



## **Annual Report For Governance and Transparency Fund**

**Strengthening Institutions to Improve Public Expenditure Accountability  
Global Development Network**

**30<sup>th</sup> June 2009**

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## 1. Programme Identification Details

Table 1

<b>GTF Number</b>	CN-164
<b>Short Title of Programme</b>	Strengthening Institutions to Improve Public Expenditure Accountability
<b>Name of Lead Institution</b>	Global Development Network
<b>Start Date:</b>	16.10.2008
<b>End Date:</b>	30.06.2013
<b>Amount of DFID Funding:</b>	GBP 4,993,829
<b>Brief Summary of Programme:</b>	<p>The project aims to improve development outcomes by increasing the effectiveness with which governments allocate and use their resources. It will strengthen analytical underpinnings of the policy debates around public expenditure priorities and their impact, thus improving the governance of public service delivery. The initial project presence in India, Ghana, Kenya and Peru will be expanded to a total of 15 institutions<sup>1</sup> from developing countries.</p> <p>Through this approach, the project intends to achieve four key outcomes:</p> <ul style="list-style-type: none"> <li>Expanded institutional and individual capacity for public expenditure monitoring and analysis, development of policy alternatives, and constructive engagement in a peer learning environment</li> <li>Increased use of evidence-based policy reforms in social services and infrastructure</li> <li>Internationally comparable information on public expenditures, incidence (who benefits), effectiveness, and policy alternatives that will begin to build benchmarks for the quality of public spending</li> <li>Creation of a strong network of institutions to share training materials, templates for analysis and communication</li> </ul>
<b>List all countries where activities have taken or will take place</b>	Annex 7
<b>List all implementing</b>	Annex 8

<sup>1</sup> The project proposal as submitted to DFID included a total of 20 institutions but due to the currency fluctuation – depreciation of the GBP – and in consultation with Maggie di Maio, the number of partner institutions has been reduced to 15 to keep the range of project activities untouched.

<b>partners in each country</b>	
<b>Target groups- wider beneficiaries</b>	Immediate beneficiaries are the selected research institutions whose research and communication capacity will be built for providing rigorous evidence based policy options for Public Expenditure Management (PEM).
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## 2. List of Acronyms

ANPP	All Nigeria People's Party
AST	Advanced Social Technologies
BI	Benefit Incidence
C4C	Coalitions for Change
CBPS	Centre for Budget and Policy Studies
CCM	Chama Cha Mapinduzi
CEDS	Center for Economics and Development Studies, Faculty of
CEU	Central European University
CFP	Call for Proposals
CIPPEC	Center for the Implementation of Public Policies Promoting Equity and Growth
CIUP	Research Center of the University of the Pacific
CRC	Center for Research and Communication
CSEA	Center for the Study of the Economies of Africa
DCD	District Development Committee
DFID	Department for International Development, UK
EGAP	Graduate School of Public Administration and Public Policy
EPRC	Economic Policy Research Centre
ESRF	Economic and Social Research Foundation
FIPIA	Federal Institute for Public Information Access
FUNDESA	Fundación para el Desarrollo de Guatemala
FY	Financial Year
GBP	Great British Pound
GDN	Global Development Network
GDP	Gross Domestic Product
GTF	Governance and Transparency Fund
IBP	International Budget Project

ICW	Indonesian Corruption Watch
IDRC	International Development Research Centre
IEA	Institute of Economic Affairs
ISODEC	Integrated Social Development Centre
M&E	Monitoring & Evaluation
MTEF	Medium Term Expenditure Framework
NBR	National Board of Revenue
NGOs	Non Governmental Organisations
NIEITI	Nigeria Extractive Industries Transparency Initiative
NORC	National Opinion Research Centre
NSGRP	National Strategy for Growth and Reduction of Poverty
PBA	Program Budget Analysis
PCS	Policy Community Survey
PEM	Public Expenditure Management
PRAD	Policy Research and Development Nepal
PRSP	Poverty Reduction Strategy Paper
PSE	Paris School of Economics
R4D	Results for Development
RNPs	Regional Network Partners
RTI	Right to Information
TI	Transparency International
US	Unnayan Shamannay
VCD	Village Development Committee

### **3. Executive Summary**

#### **3.1 Project Goal and Purpose**

The project will establish a group of skilled and sustainable institutions in 15 countries in developing and transition economies to conduct effective, unbiased analysis and communication on public resource issues. The project will also cater to the lack of benchmarking data and good practice public sector standards by allowing for the collection of data in key areas of PEM (programme budget analysis, cost-effectiveness analysis and benefit incidence analysis), to provide a global perspective and data for comparative analysis and benchmarking of domestic policies and institutions.

The support offered by the project will provide opportunities and mechanisms for strengthening the capacity of country based institutions to hold governments accountable for public expenditure decisions that have significant impacts on development and equity. These institutions would benefit from effective, customized training in rigorous PEM analysis techniques that can continue to be developed in the country and amongst a larger network of institutions after the completion of the project.

Running through June 2013, the project will involve rigorous analysis of public expenditures at the district, state and national level as well as concerted dissemination and outreach efforts involving policymakers, media and other relevant stakeholders. The first global workshop with all 15 partners will be held in Washington D.C in May 2009, marking the commencement of the research phase, providing substantive training sessions for the first two programme activities – programme budgeting and benefit incidence studies, encouraging opportunities for peer learning and networking to build a cadre of public expenditure analysts.

Global Development Network's (GDN's) technical partner in this project is Results for Development (R4D), a spin-off of the Brookings Institution in Washington D.C. R4D's engagement with research on transparency and accountability will bring relevant expertise to the achievement of the project goals

#### **3.2. Implementing Partners**

In late March 2009, GDN announced the selection of partner institutions that will design policy alternatives for effective allocation of resources for national development. Five Regional Committees played a role the short listing process, scanning approximately 100 applications received from 36 countries. DFID local country offices and GDN's Regional Network Partners were consulted for the final selection process. The implementing partners participating in this project are:

**Table 2**

<b>S. No</b>	<b>Country</b>	<b>Institution</b>
1.	Argentina	Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC)
2.	Armenia	Advanced Social Technologies (AST)
3.	Bangladesh	Unnayan Shamannay (US)
4.	Ghana	Integrated Social Development Center (ISODEC)
5.	Guatemala	Fundación para el Desarrollo de Guatemala (FUNDESA)
6.	India	Center for Budget and Policy Studies (CBPS)
7.	Indonesia	Center for Economics and Development Studies, Faculty of Economics, Padjadjaran University (CEDS)
8.	Kenya	Institute of Economic Affairs (IEA)
9.	Mexico	Graduate School of Public Administration and Public Policy, Tecnológico de Monterrey University (EGAP)
10.	Nepal	Policy Research and Development Nepal (PRAD)
11.	Nigeria	Center for the Study of the Economies of Africa (CSEA)
12.	Peru	Research Center of the University of the Pacific (CIUP)
13.	Philippines	Center for Research and Communication (CRC)
14.	Tanzania	Economic and Social Research Foundation (ESRF)
15.	Uganda	Economic Policy Research Center (EPRC)

The coverage across the developing world, mixing countries with different income levels, geographic size, institutional capabilities, and governance systems to encourage learning across the participating organisations. The countries from which the partners have been selected are ranked politically free or partially free by the Freedom House index. The partners constitute of think tanks and academic and policy research institutions operating independently that are either relatively new or well established with technical capacity to undertake rigorous analysis of public expenditure priorities.

### **3.3 Risk Assessment**

In working in 15 countries, the newly posed risks identified are high turnover of staff and working in politically unstable countries (such as Nepal)

Turnover in institutions is a problem the partners have faced. In meeting such a risk, partners will be encouraged to plan ahead of time and work with core staff in addition to two members of country teams attending workshops to ensure continuity in learning.

In countries with an unstable political climate, such as Nepal, there will be limited impact on engagement with policy makers on effective resource utilization. However, this project would have contributed building in-country capacity on informing policy options related to PEM, proving to be an asset when the situation is stable.

## 3.4 Progress Update

### 3.4.1 Research and Communication

An initial meeting of two days was held in New Delhi in December 2008 to regarding their understand the partner objectives for joining the project; their specific project goals; what they hope to achieve through the project; and the possibility of a conducive project environment in the respective countries, regarding political situation, partnerships with governments, media and civil society. GDN and R4D introduced their shared goals for the project, and identified their respective responsibilities for the five-year project.

Over the project period, partners will conduct analysis and communication of policy options in:

- Programme Budgets and Expenditure Analysis in the Social and Infrastructure Sectors: develop and implement a programme budget framework and develop advocacy around it for the next budget cycle
- Incidence of Benefits from Social and Infrastructure Sector Programmes: calculate who benefits from public expenditures and develop advocacy around that for the next budget cycle
- Evaluate the cost effectiveness of three specific programmes in education, health, and infrastructure. Undertake simulations showing how cost effectiveness could be improved and develop advocacy around the results
- Develop a major policy option proposal, show how it would change spending priorities, suggest the impact in terms of the distribution of benefits and cost effectiveness, and show through simulations how the policy alternatives programme could be implemented to minimize transition costs while gaining most of the benefits

The project focuses on sectors that are significant to human development, including healthcare, education, and water.

### 3.4.2 Innovation

In almost all countries, the project will be the first to undertake rigorous public expenditure priority analysis in key development sectors of health, education and water. It will innovate through the following aspects:

- Establish regional hubs in developing and transition economies of think tanks and research institutions interested in PEM
- Provide learning experience for donors and grantees, particularly in the areas of institutional management and development and the policy and institutional environment
- Encourage partners to better leverage other 'accountability mechanisms' such as the news-media, courts, legislators, and civil society organisations
- Developing internationally comparable information on public expenditures, incidence (who benefits), effectiveness, and policy reforms in the social sectors and infrastructure

Shift from confrontation to informed constructive engagement through actual collaboration with government officials and policy makers.  
Conduct periodic assessments of impact in each country as a way to adjust the project along the way and provide data for an end-project evaluation.

### **3.4.3 Learning**

The project selected 11 additional partners during March – April 2009 and is, at this stage, in its initial phase of implementation. GDN feels that at this stage, the reporting on emerging impact on governance and transparency is not possible and will be shared after a year of implementation in the next Annual Report in June 2010. The report shares the context statements of the 11 additional partners in Annex 9.

Glimpses of lessons during the project period till 31<sup>st</sup> March 2009 are indicated below:

- **Initial Partners support in Selection Process of Subsequent Partners:** The initial partners played a crucial role in the Regional Selection Committees for the short listing of subsequent project partners. Their role ensured credibility and confidence in the selection process which was a thorough procedure involving scoring of organizations for regional short lists which were then sent to DFID local country offices for concerns.
- **Learning from Partners:** In the two day initial meeting in December 2008, the initial country partners interacted with each other during the sessions, showing a keen interest to learn from their experiences, their organizational management and goal envisioning.
- **Handling Potential Staff Turnover:** Instead of one, GDN now invites two project team members from each country partners to ensure continuity in learning and integration into the institutional capacity as well as the involvement of more core staff versus part-time staff and/or consultants. GDN also has an intranet site for access of project and technical resource documents for all project member teams in the 15 countries.

## **4. Programme Management**

GDN has a new President, Dr. Gerardo della Paolera, commencing office on 17<sup>th</sup> August 2009. Dr. Paolera is presently President Emeritus and Professor of Economics at the American University in Paris, a Visiting Professor at the Central European University (CEU) in Budapest and also a Visiting Fellow at the Paris School of Economics (PSE). He holds a PhD in Economics from the University of Chicago, with a specialization in economic history.

The remaining personnel responsible for the day-to-day operations, financial management and monitoring and evaluation (M&E) functions remain the same as indicated earlier.

## 5. Working with Implementing Partners

The project has a total of 15 country partners<sup>2</sup> located in 15 developing and transition countries. The project started with five initial partners, CIUP, Peru; Nucleo de Opiniao e Politicas Publicas Universidade Federal de Pernambuco Centro de Filosofia e Ciencias Humanas (NEPPU), Brazil; CBPS, India; IEA, Kenya and ISODEC, Ghana; who were part of the initial project proposal. A departure from the original project proposal submitted to DFID is that the local partner in Brazil, NEPPU has had to withdraw its participation. As indicated by NEPPU, the institution underwent recent substantial changes in core research staff, moving out to pursue higher studies, thus making them unable to meet the human resource requirements for undertaking the project.

The initial project proposal as submitted to DFID included a total of 20 institutions. However, due to the currency fluctuation – depreciation of the GBP – and in consultation with Maggie di Maio, the number of partner institutions has been reduced to 15 to keep the range of project activities untouched.

In January 2009 a Call for Proposals was launched and approximately 100 applications were received from 36 countries. A thorough criteria based selection process comprising of regional committees selected the short list of institutions in each region. Eleven additional partners were selected on the basis of their scores in the selection process and most importantly, on the feedback received on them by both GDN's Regional Network Partners (RNPs) and DFID local country offices and the British High Commissions.

GDN is the lead project management unit of the project and will monitor the implementation on a monthly basis through monthly project activity reports and teleconferences with country partners. Changes in work plans due to unforeseen circumstances will be communicated by all country partners to GDN. This will assist in tracking progress of the partners and reporting back to DFID. GDN's technical partner in this project is Results for Development (R4D), a spin-off of the Brookings Institution in Washington D.C. GDN's monitoring and evaluation partner is the National Opinion Research Center (NORC).

The countries from which the partners have been selected are ranked politically free or partially free by the Freedom House index. The partners constitute of think tanks and academic and policy research institutions operating independently that are either relatively new or well established with technical capacity to undertake rigorous analysis of public expenditure priorities. The range in different types of institutions will encourage peer learning across the partners. They have experienced analytical staff that have many years of experience in quantitative and qualitative policy research. For example, the Armenian team has more than 10 years of experience and specific knowledge on the three relevant sectors. Our partner from Argentina have developed over 80 research projects among which almost 40 have

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<sup>2</sup> Listed in Annex 8

entailed conducting quantitative policy research in the fields of health, education, trade, public budgets and fiscal policy.

Majority of the partner institutions have been asked by governments to inform their policy decisions. While partners will build new links, they also have existing direct contacts with key policy makers and government agencies for being able to disseminate project results. For example, one of the East Asian partners have been invited to give inputs into policy formulation at government agency meetings at the national planning, state planning and ministry of finance level. Some partners have staff who has previously worked in various government departments. Some are also currently serving as experts on various government panels such as labour regulation, education, health, fiscal policies, etc. Nevertheless, the partners and their staff work independently of any political affiliations.

The analytical experience of project teams is also demonstrated by the vast range of publications that are made available each year. For example, our partners from Bangladesh publish quarterly reports focusing on key issues such as food security, inflation for the marginalized, alternatives to current government economic policies etc. as well as updates on major macroeconomic indicators. The Guatemalan partners publish regular reports, and economic and development bulletins.

