurement identified as the 'area of government activity that is most vulnerable to corruption' (OECD 2007, Campos et al. 2006, Transparency International 2006, Søreide 2002). The link between corruption and procurement is based on a number of factors, including: the high degree of discretion that public officials, politicians, and parliamentarians typically have over public procurement programs; the amounts of money involved especially in high-value transactions; and the fact that public oversight and control systems are not designed with commercial activity in mind.

Local level procurement does not offer all of the same corruption inducements since contracts are often relatively modest in size (generally below US\$10,000). At the same time, local level governments must deal with a range of governance issues across the entire procurement cycle that can constrain performance.

First, the **technical capacity** of local level actors – be it communities, local governance institutions or local bureaucrats – tend to be limited when it comes to interpreting and applying complex procurement procedures. Overcoming this capacity gap requires mass training, as the number of actors involved in implementation at the local level is often very large. Capacity development is a long term processes, yet the demand for asset creation requires short-term solutions to ensure that established practices are followed for the use of public funds.

Secondly, the **nature of the market** in which local tendering takes place, is an important factor that has received less attention to date. The assumption of active, competition among suppliers is one of the key principles of standard procurement processes that seek to obtain value for money through the operation of competitive

markets. In the case of local level procurement, markets are often 'thin' with a small number of suppliers operating in a local area. The absence of completion restricts the ability of the government to get a "good deal" at the same time that the weaknesses of the private sector restricts the capacity of contractors to provide services and perform contracts.

The third major set of challenges of local level procurement relates to **monitoring**. The vast majority of local level contracting takes place in rural localities that are often hard to access, and which are spread across large geographic areas. Moreover, individual assets tend to be comparatively small in financial value, yet the aggregate value of multiple works in a state, province or project area can be significant. Monitoring these diffuse processes requires a tremendous dedication of resources, which often vastly exceeds the capacity of accountability systems to undertake auditing or physical inspections. Even if accountability resources were available, the cost of oversight would often exceed the value of the individual contract, creating an unsustainable cost structure for public activities.

The factors identified above shape the overall governance context for public procurement at local levels and present a sobering picture. Accessing people, expertise, and skills from the private sector is essential to most local governments if they are going to be able to be able to fulfill their expanded functions. At the same time, the elements which are widely understood to be essential for achieving good value for money in procurement are largely missing in many local-level government structures. Reliance on public procurement in environments that appear to be ill-suited for effective outcomes is especially troubling given the potential for badly organized and supervised procurement to engender corruption and pervert the development of both public and private sectors. Given the nature of the challenges, high-performing procurement systems at local levels are unlikely to resemble



smaller versions of central procurement systems but instead are likely to be innovative constructions that serve to build upon the strengths of local governments (greater access to communities) and minimize dependency on those public resources that are in the shortest supply. These innovations are likely to define

new partnerships and arrangements among government, civil society, and the private sector that serve to modify the distribution of power and public authority. We turn now to an examination of the emerging governance models in local level procurement – the heart of the work undertaken under the Norwegian Trust Fund.

# Part Two: Taking the Debate Forward: Pilot Activities Supported under the Norwegian Trust Fund

Constructive responses to the governance challenges around public procurement at the local level require changes in public sector behavior, community engagement, and the structure of relations among the government, the community, and the private sector. The last decades have seen a growing interest in “social accountability mechanisms” that are designed to enhance the active participation of citizens in governance processes. Civil society organizations have played a key role in experimenting with these new approaches to governance, which have been driven by an ever growing number of innovative practices across the world (Arroyo and Sirker 2005). Procurement remains a relatively new area of governance for civic engagement, but one that can have important benefits for both government and citizens.

In order to develop broader understanding of the dynamics of civil society engagement in procurement, the World Bank supported the documentation of eight international cases studies with the objective of further understanding the diverse mechanisms of engagement as well as the dynamic process of state-society collaboration over time. The cases were drawn from Latin America, South Africa and East Asia and cover a range of different sectors and levels of government, from national to local (see ‘*Civic Engagement in Procurement: Eight International Case Studies*’ in this series).

