Preparing Your Project Governance and Accountability Action Plan

Reducing Fiduciary Risk through Increased Transparency and Accountability

A Guidance Note for New Projects in India
Reducing Fiduciary Risk through Increased Transparency and Accountability

Preparing Your Project Governance and Accountability Action Plan
Foreword

The World Bank is beginning to better understand the importance of proactively incorporating public transparency and accountability arrangements into its projects to guard against corruption. As recent instances of collusion discovered in Bank-financed projects underscore, corruption can pose a significant fiduciary risk, in addition to undermining the institution’s credibility. For this reason, the Bank’s governance and anticorruption strategy paper,1 endorsed by the Board, calls for a concerted focus on the identification of fiduciary risk and related mitigation strategies and places Task Teams at the heart of this effort.

Important lessons can be drawn from the World Bank’s varied project experience, INT investigations, and other related analytical work. These show not only that corruption can be reduced by designing projects that raise the cost of wrongdoing throughout the project cycle, but also that an understanding of such structural factors could help prevent it significantly. Bank experience and research also point to the tremendous impact that beneficiary and civil society oversight can have in reducing corruption, as also on enhancing the quality and efficiency of project outputs, and the chances of achieving project outcomes.

Project preparation teams might, thus, wish to begin focusing on this issue as a central aspect of project readiness and ‘quality at entry,’ to devise nontraditional, demand-side approaches to comprehensively mitigate risk.

To this end, the Right to Information Act (2005) is a useful instrument. It has created both an obligation on the Government to disclose, as also a formal and mandated space for citizen oversight of governmental performance. By complying fully with the RTI, Bank-financed projects can provide beneficiaries and civil society with the information necessary to maintain effective vigilance and reduce fiduciary risks. This information would include progress, procurement and audit data, among other things.

This guidance note is intended to support Task Teams in preparing Governance and Accountability Action Plans that use beneficiary oversight as a risk mitigation strategy. By distilling key lessons and principles from the Bank’s global research and experience, it suggests practical steps by which these may be applied to projects in India. Specifically, these steps are:

- **Step One:** Understanding and prioritizing corruption risks through ‘corruption mapping’ and an analysis of incentives and disincentives.
- **Step Two:** Empowering recipients and communities through smart project designs that involve them in procurement and in the construction of simple works.
- **Step Three:** Building partnership for civil society oversight and feedback by initiating consultation with civil society representatives.
- **Step Four:** Establishing proven procurement policies to mitigate collusion.
- **Step Five:** Building strong task teams capable of increased attention to fiduciary risks.
- **Step Six:** Clearly defining remedies to ensure compliance with anticorruption measures and to deal with cases of fraud or corruption discovered during implementation.
- **Step Seven:** Consulting stakeholders to finalize the governance and accountability action plan.

While these principles have been around for a long time, ongoing experience is now offering more effective strategies for implementation. This guide will thus be periodically revised to incorporate new developments in both World Bank practice and research. The report of the Detailed Implementation Review (DIR) of five projects from the Health Sector in India has recently been issued. The DIR findings have implications for not just the health sector projects but all projects in other sectors. As various teams sift through the report and distill lessons, these will be incorporated in the guide and a revised version will be issued.

Isabel M. Guerrero  
Country Director  
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1 Strengthening World Bank Group Engagement on Governance and Anticorruption
Acknowledgments

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Contributions and comments were made by several Bank staff and consultants including: Asmeen Khan, Anup Wadhawan, Vinod Saghal, Debabrata Chakraborti, Felipe Saez, George Soraya, Robert Saum, Manoj Jain, George Tharakan, Krishnan Srinivas, Parmesh Shah, and Anthony Toft, Chief Counsel, SAR/EAP.

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As new input is received, this guide will be revised and further improved to make it more useful for task teams preparing projects.²

² The Detailed Implementation Review (DIR) findings have implications for not just the health sector projects but all projects in other sectors. As various teams sift through the report and distill lessons, these will be incorporated in the guide and a revised version will be issued.
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The World Bank has produced a number of guidance materials related to fiduciary management of projects – this document should be read in conjunction with these and the related rules and procedures. This document represents the views of the various authors and does not necessarily represent the views of the World Bank.
1. Introduction

Why is a Good Governance and Accountability Action Plan so Important?

The World Bank, by its Articles of Agreement, is required to “ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with attention to consideration of economy and efficiency and without regard to political or other noneconomic influences or consideration.” However, it is the Borrower that is responsible for implementing Bank-financed projects, for awarding and administering all project-related contracts, and — therefore — for ensuring that loan funds are not misused.

For its part, the World Bank has established detailed procedures and institutional controls to guide project staff in guaranteeing that loan funds are not misused, and that the Borrower takes appropriate actions to reduce the chances of corruption. These procedures and controls also seek to balance anticorruption objectives with the need to ensure that the cost of doing business does not go up unnecessarily. Thus, these controls need to be carefully designed to ensure that the level and expectations of control are realistic.

At the same time, we recognize that Borrower reforms (especially of procurement and financial management systems) offer the only hope for a sustainable long-term remedy to the problem of corruption and funds misuse. It is, thus, vital not to lose sight of the broader, high-level governance and PFM reform agenda since, despite our best efforts, it is impossible to fully insulate Bank-financed projects from systemic fiduciary risks.

Involving beneficiaries can minimize corruption and enhance project effectiveness

However, well-designed controls and oversight, incorporating new learnings from ongoing experience and research, can significantly reduce the chances of corruption and collusion. In this context, the evidence now convincingly shows that integrally involving beneficiaries in project design and implementation is a control with remarkable success. By checking wrongdoing, beneficiary involvement tangibly enhances the quality and efficiency of projects, while creating a sense of momentum and local ownership that carry the project more organically toward the achievement of longer-term project objectives and goals. For instance, while beneficiary involvement in a rural education project ensures that the output (i.e., new schools) are built more efficiently and in keeping with local needs, target communities’ regular interaction with the project team may also cause them to understand the importance of sending daughters to school or to ensure that young children are properly nourished. As Box A shows, well-structured beneficiary involvement can propel a project beyond mere efficiency in inputs, activities, and outputs to longer-term, more widespread developmental effectiveness.

Box A: Proactively Involve Beneficiaries to Boost Project Efficiency and Effectiveness

<table>
<thead>
<tr>
<th>Project Implementation Environment</th>
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<tbody>
<tr>
<td><strong>Longer-term Goals</strong></td>
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<tr>
<td><strong>Project Objective</strong></td>
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<tr>
<td><strong>Project Deliverables</strong></td>
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<tr>
<td><strong>Project Components</strong></td>
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<td><strong>Project Funding (US$)</strong></td>
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<td><strong>Impacts</strong></td>
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<td><strong>Outcomes</strong></td>
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<td><strong>Outputs</strong></td>
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<td><strong>Activities</strong></td>
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<tr>
<td><strong>Inputs</strong></td>
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<td><strong>Demand</strong></td>
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<td><strong>Supply</strong></td>
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<tr>
<td><strong>Implementing Agency</strong></td>
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+ ICR
From the World Bank’s perspective, these findings call for a more proactive approach in fighting corruption – one in which fiduciary controls incorporate linkages with and between beneficiaries and civil society. The key objective is to strengthen recipient involvement and ownership, so as to enhance project outcomes, while mobilizing civil society to balance disincentives.

Also important is to incorporate design elements that increase the cost of corruption in each phase of the project cycle – i.e., planning, procurement, and implementation. For this, it is necessary to identify and map the corruption ‘incentives’ and ‘disincentives’ inherent in every project process, and to use these to inform project design. Creating formal demand-side involvement and oversight can noticeably raise the cost of corruption.

Projects will thus need to proactively ‘empower’ beneficiaries and civil society through institutionalized consultation, monitoring, and feedback mechanisms, and the ongoing disclosure of holistic project information. The Right to Information Act (RTI) presents a powerful framework within which to situate this effort, since it establishes an obligation on all Indian government agencies – including World Bank borrowers – to report regularly to the public on a variety of financial and operational matters. This is the first time in India that the Government has been regulatorily required to disclose – or ‘tell’ – the public, as also to respond to citizen requests for information.

Thus, the RTI offers the World Bank a powerful instrument in its effort to protect its India projects from corruption risk. Most notably, it enables project teams to extend – within the context of a nationally-welcomed law with much legitimacy – the existing parameters for project-related transparency and accountability from the ‘right of citizens to know’ to the ‘Government’s obligation to tell.’ As Box B illustrates, this paradigm shift will also strengthen beneficiary and civil society oversight of projects by arming them with the information they need to curb potential dishonesty and fraud.

In fact, a number of Bank-financed projects in India are already provisioning to report project information to the public. They will do this within the framework of their Governance and Accountability Action Plans (GAAPs), as also the proactive disclosure requirements of the RTI. These projects are listed with the Implementation Notes on the ACGA web sites mentioned in the Table of Contents.

Additionally, existing projects have begun to introduce beneficiary involvement and information disclosure as a strategy to overcome implementation problems resulting from poor transparency and accountability. This approach was pioneered by the Rajasthan District Poverty Initiatives Project, whose ratings rose dramatically after this strategy was adopted. While Box C presents some of the highlights of the DPIP’s approach, a detailed description is found in the Implementation Notes.

Moreover, as the World Development Report 2004 underscores, public service delivery systems that create a formal space for ongoing user involvement and oversight will function the most successfully and sustainably in the long run. This holds true for Bank-financed projects as well. Task Teams should focus on creating effective ‘voice’ and ‘client power’ for project beneficiaries by providing them with the information and mechanisms necessary to contribute to ongoing discussions on project design and implementation, and to hold both service provider and borrowing government to account. Box D illustrates this triangle of accountability relationships. Projects that fail to structurally provision for this triangle could hinder their ability to meet stated objectives, build local capacities, and operate effectively over the long term.

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Box B: Ongoing Information Disclosure will Build Project Transparency and Accountability

Moving from the

Right of Citizens to Know

To the

Obligation of the Government to Tell

Facilitating

Civil Society and Beneficiary Oversight

Resulting in

Change in Behavior due to Increased Transparency and Accountability

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Beneficiary empowerment strategies would vary by sector and type of project. In education projects, for instance, it is feasible for beneficiaries to interact directly with service providers (i.e., using the ‘short route to accountability’), while national road projects might need to create mechanisms that use the Government to intermediate with the service provider (the ‘long route to accountability’).

**Box C: Rajasthan District Poverty Initiatives Project (DPIP) Governance and Accountability Action Plan (GAAP)**

The Rajasthan District Poverty Initiatives Project is a rural livelihood project, launched in 2000, to support 200,000 impoverished families across this state. Initially, it was hampered by a variety of problems – including slow disbursement due to allegations of corruption, poor monitoring and processing systems, high senior staff turnover, and overreliance on weak local NGOs.

