



**Annual Report
For Governance and Transparency Fund**

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

30th June, 2010

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1. Programme Identification Details

GTF Number	CN-164
Short Title of Programme	Strengthening Institutions to Improve Public Expenditure Accountability
Name of Lead Institution	The Global Development Network (GDN)
Start date	16.10.2008
End date:	30.06.2013
Amount of DFID Funding:	GBP 4,993,829
Brief Summary of Programme:	<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 in 15 countries. Through this approach, the project intends to achieve four key outcomes:</p> <ul style="list-style-type: none"> • Expanded institutional capacity for public expenditure monitoring and analysis, development of policy alternatives, and constructive engagement in a peer-learning environment • Increased use of evidence-based policy reforms in social sectors • 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 • Creation of a strong network of institutions to share training materials, templates for analysis and communication
List all countries where activities have taken or will take place	Annex 8
List all implementing partners in each country	Annex 9
Target groups - wider beneficiaries	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

ACODE	Advocates Coalition for Development and Environment
BIA	Benefit Incidence Analysis
CBPS	Centre for Budget and Policy Studies
CEA	Cost Effectiveness Analysis
CEDS	Center for Economics and Development Studies
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
CSOs	Civil Society Organisation
DFID	(UK Government) Department for International Development
EGAP	Graduate School of Public Administration and Public Policy
EPRC	Economic Policy Research Centre
ERP	Enterprise Resource Planning
ESRF	Economic and Social Research Foundation
FUNDESA	Fundación para el Desarrollo de Guatemala
GDN	Global Development Network
GTF	Governance and Transparency Fund
IEA	Institute of Economic Affairs
M&E	Monitoring and Evaluation
NORC	National Opinion Research Centre
PBA	Programme Budgeting Analysis
PEM	Public Expenditure Management
PMT	Project Management Team
R4D	Results for Development
RTI	Right to Information
SMART	Specific, Measurable, Attainable, Relevant and Time-bound
US	Unnayan Shamannay

3. Executive Summary

The five year project titled 'Strengthening Institutions to Improve Public Expenditure Accountability' builds the capabilities of 15 partners in 15 developing and transition countries¹ to monitor and analyse public expenditure options, processes and impacts (in sectors of high significance – education, health and water), to engage with policy makers by providing evidence of efficiency, equity and costs of public spending for enhanced public service delivery.

Capacity Building Activities:

- Institutional development of 15 partners has occurred and will continue to take place during the project. Grant support has been enhanced with guidance and directedness, providing a suitable amount of oversight and technical support. This has allowed the partners to tailor their work to the most pressing issues and helped them internalise capacity to make a real impact on the governments over the medium and long term.
- Partners have received technical training on Programme Budgeting Analysis (PBA) and Benefit Incidence Analysis (BIA) and regular technical feedback on their analysis. They are also receiving support on effective strategies for research communications to key stakeholders such as policy makers, media and Civil Society Organisations (CSOs). The works hops have facilitated cross-fertilisation among the partners by learning good practices in PEM analysis and outreach to policy makers from the partners.
- PBA has helped the partners gain a better understanding of sources of funding and the way money is allocated in the social sectors. Identification of administrative sources of spending for each of the three sectors was done and budget data from each of the sources was acquired to be aggregated and presented in a way that demonstrated something meaningful about the way money was being spent.
- BIA helped partners gain a better understanding of whether government funds in the social sectors are equitably distributed across different income/expenditure groups or if spending is in reality targeted to either worse-off or better-off individuals.
- The project baseline evaluation reports:
 - More common motivation for founding partner institutions has been the perceived need for better research and information to be used in policy development (40 percent).
 - Partners are 'seen as focusing on issues of high priority, being valuable sources of information and providing helpful policy recommendations [to the policy community surveyed].'

Achievements:

- Public expenditure analysis and monitoring is now taking place regularly and rigorously in 15 developing and transition countries. In few countries like Ghana, Nepal and Nigeria, studies related to analysis of public expenditure options have been limited.
- Policy recommendations from the first phase of evidence based research on PBA and BIA conducted by the partners have been disseminated through different

¹ See list of partners and corresponding countries in Annex 9

mediums to key stakeholders including government officials and interested civil society actors:

- The President of the Transparency Commission in Guatemala has shown interest in the initial results of the analysis conducted by Fundación para el Desarrollo de Guatemala (FUNDESA) after the press conference held by the partner.
- Center for Economics and Development Studies (CEDS) presented the results of the PBA and BIA to the Governor of the West Java province in Indonesia.
- In Kenya, Institute of Economic Affairs (IEA) proposed that government should consider expanding access to secondary education by expanding tuition grants to cover all students in secondary schools in Kenya. In addition, BIA on health revealed that coverage for the lowest income groups is at the facilities level, with the least equipment and expenditure. These findings informed the recommendations contained in the memorandum to the Ministry of Finance.
- Partners are playing an important role in monitoring government spending that will benefit policy makers and government officials who allocate the money for health and education services and the leading investors in water sector. Efficient public spending will ultimately benefit the poorest sections of the society, taxpayers (whose moneys will be used more efficiently) and society as a whole through a higher quality of life with better quality, more equitable access to services.
- Partners, in conducting BIA, have demonstrated interest to promote gender equality and the needs of other marginalised groups (poorest of the poor) in the budget process.
- All partners have reported a definite change in organisations with improved skill sets of researchers after completing a year of participation in the project. Some report that the project has laid the foundation for engaging in long term government expenditure analysis and accountability.
- Partners are now able to comprehend and unpack budget data from different levels of the government, nationally representative household expenditure data and sector allocated funding from donor agencies. Additionally, partners have compiled their own comprehensive databases.
- The project has developed internationally comparable information on public expenditures and incidence (who benefits) that will begin to build international benchmarks for the quality of public spending. Policy makers will be interested to see how their countries compare to others.

Risks:

Since the partners are located in different country contexts with different political climates², the overall success of the project is dependent on several factors and actors. In particular, the success of the project is dependent on a sequence of reforms or actions to be made by policy makers and government officials, including elected leaders, which is beyond the immediate control of the project. Lack of political commitment may limit the willingness of public officials to listen to the policy recommendations made by the partners. Turnover in political office poses another risk in a project of long duration. In meeting such risks, partners are maintaining a close and open relationship with various levels of government to secure buy-in and

² The context statements have been given in the Annual Report, June 2009.

engaging in outreach strategies to target various stakeholders for timely policy uptake.

Good high quality and accurate data on public expenditures may be difficult to access, however partners will update their analysis over the years as new figures become available. In some countries, partners have used the Right to Information (RTI) act to access budget information.

Turnover in institutions is a problem the partners have faced. However, partners have institutionalised public expenditure analysis and built in sector expertise in their organisational mandates.

4. Programme Management

GDN has a new President, Dr. Gerardo della Paolera who took office on 17th August, 2009. Under the new leadership, GDN is undergoing a strategic planning exercise.

Mr. Raman Abrol has joined GDN in May 2010 as the Chief Finance and Administrative Officer, replacing Mr. Rajesh Grover as the Controller. Ms. Pooja Sarin has joined the Project Management Team (PMT) at GDN as the Programme Assistant providing support in communication with partners, project webspace (intranet site) and handling routine coordination with stakeholders involved.

The project has a six member steering committee to guide the project in achieving its outcomes and objectives, providing strategic direction and technical support and links to policymakers and international organizations (the World Bank, Inter-American Development Bank and the International Monetary Fund).

The remaining personnel responsible for the overall management and Monitoring and Evaluation (M&E) functions remain the same as indicated earlier.

5. Working with Implementing Partners

The project is being implemented by 15 partners in 15 developing and transition countries³. There have been no significant changes in the programme implementation arrangements during the reporting period. The contracts with all partners run through till the end of the project: mid-2013. However, for better programme and financial monitoring, partners submit an annual workplan and an annual budget for the following financial year (April to March every year).

The composition of partner teams in Ghana, India, Indonesia and Uganda has undergone changes at the team leader level. Also, there have been changes in the composition of researchers in teams, due to moves to pursue higher studies.

³ The 15 countries are Argentina, Armenia, Bangladesh, Ghana, Guatemala, India, Indonesia, Kenya, Mexico, Nepal, Nigeria, Peru, Philippines, Tanzania and Uganda.

6. Risk Assessment

The risk assessment, as stated in the previous Annual Report of June 2009, has few important additions. Lack of political commitment, difficulties in access to data for analysis, upcoming political elections and partner staff turnover remain potentially high risks. The following table lists the risks in order of importance and the corresponding possible mitigation measures during the project duration.