## 6. Risk Assessment

The risk assessment as mentioned in the project proposal to DFID has new dimensions to project implementation. High turnover of staff and working in politically unstable countries have been identified as potential risks. GDN anticipates that in its regular project monitoring of country partners, it will be able to identify unforeseen or new risks that might occur once the project is being implemented. Such risks will be reported back to DFID.

**Table 3**

<b>Risk</b>	<b>Rating</b>	<b>Mitigation Plan</b>
Public expenditure analysis requires specialized skills, and research institutions may require support to rapidly develop these skills, particularly the ability to do timely analysis.	<p>Likelihood – High Impact – High</p> <p>This risk is symptomatic of the need for the proposed Project. The fundamental purpose of the Project is to lower the likelihood that research institutions have not developed the skills necessary to monitor and influence the budget process.</p>	By pairing financial support with implementation-oriented technical support, local partners will be able to develop skills to become more effective research institutions and think tanks.

<b>Risk</b>	<b>Rating</b>	<b>Mitigation Plan</b>
<p>Good, high quality information may be difficult to access in low- and middle-income countries.</p>	<p>Likelihood – Medium Impact – Medium</p> <p>While access to information is still an obstacle in many developing countries, other international actors (such as the IBP and TI) are making important progress in this area.</p>	<p>The lead organisation will provide guidance to local partners on accessing information, but will largely rely on existing partnerships with IBP and TI in situations where more openness is needed. We recognise that a minimum level of transparency is necessary for local partners to have any impact, and environment for budgeting is part of the selection criteria for partner institutions.</p>
<p>In some countries, partisan divides may limit some public officials' willingness to interact with or listen to local partners supported by the programme.</p>	<p>Likelihood – Medium Impact – Low</p> <p>Although this is a potential problem in some areas, local partners can still develop their capabilities to analyze and disseminate for improved public expenditure practices.</p>	<p>One of the main objectives of the programme is developing rigorous policy analysis skills of the selected local partners, resulting in a set of members and local partners with increased credibility when engaging with public officials.</p>
<p>The work of local partners in some regions could be opposed by the governments of those areas.</p>	<p>Likelihood – High Impact – Medium</p> <p>In some countries, there is active government opposition to stronger local partners, particularly where partnerships exist between international and domestic local partners.</p>	<p>Resistance to think tanks and research institutions strengthening is diminishing in general, and the recent trend of democratization (particularly in Sub-Saharan Africa) has led to a more tolerant and often encouraging environment for strong involvement. Further, we do not currently expect to work in a country with a government actively opposed to such interventions.</p>

<b>Risk</b>	<b>Rating</b>	<b>Mitigation Plan</b>
<p>Local partners have a relatively high turnover of staff.</p>	<p>Likelihood – High Impact – Medium</p> <p>This is a problem that partners have faced and potentially can limit the institutionalization of research capacity.</p>	<p>High turnover remains a problem. Instead of one, two members of project teams will be invited to the trainings to ensure continuity and integration of technical capacity in the partners. An intranet site provides all project related information to all project members. Some country partners in African are part of the Think Tank Initiative which has core staff in place. Partners will be encouraged to prepare for such exigencies by working with core staff and planning ahead of time.</p>
<p>Few local partners are located in politically unstable countries.</p>	<p>Likelihood – High Impact – High</p> <p>In some countries like Nepal and Bangladesh, a politically unstable landscape can restrict the extent of constructive engagement with the policy community for improved accountability</p>	<p>In instances of limited impact on engagement with policy makers for policy alternatives for effective resource utilization due to political instability, the project will have built the capacity of a research institution in such countries for developing evidence based policy options for dissemination once the political climate is stable.</p>
<p>Policy reform efforts related the water sector are controversial and can be challenging to engage in some countries.</p>	<p>Likelihood – High Impact – Medium</p> <p>Historically, poor governance arrangements, resistance to change, and the general difficulty in assigning private property rights to the services provided have typically burdened the management of water systems.</p>	<p>Attempts will be made to bring in experiences to the table to learn from good practices and best practices in similar contexts on water management and governance issues.</p>

## 7. M&E Arrangements

The overall monitoring and evaluation activities will evaluate the institutional development of local partners and, through opinion research, to understand their perceived impact on the policy environment. Measuring institutional capability, perceptions of impact, and objective measures of government budget openness – will provide quantitative evidence to evaluate the programme.

The integrated M&E plan<sup>3</sup>, functioning as a crucial dimension of the project will monitor the outcomes of the project and act as an important management tool for the project management team and country partners in the implementation over the project period. The M&E tools are intended to build the capacity of the country partners in monitoring the current project and in adapting the tools to extending the monitoring to similar analysis.

As part of the M&E plan, through the supplementary interview process, a representative from each country partner institutions undergoes a one-hour semi-structured interview with NORC. During this interview, examples of the organisation's success will be captured in influencing policy and policy makers. Questions relate to specific cases of involvement in the policy process. NORC has conducted the baseline interviews and will repeat the process in the follow-up interviews to capture additional stories of change<sup>4</sup> that will complement the quantitative outcome analysis.

GDN is implementing the project in a partnership mode with country partners. The M&E plan has been discussed with the country partners during the initial workshop held in New Delhi, India in December 2008 and recently during the planning meeting in May 2009. During the in-person interview process mentioned above, through asking targeted questions about quality control and communications practices, GDN and NORC serve to mentor country partner institutions in best practices. In the recently completed baseline interview process, there was a case in which a country partner respondent told NORC that the interview caused him/her to think about making a number of changes in their practices. The interview process has allowed for a dialogue to take place and an exchange of ideas that is not possible in paper or online surveys.

In addition, NORC will supply each country partner institution with the data and analysis from the Policy Community Survey (PCS)<sup>5</sup>, allowing them to understand what their reputation and strengths and weaknesses are in the eyes of their key stakeholders. This data will empower the partners by gaining an understanding of their current position in the policy environment and devise ways in which to capitalize on it or change it in order to have greater impact. GDN intends to capture stories of change during the project period that will serve as learning and documentation of outcome mapping.

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<sup>3</sup> Detailed in Section 6 of the Inception Report

<sup>4</sup> In response to the comments to the Inception Report

<sup>5</sup> The Policy Community Survey will find out where key decision makers, opinion leaders, and stakeholders get the information to inform policy discussions or policy formation and obtain views on the performance of country partner institution.

*It appears from the inception report that the NORC designed questionnaires will be applied across all countries and contexts however this may need to be triangulated with other third party information for completeness<sup>6</sup>.*

NORC will be gathering data on a range of governance and transparency indicators such as the Open Budget Index, Freedom of the Press, and the Worldwide Governance Indicators for each of the countries. This data will be used to understand the operating environment for each partner organisation, interpret the changes observed over time, and to control for differences in openness between countries when interpreting results.

This information will be supplemented by the context statements submitted by GDN for each country for a qualitative description of the environment.

## **8. Logframe Changes**

GDN will routinely monitor the work undertaken by the 15 country partners against the goals of the project. The project logical framework has been discussed with the 15 country partners and has been revised to reflect the changes that will be likely to be brought about against the baseline. The data collection for the baseline information commenced in May 2009 and will be ongoing<sup>7</sup> till September 2009. The results of the baseline survey will be complete and available for sharing with DFID in October 2009. GDN will send DFID the baseline report in October 2009.

The revised logframe (in Annex 2) includes clearer indicators of change and a list of activities summarized against each numbered output.

## **9. Emerging Impact on Governance and Transparency**

The project selected 11 additional partners during March – April 2009 and is, at this stage, in its initial phase of implementation. GDN feels that at this stage, the reporting on emerging impact on governance and transparency is not possible and will be shared after a year of implementation in the next Annual Report in June 2010. The report shares the context statements of the 11 additional partners in Annex 9.

## **10. Cross-Cutting Issues**

By working towards the goal of strengthening the capacity of think tanks to monitor and analyze PEM, the project is also developing the skills of country partners to provide policy options for increased and improved public services for the poorest citizens. Further, the project focuses on sectors that are significant to human development, including healthcare, education, and water.

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<sup>6</sup> In response to the comments to the Inception Report

<sup>7</sup> Baseline information collection started in May 2009 once the selection of the additional 11 partners was complete. NORC completed the collection of a part of the baseline information through the supplementary interview conducted in May 2009 at the planning meeting. As part of the baseline information, it is also currently collecting information on baseline of institutions (through online survey, external expert review of reports) and baseline of policymakers (through the policy community survey). The baseline report will be available in October 2009.

Women and children gain disproportionately when health and education spending policies are improved. During the course of the work, some analysis and advocacy will focus directly on improving expenditure priorities and effectiveness for the most vulnerable groups, including the disadvantaged sections, marginalized groups, girl children, women and vulnerable households.

Local partners have developed targeted programmes to support public services and spending directed towards specific underprivileged groups and under-funded causes. A sample of these is highlighted below. Country partners, in conducting benefit incidence analysis have demonstrated interest to promote gender equality and the needs of other marginalized groups (poorest of the poor) in the budget process.

AST (Armenia) are interested in studying the maternity care programme in the health sector and the high school system formulation and development in the education sector and the social and economic aspects of the water fee policy

CIUP (Peru) intends to look at basic education, child malnutrition issues and the coverage and quality of water services

ESRF (Tanzania) intends to study the secondary education development programme and the community health fund

PRAD (Nepal) is keen to analyze the devolution of education, basic health and drinking water services; the scholarship programme for girl children and the maternity health incentive scheme

CRC (Philippines) have shown interest to look at the issues of inadequate access to health facilities and personnel by the poor and the case of consolidating individual small water districts.

## **11. Progress Towards Sustainability (Year 2 Onwards)**

Most of the partners have linkages with policymakers and have conducted studies related to the conceptualization, implementation, monitoring and evaluation of public policies. Partners have been tapped by government institutions and the private sectors as well. GDN intends to provide technical assistance to country partners to undertake PEM and to develop networks that can expand their base and connect with relevant organisations and institutions working in informing public expenditure policy areas through constructive engagement. In mainstreaming the PEM analysis into their organisational activities, some partners have indicated that they would expand the analysis to relevant sectors to other government interventions like the small and medium enterprise development, agriculture, irrigation, roads and micro-finance.

There are currently no external events during the reporting period that may have an effect on the sustainability of outputs. Some partners foresee a concern in accessing national datasets for doing the analysis but with appropriate approaches and collaboration with government and related agencies, datasets can be acquired.

The programme commenced implementation in May – June 2009 and it is too early to comment on the nature of collaboration and influence on public opinion at this stage. During the project period, after each analysis phase, there are dedicated communication phases for disseminating results (policy options) of the programme budget, cost-effectiveness and benefit incidence analysis to the policymakers and policy shapers. The project will also cater to the lack of benchmarking data and good practice public sector standards by allowing for the collection of data in key areas of PEM (programme budget analysis, cost-effectiveness analysis and benefit incidence analysis), to provide a global perspective and data for comparative analysis and benchmarking of domestic policies and institutions. Such analysis and data can be used by like-minded institutions and policy groups.

### **11. 1 Capacity of Relevant Institutions**

This project will establish a group of skilled and sustainable institutions conducting effective, unbiased analysis and communication on public resource issues. These organisations would benefit not only from financial support but also from effective, customized training in rigorous PEM analysis techniques that can continue to be developed in the country and amongst a larger network of think tanks and research institutions after the completion of the project.

The country partners have history in engaging with the policy makers through policy research, policy forums, and reform efforts and have demonstrated interest in providing feasible policy options related to public expenditure priorities. For example, one of the Latin American partners is interested to induce reform the Comptrollers General Office through deficiencies presented in indexes like the Perception of Corruption and the Public Integrity.

In highlighting the political and economic space of the partners, a note on the country specific contexts of the 11 additional partners is given in Annex 9.

Through this project GDN envisages providing opportunities and mechanisms for strengthening the capacity of research institutions and think tanks to provide governments with policy options on public expenditure decisions that have significant impacts on socio-economic development. The project will also develop internationally comparable information on public expenditures, incidence (who benefits), cost effectiveness, and policy reforms in the social sectors and infrastructure that can be used by other organisations.

Since the 15 partners are located in different country contexts with different political climates, the overall success of the project is dependent on several factors and actors (addressed in the risk management section). As the lead project management unit, GDN will monitor variations in project activities, keeping in mind the local country and institutional context and report all variations to DFID.

## **12. Innovation**

### **12.1 Our project experience**

The project includes several innovative features:

Regional hubs of think tanks and research institutions interested in PEM will be developed. The hubs will provide a useful platform for sharing data, lessons learnt and good practices, delivering trainings, and monitoring performance.

Establish a group of skilled and sustainable think tanks and research institutions conducting effective, unbiased analysis and communication on public resource issues in three key sectors – education, health and water.

By linking grant support to well-conceived diagnostic work, the project will be an excellent learning experience for donors and grantees, particularly in the areas of institutional management and development and the policy and institutional environment within which they operate.

Because of the multifaceted nature of governance, coordination matters at multiple levels, producing persuasive analysis is not sufficient. Country partners have been encouraged to better leverage other ‘accountability mechanisms’ such as the news-media, courts, legislators, and civil society organisations. GDN will additionally disseminate all relevant project information to the major international institutions about the local partner efforts thereby facilitating another layer of policy support (e.g., complementary policy and institutional reforms).

Developing internationally comparable information on public expenditures, incidence (who benefits), effectiveness, and policy reforms in the social sectors and infrastructure that will begin to build international benchmarks for the quality of public spending.

Shifting from confrontation to informed, constructive engagement has already helped some civil society organisations to increase their influence. Actual collaboration with government officials, while not always possible or suitable, can be an excellent means of changing the behavior of government. If officials play a role in the generation of the analytical work, fully understand the thinking behind it, and acknowledge its reliability, they will be more likely to respond than if a report is simply provided to them by an outside organisation.

Conducting periodic assessments of impact in each country as a way to adjust the project along the way and provide data for an end-project evaluation. The integrated M&E plan for the project is playing a crucial role in monitoring the project. Annual feedback will be provided to partners and the project management team which will enable the annual work programs to be informed for the subsequent years.

### **12.2 The geographic region of operation and conditions of operation**

The project has implementing local partners located in 15 countries in developing countries and transition economies in East Asia, South Asia, Africa, Latin America and the Caribbean. In almost all countries, the project will be the first to undertake rigorous public expenditure priority analysis in key development sectors of health, education and water. So far, most analysis

has been restricted to public expenditure tracking that provides limited policy alternatives unlike the PEM analysis such as the project will conduct through programme budget analysis, cost-effectiveness analysis and benefit incidence analysis. Informed policy options based on rigorous PEM analysis will give think tanks and institutions the ability to spur improved governance. We are citing a few examples of the innovations in the countries where the project is being implemented:

After initial steps that the government of Armenia has made in increasing budget transparency by introducing elements of programme budgeting, the country has lacked expertise and practice in budget analysis by individual sectors and PFM sector as a whole, a gap that the project will fill. In the case of Mexico, the country partner intends to get actively involved in the discussions of how the Mexican public finance systems could be enhanced going forward, ensuring that through their presence they will assure that current and future policymakers, government officials and decision makers have an accurate understanding of the strengths, weaknesses, opportunities and risks of Mexican public expenditure priorities. In Nepal, the project will complement past studies on quantitative policy projects supporting Government of Nepal's initiation in improving public expenditure management at the central and local level.