In 2006, the State Government revamped the project by strengthening overall project and information management. It also established a detailed ‘governance and accountability’ strategy, created a process of independent monitoring, and ‘refocused’ its contracts with NGO facilitators to improve outcomes rather than outputs. Key elements of this new Governance and Accountability Plan have been:

- Project website (www.dpipraj.gov.in) now offers detailed project information to the public (including an account of beneficiary communities, subprojects, funds disbursed, operational guidelines, monitoring studies, and impact assessments).
- Listing of beneficiaries, funds received, and utilization/completion certificates painted visibly on walls/signboards in each village/subproject location.
- District collectors regularly convene village-level meetings to brief beneficiaries on project progress and financial disbursements.
- Social audits, and independent, third party monitoring by the Institute of Development Studies
- Radically improved complaint receipt and handling systems.

For more information, please contact: Asmeen Khan

**Differentiating the approach for more impact**

Task teams have drawn on a variety of lessons and experiences in designing their GAAPs and adapting these to their own specific projects. Different sectors have also had to devise varying approaches in creating transparency and accountability mechanisms, and in institutionalizing linkages with beneficiaries and civil society. This is because each sector and type of project tends to present its own unique set of challenges. For instance, in larger infrastructure projects, it may be more difficult to identify credible representatives for beneficiary groups than it is in community-based projects.

Although all World Bank projects now consult with and seek inputs from stakeholders as a matter of course, the challenge is to locate and involve those groups that can contribute the most to guaranteeing project efficiency, outputs, and outcome. This note presents some interesting cases of beneficiary mobilization in large infrastructure projects to facilitate the design of similar interventions in other sectors.

Also provided are cases in which beneficiaries have helped construct infrastructure assets. This strategy tackles head-on the key challenge besetting anticorruption efforts – i.e., collusion in procurement, which obviates competition and deprives the Borrower of ensuing benefits. Beneficiary involvement has also brought down project costs, enhancing ‘value for money’ both for the Borrower and project beneficiaries.
Decentralization will present a new set of anticorruption opportunities and challenges, which is important to take cognizance of from now on. The 74th Amendment to the Indian Constitution\(^4\) requires the devolution of a variety of administrative functions and services from the State to the Municipal Level. This will reinforce the pattern already seen in World Bank lending to India over the past decade – i.e., the increase in projects at the subnational level.

On the one hand, decentralization brings Bank-financed projects closer to beneficiaries, making it easier to give them ownership of anticorruption controls. On the other, the lack of governmental and civil society capacity in smaller towns renders more profound the governance and accountability challenges that project teams must battle with. Equally, fighting corruption can seriously endanger community ‘informers’ and field project staff. Thus, project management teams will have to take protective measures to allay these concerns.

**Creating strong task teams**

It must be underlined that anticorruption work is not about grand strategies, but about management support for discrete and consistent measures. Key is close monitoring and follow-through to ensure that projects systematically incorporate what is being learnt. Similarly, it is important to define elements or building blocks from which an effective anticorruption program can be constructed. Finally, task teams need to take each specific project situation into account to prioritize and sequence actions.

Most importantly, Task Teams must ensure that they have adequate capacity to deal with fiduciary aspects during preparation and supervision. They also need, as discussed earlier, to establish procedures that reduce possible misuse and maximize value for money. Attitude must be as foolproof as procedure. It is, thus, essential to inculcate an attitude of nontolerance to 'irregularity' or deviation from agreed protocols.

Careful supervision is required to ensure that agreed procedures are complied with in letter and in spirit, as also to track the achievement of outputs and outcomes on the ground. Equally, an effective Task Team will look beyond the paper trail to assess procurement in terms of quality, price and timeliness of delivery.

While this note is intended as a knowledge-sharing instrument for new projects, Task Teams may also find it of value to introduce anticorruption and demand-side measures to cure or prevent problems in existing projects. It synthesizes various aspects of ongoing anticorruption interventions into a concrete plan of action for each phase of the project cycle. Once a large enough number of new projects have tested and refined their action plans, ensuing lessons can be used to inform future interventions. For this reason, TTLs, who have used this note as a reference, are strongly encouraged to share their feedback.

Finally, Task Teams should be aware that, projects that effectively tackle corruption can expect to deal with more such cases than those which do not. Better controls and detection naturally bring more irregularities to the surface. Additionally, as communities come to trust projects, they will complain and demand more. These pressures must be anticipated and accepted as part of the price that must be paid for creating a cleaner, more efficient system.

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\(^4\) Enacted by the Indian Parliament in 1992
2. Guarding Against Corruption: The Building Blocks

Building Block One: Understanding Corruption Risks

Corruption “mapping”: Analyzing incentives and disincentives

To corruption-proof a project, it is first necessary to carefully assess the risks of corruption during each step of the project cycle. For, each of the specific processes and procedures adopted during planning, procurement, and implementation will present a varying set of incentives, disincentives, and opportunities to individual project actors.

By drawing on recent World Bank experience and research, it is possible to offer Task Teams an analytical framework by which to undertake such an analysis. The Department for Institutional Integrity has reviewed all major instances of fraud and funds misuse in the World Bank projects, and created a list of some 200 ‘Red Flags’ – i.e., types of corruption seen repeatedly during each project cycle procedure. Task Teams and project management units should pay especial attention to these in designing and managing projects.

For greater clarity, the Department of Institutional Integrity has organized all identified ‘Red Flags’ into four substantive areas – i) Project Preparation and Design; ii) Procurement; iii) Contract Administration and Supervision; and iv) Financial Management. Box E presents an indicative list of ‘Red Flags’. (The complete list of all Red Flags is contained in the Implementation Notes, mentioned in the Table of Contents). Task Teams might wish to be guided by these headings and subheadings as a checklist when undertaking their own corruption mapping exercises.

Corruption ‘mapping’ in the infrastructure sector

Additionally, the India Transport Team has developed a detailed corruption mapping matrix for the transportation sector, which could serve as a useful guide to other infrastructure Task Teams. This Transport Team unbundled the project cycle into three phases – i) Planning and Design; ii) Procurement; and iii) Project Execution, Contract Administration, Monitoring and Evaluation. It, then, identified possible corruption

Box E: Recurring Types of Corruption: Red Flags

A: Project Preparation and Design
No value reviews during detailed design; failure to adopt least-cost solutions; inflated cost estimates.

B: Procurement
Bid document preparation
Narrow contract specifications appear to favor specific manufacturers or product-types; weak technical specifications that do not allow evaluation of the contractor’s quality of performance.

Prequalification
Vague or unclear prequalification requirements; inadequate time given for preparing applications; exclusion of experienced applicants on minor technicalities; requirement to be preregistered on a government-approved roster.

Advertising of bids
Tender not sufficiently advertised; advance release of bid documents/relevant information to preferred bidder/s; bidding document sold at an unjustifiably high price to minimize number of bidders.

Bidding
Not all bidders informed of the contract cost estimate; failure to keep accurate minutes of the prebid meeting; clarification sought by bidders is not answered in writing, nor circulated to all bidders; bid-opening delayed and/or not in public.

Bid Evaluation and Contract Award (BEC)
Bidding process controlled by a small number of persons in the PMU; BEC members do not have the technical expertise necessary to properly evaluate bids; only photocopied documents available for review; same bidders participating and winning repeatedly; high number of complaints about bid process and evaluation.

C: Contract Administration and Supervision
Contract specifications or scope of work altered after contract awarded; changes in PIU/PMU and Bank staff responsible for post-procurement verification of scope
of work and physical inspections; site diaries and meeting minutes are not maintained; incomplete PIU/PMU documents; written instructions are not given to contractors.

D: Financial Management

Financial environment
Significant proportion of disbursements via Special Accounts; poor controls or supervision of Special Accounts by the Borrower; financial delegations not clearly defined, approved and documented; changes to delegations not documented; irregular cycle of monitoring financial accounting and financial performance against adopted and implemented budgets; accountable forms not defined and not properly controlled.

Budgeting and financial management monitoring
No evidence of links between financial performance, project progress and management monitoring; budgets not reviewed and updated at regular intervals based on project progress; untimely audit reports and management letters, and management response to audits (internal and external audits); no evidence of investigation and action for significant variances to budget/plans.

Accounting
Inadequate Chart of Accounts; classification of revenue and expenditure not in accordance with the approved chart of accounts; inadequate segregation of duties between ledger maintenance, revenues processing and expenditures; journal entries not properly prepared, approved and sequenced; and no adequate documentation to support entries.

Assets
Asset register not complete and up to date, and/or omits essential information; physical assets not numbered; physical stock-take improperly or incompletely reconciled with accounting records; no actions taken to deal properly and quickly with discrepancies; asset losses not properly investigated and results not documented; revenues from asset sales not disposed of or accounted for.

Inventories (stores)
Inventory procedures not properly documented; inventory responsibilities not clearly defined; incomplete records of store receipts, store issues and store returns; improper authorization of inventory losses; lack of timely investigation and action for gaps between physical and accounting records.

Petty cash
Petty cash procedures and responsibilities not clearly defined; petty cash reimbursements too frequent; cash claims not sequentially numbered and not all numbers accounted for; claim payments not signed by receiving officer; no segregation of key duties (e.g., accounting and petty cash).

Bank accounts
Irregular and untimely reconciliation of bank accounts (proper reconciliation not being performed); no evidence of review and approval of reconciliation; original bank statements not held on file with reconciliations; high level of outstanding checks.

Purchasing and expenditure
Completion or progress payment certificates/reports attached to contractor invoices are identical to the technical specifications in the contract; nonapproved purchasing and expenditure claim forms used; disbursements made in the absence of sufficient supporting documentation to an entity other than the contractor, or to an “offshore” destination.

Expenditure advances
Advances and acquittals not supported by original expenditure documentation; irregular review and follow-up of outstanding advances; accounting records improperly note and classify advances and acquittals; unused advances not repaid in a timely manner, with evidence of receipt.

Audit
Irregular procurement of auditors’ services; inadequate terms of reference; repetition and/or high level of audit queries; inadequacy of management responses and actions.

For more information, please contact: Christian Kammer, Simon Robertson, or Duncan Smith (INT)
opportunities and actors for each procedure, and suggested possible preventives and solutions. Resulting project, contract, and monitoring systems design actively incorporated these considerations.

While Table 1 briefly summarizes this exercise; the detailed matrix prepared by this Team can be found in Appendix 1.

