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Public Expenditure Tracking Surveys: Lessons from Tanzania

Whereas the successful application of PETS in Uganda has received and continues to receive a lot of attention, less has been written about the experiences of PETS elsewhere. The Tanzanian experience clearly shows that PETS is not a silver bullet as vested interests can easily derail the process.

Despite Anti-Corruption having been a growth industry for more than a decade, success stories are relatively few and far between. The dramatic impact achieved by the Public Expenditure Tracking Surveys (PETS) in Uganda has been one of the most cited successes. It is therefore interesting to note, that despite the apparent replicability of the approach and the considerable number of attempts to reproduce the Ugandan success elsewhere, there are few other examples of PETS having had an appreciable and sustained impact. This Brief chronicles the way in which the latest PETS in Tanzania was negatively received. Although the PETS revealed and documented several systematic weaknesses in the flow

of finances to primary schools in the country, resistance to act on those weaknesses means that three years on, the same problems prevail.

What are Public Expenditure Tracking Surveys?

A Public Expenditure Tracking Survey (PETS) tracks the flow of public funds and material resources from the central government level, through the administrative hierarchy, and out to the frontline service providers. The aim is to improve the quality of service delivery at the local level, and the key question that a PETS sets out to answer is: **Do public funds and material resources end up where they are supposed to?** If they don't, the survey may go further and ask: **Why are those funds being diverted?** Such surveys are typically implemented at the sector level, usually in health or education.

Further information: <http://www.u4.no/themes/pets/main.cfm>

Background

PETS are recognised as one of the few methods that can have a positive impact on corruption in service delivery in poor countries with weak systems of governance. In Uganda, leakage in primary education capitation grants was brought down from an average of almost 90% in 1991-95 to less than 20% in 2001. This was achieved through the regular application of PETS, newspaper publication of financial transfers to the district level, awareness raising campaigns, and capacity building that enabled local stakeholders to follow the money¹.

Tanzania was one of the first to emulate Uganda, and conducted PETS in 1999 and 2001². These two PETS did not capture exact leakages, but suggested that only half or less of the funds intended for health and education frontline services actually reached the local level. Unlike the Ugandan PETS, however, they did not form part of larger sustained programmes to improve transparency and empower user committees to demand their entitlements. Consequently, the kind of national dialogue that the PETS provoked in Uganda, did not occur in Tanzania³.

When the Government of Tanzania embarked on a Primary Education Development Project (PEDP) in 2002, it borrowed from a model developed in Uganda. Each school was to receive a capitation grant of 10,000 Tanzania Shilling (Tshs.) per pupil each year (equivalent to 10 US\$). The fact that 100% of the funds are supposed to reach the school makes this system of funding ideal for the use of PETS to track resources, as it is possible to calculate exact and unambiguous leak-

ages, which is what was done to such great effect in Uganda.

The 2004 PETS in Tanzania

The World Bank, a major funder of PEDP, conducted a pilot PETS on the project in 2003. This pilot, which covered a limited number of schools and local authorities, suggested that leakage was at less than 5%. This meant that for every Tshs. 100 disbursed to schools from Central Government, an average of more than Tshs 95 made it to the schools⁴. It later turned out that this finding was mistaken since the survey had only registered funds disbursed from the Ministry of Finance. The consultants had not realised, nor were they told, that both the Ministries of Education and Local Government had also disbursed significant portions of the funding to PEDP. This meant that the survey only captured about a third of the money going into PEDP and that what the pilot identified as 'minimal' leakage was, in fact, a considerable leakage. The pilot PETS was shared and discussed with the key actors involved in the financing of PEDP, both Government and Development Partners, but nobody noted that the tracking pilot had missed most of the funds that were meant to have gone to the schools.

After this, on the surface, successful pilot, the Government of Tanzania decided to run a nation-wide Tracking Survey on the Primary Education Development Project. The task was commissioned to a prominent Tanzanian research organisation, REPOA⁵.