While the focus of these case studies is on procurement, in most cases ‘procurement work’ is just one part of a broader process of improving governance and transparency in public sector expenditure. These case studies underline the array of mechanism upon which effective collaboration between state and society can be based, including 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. Most importantly, they also reveal that most constructive engagements

are joint efforts on the part of government and civil society that feature greater inclusion of non-governmental participation in public practices and behavioral adaptations on the part of both government and non-governmental organizations.

The second key message emerging from these cases is that effective collaboration between state and society is rarely a linear, or planned, process. Rather, it is one that builds on the opportunities (or entry points) created by social and political changes or policy initiatives, and integrates these over time into a sustained process of systemic reform. The importance of creating space for learning and change is demonstrated repeatedly in the case studies as is the need for leadership in creating that space and authorizing change. Another important theme that emerges relates to the importance of information. Innovative provisions that establish broad based ‘right’ to access information can have an important catalyzing effect in terms of encouraging constructive collaboration between state and society.

It is equally important to note what the cases do not reflect. None of the eight cases center around stand alone actions by either the government or civil society – such as government efforts to enforce compliance through traditional structures or civil society efforts to act as solitary watchdogs on the procurement process. The best examples that we have been able to locate of sustained improvement in procurement at local levels feature hybrid forms of governance arrangements built upon joined and collaborative efforts and appear to be relatively far removed from static roles – like demand or supply of governance.

Many of these cases contain impressive evidence of impact in terms of reduced contracting costs, as well as time and quality of final delivery. In most case, however, quantifiable evidence of impact is difficult to assess which makes the task of advocating for the need for civic engagement in procurement processes more complex. While

monetary assessments of impact are important for policy advocacy, citizen engagement in governance processes tend to be influenced more by tangible outcomes in terms of quality.

In most countries, civic engagement in procurement is fairly nascent. As such, 'impact' needs also to be understood in term of the contribution towards a long term and sustainable change in state-society relations based on multi-stakeholder models of delivery. In considering these new scenario, it is important to underline the fact that civil society can operate effectively alongside government, but cannot be a substitute for government or the formal system that support formal accountability. As such, civic engagement in local level procurement are most effective where they modify the distribution of public authority and the manner in which governmental power is used.

Taking this broader analytical perspective, a tentative analytical framework is presented below which situates some of the key typologies of partnership between civic actors and the formal procurement system (figure 1). In term of the mode of engagement, the civic actors can be engaged either as active 'participants' who are conferred direct implementation responsibilities or 'collaborators' who play an indirect role in supporting the process. Similar, engagement can be understood to take two forms, either at the state of implementation or monitoring.

This tentative framework provides a useful starting point to contextualize the design of the pilot activities that were supported under the Norwegian Governance Trust Fund, which seek to further the debate on new approaches to local

level procurement. While the process driven cases studies highlight the potential for effective state-society collaboration for development, they also highlighted that each of the multiple forms of engagement have different drivers and success factors and that scaled-up these innovations will require a thorough understanding of the environmental contexts in which they operate. As such, it is important to emphasize the fact that these pilots explore the challenges and potentials of four aspect of civic engagement, as a part of a long term approach that would seek to support a combination of all of these as part of a new model of local level procurement.

### Changing the Nature of Contracting – Value for Money in Community Procurement

South Asia has seen a rapid proliferation of large scale experiments based on the principles of community driven development (CDD), resulting in a significant increase of funds allocated for local asset creation by community based organizations (CBOs) of various kinds (Mansuri and Rao 2004, De Silva 2000). Has this new development trajectory resulted in improved outcomes? As part of the project, innovative research was carried out that aimed to assess the quality of both asset creation and the processes that are followed. The study, which was carried out in four states in India (Box 2), highlights the significant achievements of community driven procurement in terms of reducing costs and contributing to the long term sustainability of local assets. The study also shows that the performance of CBOs in terms of 'standard procurement principles' is good in

**Figure 1: Modalities of Civic Engagement in Procurement**

Mode of Engagement/ Arena of Engagement	Participant	Collaboration
Implementation	<i>Community Based Procurement</i>	<i>Changing the Rules of Procurement</i>
Monitoring	<i>Community Based Auditing</i>	<i>Third party oversight</i>

### Box 1: Where Communities Succeed

In their review of eighty-four local infrastructure works that have been implemented by four different state level programs in India, Kumar et al. (this series) present new evidence of the comparative advantages of community driven procurement. Using a 1-5 rating scale tool of performance indicators at various stages, a clear trend emerges as shown in the figure below.