### Table 1: Highlights of the Corruption Matrix Developed for Indian Transportation Sector Projects

<table>
<thead>
<tr>
<th>Corruption-vulnerable Activity</th>
<th>Risk</th>
<th>Entity Exercising Discretion</th>
<th>Proposed Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Planning and Preparation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliberately inaccurate survey and subsoil investigation</td>
<td>Low</td>
<td>Mostly state-level implementing agencies</td>
<td>More Employer’s site staff, and more public disclosure</td>
</tr>
<tr>
<td>Inconsistent design or poor quality control due to lack of standard design specifications</td>
<td>Medium</td>
<td>Mostly state-level implementing agencies</td>
<td>Detailed standard design guidelines that freeze certain basic parameters</td>
</tr>
<tr>
<td>Skewed cost estimates due to use of old PWD Schedule of Rates, resulting in lump sum escalation across the board</td>
<td>High</td>
<td>Mostly state-level implementing agencies</td>
<td>Database program, incorporating historical prices and pay items and works, to estimate costs</td>
</tr>
<tr>
<td>2. Procurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single-point sale of tender documents enables bidders to easily identify each other and collude with government officials</td>
<td>Low</td>
<td>Bidders and implementing agencies</td>
<td>Multiple points of document sale; all tender documents available on web site</td>
</tr>
<tr>
<td>Bidders collude to fix winner and pay losers</td>
<td>Medium</td>
<td>Bidders (and possibly implementing agencies)</td>
<td>Oversight by premier engineering college panel; software analysis to catch collusion</td>
</tr>
<tr>
<td>Poor bid assessing capacity causes contractors to get more work than they can handle, so they subcontract without proper authorization</td>
<td>High</td>
<td>Employers at all levels, but mostly at State</td>
<td>Require bidders to disclose their current work and subcontractor portfolio; abolish registration of contractors</td>
</tr>
<tr>
<td>3. Project Execution, Contract Administration, Monitoring and Evaluation&lt;sup&gt;5&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractors use inferior and/or less material than committed, in connivance with the employer and/or the ‘engineer’</td>
<td>Medium</td>
<td>Mostly State-level implementing agencies</td>
<td>Resident Engineer’s laboratory should be separate and independent from the contractor; third-party quality audits; encourage Government to train and use National Quality Assurance Monitors</td>
</tr>
<tr>
<td>Time over-runs a norm rather than an exception due to weak monitoring, among other things</td>
<td>High</td>
<td>Implementing agencies at all levels</td>
<td>Permit just two extensions, each only up to 15% of the originally agreed time; insist on the Contractor’s Project Manager being changed</td>
</tr>
<tr>
<td>Delays in releasing payments; no work certification norms</td>
<td>High</td>
<td>Implementing agencies at all levels</td>
<td>Contract mandates timely release of payment by Employer; use of Electronic Clearing System to reduce human interface and discretion</td>
</tr>
</tbody>
</table>

For more information, please contact: George Tharakan, Lead Transport Specialist

<sup>5</sup> Interestingly, there are no ‘low-risk’ activities identified in this stage
**Corruption mapping in community projects**

Community-driven development projects, on the other hand, pose a differing set of challenges and remedies, as highlighted by the corruption mapping matrix developed for the Kecamatan Project in Indonesia (See Table 2).

Once corruption risks are identified in each phase of the project cycle, Task Teams can take practical steps to mitigate them through process redesign or the creation of expanded oversight mechanisms. While doing so, they should also refer to the GAC Action Matrix Prepared by the Anticorruption, Governance and Accountability (ACGA) Subgroup, contained in Appendix 2, which requires Task Teams to holistically assess the Borrower’s existing governance and accountability structures/systems, processes and capacities. Needless to say, project teams can use both these exercises – corruption mapping and compliance with the ACGA Matrix – to reinforce and further develop each other.

Additionally, an especial focus should be given to curbing incentives and bolstering disincentives. In this context, the World Bank’s Kecamatan Development Project (KDP) in Indonesia presents some interesting lessons – most notably, that disincentives can take the form of both formal and informal mechanisms, and are more effective when control is exercised by recipients and communities. These are described in Box F.

Finally, if such corruption mapping exercises are to sustain their efficacy over the long term, each Task Team must continually update its corruption mapping matrix and proposed set of remedies to incorporate new project information and experience.

**Table 2: Incentives for Corruption in Village Projects**

<table>
<thead>
<tr>
<th>Step in Project Cycle</th>
<th>Incentive Level</th>
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<tbody>
<tr>
<td>Dissemination of information and selection of consultants</td>
<td>Low – But risk of nepotism in choosing consultants and elite capture for later kickbacks</td>
</tr>
<tr>
<td>Socialization: villagers learn how the project works and what their rights are</td>
<td>Low – But risk of elite capture</td>
</tr>
<tr>
<td>Villagers prepare proposals</td>
<td>High – Kickbacks with selection of TA; collusion; budget markups; false groups formed to get microcredit</td>
</tr>
<tr>
<td>Technical teams look at the proposals to see if they are feasible</td>
<td>Low – But incentives to try to influence results of assessment in village’s favor</td>
</tr>
<tr>
<td>Villages choose proposals that will be funded</td>
<td>Low – But incentive to simply split funds among villages: leads to bad projects</td>
</tr>
<tr>
<td>Preparations for implementation: funds are released</td>
<td>High – Main threat is collusion among three signatories of bank withdrawal to take a cut of funds before transferring to village</td>
</tr>
<tr>
<td>Implementation: materials are bought; village labor is mobilized; roads and bridges are built</td>
<td>Extremely high – Most common source of corruption in KDP (apart from operational funds and consultants’ payments) is with procurement of materials. Implementation teams buy cheaper materials than those specified and pocket the difference</td>
</tr>
<tr>
<td>Postimplementation: loans repaid; revolving funds set up; maintenance of infrastructure</td>
<td>Medium – Loan repayments managed badly; risk of corruption with user fees for maintenance</td>
</tr>
</tbody>
</table>

Box F: Curbing Corruption Incentives: The Kecamatan Development Project

Initiated in 1998, the US$1.6 billion Kecamatan Development Project in Indonesia is one of the world’s largest and pioneering community-driven development projects. By channeling block grants straight to villages throughout rural Indonesia, it has devolved development decision-making and finance directly to the grassroots level.

Independent audits have found very low levels of corruption and less than 1% loss of funds, despite the national extent of the program. Moreover, quality is assessed as ‘good to very good,’ and construction costs are routinely 30-50% lower than conventional approaches.

These outcomes were achieved through a variety of formal and informal transparency, accountability, and disclosure measures, including:

- **Eliminating complexity in procedures and systems** – The project team mapped the corruption incentives/disincentives for all actors and phases in the project cycle. Since it found that the proliferation of bureaucratic procedures produced strong opportunities for bribery and funds misuse, the project only maintained the most essential among these and dispensed with all others. All documentation procedures and systems were also simplified so that villagers could easily access and understand them.

- **Putting villagers in charge of project planning and financial management** – Since KDP made village, rather than district committees responsible for planning projects, designing budgets, and overseeing spending and implementation, beneficiaries were better able to publicly track funds. Additionally, villagers were told how the project was supposed to work, what their rights were, and what to do if they suspected foul play. Similarly, regular ‘village accountability meetings’ were required, in which project officials had to publicly account for expenditures to access further funding. All expenditures required three village-level signatures.

- **Creating interlocking monitoring mechanisms** – The project institutionalized a variety of ongoing financial, technical, and performance audit mechanisms. Subdistrict, district and provincial level managers, engineers and facilitators were given formal project oversight responsibilities. Sudden checks were conducted – of the quality of financial records and the technical quality of construction – and reports sent to project officials for follow-up. Villagers were asked to provide feedback on anonymous forms to encourage them to be candid. The project team contracted a network of provincial NGOs and journalists to independently monitor all aspects of the project and share their findings with the public. The project team also regularly commissioned internal and external studies on project performance and the effectiveness of anticorruption measures.

- **Proactively sharing information and following up on grievances** – The project team proactively shared key financial, technical and complaint information with beneficiaries, by publicly displaying it in villages and publishing it in newspapers. Much attention was also paid to building an effective complaint handling mechanism that could quickly investigate allegations of impropriety and institute sanctions against culprits. Officials found to have stolen money were publicly required to return it.

For more information, please contact: Scott Guggenheim, EASIS
Building Block Two: Empowering Recipients and Communities

Since recipients and local communities are projects’ most important stakeholders, it is crucial to empower them to fight corruption. Their detailed on the ground knowledge of the project area, project actors, and also of the formal and informal measures that could enhance project outcomes, affords projects teams a valuable new perspective. Thus, meaningful consultations with these groups will lead to smarter project designs, while developing local communities’ capacity to contribute to project success.

a) Creating controls that recipients and communities can drive

As the Kecamatan Development Project (KDP) indicates, projects can strategically incorporate recipient- and community-driven controls to bypass fiduciary risks identified by the corruption mapping process. Additionally, these controls need to be reinforced by other design elements targeting overall transparency, disclosure, and accountability. These might include, for instance, the regular reporting of project and performance information; expenditure tracking; independent monitoring; and credible complaint handling. Table 3 summarizes the lessons from KDP on designing ‘smart’ projects. While KDP’s lessons have an especial relevance for Community-driven Development projects, key principles can be applied in other types of lending initiatives as well.

However, two important issues must be kept in mind when designing recipient - and community-driven controls. Firstly, it is necessary to assess recipient/community capacity. If controls are too sophisticated or complex for local communities to understand and manage, they will fail to function as intended.

Secondly, recipient- and community-driven controls can create valuable new capacities on the ground. Task Teams should, thus, keep this complementary objective in mind when fashioning anticorruption procedures and mechanisms within their projects. Here again, systematic corruption mapping will inform the manner in which recipient involvement and empowerment can be worked specifically into a project.

b) Involving recipients in project planning and budgeting

The Kecamatan Development Project, and others like it, point to the benefit of formally involving beneficiaries and local communities in design, planning, and budgeting. By building public understanding of the project, it becomes harder for project actors to manipulate project information to their own ends. Projects are also more demand-driven, client-responsive, and cost-efficient, and find it easier to achieve outcomes. Since beneficiaries develop a sense of project ownership, they are more willing to make the behavioral changes necessary for the project to be a success.

Box G draws on some recent Indian examples to present Task Teams with ideas on how they might proactively involve beneficiaries and local communities in planning, design and budgeting.

c) Involving recipients in procurement

Since recipients are the prime beneficiaries of the procurement process, they should be able to exert effective power during the selection of project goods and services.