Risk	Potential Impact	Probability	Mitigation Measures
	High/medium/low	High/medium/low	Show how you are tackling the risk in question.
External Risks			
In some countries, lack of political commitment may limit some public officials' willingness to interact with or listen to recommendations by partners supported by the programme.	High Although this is a potential problem in some countries, partners can still develop and innovate around their capabilities to analyse and disseminate for improved public expenditure practices.	High	To clearly impact public policies, partners will maintain a frequent and open relationship with various levels and branches of the government to secure buy-in to follow research recommendations. Partners will also engage in different outreach strategies targeting different stakeholders and audiences (national and state governments, CSOs, media) for timely policy uptake. However, actions taken by the government are likely to be affected by external factors occurring independently of partners' willingness to engage constructively.
Turnover in political office.	Medium Being a project of relatively longer duration, election cycles and new public officials can pose problems in continuity of contact with government departments for policy traction.	Medium	Partners will maintain rapport with a broad base of public officials as well as newly elected public officials to garner their interest in the policy recommendations produced by them.
Good, high quality information and accurate data on public expenditures, and usage and benefits may be difficult to access in low and middle-income countries.	High Lag in budgetary data acquisition is an effect of both unsatisfactory government information system and low willingness on part of government officials to share data. The donor data is also scattered.	Medium	In some countries, partners have used right to information legislation and personal contacts in government departments to access national datasets and budget figures. Many partners will update their analysis over the years as new datasets and figures become available. Additionally, partners have used many sources of

			budget data (not centralised) and have made strong assumptions, clearly identified in the reports. We recognise that a minimum level of transparency is necessary for partners to have any impact, and the environment for budgeting has been part of the selection criteria for countries of implementation.
Policy reform efforts related to the water sector are controversial and can be challenging to engage in some countries.	Low Historically, poor governance arrangements and resistance to change have typically burdened the management of water systems.	Medium	However, the water sector is only one of the three sectors that will be analysed. Within this sector, the focus will mainly be on drinking water, where more reliable data is available. Drinking water is politically less charged than water for irrigation, for instance.
Few partners are located in politically unstable countries.	High In some countries like Bangladesh, Nepal and Nigeria, a politically unstable landscape can restrict the ability to conduct analysis and the extent of constructive engagement with the policy community for improved accountability	Medium	GDN had a minimum threshold in the initial selection of partners, carefully choosing not to select partners from countries with highly unstable political climates, for e.g. Sudan. In instances of limited impact on engagement with policy makers for policy alternatives for effective resource utilisation due to ongoing political instability, the project would have built the capacity of a research institution in such countries to develop evidence based policy options for consideration once the political climate improves. In countries where instability has affected the inability to carry out operations, electronic means of communication help partners keep in touch.
Internal Risks			
Public expenditure analysis and dissemination of policy recommendations requires specialised skills, and	High This risk is symptomatic of the need for the proposed project. The fundamental purpose of the project is to lower the likelihood that	Low	By pairing financial support with implementation-oriented technical support, partners will be able to develop skills to become more effective research institutions and think tanks. Additionally, most

research institutions may require support to rapidly develop these skills, particularly the ability to do timely robust analysis and wide dissemination.	research institutions have not developed the skills necessary to monitor and influence the budget process.		partners are the institutions of choice of both academics and policy makers on the sectors and are continued to be supported on strategies for constructive engagement through workshops on devising communication strategies for maximum impact.
Partners have a relatively high turnover of staff.	Medium This is a problem that some partners have faced and potentially can affect the continuity in the programme.	Medium	High staff turnover remains a problem. However, the partner organisations have institutionalised public expenditure analysis, and have built sector expertise and monitoring in their organisational mandates. Additionally, two partner team members have, and will continue to 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.
Oversight of 15 partners located in 15 developing and transition countries can be challenging to manage.	Medium Partners are located in 15 different countries, operating at different levels of institutional capacity levels.	Low	An Enterprise Resource Planning (ERP) system is being implemented by GDN which will help efficient programme and financial management. Apart from this, partners either submit a bi-monthly progress report or engage in bi-monthly conference calls with the Project Management Team (PMT) which helps in establishing continued contact and troubleshoot where required. The project has an intranet site that allows for sharing of materials, documents and discussion for cross learning. There is additional staff support (Program Assistant) for handling communication and other operational matters with partners.

7. M&E Arrangements

The integrated M&E plan, functioning as a crucial dimension of the project from the start will track the outcomes of the project and act as an important management learning tool for the PMT and partners in implementation over the project period. The M&E tools are intended to build the capacity of the partners in monitoring the current project, in adapting the tools to extending the monitoring to similar analysis, and to constantly improve our programme.

Since the project fully commenced implementation in November 2008, the data collection (mail-out surveys to be completed by grantees and the policy community survey) for the baseline report took slightly longer than scheduled. The baseline survey process concluded at the beginning of September 2009 and the baseline report was submitted to Department for International Development (DFID) in November 2009.

As per the original schedule, the second M&E activity - the monitoring survey - was scheduled to begin in December 2009 and the report was due March 2010. However, GDN believes that programme activities would not have had sufficient time to effect grantees' performance and capture emerging changes in governance. There would be little change to measure.