From this data, it is possible to draw the following conclusions:

1. Communities excel in their performance at the need assessment and planning stages.
2. Performance in terms of managing technical bids according to prescribed processes tends to be poor.
3. Despite poor technical performance, outputs in terms of contract management and completion are high.
4. The 'relationship based procurement' can improve outcomes through a significant reduction in cost, and can contribute to the sustainability of public assets.

See 'Community Driven Procurement: A Value for Money Analysis, In this series

terms of need assessment and outcomes, but that adherence to technical principles of procurement planning are often weak.

The findings of this study have provided a significant contribution to the on-going debate surrounding the reliance on formal standards of procurement monitoring in the context of CDD projects. In particular, it shows how limited capacity and thin markets do not necessarily imply malpractice. Community representatives reported that, at times, getting three reliable quotations was difficult. Moreover, their informal relations to the suppliers often enabled them to negotiate between different suppliers to arrive at cost effective solutions.

While 'standard' procurement frameworks tend to view these types of informal relations as collusion, it is also possible to argue that 'relationship based procurement' can succeed where formal processes fail (see Erridge and Greer 2002). The broader objective of CDD programs is to develop institutions and capacities at the local level – or social capital. Just as social capital can contribute to the deepening of democracy (Fung and Wright 2003) this study highlighted the extent to which the strength of local social networks can positively affect procurement outcomes.

Regularizing these kinds of informal processes could have potential benefits in terms of improved outcomes. However, considering the scale on which many CDD projects are now being implemented, it is also an immense challenge. While the overall quantum of funds for local asset creation that is channeled to CBOs is increasingly significant, the positive potential of relationship based procurement needs to be assessed against the potential for highly localized malpractice, commonly termed as 'elite capture'. One of the significant contributions of this study has been to initiate the discussion on the types of indicators that can be used to preempt 'capture', including assessments of levels of participation, institutional capacity, and the extent to which civic works are designed around 'felt needs'.

This innovative assessment tool suggests the need to incorporate new types of filters to ensure that communities are ready to assume a more proactive role in implementation. Equally important, the study highlighted some of the innovative 'supply side' mechanisms that can support localized transparency including 'parity charts', grievance redressal mechanisms and integrated planning processes.

## **Expanding Auditing – Activating Social Audits in Orissa**

Devolving discretionary power to local level actors – be it local governance institutions or community based organizations – is a double-edged sword. Just as there are immense opportunities there are also significant threats. These include the danger that locally powerful actors will 'capture' local resources by dominating decision-making and excluding the poor and powerless. More benign, but no less threatening, is the lack of capacity of local actors to perform the tasks expected of them, which could also result in distorted implementation at the local level.

The limited capacity of centralized agencies to monitor processes of project implementation across rural localities demands new approaches to monitoring. One of the most innovative of these is the concept of social audits (Goetz and Jenkins 2001), or participatory monitoring (Mondal and Dutta 2007), as an important addition to the concept of community driven development. In the broadest sense, this approach entails the parallel development of institutional arrangements that are autonomous from the system of community level implementation, and the establishment of semi-formal powers of sanction and verification.

While there is little doubt that communities possess a comparative advantage in terms of monitoring local procurement processes, it is equally important to recognize the need to support these 'informal' systems with formal mechanisms of oversight. In the Indian state of Andhra Pradesh, community based monitoring



## Box 2: Activating Social Audits in Orissa

The National Rural Employment Guarantee Act (2005) is an ambitious and visionary step by the Government of India towards ensuring the fundamental right to life with dignity in the rural areas of India. Besides guaranteeing every eligible household one hundred days of employment at a minimum wage, it gives citizens the right to audit the process of implementation through social audits.