In education projects, for instance, school children are the end users of furniture and school materials. Thus, their parents might be called upon to represent them...
Box G: Involving Beneficiaries and Local Communities in Planning, Design, and Budgeting: Some Indian Examples

a) Project Planning and Design
From 2000, the Bangalore Water Supply and Sewerage Board (BWSSB) has worked closely with slum communities in an effort to persuade them to pay for legal piped connections. To mobilize public acceptance and support, the BWSSB has been compelled to explain program costs and technical details to target communities and to dialog extensively with them on tariff levels, technical option, and payment structures. Using local communities’ feedback and suggestions, the BWSSB succeeded in significantly reducing project costs, the rate for new domestic connections, and monthly tariffs. This enabled many more communities to connect.

A similar development occurred in Tamil Nadu, where Urban Local Bodies (ULBs) extended their sewerage networks by mobilizing capital contributions from beneficiary households. To do this, ULB officials and Municipal Councilors have had to consult extensively with target groups to ensure consensus on all implementation details. Local communities have thus had a strong voice in scheme design, bringing down costs and speeding implementation.

However, a key limitation of both the Bangalore and Tamil Nadu cases is that they did not put in place postconstruction service standards and user feedback mechanisms. End users have thus had no mechanism by which to demand performance information from, or to enforce service standards upon, implementing service agencies.

b) Budgeting
In Kerala, the State government has given local communities the power to plan and budget for the projects from which they will benefit, in a program known as the ‘People’s Plan Campaign’. Since the intention is to make development spending respond to local needs, neighborhood groups and ward committees contribute project ideas for their locality, and then negotiate with the municipal council to finalize the list of projects for implementation. Local communities then actively contribute to designing, budgeting, implementing, and monitoring selected projects.

c) Price-setting
The Indian Electricity Act 2003 requires state electricity regulators to involve consumers in tariff-setting. To this end, State Electricity Regulatory Commissions hold public hearings on the Annual Revenue Requirements (ARR) submitted to them by electricity companies, which explain delivery costs (including transmission and distribution losses) and propose a matching tariff. The ARR is also open to scrutiny by all stakeholders, who submit their feedback on the proposed tariff. Incorporating all views, the Commission issues a formal order binding all utilities to a specific tariff level for a year.

in determining requirements and procurement plans, at bid openings, in reviewing evaluation summaries, and in comparing inter-school award prices. Most important is to involve end users in the procurement process, right from the preparation of specifications to the acceptance of completed works. Equally essential is to build their capacity to make an effective input.

Box H summarizes some of the practical steps that the Java Integrated Water Resources Management Project in Indonesia undertook in this regard.

d) Involving recipients in implementation
Some livelihood and infrastructure construction initiatives have also begun to integrally involve beneficiaries in asset construction. Many small civil works have been effectively carried out by communities, particularly when their capacities are enhanced through civil works consultants, who assist communities in planning, designing and construction.

In Indonesia, education programs have successfully used beneficiary labor to rehabilitate schools and build new ones, while strengthening the feeling of camaraderie within the community. Not only have construction costs declined dramatically, resulting structures are also of higher standard and more locally appropriate than those built by contractors. Since communities also feel a strong sense of ownership, they tend naturally to assume the responsibility for regular maintenance.

In Kerala’s ‘People’s Plan Campaign,’ described in Box G, project beneficiaries are allowed to bid for local construction contracts, by forming Beneficiary Committees. Most commonly, Beneficiary Committees are awarded contracts to extend pipelines, and construct
roads and school buildings. However, sometimes contractors use these Committees as fronts, and so they need to be properly vetted and assessed.

**Box H: Empowering Recipients in the Procurement Process**

In the World Bank’s Java Integrated Water Resources Management Project, recipients participated in procurement as follows:

- **Tendering**: Water User Associations elected representatives to serve as members of the tendering committee. These representatives were formally recognized by the project manager, and invited to participate in prebid meetings, attend bid openings, and sign contracts.
- **Supervision**: Similarly, the project manager formally recognized Water Users Associations as one of the supervisors of the day to day progress of construction works.
- **Handover of completed works**: Water User Association representatives are formally recognized by the project manager as members of the Handing-Over Committee, and participate in field checks and sign the handing-over minutes.

**e) Involving recipients in monitoring**

Projects can also create a formal space for citizen monitoring of expenditures, construction, implementation, and maintenance.

*Expenditures and allocations*: The social audit is becoming an increasingly popular practice in India. It is, in particular, being used by the national Right to Information Campaign to prevent corruption in governmental poverty and infrastructure programs. (See Box I). Project design might proactively incorporate such an audit; a step that would have the added benefit of building project understanding and goodwill amongst beneficiaries and civil society.

**Box I: The ‘Social Audit’**

Activists and government-appointed ‘social auditors’ across the country are overseeing the implementation of the National Rural Employment Guarantee Act (2004), which guarantees 100 days of work annually to one adult in every poor household. To prevent corrupt officials and contractors from siphoning off public works funds by creating fake beneficiaries and underpaying real ones, activists first use the Right to Information Act to obtain all records relating to the program (muster rolls, measurement books, technical sanctions, and utilization certificates) and publicly share and verify these with scheme participants. Additionally, they – together with scheme participants and other members of the local community – visit worksites, interview NREGA field assistants/other officials, and cross-check implementation reports.

A key objective is to seek out ghost beneficiaries and inflated numbers of days worked, as also to ensure that NREGA officials are meeting the Act’s other commitments. Among these are that employment be provided within a radius of 5 km from the beneficiary residence, and that unemployment allowance be granted to any applicant not provided a job within 15 days. Regular public hearings are also convened with officials, in which petty grievances are redressed and good practice recognized. A major limitation, however, is that the social audit team has no power to impose penalties on staff from other departments, or to remedy significant grievances and problems.

In another example, Satark Naagrik Sangathan (SNS) – a Delhi-based NGO – has been publicly auditing ration shop ‘stock and sale’ registers to ensure that poor families are able to obtain daily necessities at government-mandated prices. Corrupt ration shop owners and Food Department officials have, for years, colluded to fictitiously show sales of these necessities to ration card holders, while, in fact, selling them in the open market for their own gain. Poor families, requiring subsidized rations, were unable to access these. Using the Right to Information Act, SNS has obtained the necessary registers and shared these with affected ration cardholders through public hearings. By identifying instances of mismatch between entries in the register and cardholders’ testimony, SNS was able to press for disciplinary action against shop owners and officials. As a result, ration shops are now tending to supply cardholders their full quota of grains and oil and keep their shops open as scheduled.
Construction and implementation – Beneficiaries can also be trained and empowered to monitor project construction and implementation. The Public Affairs Center in Bangalore, for instance, is piloting an interesting model, in which beneficiaries oversee rural road construction and maintenance. Box J provides more detail on this initiative, which, with minor modifications, could easily be adapted to other sectors and projects too.

Box J: Empowering Beneficiaries to Monitor Rural Road Construction

The Indian government is engaged in an ambitious US$12 billion national road building program, the Pradhan Mantri Gram Sadak Yojana, to connect urban and rural India. It will upgrade over 220,000 km of existing roads, and build an additional 410,000 km of all-weather road to connect 173,000 habitations throughout the country.

Since road construction in India has historically been characterized by collusion and poor quality, the government is keen to ensure that program funds are spent as intended. To this end, it has commissioned the Public Affairs Center (PAC), a Bangalore-based NGO, to train beneficiaries to systematically monitor road construction and quality in 50 Karnataka and Tamil Nadu villages on a pilot basis. (PAC had earlier developed and operated a similar scheme for urban roads in Bangalore).

A core team of three to four volunteers spearheads the monitoring initiative in each village. After intense training by road experts, PAC provides volunteers with a specially developed ‘road monitoring and quality control’ guidebook and simple field kits by which to undertake quality checks and measurements. Volunteers monitor each of the six stages of road construction and record their observations. They also train other members of their community to assist them, and – with support from PAC – regularly report on the progress and quality of road construction at village meetings. Established local NGOs and road experts provide ongoing support and guidance to monitors. To ensure that monitors obtain the requisite cooperation from contractors and their crews, PAC also obtains official authority letters from district authorities for these monitoring teams.

Although still in its pilot phase, this initiative has the potential to produce positive results.

For more information, please contact: Public Affairs Center, Bangalore, India

Performance monitoring – Training beneficiaries to monitor ongoing project performance can tangibly aid the achievement of desired outcomes. In this context, the efforts of the Consumer Unity and Trust Society (CUTS), a Jaipur-based NGO, are a fitting illustration. It has trained Rajasthan’s rural electricity customers to monitor the performance of the state’s electricity utilities on a daily basis, as also to present their views about service and sector policy to the state’s utilities and electricity regulatory commission, as described in Box K.

However, publicly recognized platforms must be created to assure legitimacy and responsiveness to ensuing feedback. Also, Task Teams will need to provision for the extra time and resources required by beneficiary involvement and empowerment when they are designing their projects.
Building Block Three: Building Partnerships for Civil Society Oversight and Feedback

Civil society can be a valuable partner to both project teams and beneficiaries in ensuring that projects work well. Most often, it is civil society that organizes and builds beneficiary capacity to avail effectively of government programs, prevent irregularities, and give vital feedback to relevant authorities. At the same time, it serves as an objective check on all project actors in reducing collusion and enhancing outcomes. Civil society can also support the project team in tackling another major challenge – that is, identifying project beneficiaries and those whom they trust to represent them.

Right from the outset, it is thus important to regularly consult and share project information with key civil society groups. A proactive, well-structured and ongoing engagement with civil society can build generalized goodwill and insulate the project from a variety of negative internal and external influences.

Besides enhanced disclosure, other mechanisms by which to build civil society project oversight and involvement might be systematic monitoring of the project by beneficiaries and the media, improved complaint handling systems, corruption surveys, and soliciting feedback from bidding firms. The Governance and Accountability Plan developed for the Bihar Rural Livelihoods Project (Appendix 5) illustrates how all these elements might be integrally built into project structure.

a) Regular reporting of project information

As discussed earlier, the Right to Information Act (2005) presents a cogent regulatory framework in which to situate the regular reporting of project-related information to the public. Full compliance in letter and spirit is thus suggested for all new projects, especially with the proactive disclosure provisions of the Act that touch on procurement and financial management information. Appendix 3 contains a detailed listing of the Act’s proactive disclosure requirements, and Appendix 4 discusses the specific manner in which the World Bank projects might comply with these. For convenience, key provisions with implications for project data maintenance and reporting are distilled below.

(Para 4[1][a]): Every public entity is required to “maintain all its records duly cataloged and indexed in a manner and the form which facilitates the right to information under this Act and ensure that all records that are appropriate to be computerized are, within a reasonable time and subject to availability of resources, computerized and connected through a network all over the country on different systems so that access to such records is facilitated.” This includes procurement and financial management records.