In May 2004, REPOA presented its first draft of the findings at the annual Consultative Meeting. Among other things, the findings documented that

approximately 40% of the capitation grant was not accounted for. The Ministry of Finance (MOF) quickly issued a rebuttal questioning the methodological authenticity of the REPOA study. This rebuttal reportedly bore a striking resemblance to a memo earlier drafted by the World Bank's then resident technical officer in charge of education. The MOF sent its methodological objections to REPOA, whose researchers addressed the queries. Clarification of methodological questions was included in the final PETS draft submitted to the MOF in September 2004⁶, which demonstrated that they had little bearing on the key findings. To date (October 2007), REPOA has received no formal response from the MOF either to its reactions to the rebuttal, or the final draft of the PETS report. Neither has the draft PETS ever been officially acknowledged, nor is it available on any website (except for a brief summary on the U4 website: www.u4.no)⁷.

To the author's knowledge, the only published report citing the PEDP Survey is a publication by HakiElimu⁸, a Tanzanian education and civic rights organisation. It published a compilation of official government reviews exclusively on PEDP in its first three years of implementation⁹. Apart from the critical issues concerning public financial flows documented by the PETS, the 'review of reviews' also presented data on enrolment, school resources, teacher/pupil ratios, repletion rates, and more, to give a critical but balanced view of the relative success of PEDP.

The HakiElimu 'review of reviews' was published in 2005, an election year, and was combined with a series of popular and widely watched television and radio adverts illustrating the problems of corruption and mismanagement in the education sector. This strongly irritated the Minister of Education and the then President, Benjamin Mkapa, and a countrywide ban was issued against anyone in the education sector cooperating with HakiElimu. It was only significant public and possibly

1 Reinikka and Svensson (2006).

2 PWC 1999 and REPOA/ESRF (2001).

3 Sundet (2004).

4 Björkman and Madestam (2003).

5 Research on Poverty Alleviation

6 REPOA (2004).

7 www.u4.no/themes/pets/petseducationsector.cfm#4

8 www.hakielimu.org

9 HakiElimu (2005).

high level diplomatic pressure that stopped the Government from banning the organisation altogether.

In the time that has passed since the final draft PETS was submitted to the MOF, the Government has periodically repeated its original objections to the study in meetings with Development Partners. But at no time have any of these objections been formally forwarded to REPOA, or examined by any other stakeholder. Following references to the Tracking Survey in the media – after another presentation by HakiElimu, which assessed progress five years after PEDP – the Ministry of Education published a full page advertisement in several Swahili daily newspapers, pronouncing the tracking survey as methodologically flawed, and stating that its findings should be disregarded¹⁰.

Informal discussions with Development Partners indicate a common view that serious methodological flaws in the PEDP tracking study did exist, but also that the lack of a formal response or follow-up to the survey is “unfortunate”. To the author’s knowledge, neither the Development Partners nor the Government have met to discuss the study or the technical challenges it identifies. With the absence of Government approval, has it become politically problematic to treat this tracking study as a technical resource?

Relevant findings of the 2004 PETS

The PEDP Tracking Survey remains highly relevant, and not only in relation to possible future PETS.

Too complex to be transparent

Firstly, the PETS revealed an unnecessarily complex system of transferring funds that involve three separate ministries, as well as separate transfer and reporting mechanisms and channels. For, 2002 and 2003, it was shown that the Ministry of Finance transferred 32% of the funds intended for the capitation grant, the ministry responsible for Local Government 29% and the Ministry of Education 39%¹¹. While some of the transfers were made directly to the local authorities, others were channelled through the Accountant General and/or the Regional Offices (an admin-



istrative level between the central and local authorities). The transfers were also directed to different accounts in the local authorities. Needless to say, this extraordinarily complex system of financial transfers made it much more difficult to track funds, and also made it harder for local authorities to ensure good financial management.