Social auditing is an ongoing process through which the potential beneficiaries and other stakeholders of an activity or project are involved at every stage: from planning to implementation, monitoring and evaluation. This process helps in ensuring that the activity or project is designed and implemented in a manner that is most suited to the prevailing local conditions, appropriately reflects the priorities and preferences of those affected by it, and most effectively serves public interest.

With a view to realizing these provisions, the World Bank supported the Centre for Youth and Social Development to implement a pilot research project in six villages in Orissa, with the objective of developing guidelines and processes for the sustainable implementation of social audits in the state. The key findings of this project can be summarized as follows:

- **A community-based process requires the support of the community.** While the focus of much of the current experimentation has been on exposing irregularities – or ‘finger pointing’ – the long term success of this process will depend on the judicious management of opposition or dissent. As such, rather than looking back to past failures, an endogenous process of social auditing needs to focus on future civil works based on a common understanding of the benefits this will yield
- **Social auditing cannot be the answer to poor implementation capacity.** The distinction between auditing and implementation is often overlooked in the attempt to create a new fix to persistent problems. Many of the ‘malpractices’ identified in these pilots were rooted in the lack of awareness among local government functionaries or blockages in higher level of administration. While social auditing can identify these issues, solving them requires attention to strengthening the systems of implementation.
- **Technical support needs to be planned in a way that supports long-term sustainability.** The role of the local development agency is vital in the initial stages of establishing effective social audits. Understood as an incremental process, this role needs to be planned in a way that can support the process until such a time when it can be withdrawn. Support agencies can also play a key role in developing and redefining information products that can enable communities to perform their role as auditors. These include locally appropriate material that demystify the procurement process (see Community Procurement Manual) and *suo moto* information disclosure.

See ‘Activating Social Audits in Orissa’: in *this series*

has been supported by a web-based monitoring and information system as part of the National Rural Employment Scheme. This portal enables citizens to access ‘official’ data on the scheme as well as access reports from social audits, which are implemented through a semi-autonomous

state level society. Another important means to ensure formal support for informal processes is through randomized evaluations by accredited auditors in the context of regularized community based monitoring systems.

As the pilot study supported under this activity showed (Box 3), implementing community based auditing as part of a state wide program requires significant inputs in terms of human resources both to support local level audit institutions, as well as long term oversight over the implementation process at a higher level. In the initial stages, this requires clear guidelines to be developed, as well as a strong commitment by government to institutionalize auditing as part of a long-term strategy to support positive collaboration between the state and civil society.

### **Expanding Oversight - Third Party Monitoring and the Role of Local Media**

A third type of new initiative in civic engagement is commonly referred to as ‘third party monitoring’. This is a term that is widely used in current literature on social accountability. There is, however, a paucity of both exacting definitions of the various forms of third party monitoring and the evidence of the challenges in implementing this as part of new governance approaches. Arguably the most challenging aspect of this is the degree of autonomy of the ‘third party’ and the extent to which this determines their effectiveness in mediating between provider and the beneficiary.

Much of the current understanding of ‘third party’ monitoring derives from the growing phenomenon of specialist non-governmental actors that perform the role of watchdogs at the national or even international level. Over the last few years the role of the non-state actors in monitoring governance processes, and in particular corruption (Holloway 2006, UNDP 2008), has increased significantly as part of a broader shift towards enhancing accountability in the public sector. The role of ‘third party’ actors in supporting broader concerns relating to implementation processes and optimizing outcomes has received far less attention to date.

Effective third party monitoring at the local level is hindered by many of the same challenges

of formal monitoring. Most specialist non-governmental actors are based at the national level and have limited reach to the local level. Harnessing the potential of local non-governmental organizations, on the other hand, would often require significant capacity building to enable effective monitoring, and scaling up this type of local engagement requires the establishment of national or provincial networks or coalitions. In addition, engaging a broader set of non-governmental actors in process monitoring requires the development of simplified manuals on procurement that are designed with local audiences in mind.