(Para 4[1][b] and 4[2]): Information that is required to be provided suo moto by all entities periodically include the following:

- Organizational structure, functions, and duties.
- Powers and duties of its officers and employees.
- The procedures followed in the decision-making process, including channels of supervision and accountability (this includes procurement decisions).
- The norms set by it for discharge of its functions (including procurement process standards).
- The rules, regulations, instructions, manuals and records, held by it or under its control or used by its employees for discharging its functions (this includes procurement rules and regulations).
- The budget allocated to each of its agencies, indicating the particulars of all plans, proposed expenditures and reports on disbursements made (this includes procurement plans).
- Publish all relevant facts while formulating important policies or announcing the decisions which affect the public (this could include contract awards information and a summary of the evaluation reports).

Specific details of the comprehensive disclosure policy can be agreed with the Borrower on a project-by-project basis during preparation. However, Task Teams must push for a policy which creates holistic project information access to the public, particularly to mid-term reviews, audit reports, and important procurement records. The objective is to thoroughly equip civil society to maintain effective oversight of project progress and funds use.

At a minimum, the agreed project disclosure policy must comply with the mandatory disclosure requirements of the World Bank as contained in the procurement, financial management and safeguards policies and could include public release periodically of the documents listed below:

- The mid-term review report and aide-memoire.
- All final audit reports.
• Annual procurement plans, schedules, and updates.
• Bidding documents and requests for proposals.
• Short lists of consultants and of prequalified contractors and suppliers.
• Summary evaluations of all bids and proposals.
• Contract award information for all goods/works above US$100,000 and consultants above US$50,000, and a list of all contracts awarded in the three months preceding.

To guide Task Teams, a detailed sample disclosure policy is included in the Implementation Notes.

b) Monitoring by civil society and the media

While enhanced information disclosure will facilitate systematic project monitoring by the public, civil society will, in any case, gather its own information to hold authorities and programs accountable. It may thus be both useful and strategic to proactively incorporate mechanisms for ongoing civil society monitoring into project design.

Two civil society monitoring practices have now been extensively adopted by donors and government agencies to measure the efficacy of programs and projects. One is the Citizen Report Card, an extensive public survey run to determine the level of citizen satisfaction with specific aspects of public services. Survey findings are then used to rate and compare service providers, and to support them in improving delivery. In the Community Score Card model, local communities assemble to have a detailed but structured discussion on service and program quality with government officials and service provider.

Task Teams could employ one or both of these models to create civil society project oversight. Detailed descriptions of both these practices are contained in the Implementation Notes.

Information disclosure can also become the basis for a variety of other types of relationship building, as the experience of Indonesia’s innovative Urban Poverty Project web site (www.p2kp.org) shows. What began as a project management database, has now grown into a teeming electronic hub, linking recipients, civil society, and the media. Highlights are provided in Box M.

Box M: Indonesia’s Web site of Many Dimensions

Indonesia’s Urban Poverty Project started a small web site to share news amongst project facilitators. As the project grew, so did the web site. Now, not only is it central to project management, it is also key to information-sharing and discussion between beneficiaries, civil society, and project actors. Receiving an average of 800 hits per day, the UPP web site is being used for:

News – Daily news updates on the project, covering over 6,000 villages, 34 provinces, and about 260 local governments. Most project-related letters and instruction are communicated through this web site.

Fund Flows – The public can access information on all payments and funds transfers to villages, the use of funds, and all villages, municipal, and projectwide management information systems. For housing projects attached to UPP, the names of all beneficiaries and their contact numbers (including cell phone) are accessible through the web site.

Procurement and Expenditures – All consultants contracts and payments are publicly accessible, as are fortnightly reports on consultants’ performance and progress. The Bank also reports the outcome of its supervision.

Complaints Handling Mechanisms – A list of all complaints, sorted by category and showing redressal status. Also, new complaints can be lodged directly onto the web site.

Learning – A daily update of various learning and innovations from about 3,000 project operators.

Increasing Transparency – A window is available to the public to express views on any subject without the fear of repercussion. No censorship is applied.

For more information, please contact: George Soraya, Lead Municipal Engineer

Monitoring by the media has many benefits. It potentially enables the same sets of information to reach all project actors, without extra investment by the project management unit. This generates fact-based discussion and familiarizes beneficiaries with their rights and
Reducing Fiduciary Risk through Increased Transparency and Accountability

Guarding Against Corruption: The Building Blocks

responsibilities under the project. Systematic monitoring of project performance by the media also helps to identify unforeseen problems, throw up solutions, and ensure efficiency and efficacy. Most importantly, it is a strong incentive to the project management unit and other relevant government officials to perform, as also a powerful deterrent to corrupt project actors.

This is why a growing number of projects have begun to work systematic media monitoring or involvement into project design. Many projects invite the press to participate in supervision missions. In Indonesia, a network of journalists throughout the country was put in charge of systematically tracking the progress and impact of the Kecamatan Development Project. In India, the Rajasthan District Poverty Initiatives Project uses local radio to broadcast interviews with stakeholders in the effort to create a structured and holistic assessment of the project.

c) Complaint handling mechanisms

Since an effective complaint mechanism energizes public vigilance against irregularity, it must be provisioned for in project design. Also, once the project is effective, it must be constantly assessed for efficacy.

Most essential, though, is to ensure that whistle-blowers are completely protected since they often play the greatest role in anticorruption efforts. For this reason, it is important to ensure, firstly, that all complainants can be assured of strict confidentiality and professionalism, and that actions are not taken against innocent people. Additionally, complaints against project staff should be handled by an independent entity for the system to be credible.

To make their complaint systems accessible, professional, and robust Task Teams might wish to be guided by the following considerations:

- **Filing a complaint:** The structure of the complaint system must be clear and simple. It should be obvious to those filing complaints where/how they are to do so, and by what process complaints are resolved. If arrangements can be made for a telephone ‘hotline,’ a dedicated e-mail, or postbox address, complaint filing will become easier and faster.

- **Criteria for acceptance:** Complainants must be clearly told what information they need to supply.

- **Resources:** Complainants should be apprised how long it will take to resolve their complaint, and what it will cost.

- **Investigating the complaint:** The project team must ensure that the system incorporates the skills and capacity necessary to enable complaints to be handled in a timely and effective manner.

- **Corrective action:** The project team must clearly define who will take corrective action, and what its nature will be. Equally, it must ensure that there is no conflict of interest.

- **Reporting issues:** The procedure for reporting complaint-related information to the complainant must be clear.

Additionally, the project team must continually evaluate and improve the performance of the complaint system through:

- **Periodic reviews** of the effectiveness of the complaints handling system, particularly provisions for follow-up investigations of serious and unresolved complaints by internal auditors. Also, third party audit to ensure the independence and reliability of the system.

- **Monthly or quarterly public reporting of complaint and action-taken information,** in a simple, accessible, and easily understood format.

- **Instituting an online complaints monitoring system** database to monitor adherence to agreed redressal standards. The database would record and retrieve all complaints received and actions taken, including response time, and generate monthly, quarterly and annual reports based on an agreed format. Although access to the database would be restricted, civil society might be invited to partner in overseeing the efficacy of the system, as the Mumbai Municipal Corporation has invited Praja, a Mumbai-based NGO, to do so. This initiative is described in Box O.

Many Indian government agencies and private companies have also established Consumer Grievance Redressal Forums, to serve as in-house courts to adjudicate on unresolved consumer complaints. Task Teams might consider replicating this practice in their projects.
d) Corruption surveys

Independent corruption surveys, in which government agencies and/or donors poll citizens and/or project beneficiaries about their perceptions of the corruption-proneness of programs and projects, are now becoming a commonly used tool for public monitoring and feedback. Task Teams may find value in running such a survey, since findings often help to pinpoint areas of vulnerability that may have been missed during the corruption mapping exercise.

e) Feedback from bidding firms

Periodic feedback from firms can provide valuable insights into the behavior of the implementing agencies during the procurement process. For this reason, it is as important to invite feedback from rejected bidders, as also from reputed firms that chose not to bid for supply, construction, or other contracts in the project.

Box 0: Mumbai’s Online Complaint Monitoring System

Praja and the Mumbai Municipal Corporation have jointly set up an Online Complaint Monitoring System that enables citizens to register complaints via telephone, personal visits, letter/fax and Internet, and to access online information regarding redressal status from their homes. Complaints are registered on a central data server, which automatically distributes them to the relevant ward offices for redressal. ‘Action taken’ is recorded in the system, while unaddressed complaints escalate upward to senior officers. The system can also instantly generate reports on the status of departmental and ward complaints, allowing municipal officials at various levels to monitor and address structural complaints.

Moreover, PRAJA carries out regular and extensive ‘complaint audits’ to determine the public’s level of satisfaction with the system. In addition, a review committee of senior municipal corporation officials and Praja representatives meets regularly to determine action on nonredressed complaints. A major shortcoming of the system, though, is that it does not yet hold individual staff responsible for ineffective or slow redressal.

Building Block Four: Establishing Procurement Policies to Mitigate Collusion

While corruption mapping exercises identify procurement as the project phase most vulnerable to corruption, it is – as discussed earlier – possible to employ both procedural innovations and citizen-driven mechanisms to mitigate the chances of collusion. Since earlier sections have dealt with citizen-driven controls, this section focuses solely on structural and procedural innovations.

The structural and procedural innovations used most commonly to minimize collusion are:

- Advertising tenders more extensively and visibly in all national newspapers.
- Removing restrictions, geographic and otherwise, for potential bidders.
- Encouraging, and adequately addressing, procurement complaints.
- Declaring any deviations from agreed policy as misprocurement.
- An online procurement monitoring database that is updated monthly, with key information periodically reported to the public.

This approach was pioneered in the Bali Urban Infrastructure Project (2000-2005), cutting costs by an average of 30%. It also helps to generate the procedural transparency necessary to attract a wider array of contractors to bid. Often, smaller and less experienced contractors feel that it is not worth investing the time and resources required to bid since well connected contractors are likely to win. In some cases, they even fear that less principled contractors may use force to prevent them from bidding.

Additionally, many contractors find the prequalification process required by most large tenders to be too expensive and time-consuming. To address this problem, project teams have begun to experiment with ‘postqualification’ bids, in which any bidder can participate without restriction. In India, this approach has been employed successfully in the Lucknow-Muzzafarpur Highway Project,
Box P: Rebidding for Civil Works Construction Packages on Postqualification Basis: Lucknow-Muzaffarpur Highway Project

For various reasons, only a handful of contractors responded to the tender for the construction of the Lucknow-Muzaffarpur Highway, limiting price competition among bidders. As a result, proposed project costs much higher than the engineer’s estimate. To raise competition and reduce the chances of collusion, the Bank permitted rebidding for four packages, under a system of ‘postqualification.’ This expanded set of bidders brought estimated project costs down by Rs. 9,825 million (US$225 million) or 32%.