GDN proposes to shift the remaining M&E activities, except those related to the final evaluation report, so that the monitoring survey activity takes place annually in the summer (about a year after all grantees were first convened by the project) and reports are delivered in October each year. This schedule will give adequate time in between each M&E activity to report changes for measurement. The revised M&E plan and budget, for the approval of GTF, is attached in Annex 11.

The baseline evaluation report (Annex 12) submitted in November 2009 has undergone no revisions since the logframe was revised to make the indicators SMARTer. GDN will report the measurement of change over time in the monitoring report by November 2010.

GDN confirms that there has been no significant change in the M&E personnel. The National Opinion Research Centre (NORC) is the external M&E agency.

8. Logframe Changes

The project logframe (Annex 2) was revised and approved in February 2010. The logframe has been revised to include the indicators that will measure the changes in governance and transparency anticipated to result from project implementation. The revised purpose statement in the logframe now includes the aspects of constructive engagement with policy makers resulting in more effective public expenditure accountability.

The logframe was updated:

- To reflect what changes in governance and transparency are anticipated to be achieved by the project
- To make the indicators SMARTer
- To include the activities under each output
- To reflect the disaggregation of participation of different groups, such as women, children, etc.

9. Emerging Impact on Governance and Transparency

The project has completed a year and half of implementation. Over time it envisions achieving a gradual change in the culture of governance in the implementation countries. The project is unique in that the partners are working to change the way governments do business, specifically by turning to independent research organisations for policy recommendations. Such a change will take more time. At the very least many changes will take place once the partners engage in the next two stages of analysis [Cost-Effectiveness Analysis (CEA) and budget simulations] after which they can actually recommend comprehensive policy alternatives.

Examples of initial, emerging outcomes on governance and transparency are given below in the two case studies.

GTF programme number	CN-164
GTF programme logframe indicator to which this case study is contributing	4.1 Increase from x to y of number of key information documents available to the media and public in a timely manner throughout the budget/policy cycle from 2008 to 2013
What is the evidence for the example given?	Policy recommendations from the first phase of evidence based research on Program Budgeting Analysis (PBA) and Benefit Incidence Analysis (BIA) conducted by partners in 15 countries have been disseminated through different mediums to key stakeholders including government officials and interested civil society actors. Institutional development of the 15 partners has occurred and will continue to take place during the project. The project has built capacity of partners to engage in credible monitoring, analysis and systematic wide communications focussing on the effectiveness and equity of PEM in the key social sectors of education, health and water. Grant support has been enhanced with guidance and directedness, providing a suitable amount of oversight and technical support. This has allowed the partners to tailor their work to the most pressing issues and helped them to internalise capacity contribute to the hard evidence on the public expenditures efficiency and the citizens' oversight (through parliament, media etc.) over the medium and long term.
What has changed?	Public expenditure analysis and monitoring is now taking place regularly and rigorously in 15 developing and transition countries. In few countries like Ghana, Nepal and Nigeria, studies related to analysis of public expenditure options have been limited. As a result of the analysis, country reports, including policy recommendations from the first phase of the analysis have been made available in the public domain through dissemination efforts (presentations to policy makers, policy briefs, media reports, seminars, etc.) by partners.
Who has benefited?	In the first place, the project has directly benefited the 15 partners that have analysed allocation of public expenditure in the three sectors with the innovative research tools of PBA and BIA methodologies. The partners are playing an important role in monitoring

government spending that will benefit policy makers and government officials who allocate the money for health and education services and the leading investors in water sector. Efficient public spending will ultimately benefit the poorest sections of society, taxpayers (whose moneys will be used more efficiently) and society as a whole through a higher quality of life with better quality, more equitable access to services.

How the change occurred?

Partners have received technical training on PBA and BIA and regular technical feedback on their analysis. The workshops have facilitated cross-fertilisation among the partners by learning good practices in PEM analysis and outreach to policy makers from the partners.

PBA has helped the partners gain a better understanding of sources of funding and the way money is allocated in the social sectors. Identification of administrative sources of spending for each of the three sectors was done and budget data from each of the sources was acquired to be aggregated and presented in a way that demonstrated something meaningful about the way money was being spent.

BIA helped the partners gain a better understanding of whether government funds in the social sectors are equitably distributed across different income/expenditure groups or if spending is in reality targeted to either worse-off or better-off individuals.

Why this change is useful?

The support offered by the project is providing opportunities and mechanisms for strengthening the capacity of 15 partners to hold governments accountable for public expenditure decisions that have significant impacts on economic development.