In order to explore these issues further, the World Bank supported a pilot study in Bangladesh that set out to explore the use of local journalists as ‘third party monitors’ of procurement by local government institutions. As one of the first initiatives of its kind, the pilot set out to develop insights into the types of training that are required to support journalists in carrying out investigative reports of this program and, to assess the effectiveness of reports in terms of improving awareness and, ultimately development outcomes (Box 4).

### **Changing the Rules – Improving Procurement Practices at the Local Level in Pakistan**

The fourth major set of innovations relates to improvements of local level procurement regulations. The first of these is to simplify procedures in a way that reflects both the capacity of local actors and the specific context in which local level procurement takes place. The second, and most challenging, is to formalize the role of civil society in the procurement process.

Recently a number of cases have emerged across the world where state and non-state actors have worked together to support the development of improved governance standards and procedures at the supply side as partners in the reform process. Among the best known examples of this is the application of ‘Integrity Pacts’ by

### **Box 3: Engaging Journalists in Monitoring Local Level Procurement in Bangladesh**

The World Bank assisted Local Governance Support Project (LGSP) is the centerpiece of a broader program to strengthen public sector accountability in Bangladesh. LGSP is being implemented by the Local Government Division of the Ministry of Local Government, Rural development & Cooperatives and supports the lowest tier of rural local government - Union Parishads (UP) in providing services that meet community priorities., Launched in July 1, 2006, LGSP is a five-year project and has already covered 75% of 4500 UPs in 2009.

Starting from May 2009, a total of 64 district level journalists and 64 community leaders were trained in the LGSP rules, especially the UP level procurement and accountability systems; and social audit methodology, so that they were able to monitor UP activities and disseminate findings through local and national media. A rapid assessment was commissioned during October- November 2009 to capture the emerging lessons from this innovative experiment in third party monitoring, and interim understanding of the process. This was carried out through focus group discussions with journalists, local and national level editors, UP functionaries, and community 'auditors'. Some of the key issues arising from this review included:

- Print journalism is very vibrant in Bangladesh, especially at the level of district publications. However, there are significant differences in circulation *between* districts. While in some districts the average circulation of dailies was as high as 25,000, in other districts penetration is far lower. The same applied to wages for district level journalists, which varied from 1000 taka in Narsingdi to 3000-9000 Taka in Jessore.
- Investigative journalism on issues of corruption or malpractice is a costly and risky pursuit. In a number of cases, journalists were threatened by local vested interests not to involve themselves in local government issues. Journalists also reported that gathering reliable information these issues demanded time and expenses that they were not able to meet.
- It is difficult to publish UP level news in the national newspapers as the editors prioritize other important global and national news and events. As a result, there is a disconnect between local and national news. Local journalists do not get opportunities to write in national papers and not able to develop their capacity. There is a need for mentoring and assisting the local journalists and networks to make a bridge among the national and local media.
- The awareness levels on the detailed process of procurement practices under LGSP were generally low among both villagers and many representatives. While general training was important in that it gave the journalists a background to the project, most request that modules were directed towards specific issues that the project felt should be 'flagged' for attention.
- Community auditors felt that they gained from the insights given in training, but found it hard to bring the issues they encountered to the attention of key stakeholders. Most community auditors were not recognized as community leaders and many were young. Most felt that their effectiveness was contingent on recognition of the role among local representatives and other leaders.

Transparency International which established a new set of norms for formal contracting processes and provides a role for non-governmental actors to oversee the adherence to these standards (Transparency International 2002)

The other important role of civic engagement in supply side reform is in the generation of empirical evidence that can support new policy proposals. In order to explore the use of research to support improvement in local government procurement

rules, the World Bank supported a study of *de jure* and *de facto* procedures and practices followed by four Teshil Municipal Administration (TMA) offices in the North Western Frontier Province of Pakistan.