The high technical capacity of country partners in Latin America will provide a great opportunity for South-South learning. The context statements<sup>8</sup> of the country partners will provide the basis for the socio-political and institutional context in which the project will be implemented.

### 13. Learning from GTF

The project has commenced very recently and GDN feels that at this stage, the reporting on learning from the GTF on the above mentioned aspects will be best shared after a year of implementation in the next Annual Report in June 2010. Glimpses of lessons during the project period till 31<sup>st</sup> March 2009 are indicated below:

- **Lessons about the overall project or programme design**

The project, as submitted to DFID, had five initial partners mentioned in the proposal. The initial partners played a crucial role in the Regional Selection Committees<sup>9</sup> for the short listing of subsequent project partners. Their role ensured credibility and confidence in the selection process which was a thorough procedure involving scoring of organizations for regional short lists. Following that, the regional short lists were sent to DFID local country offices and the GDN Regional Network Partners for their feedback on any concerns. The process indicated that it is essential to involve established partners and DFID local country offices in the credible selection process of country partners.

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<sup>8</sup> Please refer to Annex 10

<sup>9</sup> Please refer to Annex 4.2 for the Selection Process

- **Lessons about working with partner organisations**

A two day initial meeting held in December 2008 with initial project partners involved presentations from four country partners on specific goals for the project; their hopes for achievements and the discussion of enabling environments – political situations, partnerships with governments, media and civil society. The country partners interacted with each other during the sessions, showing a keen interest to learn from their experiences, their organizational management and goal envisioning. The meeting was an opportunity where the initial partners were given technical training on program budget analysis, cost effectiveness analysis, benefit incidence analysis and policy options.

- **Lessons about risk assessment and management**

The loss of NEPPU, the country partner in Brazil due to staff turnover prompted GDN to realign the risk the country partners might face in due course of the project period. GDN developed an intranet site to ensure access of technical and project documents to all country project team members. Instead of one, GDN now invites two project team members from each country partners to ensure continuity in learning and integration into the institutional capacity as well as the involvement of more core staff versus part-time staff and/or consultants.

## Annex 1 - Achievement Rating Scale

- 1 = fully achieved, very few or no shortcomings
- 2 = largely achieved, despite a few short-comings
- 3 = only partially achieved, benefits and shortcomings finely balanced
- 4 = very limited achievement, extensive shortcomings
- 5 = not achieved

**Table 4**

<b>Objective Statement</b>	<b>Achievement Rating for year being assessed</b>	<b>Logframe Indicators</b>	<b>Baseline for Indicators</b>	<b>Progress against the Indicators</b>	<b>Comments on changes over the last year, including unintended impacts</b>
<p><b>Purpose</b> Strengthening the capabilities of partner institutions to engage in high quality, timely and credible monitoring, analysis and engagement with policymakers, particularly with regard to effectiveness and equity of budgeting and PEM in sectors of high development significance (e.g. education, healthcare, and infrastructure)</p>	4	<p>Improvement in quality score for analytical reports prepared by partner institutions over the programme duration</p> <p>Improvement in general perception of partner work on part of stakeholders from the policy community</p>	To be completed once baseline data is collected	Progress cannot be reported since implementation started in May 2009	GDN has completed the selection of all 15 partners to implement the project which has been launched after 31 <sup>st</sup> March 2009. A series of technical training workshops related to PEM analysis have been scheduled for building the capacity of the partners to conduct analysis on programme budget, cost effectiveness and benefit incidence analysis and charting policy options. After each research phase, partners will disseminate their findings extensively to

		<p>(including policymakers, other NGOs, journalists, educators, etc.)</p> <p>Improvement in usage and perception of quality of partner publications on part of stakeholders</p> <p>Improvement in perception of partner communications practices and products on the part of stakeholders</p>			the policy community
<p><b>Outputs</b>  CABAPILITY: Leaders and governments increase use of evidence-based policy reforms, making them better able to perform functions such as delivering social service</p>	5	<p>Improvements in perceptions of use of policy-relevant research in policy making.</p> <p>Changes in budget policies or expenditure</p>	To be completed once baseline data is collected	Progress has been limited since implementation started in May 2009.	GDN completed the selection of the 11 subsequent partners during the reporting period. A series of technical training workshops related to PEM analysis have been scheduled for building the capacity of the partners to

<p>ACCOUNTABILITY: Increased ability of partner institutions to engage constructively with policymakers to improve efficiency and equity of public resource use</p>	<p>3</p>	<p>management and improvements in transparency and/or accountability in budget policies or PEM.</p> <p>Improved communications practices with higher quality products that are more tailored to the policy community's needs</p> <p>Improvements (defined by goals of individual partners) in efficiency and equity of government programmes following</p>			<p>conduct rigorous analysis on programme budget, cost effectiveness and benefit incidence analysis and charting policy options in the sectors of health, education and infrastructure. After each research phase, partners will disseminate their findings extensively to the policy community.</p>
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		<p>implementation of suggested policy options</p> <p>Increase in use of think tanks or policy research NGOs as a source of information for policy making</p>			
<p><b>Activities</b></p> <p><i>Capability Output -</i> Selection of local partners for financial and technical support.</p> <p><i>Accountability Output -</i> Monitoring performance and assessing progress of local partners.</p> <p><i>Accountability Output -</i> Providing technical assistance to partners in PEM monitoring and evaluation activities</p> <p><i>Accountability Output -</i> Organizing workshops</p>				<p>GDN has successfully completed the selection of local country partners (15).</p>	<p>GDN will routinely monitor the progress of the partners. Each year, it will hold a technical workshop to train partners on programme budget, cost effectiveness and benefit incidence analysis. Following each research analysis phase, partners will communicate their findings on the policy options to the policymaker community. Each year starting 2010, regional workshops will be held to develop networks and build learning among project partners.</p>

<p>for training and developing networks among partners</p> <p><i>Accountability &amp; Capability Output -</i>          Compiling and disseminating international information on quality of public spending to partners and key stakeholders</p> <p><i>Accountability Output-</i>          Maintain qualitative and quantitative information to track progress of partners</p>					
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## Annex 2 – Programme Logframe

Table 5

Project Summary	Measurable Indicators	Means of Verification
<p><b>GOAL:</b></p> <p>1. Governments are more capable, accountable, and responsive to meet the needs of poor people through the use of more effective public resource use, including more efficient public expenditure management and budget policies</p>	<p>1.1. Improvements in public spending efficiency and equity indicators determined individually by each partner based on analytical findings of the programme activities (programme budgeting, cost effectiveness analysis, benefit incidence analysis)<sup>10</sup></p>	<p>1.1. Baseline collected in initial analysis for each activity by partner institutions. Goals developed (in consultation with government and GDN) and appraisal by partners at end of project on progress.</p>
<p><b>PURPOSE:</b></p> <p>2. Strengthening the capabilities of partner institutions to engage in high quality, timely and credible monitoring, analysis and engagement with policymakers, particularly with regard to effectiveness and equity of budgeting and PEM in sectors of high development significance (e.g. education, healthcare, and infrastructure)</p>	<p>2.1 Improvement in quality score for analytical reports prepared by partner institutions over the programme duration</p> <p>2.2 Improvement in general perception of partner work on part of stakeholders from the policy community (including policymakers, other NGOs, journalists, educators, etc.)</p> <p>2.3 Improvement in usage and perception of</p>	<p>2.1 Independent external review of partner-produced analytical reports<sup>11</sup></p> <p>2.2 Policy community survey administered by independent external evaluator<sup>12</sup></p> <p>2.3 Policy community survey and survey of</p>

<sup>10</sup> Such indicators might include percentage of primary school expenditure reaching the low est income quintile, percentage of funds going towards vaccinations, etc.

<sup>11</sup> The scoring criteria can be found in the attached Report Readers Scoring Packet.

<sup>12</sup> See attached Policy Community Survey

	<p>quality of partner publications on part of stakeholders</p> <p>2.4 Improvement in perception of partner communications practices and products on the part of stakeholders</p>	<p>institutions<sup>13</sup> administered by independent external evaluator</p> <p>2.4 Policy community survey administered by independent external evaluator</p>
<p><b>OUTPUTS:</b></p> <p>3. CABABILITY: Leaders and governments increase use of evidence-based policy reforms, making them better able to perform functions such as delivering social service</p> <p>4. ACCOUNTABILITY: Increased ability of partner institutions to engage constructively with policymakers to improve efficiency and equity of public resource use</p>	<p>3.1 Improvements in perceptions of use of policy-relevant research in policy making.</p> <p>3.2 Changes in budget policies or expenditure management and improvements in transparency and/or accountability in budget policies or PEM.</p> <p>4.1 Improved communications practices with higher quality products that are more tailored to the policy community's needs</p> <p>4.2 Improvements (defined by goals of individual partners) in efficiency and equity of government programmes following implementation of suggested policy options</p> <p>4.3 Increase in use of think tanks or policy research NGOs as a source of information for policy making</p>	<p>3.1 Policy community survey administered by independent external evaluator</p> <p>3.2 Policy community survey administered by independent external evaluator</p> <p>4.1 Policy community survey and survey of institutions administered by independent external evaluator</p> <p>4.2 Results of initial and end-point follow-up implementation of partner analytical activities</p> <p>4.3 Policy community survey administered by independent external evaluator</p>

<sup>13</sup> See attached Survey of Institutions and Supplemental Institution Interview

<p><b>ACTIVITIES:</b></p> <p>5. <i>Capability Output</i> - Selection of local partners for financial and technical support.</p> <p>6. <i>Accountability Output</i> - Monitoring performance and assessing progress of local partners.</p> <p>7. <i>Accountability Output</i> - Providing technical assistance to partners in PEM monitoring and evaluation activities</p> <p>8. <i>Accountability Output</i> - Organizing workshops for training and developing networks among partners</p> <p>9. <i>Accountability &amp; Capability Output</i> - Compiling and disseminating international information on quality of public spending to partners and key stakeholders</p> <p>10. <i>Accountability Output</i>- Maintain qualitative and quantitative information to track progress of partners</p>		
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## Annex 4 – Materials Produced During the Reporting Period

Table 6

Item	Date	Title or description of material	Access web site (if any)
Annex 4.1	18 <sup>th</sup> December 2008	Report from the Initial Meeting held in New Delhi, India in December 2008	-
Annex 4.2	28 <sup>th</sup> February 2009	Selection Process	-
Annex 4.3	28 <sup>th</sup> February 2009	Selection Criteria Scorecard	

### Annex 4.1 - Report from the Initial Meeting

#### Summary

The two-day meeting included presentations from the initial partners regarding their objectives for joining the project; their specific project goals; what they hope to achieve through the project; and the possibility of a conducive project environment in the respective countries, regarding political situation, partnerships with governments, media and civil society. GDN and R4D introduced their shared goals for the project, and identified their respective responsibilities for the five-year project.

In order to finalize project documents and policies, the suggested work plan and timeline for the project was discussed, regarding feasibility, possible challenges, and incorporating the partners' own tentative, correlating work plans for the project. And criteria for selection and the call for proposals for selecting the additional fifteen partners were discussed.

R4D presented an overview of the technical training and activities that the partners will undertake during the five-year plan, including Programme Budgeting and Expenditure Analysis, Benefit Incidence, and Cost Effectiveness studies. NORC presented the project monitoring and evaluation concept. The selection of, as well as the roles and responsibilities of the core partners were discussed, and the workshop concluded with a presentation and discussion on the partner reporting – programmatic and financial.

#### Initial partner presentations

##### Discussion:

The partner institutions shared a number of similar goals for the project, namely:

- To inform debate and become a resource center and a strong reference point for public expenditure information and research
- To increase public interest in the budget and budget tracking
- To promote transparency and accountability in public expenditure management
- To create interactions and discourse between different players

As the different institutions are focusing on different levels of governments, from state to national, they reported various relationships, but in general good ones, with the respective governments. The institutions are able to obtain some official statistics, and are approached by governments, civil society and the media for data, opinions as well as training regarding the budgets.

Some problems regarding budget tracking reported by the institutions were a lack of transparency, problems with funds reaching regional level from national level, corruption, institutional problems, difficulties obtaining specific data from the governments, as well as problems regarding cooperating with NGOs on advocacy.

As the institutions had different areas of interests in the past, some the PEM focuses on infrastructure, education and health will be new to some of them. Regarding technical capacities the institutions also had a variety of experience behind them, but the technical training will be adding new analytical capacities to each of the institutions' analytical tool box.

### **Goals and hopes for the project**

#### **Discussion:**

- The partner institutions will attain increased knowledge on and understanding of public expenditure issues in the social sectors.
- The project will have both direct and indirect impact on the institutions' respective public policy sectors.
- The project methodology becomes a template for other institutions to replicate.
- The institutions will move from advocacy to constructive engagement.
- GDN's role will include being in charge of the overall management of the project, including partner management and support, as well as performance monitoring of all partners.
- R4D's role will include organizing, providing and developing technical training, materials and provide resource persons for the workshops.
- GDN and R4D will share the responsibilities of regular consultation with partners as well as feedback on their reports; coordinate and draw lessons from the M&E; execute the peer review workshops; dissemination; and progress reports for DFID.

#### **Decisions:**

- The partners agreed to meet at 1-2 regional workshops per year, depending on the need.
- It was suggested that the project partners use one of the partners' websites, e.g. GNet or Blackboard (universal university website) to facilitate research sharing/policy dialog, in addition to the intranet that all the project partners will share.

## **Time table and partner work plans**

### **Discussion:**

- There were concerns regarding year 2010 looking too busy when including both cost effectiveness and benefit incidence analysis.
- Would the partners prefer receiving the monitoring questionnaires from NORC in January or November-December?
- What is the timing of the partners' specific deliverables?
- Should the partner institutions follow the DFID FY or their respective FY?
- Which skills sets are required for the partner institutions' core staff? Should this be up to each institution or should there be defined requirements?
- Should there be any flexibility regarding whether to focus on local or national level budgets?
- Should there be certain research topics within the three broad focuses of health, infrastructure and education?
- Which budget and survey literature should the institutions refer to?
- What should be the reporting language(s)?

### **Decisions:**

- Changes in project work plan: Initiate Programme Budgets Expenditure Analysis and Cost Effectiveness study in 2009; and initiate Benefit Incidence Analysis in 2010. The dates of the introductory and planning workshop in 2009 will change slightly forward.
- The partners decided on a preference for January for distribution of the monitoring questionnaires.
- R4D and GDN will incorporate in the existing work plan/ or create a separate work plan the specific partner institutions' deliverables.
- Each institution will work based on their national FY, i.e. their latest data.
- The identified core skills needed within each of the partner institutions were economist, statistician, project administrator, and public management specialist.
- Regarding international comparison vs. flexibility, it was decided that:
  1. Because one of the objectives of the project is to create templates for other institutions there is a need for relatively uniform topics, appropriate to country.
  2. Although similar issues are highly universal within sectors, some parameters will be necessary in order for comparisons and trend-analysis.
  3. These topics should be decided on before the launch of the cost effectiveness study.
  4. There should be a continual annual discussion on these topics.
- All the partner institutions should synchronize on budget and survey literature.
  - The report languages were decided as native, with main policy reports translated into English. GDN and R4D will factor extra time for those who will need the report translated into the partner deliverables work plan.
  - These decisions should all be incorporated in the final CFP.