The 2006 external review of Public Expenditure and Financial Accountability (PEFA) in Tanzania¹² corroborated the observations from the PEDP Survey. PEFA noted that the complexity of funding arrangements is a significant cause for the opacity of finances at the local government level which, in turn, contributes to poor financial management. Unfortunately, there has been little debate and no further action on this issue.

Lacking awareness at local level

A second finding of the PEDP Survey revealed how little headmasters and school committees knew about their entitlements. When asked how much schools should receive in capitation grants, the average answer was Tshs. 3,200 per pupil per year. Their actual entitlement was in fact Tshs. 6,000 (at that time the other Tshs. 4,000 of the Tshs. 10,000 capitation grant mentioned above was intended to be spent by the local government authorities to buy books for the schools).

A key lesson from the successful application of PETS in Uganda was that the

empowerment of communities to claim monetary entitlements was the main driver of improvements and the significant reductions in leakages. The PEDP system has been modelled on the Ugandan system of using capitation grants to minimise discretion and maximise transparency and predictability. It appears though, that in Tanzania, informing communities of their entitlements was done poorly and patchily, and this left people with limited and unreliable information for follow-up.

Communication with people and organisations active at school level indicate that there has been little improvement in their awareness of entitlements, even though this problem was documented three years ago.

Lessons and final thoughts

PEDP is, without comparison, the most popular and well regarded of the Government of Tanzania’s reforms. With the help of relatively large injections of funding, classrooms were built in every village in the country, primary school fees were scrapped and enrolment rates soared. Considering the recognised success of PEDP it is doubly regrettable that the problems identified by the PETS were not addressed. There was little need for the Government to be defensive about the weaknesses identified by the Survey. They already had a success and could have used the findings of the PETS to demonstrate that they had the commitment to strengthen the popular reforms in the Primary Education sector even further.

10 See, for example, Uhuru 4 May, 2007.

11 REPOA (2004).

12 World Bank (2006).

Sadly, this opportunity was missed. At least three general lessons can be drawn by contrasting the Ugandan and Tanzanian stories:

- 1. To assist the success of initiatives to improve public expenditure efficiency and accountability, it would be beneficial to anticipate potential resistance to reform.** Reform is change, and change is often perceived as a threat to many of those benefiting from the existing system. More effective provisions up front are needed to ensure thorough follow up and processing of recommended changes.
- 2. Development Partners need to consider their own incentives for engaging in an open and informed dialogue on the strengths and weaknesses of existing systems.** It has to be accepted that supporting mechanisms which publicise serious policy problems may jeopardise the relationship with Government partners. More thought is needed on how to create space for all stakeholders to engage, on an equal footing, in informed policy debates.
- 3. As well as learning from 'best practice', being informed about 'poor practice' is also important when learning from previous experiences.** The Uganda PETS demonstrated the potential impact of a very attractive approach for improving efficiency in service delivery. Why though, are there so few examples of successful replication of the Ugandan accomplishments elsewhere?

"To PETS or not to PETS"

In the current discussions on PETS in Tanzania, much could be gained from unpacking the question about whether to run Tracking Surveys at all:

- First and foremost, there is a need to recognise that what actually produced the improvements in financial management in Uganda was not the study *per se*, but the initiatives on the ground. These ensured that local communities were aware of their entitlements and that there were mechanisms in place for them to be claimed¹³.
- Second, the decision to conduct another PETS may carry more weight if findings from the 2004 Survey are first addressed.
- Third, political and institutional factors which may have hindered the Tanzania 2004 PETS need to be understood and adequately addressed before embarking on a new PETS.

The story of the Tanzanian PETS experience clearly shows that PETS cannot be seen as a silver bullet. The application of PETS is only likely to help bring about successful reform if it is seen as part of a more comprehensive drive to stream-

line and simplify what is now a complex and opaque system of financial management. Above all, a much more concerted effort is required to ensure local communities are aware not only of their entitlements, but also how to claim them. The climate in Tanzania may have evolved to an extent where more open debate on these issues is now possible.

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13 Reinikka and Svensson 1993.