Assessments of procurement practices by civil society actors can offer new perspectives on implementation processes and in particular,

can offer new perspectives on enabling greater civic oversight as part of the design of formal processes. However, as the pilot initiative in Pakistan highlighted, ensuring that these proposals are integrated into the reform process depends on both political will at the policy level and, upfront engagement by civic society in order to develop a long term, and mutually agreed upon path of state-society partnerships.

#### **Box 4: Procedure and Practice: Local Level Procurement in Pakistan**

The Tehsil Municipal Administration (TMA) in North West Frontier Province are the recipient of 30 percent of the provincial funds allocable through the Provincial Finance Commission Award, and have the responsibility to provide, manage, operate, maintain and improve the municipal infrastructure and services. In addition, the TMAs handle a range of donor funded projects which follow different procurement procedures from the provincial guidelines which are currently being revised.

A number of key issues were identified as part of this review:

- Coherent, user-friendly and rule-based standard bidding documents have not been developed;
- The public policy for circulation of tender notice through the Provincial Information Department results in delays and in limited circulation;
- The absence of simplified procurement guidelines covering both donor and public sector funded projects creates confusion and duplication of efforts;
- Old 'Composite Scheduled Rates' are still applicable in sharp contrast to the market rates;
- Absence of training in public procurement, the law and the rules, Pakistan Engineering Council guidelines and donor guidelines creates limitations in capacity and competence;
- Procurement Law and Rules of the provincial Government are not available with the TMA officials. However, the compendium of rules made by Local Government department of the provincial government are available with the TMA officials that includes TMA rules of business, Citizen Community Board rules, budget rules, financial rules and work rules;
- Most officials have spent their entire career in the same TMA and have not been rotated in other TMAs, reducing the advantage of exposure to better practices;

# Part Three:

## Looking Ahead – Some Key Challenges

As demonstrated by the case studies and some of the pilot activities undertaken under the Norwegian Trust Fund, it is possible to improve the quality of local level procurement. Successful efforts find ways to address capacity and organizational limitations that often challenge our assumptions concerning formal government processes and the nature of public-civil society interactions. Many of these pilots combine concerted work on establishing simplified contracting processes that reflect principles of good practice with equally focused work on institution building, participation and inclusion.

One of the key themes that emerge from this project is that civic engagement in local level procurement cannot be ‘mapped’ directly on to the procurement chain. While there is scope to enhance capacity for monitoring technical process like bid submission and evaluations, the comparative advantage of civic actors is more naturally oriented towards tangible social development concerns (see Hawkins and Wells 2006), and in particular planning processes and the achievement of outcomes. Moreover, it has been argued that the context in which local procurement takes place implies that strengthening the ‘rules’ and monitoring of mechanisms of contracting are unlikely to overcome the enduring constraints of thin markets, low capacity and limited access in project locations.

In looking forward, developing new approaches to local level procurement need to be done in a way that is mindful of the broader conceptual and practical challenges. In lieu of a conclusion, the remainder of this paper examines five such key issues as a means to encourage further debate and innovations on this subject.

### Getting the ‘Mix’ Right

In this paper we have followed the standard practice of distinguishing between formal processes (implying centrally managed and state driven) with informal processes (implying community based, and hence localized). As Ben Olken (2007) shows, relying on informal

accountability alone is not likely to have any significant impact on corruption. Conversely, significantly increasing formal auditing by government can have an incremental effect on reducing corruption.

Informal processes are evolving as an important part of community driven development and local governance processes. The choice between degrees of formal control (based on diminishing marginal returns) now has a new dimension: What is the appropriate mix between informal and formal controls? There are at least two conceptual issues to this question. What level of formal monitoring is needed to offer assurance when relying on informal controls? More importantly, according to Olken, what level of formal monitoring is needed to ‘activate’ informal controls, or make them effective? Far from being theoretical questions, these are issues that demand far more innovative experimentation as well as impact based assessments of pilots in ‘live’ contexts.

### Supporting Relations not Capture

Perhaps the most challenging aspect of local level monitoring is the need to reassess the relational basis of procurement, and in particular the informal networks that link suppliers, purchasing parties, and even local level monitoring actors. As mentioned above, relations between these various parties (normally understood as collusion) are probably the most prevalent types of vulnerability in the procurement chain.