## **Criteria/policy for selection of additional partners**

### **Discussion:**

- The amount of regional networks for the project has increased from 5 to 6, because GDN and R4D believe Asia needs to be represented by 1 from South Asia and 1 from East Asia
- Discussing the selection process, 4 options for selection committee structures were given, namely External Committees; Single Committees; Internal Committees; and Regional Committees. The representatives at the workshop voted for the optimal option.
- The weighing of the 4 selection criteria regarding additional partners, namely quality of application; capacity of applying organisation; feasibility and value of proposed study; and proposed dissemination activities were also decided through voting.

### **Decisions:**

- It was decided to opt for the Regional Selection Committees with 4 members, where every institution will be on 2-3 committees each. GDN and R4D will sit on each committee.
- The weighing of the selection criteria are as follows:
  - Quality of application – 40 per cent
  - Capacity of applying organisation – 25 per cent
  - Feasibility and value of proposed study – 25 per cent
  - Proposed dissemination activities – 10 per cent
- Need to include the score-list in CFP, while making it clear that if the institution is below zero in one of the criteria, the institution will need to suggest how it will mitigate such issues, and also on which criteria it will compensate for this

## **Call for proposal document for additional partners**

### **Discussion:**

- The structure; contents; timeline and venues for circulation of the CFP were discussed.
- The CFP will be revised and advertised as soon as possible after the workshop.
- How can the reviewing process be made as efficient as possible?
- Concerns regarding proposals from same countries as initial partners, and thus excessive research proposed.

### **Decisions:**

- Regarding the eligibility criteria concerning citizenship and nationality, the eligible regions and countries should be defined in the CFP.
- The eligibility criteria concerning type of organisations should include not-for profit organisations.
- The CFP will include what is expected of the institutions to prepare before the introductory workshop.
- In order to ease the reviewing process as well as making it as efficient as possible, the CFP will be as narrow and short as possible; one reminder will be sent to the institutions that send incomplete proposals before deadline; the proposals will have a 5-page limit excluding CVs, as well as word limits to each block.

- The regional networks IBP, IDRC and TI were suggested as additional venues for CFP circulation.
- A note will be included in the CFP mentioning which 5 countries have already been selected and which government level budget they will be focusing on, in order to avoid parallel research.
- Response to evaluators will be included as part of partner responsibilities.

## **Technical Activities**

### **Discussion:**

- Which sectors and activities should be included in the budget?
- In the case of different sources, e.g. MoF and MoE are providing different data, which source should the institution use?
- Vinod from CBPS presented an example of a case where the Karnataka state budget were so detailed, that although it was transparent, it was next to impossible to track any movement. This provides politicians with a lot of discretion to spend as they like.
- Charlie stressed the fact that incidence of expenditure distribution arguments becomes much stronger if the constructive engagement comes from internal than external sources.
- Reforms based on simulations including benefit analysis, cost effectiveness etc. should function as baseline in order to then evaluate. Timeline of both implementation of changes from simulation and of the effects (including social impacts) will be of high importance to the policy makers.

### **Decisions:**

- The issue of which sectors and activates, as well as the issue of which sectors to research will need to be further discussed while the research and training is ongoing.
- These issues should also be discussed (through the project intranet) throughout the project for improved peer learning.
- Within the infrastructure sector, it was decided to focus on water.
- In scenarios where different sources provide different data, it will be up to each institution to chose the most reliable source, also taking into account which of them have most decision making power and is distributing the funds, and to consistently stick to the one source.
- In order to avoid cases like the Karnataka budget case, all disaggregated budget info should be adapted to the target audience, e.g. compressed to 3 pages for community groups.

## **Project Evaluation**

### **Discussion:**

- The additional need for qualitative impact research on the institutions was noted.
- The possibility of unintended consequences (e.g. hostility by government) was raised, and questions regarding how to mitigate them.

### **Decisions:**

- The qualitative impact analysis of institutions can be done annually at GDN's annual conferences.
- NORC will distribute the M&E reports back to the respective institutions continually, and request annual self-evaluations from all the institutions.
- Unintended consequences will be discussed further throughout the project planning and implementation.

### **Roles and responsibilities of core partners**

#### **Discussion:**

- The initial partners were asked to act as core partners the first project year.
- Questions were raised on whether there is a need for core partners after the first project year, especially because of the added administrative work for the selected institutions.
- The benefits of core partners will include decentralized administration for peer review as well as for continual purposes after project completion. GDN noted that they are currently finding it very beneficial to work through their regional network partners for exactly these reasons.
- One option suggested was to rotate the role of core partners every year.

#### **Decisions:**

- The initial partners present at the meeting were willing to function as core partners for the first project year.
- It was decided to let the matter of core partners be demand driven, i.e. re-evaluate the need for them after completion of the first project year.
- Important dates and deliverables must be defined as soon as possible in the project work plan to ease the matter of taking on the core partner responsibilities, especially for institutional capacities reason.

### **Project reporting**

#### **Discussion:**

- The project budget will follow the British FY; April – March.
- GDN will provide all the necessary templates to the partner institutions.
- For the first quarter of the first year of the project, the institutions will receive funds ahead of time. From second quarter onwards, funds will be of reimbursement manner.
- Carrying surplus or deficit can not be done across FY, i.e. institutions can not move any activities across FY.
- An inflation per cent of 2.5 per cent per year is added onto the funding in the budget.
- The currency conversions from British Pounds to American Dollars to the different local currencies poses problems when breaking the pool of funding into grant to each institution, especially because of the weak dollar.

**Decisions:**

- The Project Completion Report will be due in August-September 2013.
- Annual auditing needs to be a requirement for the additional partners, stated in the CFP.
- The institutions were ensured that if there are strong reasons for why any activity needs to be moved across FY, as long as the reasons are stated clearly, exceptions it should be possible.
- One solution to the potential losses for the individual institutions regarding the grants can be reduce the numbers of additional partners, e.g. to a total of 15 project partners. This issue will be discussed further between the partners.

**To be circulated after the meeting:**

- Updated analytical and engagement strategy/work plan (R4D)
- Budget template, including the rules and criteria explained (GDN)
- Karnataka budget from TAP (R4D)
- Accompanying materials on technical activities distributed before the workshop in May 2009 (R4D and GDN)

**Annex 4.2 - Selection Process**

- The plan is to have up to 15 additional partners for this project; however, this number is subject to change based on GDN's conversation with DFID in light of the major decline of the GBP.
- There will be 2-3 additional partners from each initial partner's regional network. There will be 2 networks for sub-Saharan Africa, 1 network for Central and South America, and 2 networks for Asia (South Asia and East Asia).
- The selection process will take place in two stages (described in more detail below).
- Although all members of the selection committee will weigh in on the decision of additional partners, the final decision will be made by GDN.
- Following stage 1 and 2 of the selection process, the GDN RNPs will be referred to for their inputs and views on the shortlisted organisations. The GDN RNPs have comprehensive knowledge of the regions which will be useful.
- The following timeline is proposed:

**Table 7**

Call for Proposals advertised by GDN	5 January 2009
Proposals Due	12 February 2009
GDN/R4D complete first stage & distribute eligible proposals to selection committee	19 February 2009
Completed scorecards submitted to GDN/R4D	26 February 2009
Scores averaged for each region & regional short-lists sent to GDN	28 February 2009
Regional short-lists sent to RNPs for their inputs	28 February 2009
Final selections made by GDN after consultation with DFID country offices & RNPs	28 March 2009

### *Stage 1 of Selection Process*

The first stage of the selection process is an initial filter of proposals by GDN and R4D. One representative each from GDN and R4D will go through each of the submitted proposals and disqualify any that do not have a complete proposal or that do not meet basic qualifications (non-governmental organisation based in a developing or transition country in one of the above regions).

### *Stage 2 of Selection Process*

Following Stage 1, eligible proposals will be sent to members of the selection committee(s), along with scorecards and criteria which should be used to grade each proposal. In addition to scoring each assigned proposal according to the criteria, selection committee members will be asked for each proposal if they hold serious reservations about funding them (regardless of the score).

Proposals will be divided into five regional groups, and there will be a four-member committee for each region. Each selection committee will be comprised of one GDN representative, one R4D representative, one “internal” partner representative (inside regional group), and one “external” partner representative (outside regional group). The selection committees will be:

South Asia	GDN Rep, R4D Rep, CBPS Rep 1, ISODEC Rep 1
East Asia	GDN Rep, R4D Rep, CBPS Rep 2, NEPPU Rep 1
South and West Africa	GDN Rep, R4D Rep, ISODEC Rep 2, CIUP Rep 1
East Africa	GDN Rep, R4D Rep, IEA Rep 1, NEPPU Rep 2
South & Central America, Central Asia	GDN Rep, R4D Rep, CIUP Rep 2, IEA Rep 2

Each Committee will only be responsible for scoring the proposals in their assigned network. Partner organisations are welcome to select their own representatives in any way they see fit. For example, NEPPU can select 2 different individuals to fill the selection committee spots, 1 individual for all 2 committees, or any other combination.

After all committee members finish scoring proposals, network “shortlists” will be created based on the sum of the scores from all selection committee members. The shortlists (ranked according to sum of scores) will be sent to GDN who will select the final 2-3 partners for each network. Individual selection committees may have phone conferences if there appear to be vastly different rankings of applicants across selection committee members; however, conferences may not be required. Following this submission of scores and shortlists, GDN will confer with RNPs for further information about shortlisted applicants.

### Selection Criteria for Additional GDN Partners

Selection Committee members will read each proposal assigned to them and score them according to the guidelines below. For selection purposes, there will be four main categories, with specific indicators within each of these categories. The four main categories will be weighted in the following way:

Quality of Application	40 per cent
Capacity of Applying Organisation	25 per cent
Feasibility and Value of Proposed Study	25 per cent
Proposed Dissemination Activities	10 per cent

Within each of these categories, there will be certain indicators. Indicators will each be scored on a scale of 1 – 10 (10 being highest/best score). Below is a list of possible indicators. We ask that each initial partner consider the list of indicators and, for each individual indicator, answer the following questions:

1. Is this an important indicator to include, or should it be removed from the list?
2. Is it clear what this indicator is trying to measure? If not, please suggest an alternative wording for the indicator.
3. Is this indicator in the correct category? If not, in which category should the indicator be?
4. Should this indicator get an equal weight as the other indicators in this category? If not, please propose a weighting within the category.

In addition to the questions above for listed indicators, please tell us if there is any additional indicator(s) that you would include in the list (and what category that the indicator would go under).

S. No.	Criteria	Indicator	Weight
1.	Quality of Application	Quality of proposed methodology and initial work plan	
		Quality of proposed initial work plan	
		Well-defined project budget in line with project scope	
		How well project fits into organisation's institutional strategy	
2.	Capacity of Applying Organisation	Level (quantity and quality) of past experience in conducting quantitative policy analysis	
		Level (quantity and quality) of past experience working with policymakers	
		Presence and expertise of analytical staff (strength)	
		Perceived ability to access necessary and	

		quality data to complete study	
		Organisation's potential for expansion in the research area	
<b>3.</b>	<b>Feasibility and Value of Proposed Study</b>	Quality of plan to overcome country governance/transparency obstacles for country's below a certain score (see note below)	
		Demonstrated understanding of the national budget processes	
		Value of previous studies on PEM in the applicant-specific country	
<b>4.</b>	<b>Proposed Dissemination Activities</b>	Quality and likely impact of communication and dissemination plan	
		Responses of policymakers to applicant's past research/dissemination	
		Presence of communications expertise on staff	

For Indicator 3.1 – this indicator is specifically for organisations operating in “high risk” countries. Using one or more standard governance indicators (such as Freedom House, Kraay-Kaufman, etc.), GDN will select a cut-off for countries that it considers to be “high risk” – i.e. countries with closed governments where doing this type of study could be extremely difficult. This cut-off score will be listed in the CFP, in addition to a list of countries that fall below that score. Applicants located in these “high risk” countries will be asked to provide a narrative in their proposal outlining how they will be able to overcome the challenges of gaining access to information and policymakers such that they will be able to complete this project successfully. With regard to scoring, we propose that organisations that are not in “high risk” countries would receive a score of 10 for this indicator, which high risk organisations would be scored 1 – 10 based on their explanation of how they would overcome these challenges.

### Annex 4.3 - Selection Criteria Scorecard

Criteria	Score (out of 10)	Comments
<b>1. Quality of Application</b>		
<p>1a. <i>Is the proposed methodology and initial work plan of high quality?</i></p> <p>1b. <i>Does the project fit into the organisation's institutional strategy?</i></p> <p>1c. <i>Is the project budget well-defined and reasonable?</i></p>		
<b>2. Capacity of Applying Organisation</b>		
<p>2a. <i>Does the applicant have quantitative and qualitative experience in conducting quantitative analysis?</i></p> <p>2b. <i>Does the applicant have quantitative and qualitative experience working with policymakers?</i></p> <p>2c. <i>Are there qualified analytical experts on staff?</i></p> <p>2d. <i>Is there a perceived ability for the applicant to access necessary and quality data to complete the study?</i></p> <p>2e. <i>Is there a perceived ability and interest for the applicant's potential for expansion in the research area?</i></p>		
<b>3. Feasibility and Value of Proposed Study</b>		
<p>3a. <i>Does the applicant have a plan to overcome country governance/transparency obstacles (for country's below a certain score, specifically for applicants in "high risk" countries)</i></p> <p>3b. <i>Does the applicant show a clear understanding of the national budget process?</i></p> <p>3c. <i>What is the value of previous studies on PEM in applicant's country and does applicant seem to show an understanding of these studies?</i></p>		
<b>4. Proposed Dissemination Activities</b>		
<p>4a. <i>Does the applicant have a high quality communication and dissemination plan that is likely to make an impact in the applicant's country?</i></p> <p>4b. <i>Are there communications experts on staff?</i></p>		
<b>TOTAL SCORE (Weighted - out of 10)</b>		
<p><b>Please use the space below to comment if you have any hesitation about funding this organisation, regardless of the Total Score.</b></p>		

## Annex 5 – Web Update for your programme



### **Analysis that Aims to Improve Evidence-Based Resource Allocation**

Policymakers in fifteen developing countries in Latin America, South, East and Central Asia and Sub-Saharan Africa will soon have access to evidence-based policy options for improving budget allocations in health, education and water. The Global Development Network (GDN), in partnership with Results for Development (R4D), has embarked on an ambitious five year DFID funded project titled “Strengthening Institutions to Improve Public Expenditure Accountability”.