For example, IEA (Kenya) proposed that government should consider expanding the access to secondary education by expanding the tuition grants to cover all students in secondary schools in Kenya. In addition, the BIA on health revealed that coverage for the lowest income groups is at the facilities level, with the least equipment and expenditure. These findings informed the recommendations contained in the memorandum to the Ministry of Finance.

Where has this change occurred?

The change has occurred in Kenya and several other countries.

GTF programme number	CN – 164
GTF programme logframe indicator to which this case study is contributing	4.1 Increase from x to y of number of key information documents available to the media and public in a timely manner throughout the budget/policy cycle from 2008 to 2013
What is the evidence for the example given?	Government officials who have attended workshops and conferences sponsored by the Center for Research and Communication (CRC) (partner in the Philippines) generally concur that results of the research highlight an aspect of government spending that they believe should be studied and quantified. In particular, these government officials (e.g., officials from the Department of Health) found the quantification and analysis of the distribution of benefits of

government spending in health, education and water an interesting way to assess the impact of the government on the levels of achievement and deprivation of the poorest group in the society in terms of education, health and water provisioning.

What has changed?

The long-term goal of this project is to improve public expenditure effectiveness, transparency and accountability, which are elements of governance, and ultimately bring about poverty reduction.

An emerging outcome of the research being conducted by CRC and its dissemination has resulted in an increase in the interest and knowledge of government officials that government spending should be quantified and studied for efficient spending. The research showed the results of the BIA of whether government funds in the sector were equitably distributed across different income/expenditure groups or if spending in reality is targeted to either worse-off or better-off individuals. As a result, the officials from the Department of Health have indicated their intention to include the findings of the research as inputs in future legislative deliberations on the budget for the Department of Health policy discussions on health sector reform. CRC has also convened top local executives (specifically, in provinces south of Manila such as Laguna, Batangas and Antipolo) and shared with them some of the BIA findings that public investments in primary and secondary education are benefiting the poor as well as investments in rural health clinics. It has been a common tendency for public officials to put money in tertiary hospitals which are usually less accessible to the poor. Since most of these public officials are assuming office in July 2010 after elections, they have pledged to refocus their policy thrust and give priority to pro-poor programmes.

Who has benefited?

The change will directly benefit the government officials who have evidence to build in pro-poor policies and better targeting through sector reform. The impact of such an improvement in governance on the Philippine effort will ultimately benefit the 27.6 million Filipinos (2008) that are on or below the poverty line and do not have access to adequate services.

How the change occurred?

CRC and the partners received technical training on PBA and BIA which they used as research tools. The analysis helped them to arrive at the utilisation of goods and services by the different income group of individuals and households and the actual amount of government spending was examined. CRC has held workshops to disseminate the results to stakeholders including government officials and policy makers.

Why this change is useful?

Both evidence based analyses reflects the transparency and accountability deficit that needs sustained reform advocacy. At workshops conducted for dissemination of policy recommendations of the analyses, government officials have shown interest in including the research findings for traction on health sector reform which, if implemented will ultimately benefit the poorest sections of the society. Further, interacting with their Indian counterparts, the team will be invoking the RTI Act, which, till now, has not successfully been applied in practice.

Where has this change occurred?

The change has occurred in the Philippines where the project is being implemented by CRC.

10. Cross-Cutting Issues

The project goal is to strengthen capacity of think tanks to monitor and analyse PEM for effective and efficient public spending and thus engaging with policy makers to provide policy alternatives for increased and improved public services for the poorest sections of society. By focusing on the sectors significant to human development – education, health and water – the partners have attempted to gain a better understanding of the equitable distribution of government funds across different income/expenditure groups, or rather, explore if spending is in reality targeted to either worse-off or better-off individuals.

During the PBA, BIA and CEA analysis, partners are examining the support to public services and spending directed towards specific underprivileged groups and underfunded causes. Partners, in conducting BIA, have demonstrated interest to promote gender equality and the needs of other marginalised groups (poorest of the poor) in the budget process. A few examples of partners focusing on cross-cutting issues are given below:

- CEDS (Indonesia) are looking at testing and counselling initiatives within the health sector for persons living with HIV/AIDS (for the CEA analysis).
- Research Center of the University of the Pacific (CIUP-Peru) will look at institutional deliveries (birthing) in the health sector, thus giving prominence to gender issues. The water sector will also include environmental costs and benefits during CEA
- Economic Policy Research Centre (EPRC-Uganda) has focused on gender issues, especially in access to education and health services and therefore will provide policy options to make budgets more gender sensitive to address poverty issues holistically. In BIA analysis, they found that the government has concentrated on provision of universal primary education to all hence benefiting the poor.
- IEA (Kenya) will look at programmes on school feeding for the attainment of universal primary education and improving attendance of girl children in schools.