When considering the local context, relations between these actors are often hard to avoid. More important, community sanctioned relations of this kind can significantly contribute to improved outcomes. According to some theorists, such relationships are the very basis of social capital and hence a vital ingredient in effective development. In the context of local level procurement (Erridge and Greer 2002), relationship based contracting (or personally informed decision making) is often the only option in the context of ‘thin markets’.



However, it is important not to downplay the potential for locally powerful actors to distort local level procurement processes in ways that serve their own interest – just as they can in high value contracts. The ‘threat’ of elite capture (Platteau 2000, Powis 2007) is therefore an important reason to remain cautious when seeking to encourage the potential for relationship based procurement to emerge.

## **Cooperation and Cooptation**

A related issue to capture is that of cooptation, in the context of state-society relations more generally. Civil society can play an important role in augmenting the capacities of the state and this is most effective where this is based on a close cooperative relationship. As the international cases have sought to show, cooperation can take a number of different forms, from direct engagement in the process of implementation through citizens’ forums or public hearings, to partnerships in strategic planning through evidence based research or policy support.

The virtue of civic engagement is largely premised on the notion of autonomy. Much as the benefits of civil society involvement as a watch-dog on governance processes needs to be emphasized, it is equally important to highlight the potential for cooptation of civic actors to occur in ways that undermine the core principle of autonomy. Cooptation can take various forms, and can manifest itself at the organizational level as well as the individual level. As such, the broad concept of civic engagement demands a more exacting definition, of oversight by non-partisan and impartial civic actors.

## **Sequencing Community Engagement**

Effective civic engagement takes time to develop and requires a long term, strategic approach. The choice of a starting point is critical, in that it can both

support the development of a new development trajectory as much as it can undermine the potential for this to emerge. In the context of community driven development projects, entry point activities usually consist of public works that are planned on the basis of participatory needs assessment at the local level. These initial exercises require intensive facilitation in the absence of vibrant local institutions and capacities.

Taking a longer term view, it is important to ensure that entry point activities are not one off processes, and instead are a part of a strategic engagement in which responsibilities for planning, implementation and monitoring are gradually transferred to sustainable community based institutions that can endure beyond the project. The support of facilitating agencies needs to be planned in a way that provides a basis for sustainability in the long term.

## **What to do when local governments do not want to be partners**

The discussion so far has focused solely on those situations where local governments are interested in improving procurement outcomes. Unfortunately, we know that such situations are not the rule and it is expected that officials in many locations will not be inclined to introduce new procedures and processes that serve to reduce their own control over procurement as well as constraining opportunities for accumulating wealth. This critical challenge needs to be addressed and the current work, while exploring a range of useful strategies in certain circumstances does not provide direct guidance on improving procurement in less conducive environments. At the same time, increasing understanding of what success might look like in local procurement should contribute to thinking on how to generate the dynamics necessary to achieve improvement.

# Conclusion

**E**ffective public procurement systems at local levels are vital to the delivery of public services, the development of local infrastructure, and the reduction of poverty. This paper has identified the nature of the governance challenges associated with executing procurement at local levels that serve the needs and interests of communities. It has also identified examples of localities that have worked to address these governance challenges and described a set of pilot activities that elaborate strategies for changing the distribution of authority and the manner in which power is exercised in ways that promote good procurement outcomes. These initiatives are united in that they all in different ways restructure the relationship among government, communities, and the private sector in ways that promote collaboration, partnership, and effective outcomes.

This paper and the work that has been sponsored by the Norwegian Trust Fund represent a modest effort to contribute to a critical developmental challenge in South Asia and the rest of the world. We hope that this work will help to change the conceptualization of the effort away from frameworks that envision relatively static views of “supply” and “demand” sides of governance towards models that envision a much more varied and dynamic set of interactions among multiple stakeholders. Seen in this light, the challenge of procurement at the local level provides an extraordinary high-stakes arena for new governance models in development. It is essential that future work explore these issues in greater depth, extending the work that has been initiated here.

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