Funded by the Department for International Development (DFID), UK through its Governance and Transparency Fund, this exciting project aims to strengthen the analytical underpinnings of the policy debates around public expenditure priorities, with clear development benefits. In launching the project, GDN announced the selection of partner institutions that will design policy alternatives for effective allocation of resources for national development. Five Regional Committees have selected these partner institutions from approximately 100 applications received from 36 countries. In total, 15 partner institutions from Argentina, Armenia, Bangladesh, Ghana, Guatemala, India, Indonesia, Kenya, Mexico, Nepal, Nigeria, Peru, Philippines, Tanzania and Uganda are participating in this project.

The project is building and strengthening institutional capacity of 15 research institutions in 15 countries for public expenditure analysis, developing policy alternatives and disseminating in a peer learning environment. It will produce internationally comparable information on public expenditures; incidence (who benefits), effectiveness, and policy reforms in the social sectors and infrastructure. These will begin to build institutional benchmarks for the quality of public spending; create a strong network of institutions to share training materials, templates for analysis and communication, and examples of analysis that other organisations will be able to adapt for their own use.

## Annex 6 - Annual Work Plan

Step/Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
GDN to advertise CFP for additional partners	xx														
GDN and R4D to select additional partners		xx	xx												
Partner institutions to develop 5 year work programmes with lead mentor and programme managers in consultation with GDN and R4D			xx	xx											
Partner institutions to submit Partner Project Inception report to GDN by 15th March			xx												
GDN and R4D to submit Project Inception Report to DFID			xx												
<i>Evaluation: NORC to conduct baseline</i>					Xx	xx									
Three day introductory and planning meeting (18-20 May 2009) [1]					Xx										
Partners to submit annual narrative report						xx									
GDN and R4D to prepare and submit first Annual Report to DFID (by 30 June)						xx									
Partners to initiate and implement analytical work of Phase 1 of Programme Budget and Expenditure Analysis (PBA) in social and infrastructure sectors					xx										
Partners to submit initial report on PBA to GDN and R4D and receive comments											xx				
<i>Evaluation: Baseline of policymakers conducted</i>					xx	xx									
Partners to implement study (Phase 1) on evaluating the benefit incidence (BI) of specific programmes in education, health and infrastructure. Undertake simulations showing how benefit incidence could be improved and develop engagement strategy around the results					xx										
Partners to submit initial report on BI Phase 1 to GDN and R4D and receive comments										xx					
Partners submit Phase 1 final report on BI											xx				

Partners to implement communications work for BI Phase 1											XX	XX			
Bi-monthly phone/video conferences between partners and GDN and R4D for progress updates					XX		XX		XX			XX			
Partners to submit brief bi-monthly progress reports to GDN and R4D						XX		XX		XX					
GDN and R4D to bring in subject matter consultants as and when required				XX				XX							
GDN and R4D to comment on partner reports and distribute reports among partner networks									XX	XX	XX				
<i>Evaluation: Baseline report completed</i>									XX						
Two or three day Regional Workshops for Peer Learning (as required but not intended to occur in 2009)									XX	XX					
Partners to submit reports to GDN and R4D (Jan 2010)												XX			
<i>Evaluation: Monitoring survey distributed to partners and completed forms back to NORC by mid-December</i>												XX			
Peer learning and technical training workshop at the GDN Annual Conference[2]													XX		
Partners submit communication reports for programme budgeting and BI to GDN and R4D														XX	XX
Partners to continue to work on benefit incidence analysis and initiate analysis of cost effectiveness Phase 1 of three social/infrastructure programmes													XX	XX	XX
<i>Evaluation: Monitoring report completed</i>													XX		
Bi-monthly phone/video conferences between partners and GDN and R4D for progress updates														XX	XX

[1] Workshop to include technical training sessions on analyzing programme budgets and evaluating benefit incidence of programmes in education, health and infrastructure; individual sessions to discuss partner specific plan and needs and NORC to present evaluation plan.

[2] Workshop will highlight programme budget analysis and BI and related communication work of partners, completed over the past year; include technical sessions on evaluating cost effectiveness of programmes in education, health and infrastructure; individual sessions for partners; NORC to have a 90 minute interview with each partner on communications plan and developments at the partner and in the country.

## **Annex 7 - List of Countries Where Activities Will Take Place**

1. Argentina
2. Armenia
3. Bangladesh
4. Ghana
5. Guatemala
6. India
7. Indonesia
8. Kenya
9. Mexico
10. Nepal
11. Nigeria
12. Peru
13. Philippines
14. Tanzania
15. Uganda

## Annex 8 - List of Implementing Partners

<b>S. No</b>	<b>Country</b>	<b>Institution</b>
1.	Argentina	Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC)
2.	Armenia	Advanced Social Technologies (AST)
3.	Bangladesh	Unnayan Shamannay (US)
4.	Ghana	Integrated Social Development Center (ISODEC)
5.	Guatemala	Fundación para el Desarrollo de Guatemala (FUNDESA)
6.	India	Center for Budget and Policy Studies (CBPS)
7.	Indonesia	Center for Economics and Development Studies, Faculty of Economics, Padjadjaran University (CEDS)
8.	Kenya	Institute of Economic Affairs (IEA)
9.	Mexico	Graduate School of Public Administration and Public Policy, Tecnológico de Monterrey University (EGAP)
10.	Nepal	Policy Research and Development Nepal (PRAD)
11.	Nigeria	Center for the Study of the Economies of Africa (CSEA)
12.	Peru	Research Center of the University of the Pacific (CIUP)
13.	Philippines	Center for Research and Communication (CRC)
14.	Tanzania	Economic and Social Research Foundation (ESRF)
15.	Uganda	Economic Policy Research Center (EPRC)

## **Annex 9 – Country Context Statements from 11 Additional Partners**

### **Advanced Social Technologies - Armenia**

#### **Political and Institutional Framework**

Armenia is a transition country with significant political and institutional heritage from its Soviet past. It is recognised as fairly advanced, compared to its former Soviet partners, in areas such as economic liberalization and freedom, governance institutional reforms, budgeting, etc. However, there are many areas where Armenia has not progressed as desired compared to some of the other post-Soviet countries. For example, the levels of corruption, transparency, the democratic elections systems, etc. have not seen change.

Institutions such as the Parliament and Control Chamber (External Auditor), as well as media lack public support in demanding the Executive to speed up reforms. This leads to a reforms strategy that is facilitated mostly by the Executive (supply side). This leads to a situation where reforms take place in areas which are least challenging, requiring minimal political courage and efforts. It also leads to a situation when basic institutions (e.g. the Parliament and Judiciary) do not perform effective counter-balance roles to the Executive. As a reflection of such an environment, the economy develops in a non-sustainable fashion. For example, the high dependence on external transfers and lack of internal fair competitive environment has brought the country to a situation where the whole economy is highly sensitive to external shocks. Domestic product has over-valued the construction sector, and the industry has not performing since a decade. High level of monopolization of key economic sectors and high (fiscal and political) dependence on specific economic groups have also led to economic protectionism (lobbying of narrow interests in the fiscal area) and crowding-out effect of many small players.

#### **Key Features of the Main Actors**

The principal decision makers are formal and informal actors directly linked with the Executive and Legislature. Most of the political, economic and social power is concentrated with the institutions and parties at the national level. Those include the president's institution, government, key ministries and ruling political parties that are members of the coalition government. For some of the aspects of reforms, international donors and diaspora members also play a noticeable role. The latter is concentrated mainly in infrastructure and economic development and partially in institutional (governance) reforms.

As the country is quite small in its size, local governments do not play a significant role in the economic and social aspects of the country. The resource package for local governments is minimal; therefore the real influence of those is noticed only during local and national-wide political processes but not economic and institutional reforms.

As a rule, NGOs do not have much power and support from key players. The only visible exclusion from the above is the active role of NGOs in environmental issues. Unfortunately, the NGOs (as well as think-tanks and other similar institutions) do not play an active role in policy formulation and

advocacy processes. This is due to both the lack of capacity of such institutions (as many of those are in their pre-mature stage) and lack of demand for such a role from the government bodies, which act as the only policy formulation, implementation and monitoring players.

The continuous debate with one of its neighbours over a disputed territory has brought new classes of power which play a role in the social, political and economic reality. As in the case of any other country, the existence of an 'external threat' allow some political and social power groups to play a greater role in the country's life. Such an 'external threat' allows the government to consolidate resources over that threat but undermine the internal threats linked with underperformance of required reforms in political and social aspects. The evidence and recognition of such a situation, both internally and externally, by international organisations is reflected in many accusations of the Judiciary linked to political powers (especially in cases when election results are disputed by the opposition). To appreciate the existing progress, however, it is also worth mentioning the progress of Judiciary in the non-political areas (e.g. financial and economic cases).

Another social player in the country is the diaspora, which has some influence over a few political parties and has a significant impact in the economic life. In the area of the project's main interest, the summary of reforms is as follows:

Armenia has launched comprehensive Public Financial Management reforms and initiated rolling out of those techniques to line ministries. However, the country still lacks proper implementation of contemporary policy-based budgeting technologies at the line ministries level. They lack capacity of formulating research-based policies, effectively linking policies with budgets and monitoring and assessing the impact of implemented policies.

The policy-budget dialog of a line ministry with the Ministry of Finance takes place during each budget cycle. However, most of the decisions during these negotiations underutilize sector policy analysis due to its absence or poor quality. In many cases, decisions are made using input norms. Lack of research-based policy proposals results in Ministry of Finance rejecting many good, however poorly backed-up ideas.

### **Center for Economics and Development Studies, Faculty of Economics, Padjadjaran University - Indonesia**

#### **Political and Institutional Framework**

The main contributor to the Indonesian economy lately has shifted to services sector. The sector's contribution to the overall economy has increased to around 44 per cent in 2008. This implies that the increasing contribution of the service sector occurs at the cost of a decreasing role of the primary (agriculture and natural resource) sector in the economy. In terms of employment, agriculture is still the largest absorber (about 40 per cent in 2008), followed by trade sector that account for about 21 per cent of the total employment. The huge share of employment in these two sectors is filled up

by unskilled labour who works for the informal part of these sectors, which gives no guarantee for an adequate access to suitable services on education, health and sanitation. In other words, labour that depends on the informal sector relies on government's programmes in providing such services heavily.

The legal rights for Indonesians to participate in programmes related to education, health and water is essentially being mandated in the country's 1945 Constitution, where people rights and access to obtain basic education, health and water is guaranteed by the State. Recently, access to the related information on these issues has also been strengthened through the law no. 40/1999, which assures people's right to get all the necessary information on issues related to their interest. This is accompanied by the rise of the role of the representative democratic system that allows people's voice in public choice determination in both local and central level of the government.

The representative democratic system has also enabled more active people's participation in examining the accountability of programmes launched by the government. This system mainly works as the formal vehicle for conducting public oversight mechanism in the country. Functions and responsibilities in managing programme delivery are divided among different levels of government, i.e. Center, provinces and districts. In terms of programmes related to education, health and water, provisions are mainly the domain of the district level government, while the role of the Center is mainly on ensuring uniform standard in public services delivered by the district government.

Institutions involved in economic activities are mainly divided in to formal and informal institutions. The formal institutions are mainly represented by government sector and established private players with a medium to large scale of economic activities. Although they occupied a large chunk of the economic activities in the countries, the role of informal sector can not be neglected, particularly in absorbing employment in the country.

### **Key Features of the Main Actors**

In terms of delivering programmes related to education, health and water, central government plays a directing role through the national planning agency, which sets out the medium to long term development plan, and the Ministry of Finance, which sets out the government budget every fiscal year. The budget includes the proposed allocation of funding given the line ministries for programmes that run under their directives. The proposed budget receives approval from the parliament before it takes effect. A similar process is adopted for the local budget at the regional and local levels.

In its implementation, the programmes also receive supports from donor, both directly through support for government programmes and indirectly through their advocacies or other activities, e.g. the World Bank, and other donor agencies. Other, mainly local, NGOs are also actively involved in monitoring the process of government's programmes implementation. Their contribution can take form by directly supporting the government programme, e.g. GeMaRI in Aceh province that aims to provide support for increasing literacy.

Although what GeMaRI does supports one the government programme, it does so independently. An example of social movements that does not align to the government is what done by Indonesian Corruption Watch (ICW). ICW monitors the accountability of the government programmes implementation, including those of education and others.

### **Social and Political Landscape**

The current government is supported by the majority of the parliament members. However, the support within the parliament is not made of a single party but through political party alliances. This situation forces the government to distribute power through ministerial appointments. Therefore, the president does not possess 100 per cent discretion over appointing ministers and in certain cases has to sacrifice a merit base process of appointment.

For the last 30 years before the Asian crisis, Indonesian did not have a balance of power among legislative, executive and judiciary. The Executive has possessed a dominant power in the Soeharto era. However, things have change after the reform initiated by the crisis. Indonesia has now progressed into one of the biggest democracy. The reform has been accelerated, particularly during the period of the incumbent government. Public role in overseeing mechanism through judiciary process has been strengthened significantly, e.g. through the establishment of the powerful Indonesian anti corruption committee.

Religious group role is increasing as an informal power structure in influencing the development process. Their influence takes at least two different avenues: (i) Through their influence on political parties that are religious based, and (ii) through their direct contribution in establishing schools, hospitals and other public facilities.

### **Recent Events**

The recent democratization and decentralization process in Indonesia play a significant role in increasing the potential success for government programmes implementation, particularly in relation to education, health and water. These programmes are directly related to peoples' welfare and their daily activities. Given the more democratic environment in place, better public control and oversight mechanism is improving in the country.

### **Center for Research and Communication – Philippines**

The democratic principle of accountability has been largely incorporated into Philippine society. This is reflected in the widely contentious political episodes in the country's recent history when two presidents on individual charges of authoritarian rule, cronyism and corruption, had been booted out of office through the collective mobilization of public protest and subsequent withdrawal of popular support. Clearly, this period in Philippine history demonstrated the awesome potential of the country's sphere of social movements, non-governmental organisations (NGOs), civic associations and religious organisations (e.g., Catholic Bishops Conference of the Philippines), and people's organisations, in demanding accountability from the ruling

government. These groups' significantly fostered awareness and understanding of key national issues, acquired media attention (print and broadcast), activated and exercised oversight over political institutions and legal processes, and invited public support and participation.

Today, these groups of people, appropriately called Civil Society, not only continue to mobilize rallies and other protest actions but have institutionalized their access to power and democratic space in the country's policy processes. Essentially, the restoration of democratic processes has enabled them to forge strategic partnerships with the State and other sectors in the creation of new structures, institutions, and viable alternatives and policies that could improve the health of Philippine democracy and its economic well-being. The Ninth Philippine Congress enacted a party-list law, Republic Act 7941, which provides for a system of proportional representation in the election of Representatives from national, regional and sector parties, organisations or coalitions. The Local Government Code of 2001 through a system of decentralization has likewise given local government units more powers, authority, responsibilities, and resources.