Comparison with Original Bids and Revised Estimates (First tranche)

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<tr>
<th>Package</th>
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<th>Lowest Bid from December 2004 Round of Bidding, INR Million</th>
<th>Lowest Evaluated Bid from May 2005 Round of Bidding, INR Million</th>
<th>Number of Bidders from Original to Rebidding</th>
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Comparison with Original Bids and Revised Estimates (Second tranche)

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</table>

*Based on 2004 Schedule of Rates for Uttar Pradesh and Bihar, which only became available recently
For more information, please contact: Debabrata Chakraborti, Senior Procurement Specialist, SARPS

where – by encouraging competition in bidding – it cut costs 32%. This saved the project a total of US$225 million, as the calculations in Box P show.

Collusion can also occur at the community level. Here the best protection against such abuse is transparency, together with an effect complaints handling mechanism. Together, they encourage communities to act or complain against collusion.

Building Block Five: Building Strong Task Teams with Effective Tools

Quality at entry

While robust procedures, disclosure, and oversight can help to check funds misuse, their efficacy will be determined by the nature of the Task Team. For this reason, it is essential to create strong Task Teams and equip them with the resources they need to do their job well.
First, and foremost, a concerted effort should be made to ensure that the same Team spearheads the entire project cycle. In this way, the same individuals that created the anticorruption plan, and its proposed linkages with beneficiaries and civil society, proactively supervise its implementation. The Team must comprise all the specialists necessary to deal effectively with the varied technical, fiduciary, and social impact aspects of project preparation, implementation and supervision. Procurement and financial management specialists are especially crucial.

Second, project preparation must also take into account the Borrower’s capacity to manage the project. If this is perceived to be limited or constrained, it is important to work with the Borrower to institute sufficient arrangements, especially for the management of procurement, contracts and finances as also documents maintenance. One good indicator of soundness is that the project management unit is able to commission activity and disburse funds as soon as effectiveness is declared.

Effective supervision

Going beyond procurement, effective supervision of implementation is also essential. For, INT investigations reveal recurring and systematic irregularities in this phase as well, including:

- Collusion in the procurement process (dealt with in the earlier section).
- Missing procurement documentation.
- Poor contract management resulting in departures from compliance with contracts, failure to complete work, and changes in contracts without appropriate approvals.
- Poor performance of the consultants hired for assisting in project oversight.
- Financial management issues in disbursement, accounting, record keeping and auditing.

Task Teams will have to concentrate on creating the proper checks and mechanisms to effectively weed these out. Moreover, Task Team members, especially the Task Team Leader (TTL), should adhere strictly to procedures, and act immediately to stymie or correct actual or suspected irregularities even if it causes project delays.

Looking beyond the paper trail: value for money and timeliness

Resulting checks and supervisory mechanisms must also be designed to obtain the best value for money. Strict vigilance must be kept on the quality, price and timeliness of project outcomes. Further, Task Teams must learn to look beyond the ‘paper trail’ to catch irregularities: INT investigations reveal many cases in which bidding and financial documents have been perfectly in order, yet the substandard quality of procurement outputs and outcomes points strongly to prior collusion.

In this regard, two useful preventive strategies are:

**Physical audits** – Based on a strategic sample of contracts, end use checks should be conducted on the goods and works resulting from the procurement process. In this way, both quality and quantity can be checked against contractual/planned commitments, and a holistic assessment made of the manner in which project funds have been deployed.

**Price comparisons** – Studies that compare the prices of goods and works used in the project, with those of similar goods and works elsewhere in the country, are also extremely helpful in detecting potential fraud, if price comparisons are relevant and rational.

Moreover, ensuring the timeliness of the procurement process is key to curbing political and noneconomic influences in the award of contracts. Undue delays allow collusion to creep into the implementation process, even when planning and procurement have been completely sound. The longer it takes the implementing agency to award contracts to winning bidders, the more scope there is for patrons to pressure for reconsiderations or modifications. Box Q discusses the strategies that have been most successful in minimizing procurement delays.

It is crucial to send a very clear signal that fraudulent and corrupt practices will not be tolerated at all. This is why, as the next section explains, effective remedies must be applied as soon as corruption cases are suspected or discovered. At the same time, all cases of fraud or corruption must be immediately referred to INT for handling.

Task Teams must also devote more attention to identifying ‘Red Flags,’ i.e., procedures and processes particularly susceptible to corruption. This can be done by maintaining a comprehensive database of all detected
Reducing Fiduciary Risk through Increased Transparency and Accountability

Box Q: Some Strategies to Reduce Procurement Delays

Establish Due Diligence
The World Bank and Borrower should agree on process time standards for each step of the procurement cycle, a mechanism for monitoring delays, and remedies when standards are not met. For example, the agreed goal could be consistent 90% compliance with procurement standards, with application of agreed remedies when performance falls below 70%. One possible remedy could be a requirement to hire procurement agent for at least six months. Project implementation and disbursement ratios will greatly improve by reducing procurement delays.

Threaten Suspension
The Task Team should threaten suspension when there are undue long delays in the procurement cycle in preparing or issuing bid documents, or completing the evaluation process and awarding the contract. However, the Team should have earlier agreed with the Borrower on the actions necessary to avoid suspension. Since procurement delays can be an indication of undue influence, to minimize the opportunity for corruption, the Task Team might also insist that procurement agents be appointed and/or the institutional set-up modified. Currently, in the absence of agreed sanctions and conditionalities, procurement delays can drag on unresolved for months and even years in some cases.

Discourage or Deny Bid Extension Requests
The Borrower is required to award the contract within the time of bid validity or seek bid validity extension to avoid the bids becoming invalid. Requests for extensions of bid validity for more than four weeks require World Bank prior no-objection. These no-objections for validity extensions should only be provided in cases with good justification, almost force majeure. Therefore, we would say ‘no’ often and every time we do so, we would create a ‘misprocurement’ situation. This would drastically reduce ‘passive’ corruption, when a government official sits on something waiting for the proper incentive to sign off. It would also reduce opportunities for second and third evaluation committees.

Box R: Argentina’s SEPA System

Argentina’s Fiduciary Action Plan (FAP) provides the public online access to all procurement planning and contract execution data for Bank-financed projects in the country online, through the SEPA database. The data available includes:

- All proposed contracts (civil works, goods and consultant services), including estimated contract dates and costs.
- Periodic information on the progress of each contract, including the actual award date, price, winning bidder and losing bidders, etc.
- Historical information on contracts: price adjustments, amendments and final completion.
- Advance search capability for all Bank-financed contracts in the country.
- Built-in graphic tools to enable users to analyze portfolio implementation performance.

The SEPA initiative is also planning to train civil society organizations in the use of the system, and to publish an annual Bank Portfolio Implementation Report.

For more information, please contact: Felipe Saez, Lead Country Officer, LCC7C

Building Block Six: Clearly Defining and Announcing Remedies

If effective action is to be taken against corruption, the Task Team and the Borrower must clearly agree on responsibilities and procedures (including suspension and cancellation). Project documents must be drafted carefully to specify the steps necessary for compliance with project controls and to avoid penalties for deviations from the contract. Similarly, they must state what action needs to be taken against corrupt firms, individuals, and government officials.

While Box R suggests remedies for procurement delays, deviations discovered during procurement process audits can be tackled as follows:

a. **Missing procurement documentation** – To prevent missing procurement documentation, negotiations or suspected cases of fraud and misuse. Having the data in a searchable electronic format will facilitate complex queries and analyses, enabling the detection of recurring patterns. In this context, Argentina’s SEPA system, described in Box R, might be a good model to adapt. Currently, ‘Red Flag’ reviews tend to be undertaken only on a contract-by-contract basis (for prior reviews) and on a sample basis (for postreviews), which is not only tedious but also constrains analysis.
should insist on a detailed procurement file maintenance plan and a ready-to-use system of ongoing access to contract and procurement data. Systematic filing will concentrate and protect all necessary documentation, while easing ongoing information reporting and disclosure. If during supervision, it is discovered that procurement files are not being maintained as agreed, then it is advisable to quickly threaten suspension, while – at the same time – defining the conditions necessary to avoid suspension. Most often, the key condition will be to bring documentation up to date within a defined time frame, or to change the institutional set-up to meet this objective.

b. Collusion in the procurement process – While this problem has been dealt with earlier at length, remedies can be strengthened by recommending that the Borrower be required to deal with collusion cases quickly and thoroughly. Currently, remedies include declaring misprocurement, if Borrower staff appears to be involved in collusive practices, and initiating investigations against doubtful firms and individuals. However, as yet, no clear sanctions have been declared for colluding Borrower staff. Should

c. **Poor contract management** – This problem may be mitigated through adequate supervision, including third party monitoring as far as possible. Adequate remedies, as suggested above, should also be diligently applied.

d. **Poor performance of the consultants** – The Borrower is primarily responsible for administering the contract and, so, for acting against a poorly performing consultant. To this end, it is recommended that appropriate procedures be developed as part of the supervision plan to evaluate the consultants’ performance and implement required follow-up actions.

e. **Financial management** – Irregularities in disbursement, accounting, record keeping and auditing should be mitigated through appropriate supervision and adequate remedies.
3. A Generic Governance and Accountability Action Plan

A GAAP should normally include the following sections:

I. Executive Summary

a. A brief summary highlighting areas with high corruption risk, explaining how these will be mitigated through project design and supervision arrangements, and clearly defining remedies for deviations.

b. A brief description of the following:

Fiduciary arrangements:
• Project design features.
• Supervision and monitoring features, including beneficiary and civil society oversight.

Key aspects beyond traditional arrangements:
• Understanding corruption risks.
• Empowering recipients and communities through mechanisms and training.
• Building partnership for civil society oversight and feedback.
• Establishing procurement policies to mitigate collusion.

II. Corruption Mapping Matrix

A corruption mapping and analysis of incentives and disincentives for corrupt behavior of project actors.

III. Action Plan

An action plan for anticorruption measures based on the consultations conducted during preparation. This should include how the project GAAP will be disseminated to all stakeholders and the public.

Key remedies:
• Actions required for deviations from preventive measures and detection measures.
• Actions required for incidence of fraud or corruption.
• Clear specification of the use of remedies related to misprocurement, suspension of disbursements, suspension of the project, and cancellation of the project.

An effective anticorruption program can be developed by selecting the elements appropriate for a specific project situation. The various actions and interventions must be integrated in a manner designed to have the maximum impact.