During the course of the project, some analysis and advocacy will focus directly on improving expenditure priorities and effectiveness for the most vulnerable groups, including the disadvantaged sections, marginalised groups, girl children, women and vulnerable households.

11. Progress Towards Sustainability

All partners have reported a definite change in organizations with improved skill sets of researchers after completing a year of participation in the project; some report that the project has laid the foundation for engaging in long term government expenditure analysis and accountability. The project has increased the capacities of partners in conducting rigorous analysis, in better understanding the implications of public expenditure on access to services in health, education and water and to effectively deliver evidence-based research while simultaneously engaging in public expenditure debates. For many partners, the involvement in the project is complementing the efforts of institutional strengthening to sustain the ongoing efforts in public expenditure analysis. Partners are now able to comprehend and unpack budget data from different levels of the government, nationally representative household expenditure data and sector allocated funding from donor agencies. Additionally partners have compiled their own comprehensive databases.

Moreover, many partners such as Center for the Study of the Economies of Africa (CSEA-Nigeria), Unnayan Shamannay (US-Bangladesh) and IEA (Kenya) have revised their institutional strategic mandate with the objective of building a reputation for expertise in the areas of budget, fiscal policy and social spending which will positively impact the sustainability of the project locally. Few partners have also mentioned that having in-house sector experts will give an opportunity to partners to work on sector-related issues in the long run.

The project baseline evaluation reports that ‘the more common motivation for founding the partner institutions has been the perceived need for better research and information to be used in policy development (40 percent). Sixty percent of the partners cited a concrete effect on public policy and 14 percent noted getting an issue onto the policy agenda. On the other hand, 27 percent cited important developments at their organisation. Generally one can interpret these institutional development successes as better positioning the group to do more effective work in the future.’

As mentioned in the previous annual report, some of the partners have history in engaging with policy makers through policy research and forums, and reform efforts and have demonstrated interest in providing feasible policy options related to public expenditure priorities. Many have linkages with policy makers and have conducted studies related to the conceptualisation, implementation, monitoring and evaluation of public policies which is now a requirement across all partners. The baseline report states that the partners are ‘seen as focusing on issues of high priority, being valuable sources of information and providing helpful policy recommendations [to the policy community surveyed].’

The section on external risks in the Risk Assessment (Section 6) highlights the operational political space within which the project is being implemented in the 15 countries.

Sustaining the Outputs and Outcomes

The project has a strong capacity building, learning and cross-collaboration component, encouraging networking and cross-fertilisation among partners. Peer review of studies and participation at regional workshops has strengthened the knowledge of what works in other contexts and has helped partners to learn lessons. Beyond the project, partners⁴ participate in various networks, drawing on their expertise or using them as platforms for dissemination, examples of which are given below:

- CEDS (Indonesia) is working on another research project commissioned by Bank of Indonesia to analyse the growth impact of sectoral public expenditure; partially using the data collected from the project. When fewer resources are required, CEDS intends to finance this activity regularly within its own sources.
- EPRC (Uganda) states that the project has attracted many institutions, both working at local government levels through the Advocates Coalition for Development and Environment (ACODE), which is an independent public policy research, analysis and advocacy think tank working with CSOs to ensure that communities demand for accountabilities from the front service providers. The project prompted ACODE to carry out public expenditure tracking in health in eight selected districts across four regions.

⁴ The baseline report (2009) reported that four partners do not participate in networks and therefore foregoing valuable sources of information.

The training modules and data developed by the project will be made available in the public domain for interested, like-minded organizations and in other countries where the analysis can be replicated or the data can be used for engagement with policymakers. In sustaining outputs and impacts of the project, few examples of partners' continued interest in the project activities beyond the duration are given below:

- Graduate School of Public Administration and Public Policy (EGAP-Mexico) reports that the project is part of their institutional knowledge about public finances, which is a keystone for EGAP's Master and PhD degrees. In fact, it is planned that analysis will also be conducted in sectors other than education, health, and water providing a wider understanding of how the government reassigns and uses its budget to benefit the poor. Not only will the project transcend its five years duration, but it will also be expanded.
- In terms of financial sustainability, the plan of Economic and Social Research Foundation (ESRF-Tanzania) is to design and offer some short courses on expenditure analysis to government departments all over the country and other interested stakeholders which will either be self-paid or donor funded.
- The project has increased the scope of public expenditure monitoring research for budget related research activities in Bangladesh for which our partner, US, is known. US intend to regularly update the studies going forward and after the project duration.