### **Economic Performance, Key Economic Structures and Institutions**

For perspective, the Philippines, a country spanning a total land area of approximately 300,000 sq. km. (115,830 sq. miles) and a population of 88.57 million and a population growth of 2.4 per cent (2007), is currently weighed down by the global financial crisis, posting declines in manufacturing and trade (currently the economy's main growth drivers) and registering a GDP growth of 0.4 per cent from 3.9 per cent during the first quarter of 2009. However, the demand for the services of the country's overseas workers continued to grow as their sustained deployment contributed to the robust growth of Net Factor Income from Abroad of 40.8 per cent from 36.2 per cent in 2008, pushing GNP to grow by 4.4 per cent from 6.4 per cent the previous year.

For the country's economic managers, a daunting challenge is the fact that the Philippine economy is now teetering into recession as seasonally adjusted GDP sank by 2.3 per cent, the lowest for the past 20 years. This state of affairs will definitely impact on the country's goal of reducing poverty incidence and improving employment generation. According to the official figures from the National Statistical Coordination Board, some 32.9 per cent of the population, or 27.6 million Filipinos are poor. This shows a reversal of the trend experienced in 2003, when the poverty incidence fell to 30 per cent from 33 per cent in 2000.

### **Political and Institutional Framework**

The President of the Philippines functions as both head of state, head of government, and commander-in chief of the Armed Forces. The president is elected by popular vote to a single six year term, during which time he or she appoints, and presides over the Cabinet. The bicameral congress is composed of a Senate, serving as the upper house whose members are elected to a six year term, and a House of Representatives (the lower house), whose members are elected to a three-year term, and are elected from both

legislative districts and through sector representation. The judicial power is vested in the Supreme Court.

A raging political issue in the Philippines is the call of various political groups/affiliations towards a change of the current presidential form of government to a federal, unicameral or parliamentary government through charter change. Despite the constitutional mandate allowing a multiparty system in the Philippines, political parties, in general, are either administration parties or opposition parties that promote their own interests and agenda.

### **Key Features of the Main Actors**

All departments and line agencies of the Philippine government propose a budget to the Department of Budget and Management which consolidates the budget for presentation to the Philippine Legislature for justification. A law is subsequently enacted to support this budget. This guides the President/Executive department in the implementation of programmes and projects aligned with the General Appropriations Act. Government agencies and institutions mandated to serve as instruments in the achievement of socioeconomic and political development goals include: the Department of Budget and Management which is tasked to promote the sound, efficient and effective management and utilization of government resources; the Department of Finance, tasked with revenue generation, resource mobilization and fiscal management and to investigate and arrest illegal activities such as smuggling, dumping, illegal logging; and the Bangkok Central nag Filipinas, to provide policy directions in the areas of money, banking, and credit. Its main objective is to maintain monetary and price stability conducive to a balanced and sustainable growth of the economy.

### **Social and Political Landscape**

The accountability of public officials in the Philippines is well enshrined in Article XI of the 1987 Constitution, which describes in detail their obligations and the available mechanisms that will check the exercise of their authority. In particular, it provides in detail an impeachment procedure and the creation of an independent ombudsman and a special anti-graft court called the Sandiganbayan. This is notwithstanding the offices especially created by the government such as the Presidential Anti-Graft Commission for presidential appointees and the Office of Ethical Standards and Public Accountability for the military. The Office of the Ombudsman is intended to be the lead agency for enforcing accountability. The Office of the Ombudsman was a post-EDSA political innovation (end of Marcos era), guided by the idea of an independent institution empowered by the constitution to serve as a watchdog against the abuse of public office.

### **Recent Events**

The Philippine government accepts the view that successful economic growth and effective governance cannot be achieved without a strategy for socio-economic reform. It has therefore formulated a series of medium term development plans and enacted laws to address public accountability. The Anti-Red Tape Act of 2007, for example, aims to improve public service specifically frontline services rendered by client-heavy agencies. It applies to

all Philippine government offices including local government units and government owned and controlled corporations that provide frontline services. With the Act, lengthy procedures, unreasonable paper requirements and padded fees will hopefully be addressed and stopped. The Anti-Money Laundering Act of 2001 which punishes a crime whereby the proceeds of an unlawful activity are transacted, making them appear to have originated from legitimate sources. In addition, an important element for this project's success is the strong support of media to accountability reform initiatives through the dissemination of the successful intervention of civil society that help expose official misconduct and government wrongdoing. Apparently, this so-called "watchdog" journalism that scrutinizes the activities of the State and its officials offers a great opportunity towards ensuring the protection and promotion of public interest and the pursuit of transparency and accountability in governance.

### **Center for the Implementation of Public Policies Promoting Equity and Growth- Argentina**

#### **Political and Institutional Framework**

The beginning of the 21<sup>st</sup> century was somewhat problematic for Argentina. Following a deep recession that had started in the second half of 1998, the end of 2001 witnessed the fall of the Alianza's government<sup>14</sup> and the collapse of the convertibility regime. In this context, 2002 was a turning point in Argentina's modern economic history. The domestic Central Bank abandoned the fixed parity between the national currency and the US dollar that characterized the convertibility regime and replaced it with a system of 'dirty floating'. After 11 per cent fall in the GDP, real GDP growth was about 8.5 per cent for the next 6 years, a rate much higher than the historical country's average. In addition, the external current account changed its position from deficit to surplus. In 2009, because of the international crisis and also influenced by internal political and economic issues, a more uncertain scenario is arising.

On the fiscal side, following the currency devaluation, the National Government introduced a novelty in the tax structure: export tariffs on tradable primary commodities. Based on such a change and on the growing tax collection promoted by the boosted economic activity, the Government managed to turn the external surplus into a positive fiscal balance. In this sense, during the last six years, consecutive primary and financial fiscal surpluses (3.2 per cent and 1.4 per cent of GDP on average respectively) were something new for a country with a long history of fiscal deficits.

However, despite these macroeconomic improvements, there are still many challenges to be faced. On one side, the social situation is still severe. The reduction in poverty levels between 2003 and 2006 was stopped by the

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<sup>14</sup> The Alianza was mainly constituted by one of the oldest and most traditional Argentine political parties Unión Cívica Radical (UCR), and the Frepaso, which, in turn, was made up by small political parties. Former president Fernando de la Rúa was appointed on December 1999. Vice-president Carlos Alvarez, from Frepaso, quitted on October 2000, and on December 20<sup>th</sup> 2001 De la Rúa's government finally collapsed. After having 5 presidents in 10 days, on January 2<sup>nd</sup> 2002 Eduardo Duhalde was appointed by the National Congress.

acceleration of inflation since 2007. According to private estimations<sup>15</sup>, the poverty rate fell to 26.9 per cent in the second semester of 2006 (from 54 per cent in the first half of 2003), but increased to almost 32 per cent in the first half of 2008. Income inequality has also remained as one of the biggest problems in Argentina, with the richest 10 per cent of the population earning almost 30 times more than the poorest 10 per cent.

On the other side, notwithstanding the progress on the public accounts, there are many issues to be addressed regarding the use and distribution of public funds. As it is known, Argentina is a federal country, with expenditures and resources responsibilities distributed between the Nation and provincial governments. As sub national levels delegated the collection of certain taxes to the central government, while the National government delegated the provision of public services to the provinces, vertical disequilibria has become a major problem, with provinces spending 48 per cent of total expenditures and collecting only 17 per cent of total tax income.

Adding more complexity to the federal issue, there are also large disparities in provincial fiscal capacities, due to unequal institutional capacities as well as diverse productive structures. Therefore, federal dependence and public resources per capita vary greatly.

These disparities, together with the lack of a redistributive mechanism in the federal transfers, imply that both the quantity and quality of the public services greatly vary among different provinces. For instance, there is a wide dispersion of the resources that the provinces commit to education with respect to total spending, with the province of Buenos Aires (the biggest of the country) allocating the highest proportion of its total budget on education (34 per cent). However, despite of this high budget effort, it is one of the provinces with lowest spending in education per student. And, partly as a consequence, it is one of the provinces mostly affected by teacher strikes. Meanwhile, provinces in the south (like Santa Cruz or Tierra del Fuego), with the highest per capita resources of the country and lowest population, can afford a much more elevated level of spending per student, with a low budget effort.

Another important concern relates to the discretionary power that the national executive branch has to make use of public funds. This is explained by certain specific dynamics of the budget process. For example, legislator's dependence on party leadership encourages voting along party lines. Thus, whenever a governing party controls both houses – as it has been the case since 2003-, the role of Congress role in budget control and accountability is diminished. Furthermore, superior technical capabilities allows the Executive to incur in practices such as the over or underestimation of revenues with the purpose of gaining discretionary power over the budget; and its ability to control changes during the budget execution is increased by the use of presidential decrees.

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<sup>15</sup> SEL Consultant, Julio 2008. Private estimations are used instead of official ones because of the Government intervention in the National Institute of Statistics (INDEC) that affects inflation measures.

Moreover, during the last couple of years different governmental initiatives have cast shadows on the use of public resources. The most recent one was the elimination of the private pension system and the transfer of its funds to the ANSES (the national administration of social security). Although by law there were established some monitoring bodies, in practice they are not at work and funds are being used without much control. This is particularly important in a year affected by the international financial crisis and with legislative mid-year elections. Thus, there has been an increasing concentration of power within the national executive branch, with little control from the Congress and weak checks by the provincial governments. As a consequence, government spending remains highly discretionary, yielding inefficiencies which are further compounded by the lack of an accountable budget system. As a result, spending is often unrelated to pressing social and economic needs, or long-term development goals.

In spite of these difficulties regarding budget transparency and discretionary power, it is worth noticing that in the last couple of years different regulations towards the recognition and guarantee of the right to access to information were approved. Although in Argentina there is not a national law in place, the sanction of the Decree 1172/03 together with the approval of several provincial regulations has been really useful in putting the topic in the discussion agenda and contributing to a deeper recognition by civil society of the importance of this right. These advances in the regulation of this right should also make it easier to collect the information needed to analyze and evaluate alternatives to budget allocations.

## **Center for the Study of the Economies of Africa – Nigeria**

### **Political and Institutional Framework**

Nigeria is the second largest economy in sub-Saharan Africa, and the continent's most populous nation, with a population of 140 million. It has realised over US\$ 1 trillion in oil exports since 1960, and is currently the 8<sup>th</sup> highest net oil exporter in the world. Nigeria's economy is heavily dependent on oil and gas: oil exports constitute 98 per cent of export revenues, 85 per cent of government revenues and around 20 per cent of GDP. The majority of the population is engaged in agricultural activities, which constitute 42 per cent of GDP, alongside smaller urban-based manufacturing and tertiary sectors. In spite of the enormous economic potentials in Nigeria, it has largely failed to live up to the ambitious growth projections that followed the first oil boom in the 1970s. In 2008, it was ranked 154<sup>th</sup> out of 179 countries by the United Nations Human Development Index. Furthermore, up to 70 per cent of Nigerians are classified as 'poor' – subsisting below the national poverty line. Nigeria exists as a federal republic - there are three tiers of government; the federal government, 36 states and a federally administered capital territory, and 774 local government councils, which all receive allocations from a pooled revenue fund according to an agreed formula. There is a National Legislature, comprised of the Senate and Federal House of Representatives. At the sub-national level, each state has an independent House of Assembly, and there are legislative councils in the 774 local government areas. The 1999 constitution provides for separation of powers between the three arms of

government; the executive, legislature and judiciary at all levels. Since 1999, democratisation in Nigeria has thrown up a paradox of decentralisation without improved accountability; while states enjoy fiscal autonomy, and states' spending constitutes 50 per cent of consolidated government expenditure, the national government has no oversight over their fiscal affairs.

### **Key Features of the Main Actors**

After the attainment of independence in 1960, Nigeria underwent a long spell of military rule (with briefly interspersed civil rule) which only ended in 1999, with the full return to democracy. The military era witnessed systemic violations of civil and political rights, and repression of state critics, student activists and the media. The 1999 constitution expressly provides for fundamental human rights to be enjoyed by every Nigerian. However, in reality, citizen participation and access to information, and the accountability of political office holders has remained low. Disregard for human rights is rampant within the notoriously brutal security agencies, and a cumbersome judicial system hampers the respect for the rule of law in the society. Political interference in the judicial system has also weakened the effectiveness of public oversight mechanisms.

Several strategic government agencies, such as the Federal Ministry of Finance, Budget Office of the Federation, Bureau of National Statistics, National Planning Commission, and the Central Bank of Nigeria regularly publish reports and provide data and information on social services such as health, education and water, that can be freely accessed by members of the public from their official archives, or downloaded from official websites. However, there are severe constraints regarding the quality, timeliness and availability of data on public accounts and national finances in Nigeria. These weaknesses are further aggravated by the absence of a constitutional provision that guarantees free access of Nigerian citizens to data on the budget and national revenues. Public oversight at the sub-national level is even murkier, as state governors retain enormous control over revenue utilisation, and thus, the allocation of state patronage. A landmark Freedom of Information Bill was rejected by ex-President Obasanjo in 2007, and subsequently thrown out by the incumbent National Legislature in 2009, while draconian laws on libel and sedition thwart efforts by the media and civil society to promote transparency and accountability in governance.

### **Social and Political Landscape**

Given the country's extreme dependence on oil revenues, public expenditure accountability is the focal point of relations between the government, civil society, ethno-religious groups, labour unions, business associations and other stakeholders. Receipts from international crude oil sales and petroleum profit taxes paid by oil companies operating in Nigeria dominate government tax revenue. The strategic government institutions, in this respect, are the state-owned oil company, the Nigerian National Petroleum Corporation, Federal Inland Revenue Service, Central Bank of Nigeria, Department of Petroleum Resources, Office of Accountant General of the Federation, and the Revenue Mobilization, Allocation and Fiscal Commission. The recognition that poorly monitored oil revenues form a lucrative avenue for the siphoning of

public funds in Nigeria led to greater awareness and legal action to reduce loopholes for political corruption. Presently, utilisation of oil revenues is governed by law in the Nigeria Extractive Industries Transparency Initiative (NEITI) Act 2007. Civil society groups have proved effective in monitoring the NEITI process through a “Publish What You Pay” scheme. This initiative has around 300 Non-Governmental Organisations as members. A DFID-sponsored programme, Coalitions for Change (C4C) has been instrumental in highlighting the weaknesses of the existing NEITI coverage, to extend this to non-renewable extractive industries such as solid minerals, forestry and fishing, and also improve awareness among Nigerian citizens, and compliance by private companies. C4C is a strategic civil society coalition that also works with the National Legislative Committee on Public Procurement and grassroots public accountability groups in promoting citizen participation in the governance process in Nigeria. The C4C coalition is hosted by Transparency in Nigeria, the Nigeria chapter of Transparency International. Other important non-state actors are the Nigerian Economic Summit Group, Manufacturers Association of Nigeria and the Nigerian Chambers of Commerce, Industry, Mines and Agriculture, which provide inputs during the formulation of the federal budget, and regularly interact with public officials to provide feedback on budget performance and policy prerequisites.