**Step One: Understanding and prioritizing corruption risks by corruption mapping and analyzing incentives and disincentives.**

**Outputs**
- A summary prioritizing high-risk areas requiring careful review of incentives, disincentives and remedies must be prepared.
- The action plan elements to mitigate the chances of corruption identified above.
- A corruption mapping matrix, including analysis of incentives and disincentives.

**Step Two: Empowering recipients and communities through smart project designs, involvement of recipients in the procurement process, and construction of simple works through communities.**

**Outputs**
- Listing of project design features and mechanisms that will empower recipients and communities.
- Designing mechanisms for recipient involvement in the procurement process.
- Designing citizens involvement.
- Planning construction of simple works by communities.
- Updating the corruption matrix and the action plan to incorporate the above interventions.

**Step Three: Building partnership for civil society oversight and feedback by initiating consultation with representatives of civil society.**

**Outputs**
- Agreeing the watchdog role and the mechanism of oversight by civil society.
- Agreeing the disclosure provisions to be included in the legal documents of the project.
- Developing a media strategy including independent monitoring by the media.

**Step Four: Establishing proven procurement policies to mitigate collusion.**

**Outputs**
- Formal incorporation of policies against collusion in the project by their inclusion in legal documents, operational manuals, minutes of negotiations, materials of project launch, and plans of dissemination to all stakeholders.
- Updating the corruption matrix and the action plan to incorporate the above interventions.

**Step Five: Building strong task teams with the means of paying increased attention to fiduciary risks.**

**Outputs**
- Developing a credible complaints handling system under the project.
- Planning corruption surveys to get independent feedback.
- Planning periodic feedback from the private sector including firms that are participating and those that are not.
- Updating the corruption matrix and the action plan to incorporate the above interventions.
• Updating the corruption matrix and the action plan to incorporate the above interventions.

Step Six: Clearly defining remedies to ensure compliance with corruption prevention measures and remedies to deal with cases of fraud or corruption.

Outputs
• Definition of the use of remedies for suspension and cancellation, including actions required to avoid application of these remedies.
• Definition of actions required from the government, including credible sanctions against firms and individuals against whom evidence of fraud or corruption has been found, including government officials.
• Facilitating declaration of misprocurement by including provisions for NCB in the loan agreement.
• Definition of remedies to ensure implementation of disclosure provisions agreed.
• Definition of remedies to reduce procurement delays.
• Definition of remedies for deviations found in the fiduciary audit.
• Updating of the corruption matrix and the action plan to incorporate the above interventions.

Step Seven: Consulting stakeholders to finalize the anticorruption action plan.

Outputs
• Drafting of GAAP.
### Appendix 1: Corruption Mapping Matrix: Indian Transportation Sector

#### Planning and Design

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Activity where Corruption Occurs</th>
<th>Risk Level</th>
<th>Opportunity for Corruption</th>
<th>Entity Exercising Discretion</th>
<th>Ways to Reduce Corruption Opportunities</th>
<th>Proposed Action(s)</th>
</tr>
</thead>
</table>
| 1       | Planning                          | Low        | Medium High                | Implementing Agencies - mostly at the State level | Transparency in selection of site, survey consultant, etc., and strengthen the employer’s capacity to monitor | 1. Augment the employer’s site staff to ensure:  
   - Key personnel from consulting agency are present on the site  
   - Monitor that enough field work is carried out  
   2. Enhanced disclosure of information and involvement of civil society (for details, refer to the Section on Civil Society Participation)  
   3. Greater public disclosures of designs to enable scrutiny by civil society and other professionals. Disclose all designs, subsequent changes made, and the reasons for the changes  
   4. Proof check of structural designs by professionals such as from IITs/Institution of Engineers/RITES/Indian Roads Congress |
| 1a      | Survey and investigation:  
   1. Inaccurate survey and subsoil investigation  
   2. The alignments may be altered to favor local influential persons, politicians, etc. | High        | Low Medium High            | Implementing Agencies - mostly at the State level | Transparency in selection of site, survey consultant, etc., and strengthen the employer’s capacity to monitor | 1. Augment the employer’s site staff to ensure:  
   - Key personnel from consulting agency are present on the site  
   - Monitor that enough field work is carried out  
   2. Enhanced disclosure of information and involvement of civil society (for details, refer to the Section on Civil Society Participation)  
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   4. Proof check of structural designs by professionals such as from IITs/Institution of Engineers/RITES/Indian Roads Congress |
| 1b      | Determination of contract packages/  
   sizes: Tailored to favor some contractors | Medium High | High                       | Implementing Agencies - mostly at the State level | Transparency in selection of site, survey consultant, etc., and strengthen the employer’s capacity to monitor | 1. Augment the employer’s site staff to ensure:  
   - Key personnel from consulting agency are present on the site  
   - Monitor that enough field work is carried out  
   2. Enhanced disclosure of information and involvement of civil society (for details, refer to the Section on Civil Society Participation)  
   3. Greater public disclosures of designs to enable scrutiny by civil society and other professionals. Disclose all designs, subsequent changes made, and the reasons for the changes  
   4. Proof check of structural designs by professionals such as from IITs/Institution of Engineers/RITES/Indian Roads Congress |
| 1c      | Bidding Documents: Nonstandardized for nonBank-funded projects | High        | Medium     | Implementing Agencies - mostly at the State level | Transparency in selection of site, survey consultant, etc., and strengthen the employer’s capacity to monitor | 1. Augment the employer’s site staff to ensure:  
   - Key personnel from consulting agency are present on the site  
   - Monitor that enough field work is carried out  
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   4. Proof check of structural designs by professionals such as from IITs/Institution of Engineers/RITES/Indian Roads Congress |
| 1d      | Land acquisition, utility shifting and tree-cutting:  
   1. Local revenue department officials may use discretion in valuation of land for acquisition  
   2. Utility companies may ask for facilitating payments for utility shifting  
   3. Forest department officials may have to be paid to get tree-cutting accomplished, especially if after sunset/before sunrise | High        | Low Medium High            | Implementing Agencies - mostly at the State level | Transparency in selection of site, survey consultant, etc., and strengthen the employer’s capacity to monitor | 1. Augment the employer’s site staff to ensure:  
   - Key personnel from consulting agency are present on the site  
   - Monitor that enough field work is carried out  
   2. Enhanced disclosure of information and involvement of civil society (for details, refer to the Section on Civil Society Participation)  
   3. Greater public disclosures of designs to enable scrutiny by civil society and other professionals. Disclose all designs, subsequent changes made, and the reasons for the changes  
   4. Proof check of structural designs by professionals such as from IITs/Institution of Engineers/RITES/Indian Roads Congress |
| 2       | Design, Cost Estimation, Value Engineering | Low        | Medium High                | Implementing Agencies - mostly at the State level | Transparency in selection of site, survey consultant, etc., and strengthen the employer’s capacity to monitor | 1. Augment the employer’s site staff to ensure:  
   - Key personnel from consulting agency are present on the site  
   - Monitor that enough field work is carried out  
   2. Enhanced disclosure of information and involvement of civil society (for details, refer to the Section on Civil Society Participation)  
   3. Greater public disclosures of designs to enable scrutiny by civil society and other professionals. Disclose all designs, subsequent changes made, and the reasons for the changes  
   4. Proof check of structural designs by professionals such as from IITs/Institution of Engineers/RITES/Indian Roads Congress |
| 2a      | Criteria for selection of design consultants: Least-cost based evaluation method | Low        | Medium High                | Implementing Agencies - mostly at the State level | Transparency in selection of site, survey consultant, etc., and strengthen the employer’s capacity to monitor | 1. Augment the employer’s site staff to ensure:  
   - Key personnel from consulting agency are present on the site  
   - Monitor that enough field work is carried out  
   2. Enhanced disclosure of information and involvement of civil society (for details, refer to the Section on Civil Society Participation)  
   3. Greater public disclosures of designs to enable scrutiny by civil society and other professionals. Disclose all designs, subsequent changes made, and the reasons for the changes  
   4. Proof check of structural designs by professionals such as from IITs/Institution of Engineers/RITES/Indian Roads Congress |
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<th>Proposed Action(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2b</td>
<td>Consultants' accountability: 1. Poor quality designs by consultants 2. Different Design and Supervision consultants on the same works, leading to little ownership and accountability</td>
<td>1</td>
<td>1. Nondeployment of resources originally committed by the consulting firm 2. Inadequate field time of the professionals named in the contract 3. Lack of accountability and clear sanction mechanisms foster careless work and payments to be made to officials for approval of such work 4. The short time frame for design (typically 10 months on NHAI works) encourages firms to cut corners</td>
<td>Implementing Agencies - all levels</td>
<td>1. Introduce disincentives for the consultants for not deploying the committed personnel and for not spending enough time in the field 2. Provide more time to the consultants for designing</td>
<td>1. To ensure that the firms deploy all the resources committed, stop all lump sum consultancy contracts, reimburse OPEs only on submission of actual travel bills of the personnel named in the contract 2. Design and Supervision consultants to be the same, to ensure continuity; where capacity exists, States to follow the NHAI model of DBFO 3. Increase the time given to the design consultants to 18 months</td>
</tr>
<tr>
<td>2c</td>
<td>Design parameters/standards: Lack of standard design specifications/standards results in inconsistent designs and difficulty in quality control</td>
<td>1</td>
<td>Even on adjacent stretches of road works, consultants end up with vastly different designs, with different costs, probably favoring certain material manufacturers/suppliers</td>
<td>Implementing Agencies - all levels</td>
<td>Standardize design parameters for adjacent stretches</td>
<td>1. NHAI/PWD to come up with detailed design guidelines, with certain basic parameters frozen** 2. At NRRDA, develop two to three standards for various types of roads keeping in mind the traffic, using various options such as gravel, soil stabilization techniques or brick kiln ballast (in cases where stone is not available, e.g., in North-east) 3. Establish Technical Cells in NHAI and PWDs to: - Prepare TORs - Review DPR work - Ensure that the consultants’ team comprises competent design, pavement, structure, traffic engineers</td>
</tr>
<tr>
<td>2d</td>
<td>Methods of cost estimation: State PWDs still use the Schedule of Rates, that is not updated regularly or scientifically, resulting in a lump sum escalation across the board</td>
<td>1</td>
<td>Lack of scientific cost estimation by employer/design consultant used as a pretext by contractor to get significant variations approved</td>
<td>Implementing Agencies - mostly at the state level</td>
<td>Strengthen cost estimation methods by creating effective mechanisms for updating them regularly and scientifically</td>
<td>1. Use a database program to estimate costs with unit prices based on bid history and pay items and works based on standard specifications (Standard Data Book). Estimate pay items are developed from specific materials, construction requirements, and payment measurement and pay items do not vary much from one project to the next 2. Depending upon the stage of IT evolution of the implementing agency, the WB can consider using its own Road Costs Knowledge System (ROCKS)</td>
</tr>
<tr>
<td>2e</td>
<td>Cost estimates: Significant variations between estimated costs, the bids received and the final price paid at the completion of the project because of contract amendments provide wide scope for corruption</td>
<td>1</td>
<td>Same as above</td>
<td>Implementing Agencies - mostly at the state level</td>
<td>Create disincentives for the implementing agencies to estimate costs loosely</td>
<td>1. Bank not to finance contracts wherein the difference between the estimated price and the contracted price is more than a preset percentage (say 15%), such as on NRRDA works 2. In case of sustained nonperformance by a department (say 50% contracts having more than 25% cost overruns), the Bank should terminate all support to that agency</td>
</tr>
<tr>
<td>2f</td>
<td>Time lags: Substantial time gaps between finalizing of the design and commencement of the works by the contractor lead to variations, which provide corruption opportunities</td>
<td>1</td>
<td>Lack of synchronization between design consultant’s work and commencement of work by contractor results in significant variations in implementation that require official sanction by implementing agencies – more opportunities for officials to exercise discretion</td>
<td>Implementing Agencies - all levels</td>
<td>Ensure that the implementing agencies stick to the prescribed deadlines for completion of designs and commencement of works</td>
<td>1. Closer monitoring by Bank staff to ensure that the entire procurement cycle is followed strictly within the time prescribed 2. A dedicated Procurement Monitoring Cell to ensure that all the steps in the procurement cycle are completed in the time allowed</td>
</tr>
</tbody>
</table>