Since the 15 partners are located in different country contexts with different political climates⁵, the overall success of the project is dependent on several factors and actors (addressed in the risk management section). In particular, the success of the project is dependent on a sequence of reforms or actions to be made by policy makers and government officials including elected leaders, which is beyond the immediate control of the project. As the lead project management unit, GDN will monitor variations in project activities, keeping in mind the country and institutional context and report all variations to DFID.

12. Innovation

Project Experience:

The project has several innovative features:

- The project is developing regional hubs, which will be a useful platform in sharing data.
- Establishing a group of skilled and sustainable think tanks and research institutions conducting effective, unbiased, non-partisan analysis and communication on issues related to public expenditure analysis in the education, health and water sectors.
- 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. Policy makers will be interested to see how their countries compare to others.
- Promoting South-South learning, the project has a strong networking and collaborative approach wherein the partners learn from each other's experiences. For peer-review, partners are paired in groups to provide feedback on reports,

⁵ The context statements have been given in the Annual Report, June 2009.

enriching analysis efforts. Networking and cross-fertilisation is evident in regional workshops with interactive sessions between partners.

- By linking grant support to well-conceived analytical work, the project is an excellent learning experience for donors and grantees. The Hewlett Foundation have shown interest in the project to understand how credible evidence based analysis can inform policies in PEM.
- Partners are engaging in actual collaboration with government officials, while not always possible or suitable which 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.

Geographic Location and conditions of Operation

The project has partners located in 15 countries in developing countries and transition economies in Central, East and South Asia, Africa and Latin America.

In most countries, the project is among the first to provide rigorous public expenditure priority analysis in key development sectors of health, education and water. Before the commencement of the project, most analysis in countries has been restricted to public expenditure tracking that provides limited policy alternatives unlike the PEM analysis that is being done through PBA, BIA, CEA and budget simulations. 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.

In Nigeria, the PBA, BIA and CEA analysis represent the innovative techniques in the analysis of public expenditure options, processes and impacts in Nigeria – no similar studies have been conducted in Nigeria. In particular, PBA represented a new perspective to the study of efficiency of public spending in Nigeria. In Uganda, the innovation has helped the partner reach out to stakeholders – for instance, other CSOs engaged the central government on inadequate budget allocation in FY2010/2011 draft estimates on health and agriculture. EPRC (Uganda) states that the approach is different since it relies on evidence and the tools of analysis can be applied to various policy advocacy institutions. In Nepal, where development disparity and poverty is skewed with topography and therefore remoteness, analysis is being carried out taking into consideration the effect due to topography. Topographical differences, remoteness and conflict affected areas will be kept in mind in designing recommendations for policy alternatives.

13. Learning from GTF

As the project is still in its early phases of engaging in rigorous analysis and has completed the first phase, there has been no considerably significant risk in raising expectations on the demand side which cannot be met on the supply side. In attempting to spur a change in the culture of governance in 15 countries, the project will reach a relatively more mature stage after another year or two where comprehensive policy recommendations will be disseminated on a timely basis to key stakeholders (government officials, media, policy makers, CSOs) by the 'change agents' (partners) in their countries.

The project emphasises a shift from confrontation to informed engagement which has already helped some CSOs increase their influence. Partners have collaborated with government officials for procurement of budget data and in few instances; the officials have expressed their interest in the output of the analytical work. During the reporting period, some of the partners have engaged with key stakeholders (government officials, policy makers and CSOs):

- The President of the Transparency Commission in Guatemala has shown interest in the initial results of the analysis conducted by FUNDESA (Guatemala).
- The findings from the analysis on health revealing that the coverage for the lowest income groups is at the facilities level, with the least equipment and expenditure. These informed the recommendations made by IEA (Kenya) in their memorandum to the Ministry of Finance.
- The results from the first phase have been shared by Centre for Budget and Policy Studies (CBPS-India) with the Expenditure Reforms Commission, Government of Karnataka.
- CBPS (India) has formed partnerships with CSOs like the Suvarna Arogya Suraksha Trust who are working directly with the government to increase their leverage for constructive engagement.

With a strong capacity building component, the project has also supported linkages between partners allowing for sharing of methodologies and resources. The networking has encourages peer learning among partners. Exchanging data between countries within the 15 partner network has provided a basis for making valuable comparisons of results. The project has the following methods to build and sustain the network:

- Development of an intranet project webspace (<http://gdn-pem.projectsaces.com/>) that will help partners to network
- Regional workshops encouraging cross-fertilisation
- Twinning arrangements that have matched teams working together

Tools and Methods for Measuring Governance

GDN and Results for Development (R4D) have developed research tools, PBA and BIA, to unpack the budget data in the sectors of education, health and water.