Nigeria’s political economy is vibrant, complex and confounding. The return to democracy in 1999 hastened personal and religious freedom and an explosion of extreme politicking, that has been outpaced by the expansion of opportunities for state patronage, and vicious power struggles between factions of the political elite. Against the backdrop of extreme poverty and enormous oil rents, these power struggles have manifested in zero-sum politics, emergence of ‘Godfather’ political magnates, massive electoral fraud, rising crime and youth unemployment, ethnic polarisation, and the subsequent decay of state institutions. The legacy of ex-President Obasanjo has been tainted by flawed elections in 1999, 2003 and 2007, allegations of grand corruption, and human rights abuses, notably in the restive Niger Delta. The current regime, led by the taciturn Umaru Yar’Adua, is faced with a credibility gap, compounded by the slow pace of governance, lack of a coherent policy agenda, and reversal of key reforms started by his predecessor. There are presently 51 registered political parties, the largest being the ruling People’s Democratic Party, which dwarfs the other parties in terms of size and membership. The largest opposition party is the All Nigeria People’s Party (ANPP), followed by the Action Congress. The PDP currently controls 75 per cent of the seats in the House of Representatives and 80 per cent of seats in the Senate. The PDP controls 28 states, while the ANPP controls 7 states, and the AD, 1 state. The PDP has also gained outright control of a decisive majority of the 36 state Houses of Assembly. It is noteworthy that up to eight governorship elections won by the PDP in 2007 were subsequently reversed by the courts, and there are several electoral petitions still making their way through the courts.

Ethnic and religious identities play an important role in Nigeria’s polity and society. The population is almost evenly split between Muslims (50.45 per cent) and Christians (48.20 per cent). A smattering of Animists (1.35 per cent)

in the south completes a diverse religious composition. Nigeria is home to over 250 recognised ethnic groups, the largest being the Hausa-Fulani, Yoruba and Igbo. Political competition fuelled by ethno-religious rivalries has been the source of political instability in the past, notably during the 1967-70 Civil War, and population data are often the source of intense speculation by various interest groups, as revenue allocations from the federal purse are tied to numerical superiority. As the role of the state in the economy declined in the aftermath of the Structural Adjustment Programme (SAP), and the state of public infrastructure worsened, ethnic and religious groups have become increasingly active in providing social services to their members. Similarly, the weaknesses of the political system have encouraged the growth of sub-national ethnic movements that challenge the authority of state institutions. Nigerians respect traditional leaders, often placing more trust in customary rules than the formal institutions of the state. Informal trade and commerce have flourished as employment and economic opportunities have diminished for the teeming population – it is estimated that the size of the informal economy is equivalent to around 90 per cent of official GDP. The role of women in Nigerian society is often underemphasised, in spite of their contributions to subsistence farming, petty trading, small-scale business, and white collar employment. However, Nigeria has a patriarchal society, and more concerted efforts are needed to reduce gender inequality. Given the magnitude of oil rents and limited opportunities in non-oil manufacturing, state patronage continues to play a definitive role in shaping economic, political and social dynamics in Nigeria.

Nigeria has made a laudable commitment to economic reform since 2003, and a National Economic Empowerment Development Strategy was inaugurated in 2004 by ex-President Obasanjo. Underlined by strong oil prices, the reforms resulted in macroeconomic stability and improved public expenditure management, privatisation of loss-making state enterprises, deregulation and liberalisation of strategic sectors, recapitalisation of the banking sector, and an internationally recognised anti-corruption initiative. Since 2006, the US\$1 billion savings from the debt relief granted to Nigeria have been channelled into a Virtual Poverty Fund for priority sectors – education, health, water, housing and HIV/AIDS. Social sectors have also received greater priority in national and sub-national budgets, in the drive to meet the Millennium Development Goals. The appointment of technocrats to key positions in the national government has also opened up the public space to ordinary citizens, and provided a gateway for the participation of civil society groups in budget preparation, monitoring and evaluation.

### **Recent Events**

However, as the preceding discussion illustrates, there are fundamental challenges regarding the management of public finances in Nigeria, and the accountability of public office holders. The *Strengthening Institutions* project provides an invaluable opportunity to build on these modest gains by enhancing the capacity of Nigerian civil society groups to participate in the formulation and monitoring of Nigerian budgets. A comprehensive disaggregation of budgetary allocations across and within the priority sectors (health, education and water), and the identification of beneficiaries of public

funds within various income groups would elicit debates between public officials and civil society groups on fiscal transparency and the effectiveness of service delivery. By extending this project to the sub-national level, an often neglected area, insights on public expenditure management by selected state governments in Nigeria will be provided. In sum, the thrust of the project is specifically geared towards the Nigerian context – it aims to open up the 'budget space' to ordinary Nigerian citizens, enhance civic engagement with the budget process, and improve the efficiency of public expenditure on the social services that are most relevant to the poor.

## **Economic and Social Research Foundation - Tanzania**

### **Political and Institutional Framework**

Tanzania is among developing countries with a total population of about 38 million and per capita income of US\$425. Tanzania is subscribed fully to the global effort of eradicating poverty and alleviating the social conditions of the poor in terms of health, education, good governance, gender balance etc. The global efforts include the Brussels Programme of Action (BPoA) for the least Developed countries for the decade 2001 – 2010. To achieve the BPoA objectives, Tanzania's strategies has been linked to the National Development Vision 2025 and the Poverty Reduction Strategy Paper (PRS1), and now to the National Strategy for Growth and Reduction of Poverty (NSGRP), which is known as MKUKUTA in Kiswahili. NSGRP focus is outcome orientated and organized around three clusters: growth and reduction of income poverty, improved quality of life and social well-being, and governance and accountability.

The Government of Tanzania is committed to good governance<sup>16</sup> as one of the key requirements for attaining NSGRP and hence Millennium Development Goals objectives. Eight attributes to measure good governance include: Participation, the Rule of Law, Transparency, Responsiveness, and Accountability (United Nations 2000). Others include Equity and Inclusiveness, Effectiveness and Efficiency, and Consensus orientation. The election manifesto of the Tanzania ruling party Chama Cha Mapinduzi (CCM) has also defined five attributes or principles for Good Governance (CCM 2005). These are: Sovereignty of the People; The Rule of Law; Accountability; Integrity and the Fight against Corruption.

A National Framework on Good Governance has been issued to elaborate the priority areas for which deliberate interventions need to be focused on in a continuous but stage by stage approach by each of the key players in the Governance System in Tanzania. The players are the Central Government (the Executive, the Judiciary and Legislature); Local Government (and its agencies); Civil Society (and its organisations); Private Sector (and its organisations); and Co-operating Partners in Development. The objective of the framework is to help facilitate improved co-ordination of the various

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<sup>16</sup> UNDP defines *Governance* as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. Good governance is the presence of the rule of law, and subsequently absence of abuse, violation of human rights, corruption, among others.

governance reforms and to identify specific areas for a targeted approach in supporting governance initiatives. The framework has also identified institutions and reforms required in achieving the stated governance goals in the focus areas. The focus areas include: people's participation in decision making for social, political and economic development; private sector and regulatory framework; constitutionalism, rule of law, administration of justice and human rights protection; gender equity and equality; accountability, transparency, and integrity in the management of public affairs; electoral democracy; and public service.

The right to be informed, to access and disseminate information is recognised in Article 18(1) and 18(2) of the Government Constitution. NSGRP recognises public access to information as a human right as well as key means to facilitate effective policy implementation, monitoring and accountability. Though Tanzania does not have a law on public access to information, she has a number of legal and institutional reforms which aim at strengthening linkages between government and citizens, public participation and government accountability. Most notable ones are: local government reforms, which seek to devolve power and resources, and public sector reforms that seek to improve government performance, service delivery and responsiveness. The rapid increase in the establishment in private media and civil society organisations in recent years has also remarkably expanded opportunities for ordinary citizens to gain uncensored information.

Tanzania's economy for the past six years has been growing at a rate of more than 6 per cent annually. Water, education and Health sectors are among priority sectors in the National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA), hence need more attention in monitoring. While the contribution of health sector to GDP increased from 1.4 per cent in 2004 to 1.6 per cent, the contribution of education sector declined from 1.7 per cent to 1.4 per cent respectively and that of water sectors remained constant at 0.3 per cent. The contribution from service sector continued to increase and to account for the largest share of GDP i.e. around 40 per cent.

Non-state actors have been a fundamental to the Poverty Reduction Strategy and the MKUKUTA. They have been active in the implementation of the PRS and its monitoring, and in the design and monitoring of the MKUKUTA. Therefore GDN project which aims at analyzing the national, ministerial and the lower officers' transparency and accountability on public expenditure in health, education and water fits well in this category.

### **Economic Policy Research Center – Uganda**

#### **Political and Institutional Framework**

The Government of Uganda is demanding value for public money. Over the past two decades, government has expanded social service infrastructure such as schools, health facilities and water points. This has in turn ensured improvement in access and use of these services. Challenges of efficiency and accountability still remain. Teacher and health worker absenteeism have been reported to high, the allocation, follow and use of funds not necessarily

geared at improving the population wellbeing. The government is therefore eager for analytical knowledge that can feed into improving its programmes. This is also true for civil society organisations, whose main goals are to complement government efforts. The demand for analytical work has never been greater than today.

This demand for analytical work is within a political and institutional framework. Uganda is governed under a multi-party democracy. Decentralized governance provides the institutional framework for accountability in Uganda while the access to information act of 2005 and the Ugandan Constitution provides the legal framework. The existing political system is decentralized up to the village level, governments at districts and sub-county fully functional. Under the decentralized arrangement, ministries are responsible for policy guidance, technical support, supervision and resource mobilization. The districts and lower local government structures – sub-county and local councils - are responsible for management and delivery of services. The access to information act applies to all information and records of government ministries, departments, local governments, statutory corporations and bodies, commissions and other government organs and agencies. The oversight function is also decentralized. Parliament provides oversight at the national level. The oversight at district and sub-county is provided by councils at respective levels. Finally, management committees provide oversight of public facilities such as schools, health centers and hospitals, and water points.

The structure of the Ugandan economy is undergoing transforming. The services sector accounts for 51.2 per cent of Gross Domestic Product. The agriculture sector, which used to dominate the economy, is growing but its share is declining. Other sectors like manufacturing, transport and communication, and services are experiencing higher positive growth than agriculture.

### **Key Features of the Main Actors**

There are several state and non-state actors. The key feature of the actors is that they operate in a decentralized environment. The decentralization structure is that of districts and sub-counties with respective councils providing oversight. Public facilities like schools and hospitals are also decentralized with management committees providing oversight.

Other than government actors, non-government actors exist. These actors vary from networks, social movements, non-governmental organisations, media to citizen associations. They are also involved in a range of activities from service provision to advocacy. Those that register as non-governmental organisations are governed by the NGO Act of 2006 while the media is governed by the Press and Journalists Act of 1995 and the Electronic Media Act of 1996. The non-government actors have been at the forefront of transparency and accountability. This has mainly been with the budget under the civil society budget advocacy group. Each year prior to the budget, they organize a public discussion on budget priorities. Other than the public discussions, they participate in sector specific working committees.

Donors provide on and off budget support to government. On budget support is contained in the medium term expenditure framework. The off budget support is not. The activities for off budget support are implemented by donors directly or through non-government institutions.

### **Social and Political Landscape**

The political landscape is such that the power is through the vote. The voter is the source of political power. Uganda has several opposition parties. There is not a single formidable opposition and alliances are not usually strong to threaten the ruling party. Uganda generally enjoys independence of all arms of government. The judiciary, the parliament, councils at lower levels of government and management committees at public institutions such as schools and hospitals enjoy a high degree of independence. In the past though, there have been interference by the executive in the judiciary. This was resolved and the judiciary continues to enjoy its independence. Even though the separate institutions enjoy a certain degree of independence, the religious community – the catholic, protestant and the Muslims and now increasingly the Pentecostals do influence public opinion.

### **Recent Events Shaping Opportunities, Constraints and Entry Points**

The significant change (not events) that will make the work on strengthening institutions for public expenditure accountability is the deepening of decentralization. The Uganda parliament and councils at district and bwer levels of government are increasing demanding for results. The line ministries and technocrats at national and lower levels of government are keen to demonstrate their effectiveness. In particular, they are concern is that resources meant to improve the lives of people are used appropriately, that there is no waste.

## **Fundación para el Desarrollo de Guatemala - Guatemala**

### **Political and Institutional Framework**

The recent approval of the Free Access to Public Information Law constitutes a real commitment with the fight against corruption. This legislation comprehends a list of responsibilities with the continuous dissemination of information, granting free access to data related with budget administration and execution.

According to the existing public oversight mechanisms, Guatemala has several institutions that constitute the main political framework to support social rights. These institutions are, among others, the Congress (with 158 members), the General Comptroller's Office, the Ombudsman Office, the Attorney General, the District Attorney and the Tax Administration Agency.

Related with the distribution of power, the Executive, Legislative and Judiciary branches have a constitutional autonomy. Despite this situation, Congress plays a fundamental role exerting certain influence in the control of the Executive, not only by the mechanism of formal interrogation of the civil servants but also by approving the budget and controlling its execution. Because the government is constituted as a centralized administration, local

governments have limited discretion in budget administration, especially in items such as health, education and water services.

Briefly stated, the fundamental characteristics of the economy show Guatemala as an economy based on agricultural products, being coffee, sugar and banana the more representative exports, and services, such as tourism and communications. Per capita GDP amounts to US\$ 2,400, with an inflation rate of 9.6 per cent during 2008 and a flexible exchange rate of about 8.10 quetzals per US dollar. Tax revenues are based on a 12 per cent value-added tax, followed in importance by the income tax (31 per cent to business - alternatively 5 per cent on gross revenue- and 5 per cent to individuals). Tax revenues in 2008 represented about 12 per cent of GDP. The United States is the most important commercial partner, followed by Central American countries taken as a group and Mexico.

### **Key Features of the Main Actors**

Guatemala's three branches of the government are key actors in the society. Several political parties are active. The current government is headed by Alvaro Colom, from Unidad Nacional de la Esperanza – UNE –, supported by the biggest group of members of Congress. Opposition is led by Partido Patriota – PP – and other parties. Alliances among some of the parties are formed on a regular basis, especially trying to seek approvals of new legislation.

The Constitutional President of the Republic is democratically elected every four years, designating 13 ministries. The Legislative Branch is represented by the Congress of the Republic which is integrated by 158 members who are elected for the same period of four years. The Judicial Branch is integrated by 13 Magistrates who are elected every five years, and who constitute the Supreme Court of Justice. The local administration is constituted by 333 Mayors, grouped in eight administrative regions distributed along the country. Among the regulatory bodies, the main institutions include General Comptroller's Office, Finance Ministry, and Tax Administration Agency.