Programme Budgeting Analysis:

The tool PBA helped gain a better understanding of sources of funding and the way money is allocated in the social sectors. The administrative sources of spending was identified for each of the three sectors and budget data was acquired from each of these sources after which budget data was aggregated and presented in a way that demonstrates something meaningful about the money being spent.

Data was aggregated in each sector in the following three activities:

- Spending by Facility-Level or Type – Analyzing spending by facility level did not involve looking at budget records from specific facilities. Instead, the purpose of this analysis was to identify how spending is divided overall across facility types (for example, primary versus secondary educational facilities) and how money is spent within the three sub-sectors. This analysis also involved looking at spending over time to identify trends or disruptions in the way that the government is allocating funds.
- Spending by Sector – The sector-wide analysis did not sub-divide spending by facility types or inputs. Instead, this analysis presented a big picture view of the

sector, including the division of spending between recurrent and capital costs, wages versus non-wage costs, and domestic versus donor sources. This analysis also involved looking at spending over time to identify trends or disruptions in the way that the government is allocating funds.

- Spending by Purpose - This type of analysis was the least aggregated and proved to be the most informative. Once spending by facility-level and sector was analysed, a more in-depth look was taken at some aspect of how money is spent within one component of each sector which was policy relevant.

Results from the analysis showed that in education, in most of the 15 countries – Argentina, Armenia, Bangladesh, Ghana, Guatemala, India, Indonesia, Kenya, Mexico, Nepal, Nigeria, Peru, Philippines, Tanzania and Uganda – of the majority of government expenditure on education comes from domestic sources. Donors have had a relatively smaller share of the total expenditure on education in these countries and declining since 2005. According to the PBA across the 15 countries, there is, as expected, a higher recurrent expenditure (expenditure on wages and salaries and purchase of goods and services) as compared to capital expenditure (expenditure on fixed assets) in education. The recurrent expenditure as a percentage of the total varies widely in certain programmes/facility levels, specifically primary education. The recurrent spending on primary education is more than 90 percent for countries like Argentina, Ghana, Mexico, Nepal, Philippines and Uganda. The proportion is as high as 60% or more in countries like Kenya, Nigeria, Bangladesh and Armenia.

What was also seen is that there is much more variation in the division of wages (personal services) and non-wage (maintenance and other operating expenses) expenditures in recurrent spending across countries. Nevertheless, consistently across most countries, wages in primary education crowd out expenditures on other inputs, including supplies, equipment, and maintenance – which typically leads to poor infrastructure, maintenance and poor quality of services.

Benefit Incidence Analysis:

The second analytical component of the project was a BIA of the education, health, and water sectors. The purpose of this activity was to gain a better understanding of whether government funds in the social sectors are equitably distributed across different income/expenditure groups or if spending is in reality targeted to either worse-off or better-off individuals. To conduct BIA, partners estimated the average government subsidy for service utilisation in each sector and facility level. They used household data to identify individuals who are service users, and aggregated the service users over expenditure quintiles. Average benefit incidence conducted by the partners made major assumptions concerning the allocation of spending, such as that the government subsidy for one unit of a social sector service is the same for all individuals, regardless of income/expenditure level and geographic location within the population area. It was important for partners to not only recognise these limitations but also take them into consideration when interpreting the results of this analysis.

BIA of public spending undertaken by the partners sought to determine the extent to which this has benefited the poor. The analysis provided a clearer view of the equity or inequity of public spending; important information for policy makers and donors who may be interested in better targeting their spending to impact the lives of lower-income households. In particular, the studies captured the distributions of the benefits of public spending on education and drew policy insights and recommendations from this

exercise. The country studies reported that spending on primary education in particular tends to be redistributive. Thus, an increase in investment in primary education corresponds to greater gains by poorer households (the bottom 20 percent). On the other hand, average government expenditure per student was much higher for tertiary (university) students. It was also seen that public expenditure on secondary and tertiary education tends to benefit higher income households disproportionately. The access of the poor to tertiary education is very nominal, even though it is increasing slowly. Policies are, therefore, needed to address the issue of increasing the access of the poor to tertiary and university education. Exceptions to this are visible in countries like the Philippines.

Here, it is important to point out that trends in the sources of funds were difficult to determine because of data access problems. This analysis did not cover issues of quality of service in the education sector or the costs incurred by households in sending their children to school.

In the next research phase in 2010, the partner will be engaging in a CEA that will estimate the costs of achieving a given marginal outcome using different policy or programme alternatives with similar goals. Although costs and outcomes of policies are often evaluated separately, it will be useful to look at them together to better inform decisions about the best way to improve social development outcomes.