Other actors include business chambers and other business organisations, in addition to a diverse group of NGOs. They actively participate in discussions and decision-making processes related to public policy. International cooperation agencies have an active role supporting development projects, such as USAID, AECI (Spain) and several other European agencies. The more significant cooperation comes from international donors (e.g., United States, European Union, Japan, and Taiwan) and multilateral agencies (e.g., IDB, World Bank, CABI and UNDP).

### **Social and Political Landscape**

As several other Latin American countries, Guatemala suffers from insecurity and impunity, in addition to a high proportion of citizens living in poverty. International comparison indexes have noted the presence of corruption, limitations in the independence of the Judiciary branch and reduced levels of confidence in security institutions (e.g., police). The scores for property rights

and corruption are the lowest of all areas measured by the Economic Freedom Index published by the Heritage Foundation.

Business chambers, labor unions and civil society independent groups participate in debates leading to decision-making affecting public policy.

### **Recent Events Shaping Opportunities, Constraints and Entry Points**

During 2008 a Transparency Commission, under the Vice-president's direction, was established. Thanks to the e-Government initiative of the past government administration, most of the data related with public expenditures is available online. The Free Access to Public Information Law reinforces this initiative. The creation of the Integrated Platform of Information, designed by USAID to contribute with social monitoring and auditing of health and education programmes has also supported the information process.

### **Graduate School of Public Administration and Public Policy, Tecnológico de Monterrey University - Mexico**

#### **Political and Institutional Framework**

Mexico has three different government levels: federal, state, and municipal. Historically, the former has been the strongest political administration in the country, due to its large control over the total governmental expenditures and over the oil and tax revenues. Even though efforts have been made to empower States and municipalities by assigning them more uncompromised budget and letting them decide what, where, when, and how much spend within their circumscriptions, most decisions are still highly centralized by the Federal Ministries and Federal Congress. For instance, the head of the Secretaría de Hacienda y Crédito Público (Ministry of Treasury) has considerable public influence.

Federal and State Executive governors are elected every six years; Municipal governors and Federal and State legislators are elected every three years. Reelection, neither for any level nor for any division, is currently possible. The legal age for voting is over 18 years old.

Since mid 80s, Mexico has turned into a more open and liberal economy, with less direct participation of the government; except in the energy sector (electricity and oil) which is still completely controlled by public institutions (Petróleos Mexicanos, Comisión Federal de Electricidad, and Luz y Fuerza del Centro). Lately, initiatives regarding private investments in this sector have been proposed, but they have faced heavy opposition from society, political parties, unions, and some public figures. A moderate reform for the oil sector was achieved last year (2008), partly due to the urgent necessity of more investment to discover new oil resources because of Mexico's declining reserves. Telecommunications, as well as many other economic sectors, are highly concentrated in a few firms or businessmen. This economic concentration has a large impact in the welfare of most Mexicans.

### **Key features of the main actors**

In 2001, the Federal Institute for Public Information Access (IFAI) was created as an effort to link government and society for a better accountability of how governmental expenditures and decisions are made. Particular information requests, regarding federal institutions, can be made to the IFAI if this is not currently public.

Since 2001, the political power held by Executive Federal Government has been partly moved to the Legislative Federal Government. This could be explained by the fact that, currently, Mexico has a more divided Federal Congress, in which no party has absolute majority (as it was before 1997). Therefore, the President does not have control, through their party, over the lawmakers. The Judicial Federal Government, not being democratically elected, has been subject to criticisms because of their hermetic attitude regarding their information and processes.

Leaders of the three big political parties in Mexico (PRI, PAN, and PRD) have large influence in most decisions taken within the three government levels and in the Legislative government division. Currently, PAN is in command of the Executive Federal Government after a tight election with PRD, who proclaimed itself as the winner. This aroused political conflicts and tensions between them and with the society, discrediting at some point the current President. It is worth to notice the PRI is still a strong party because it governed Mexico for 72 uninterrupted years. Nowadays, it is hard to tell an absolute trend of cooperation among each party because, in some States or municipalities, they behave as allies and in others they are in open confronts. Unions have too strong political power in the decisions taken in the government (many of them are supported by parties). Clear examples are the Energy, Mining, and Education sectors where they could be in an open disagreement with the government and have enough power to preclude initiatives or potential reforms.

### **Recent events shaping opportunities, constraints and entry points**

Elections will be held in July of 2009, where a new Federal Congress will take place in September of the same year until August of 2012. The new legislative agenda will be known once the political parties have arranged themselves and measure their new power before each others.

## **Policy Research and Development – Nepal**

### **Political and Institutional Framework and Key features of the main actors**

Nepal started its journey to 21<sup>st</sup> century with some notable historical changes. The mainstreaming of Maoist insurgent in the parliamentary democratic system, the overthrow of 235 years old monarchical system of government through peaceful people's movement, declaration of a federal state and the constitution election for drafting new federal constitution are but some of the important milestones in the Nepalese history. After the constitution election, Maoist emerged as the single largest party and with support from some coalition partners form the government. It lasted for about nine months and

was ousted from power after the coalition partners withdrew its support. A new coalition government led by Communist party (UML) is recently formed and it is yet to take its full shape. However, the Maoist is still a major political force to reckon with. Thus, Nepal is still in political transition. The instability in the government and the difficulty in the smooth functioning of the constitution assembly causes doubt in the drafting of the constitution in the stipulated two years time and the election of the parliament immediately there after.

Although declared as a federal state by the Interim constitution, it is yet to decide its federal structure – number of federal states and the structure of governance. At present, a decentralized system of governance, with central government at the center and District Development Committee (DDC) in the middle and Village Development Committee (VDC)/Municipality at the grass root level are in place. However, with the long absence of elected body, it is not functioning properly. The Local Self Governance act and the fiscal regulation clearly mandate local bodies (DDC and VDC/Municipality) about its role and functions. The resource base of local bodies is very poor and they depend heavily on government grants. Government now provides block grants to DDCs based on a formula that takes into account the size, population, human development status and cost of development. However, VDC grants are still determined on an adhoc basis. In recent years, government changed its budgetary release procedure and started providing budget directly to the grass root level organisation. However, the performance on expenditures is very poor. Similarly, government has devolved some basic functions such as, basic education, health, agriculture and livestock extension services and rural infrastructure to these grass root level bodies and communities. However, it is not functioning smoothly.

The legislative, judiciary and administrative branch of the government function independently and reflects good example of check and balance. The judiciary is free from political control. The instability in the political situation and the government has however, creating more and more politicization in government bureaucracy and other institutional appointments resulting into frequent changes in key positions. Often times, this has derailed policy continuation and also delays in the decision-making.

Nepal heavily depends upon donor support. About 60 per cent of its plan outlay is still dependent upon donor support. Donors have been heavily involved in governance reform and also in strengthening important institutions such as, Judiciary, Anti-Corruption agency etc. The poverty focus of donor agencies has also helped in implementing number of social sector programmes and income generating activities at the grass root level. Besides, such programmes also helped strengthening of grass root level community organisations.

The non-government and community organisations have been instrumental in making people at the grass level aware of educating girl child, environment conservation, health and sanitation, and also of HIV/Aids, drug related issues etc. These organisations are also remained instrumental in driving literacy

campaign etc. Actually they have proved as a major development partner in Nepal. Often times, the issue however, are raised about their transparency.

The decade long Maoist insurgency (1995-2005) and the instability in the government caused mainly by the unhealthy political competition slowed down development activities and industrial production pushing the country ultimately to a low level of growth trap. Hardly there have been any changes in the economic situation so far. Agriculture sector which contributes about 40 per cent of GDP and employ more than 80 per cent of the people is still heavily dependent upon monsoon rain, industrial sector are very much affected by the load shedding and labour unrest, trade sector facing widening trade deficit with export declining and import rising and the tourism sector is still to show some sign of improvements. The income from overseas remittances supported the economy for the last couple of years by creating domestic demand and meeting the foreign currency gap of the country. However, with the depression looming large world wide, there is clear signal that the remittance inflows will decline in the days ahead compounding the problem of economic management in the country.

The short lived Maoist government although improved the revenue collection, tries to derail the policies and process of budget making and implementation. The adhocism in budget release, direct support to party affiliated agencies and programmes outside the budget, the non-compliance of Medium Term Expenditure Framework etc. are but some of the example of such distortions.

Similarly, the policy diversion initiated in the Maoist government budget feared many of the revival of a control economic situation as seen in some other communist countries. Given the policy belief of the political parties affiliated in the new coalition government, it is expected that the initiation towards a control economic regime would be turned around and once again, the liberal economic policy with less control from the government will be in place. The new government is expected to announce its policies in next couple of days.

Since its very inception in 2004, PRAD Nepal has been working very closely with central as well as local government doing policy studies on governance and improvement in service delivery at the grass root level, expenditure assignment to central government and local bodies, designing formula based grant system for DDC grants and its expenditure effectiveness, preparation of Medium Term Expenditure Framework (MTEF) for the Central government as well as for the District governments (DMTEF) and fiscal decentralization. Currently PRAD Nepal is also preparing for the government a formula based grant system for the VDCs. The recommendation of PRAD Nepal on budgetary release procedure, expenditure assignment to different level of government, formula based grant system, fiscal decentralization, MTEF and DMTEF, and the strengthening local level capacity and improvements in service delivery modality at the grass root level are but some recommendation that the central government approved and implemented in the past. The intensive discussion at the policy level and the participatory approach adopted in some studies has remained crucial for such acceptance by the government.

PRAD Nepal's basic goal is to establish itself as a leading public institution specialized on research on policy issues relating to macroeconomic management, fiscal and budgetary policies and decentralization. The proposed study very much fits in its institutional strategy of projecting itself as a leading institution on the subject. PRAD Nepal has also successfully completed studies on public expenditure management, fiscal issues and governance for the donor agencies, such as, DANIDA, Asian Development Bank (ADB) and the World Bank (WB).

## **Unnayan Shamannay - Bangladesh**

### **Political and Institutional Framework**

Bangladesh is governed by a multi-party parliamentary system of government. Direct elections involving all citizens over the age 18 are held every five years for the unicameral parliament known as Jatiya Sangsad. The executive power of the republic is exercised by or on the advice of the Prime Minister who commands the support of the majority members of Parliament and is appointed by the President. Other ministers, state ministers and deputy ministers are appointed by the Prime Minister. The Prime Minister nominates the cabinet members from among Parliament members and one-tenths of the total members are from outside of the Parliament. The cabinet is collectively accountable to the Parliament. The roles of head of state and head of government are separated. In the Bangladesh parliamentary systems, the head of state (the President) is generally a ceremonial position. Under Bangladesh's unique system, when an administration comes to the end of its term it hands over to an unelected interim government which has 90 days to organize elections.

The Constitution of Bangladesh was drafted in 1972 and has undergone fourteen amendments. The highest judicial body is the Supreme Court. Justices are appointed by the President. Separation of powers, judicial from executive was implemented on the 1st of November, 2007.

A legal framework for Right to Information was a long time demand from the civil society and other important actors of Bangladesh. Recently the parliament passed the much-awaited bill on Right to Information (RTI) on May 29, 2009 paving the way for people to get information from public authority as a right. By enactment of the RTI law, the present government has made an important statement in support of transparency and accountability of all public functions and authority.

The RTI law makes it compulsory for all "authorities" to provide information proactively or upon request from any citizen. "Authority" includes foreign funded non-governmental agencies besides GOB authorities. The coverage of "authority" has been extended up to upazila level. Substantive documents such as rules, regulations, laws, manuals, and information related to license, permit, grant allocation, etc have been brought under category of information, which is supposed to be disclosed proactively. In line with the demand of civil society, supremacy of the law over existing laws such as the Special Powers

Act has been ensured. The list of exemptions, however, is too long, and civil society groups remain critical of it.

Ministry of Finance is the umbrella of major economic institutions in Bangladesh. Under this ministry Bangladesh Bank, the central bank of Bangladesh formulates the monetary policy and ensures the governance of the banking sector. The National Board of Revenue (NBR) is responsible for devising the taxation policy and collecting taxes. The Ministry of Planning has a significant role in formulating fiscal policy. The Planning Commission of this ministry prepared last to Poverty Reduction Strategy Papers (PRSP) for Bangladesh. It may be mentioned that the government has declared that from 2011, five year plan will be used for policy making instead of PRSP.

### **Key features of the main actors**

At national level, there are many actors who are active for ensuring good governance and strengthening institutions. The Anti Corruption Commission plays an important role in reducing corruption and good governance. Other non-state actors are also very active regarding this issue. Most of the international agencies identified 'governance' as their priority area. Transparency International, DFID, USAID and other international agencies are working for establishing good governance and strengthening institutions in the country.

Bangladesh has a representative local government system. Local government representatives are directly elected from the citizens' votes. However, the Members of Parliament has some degree of control over the local government.

The two major parties in Bangladesh are the Bangladesh Awami League and the Bangladesh Nationalist Party. Both the parties created alliance with other parties. BNP finds its allies among Islamist parties like Jamaat-e-Islami Bangladesh and Islami Oikya Jot; and Bangladesh Jaya Party. This alliance is popularly known as Four Party Alliance. While Awami League aligns with leftist and secularist parties and this alliance is known as Grand Alliance. At present, Awami League led Grand Party alliance is running the government.

It has been mentioned that Judiciary was separated from the executive department in 2007 during the regime of the caretaker government of Bangladesh (Care taker government refers to an interim government who organizes the general election between two regimes. Due to exceptionally critical political development Bangladesh experienced more than two years long caretaker government regime from October 2006 to January 2009). However, it is still believed that the judiciary (specially the lower courts) is not fully free from the influence of government (and the ruling party).

Non-Government and Civil society organisations play an active role in Bangladesh. Bangladesh has a vibrant civil society, comprising business groups, NGOs, think tanks, electronic and print media. NGOs have played an active role in enhancing poor people's 'voice'. DFID's Country Governance Analysis says, "They (NGOs in Bangladesh) put pressure on the state to fulfill

its obligations and to protect the civil, political, cultural and economic rights of the poor, and vulnerable and excluded people”.

### **Social and Political Landscape**

Bangladesh experienced a state of emergency from January 2007 to January 2009. The democratic rule again returned fully after the newly elected government was formed in January 2009. This development (from state of emergency to democratic rule) creates much hope for further development of the country. The enactment of the Right to Information Law in Bangladesh is considered as a positive development towards ensuring transparency and accountability.

### **Recent events shaping opportunities, constraints and entry points**

The parliament on April 6, 2009 unanimously passed the Upazila Parishad Act, making it mandatory for upazila Parishads (Upazila Parishad refers to an upper tier of the local government. Few Upazilas (constituting a District) consult lawmakers and accept their recommendations in planning development in their constituencies. This recent development created unrest among the Upazila chairmen. Under this arrangement the Member of Parliaments will have offices in Upazila head quarters and will oversee Upazila council's works. The local government leaders have taken it as reduction of their freedom and protesting against this. The local government experts are considering this development as a threat to proper functioning of the local government.