**For instance, standards can be set for culverts (RCC box pipe), for bridges (based on span), for underpass (animal crossing, vehicles), for overpasses and access controls**
## The Procurement Cycle

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<thead>
<tr>
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<th>Ways to Reduce Corruption Opportunities</th>
<th>Proposed Action(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Advertisements/ Notices</td>
<td>Low</td>
<td>Medium High</td>
<td>Deliberate suppression of bid information limits the number of responding bidders and allows only those bidders who had prior information to respond; creates opportunities for officials to collude with these entities on a continuous basis. This, in turn, precludes adequate competition, potentially resulting in less value-for-money for the State. It also prevents domestic industry development and entry of nonregional/international players</td>
<td>Implementing Agencies - mostly at the State level</td>
<td>Have clear-cut norms related to the wording of the notices, media chosen for advertising, time to be allowed for response, etc.</td>
</tr>
<tr>
<td>2</td>
<td>Sale of Tender Forms</td>
<td></td>
<td>Same as above</td>
<td>Implementing Agencies - mostly at the State level</td>
<td>Greater clarity in stipulating norms related to availability of the tender documents</td>
<td>1. Have multiple points of sale of tender documents 2. Upload the tender documents on the government web sites; fees for tender purchase to be made at the time of submission 3. The World Bank could assist MOSRTH to build a portal/web site containing links for all government contract notices all over India 4. All submissions as well as new registrations not to be available at central web site for review</td>
</tr>
<tr>
<td>2a</td>
<td>Availability/points-of-sale</td>
<td></td>
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<tr>
<td>2b</td>
<td>Submission of tenders:</td>
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<tr>
<td></td>
<td>1. Collusion amongst bidders</td>
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<td></td>
<td>2. Use of muscle power rampant</td>
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<td></td>
<td>at the State level, rival/nonregional bidders are often intimidated by local strongmen to not bid</td>
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<td>3</td>
<td>Prequalification and Criteria for the Same</td>
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<tr>
<td>3a</td>
<td>Choice of the prequalification method:</td>
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<td></td>
<td>For NHAI projects:</td>
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<tr>
<td></td>
<td>leads to collusion among bidders</td>
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<tr>
<td></td>
<td>in PWDs: Registration of contractors into various classes</td>
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</tbody>
</table>

### Risk Level
- Low
- Medium
- High

### Opportunity for Corruption
- Deliberate suppression of bid information limits the number of responding bidders and allows only those bidders who had prior information to respond; creates opportunities for officials to collude with these entities on a continuous basis. This, in turn, precludes adequate competition, potentially resulting in less value-for-money for the State. It also prevents domestic industry development and entry of nonregional/international players.

### Ways to Reduce Corruption Opportunities
- Implementing Agencies - mostly at the State level
- Have clear-cut norms related to the wording of the notices, media chosen for advertising, time to be allowed for response, etc.

### Proposed Action(s)
1. Make it mandatory for the State-level agencies to adopt NHAI/NRRDA models of advertising in national newspapers. Also, allow at least 3 weeks for submitting response
2. Bank could finance development of a portal to be maintained by MOSRTH to contain state-wise links of all public agencies that carry out the procurement function
3. All tenders beyond a specified value to be on the web site compulsorily; registered/empanelled bidders to be provided the option of alerts by e-mail; reports to be generated on how many successful e-mails sent
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<tbody>
<tr>
<td>3b</td>
<td>Prequalification criteria:</td>
<td></td>
<td>Inadequate competition,</td>
<td>Implementing Agencies - mostly</td>
<td>Increase transparency and allow greater public scrutiny</td>
<td>Make information about the prequalification requirements and the support documentation submitted by the bidders available to the public</td>
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<tr>
<td></td>
<td>Requirements rigged</td>
<td></td>
<td>resulting in poor value for</td>
<td>at the State level</td>
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<tr>
<td></td>
<td>to favor a small number of</td>
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<td>money to the State</td>
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<tr>
<td></td>
<td>potential bidders, seen mostly</td>
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<td>and money-making</td>
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<td></td>
<td>at State-level agencies</td>
<td></td>
<td>opportunity for officials</td>
<td></td>
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</tr>
<tr>
<td>3c</td>
<td>Verification of support</td>
<td></td>
<td>Lack of adequate verification</td>
<td>Employers at all levels</td>
<td>1. Make verification of the support</td>
<td>Build centralized databases of all contractors (at the PWD Headquarters in each State), including their past performance and make verification of the past record of the bidders mandatory; work experience outside the geographical domain of the tendering agency to be checked in particular; clear-cut norms on cross-checking the holding of plant, equipment, technical manpower etc; information to be linked to the centralised Portal, in a time-bound manner; put a system in place to analyze the Bank Guarantee numbers and the bank; verify the directors of organizations against their Director Identification Numbers (DIN)</td>
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<tr>
<td></td>
<td>documents: No verification done</td>
<td></td>
<td>of bidders’ credentials</td>
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<td>documents mandatory</td>
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<tr>
<td></td>
<td>of the bidders’ credentials,</td>
<td></td>
<td>encourage the use of fake</td>
<td></td>
<td>2. Allocate time for this activity in</td>
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<td></td>
<td>except for the Bank Guarantee,</td>
<td></td>
<td>certificates and qualifications by consultants</td>
<td></td>
<td>the procurement cycle</td>
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<td></td>
<td>in some cases encourages firms</td>
<td></td>
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<td>3. Explore use of technology to</td>
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<td></td>
<td>to repeat the same CVs in</td>
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<td>automate verification</td>
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<td>different bids for consultancy</td>
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<td>services and replace staff with</td>
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<td></td>
<td>poor quality, cheaper staff,</td>
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<td></td>
<td>inadequate field-time of senior</td>
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<td></td>
<td>staff</td>
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<tr>
<td>4a</td>
<td>Constitution of bid evaluation</td>
<td></td>
<td>Passive participation of</td>
<td>Employers at all levels</td>
<td>Increase transparency in constitution of</td>
<td>1. The Bank to play a proactive role in monitoring the constitution of the committee - ask for information on all such Committees and tell the borrower in advance that the information would be analyzed; carry out random/sample check of the completed evaluations</td>
</tr>
<tr>
<td></td>
<td>committee: Although multidisciplinary for donor-funded jobs, allows for discretion to be exercised by one or two powerful members</td>
<td></td>
<td>some committee members in bid evaluation fosters collusion between dominant committee members and certain bidders</td>
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<td>the committees</td>
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<td></td>
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<td></td>
<td></td>
<td>Employers at all levels</td>
<td>2. Post award of the contract, disclose names of the Committee members on the web</td>
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<td></td>
<td>Employers at all levels</td>
<td>3. Make it mandatory for an independent observer to be on the committee</td>
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<td></td>
<td>Employers at all levels</td>
<td>4. As a long term measure, establish a Procurement Monitoring Cell within NHAI and in State-level implementing agencies</td>
<td></td>
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<tr>
<td>4b</td>
<td>Setting of evaluation criteria</td>
<td></td>
<td>Given the shortage of</td>
<td>Employers at all levels</td>
<td>Increase incentives for consultants to</td>
<td>Select all consultants on the basis of QBS and make appropriate modifications in TOFs so that consultants with demonstrated experience in international best practices in design, including value engineering concepts and state-of-the-art survey techniques are chosen</td>
</tr>
<tr>
<td></td>
<td>for selection of consultants:</td>
<td></td>
<td>qualified manpower and low compensation levels, consultants’ performance is found to be poor in many cases leading to higher overall cost, delays, etc.</td>
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<td>deploy well qualified manpower</td>
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<td></td>
<td>currently, a mix of L1/QCBS/QBS</td>
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<tr>
<td>4c</td>
<td>Time taken in bid evaluation:</td>
<td></td>
<td>Delayed evaluation and</td>
<td>Employers at all levels</td>
<td>Introduce disincentives for missing</td>
<td>1. Requires greater monitoring by the Bank staff; actual participation in the process perhaps</td>
</tr>
<tr>
<td></td>
<td>Time-bound; however, in the absence of adequate insistence on compliance, the process usually goes beyond the set time deadlines</td>
<td></td>
<td>lengthy negotiation processes provide opportunities for collusion and corrupt practices</td>
<td></td>
<td>deadlines</td>
<td>2. Promote establishment of a Procurement Monitoring Cell within the Implementing Agency</td>
</tr>
<tr>
<td>4d</td>
<td>Bid evaluation – approval or</td>
<td></td>
<td>Tenders rejected on</td>
<td>Employers at all levels</td>
<td>Increased transparency: Open the process</td>
<td>3. The Bank could consider cancelling their financed tenders, as for instance if the bid process takes longer than 45 days more than what was prescribed. Allow only a limited number of rebids</td>
</tr>
<tr>
<td></td>
<td>rejection: The prescribed system of evaluation not adhered to</td>
<td></td>
<td>considerations other than</td>
<td></td>
<td>to post-facto scrutiny by civil society; provide feedback to the losing bidders</td>
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<td></td>
<td></td>
<td></td>
<td>merit</td>
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</tbody>
</table>

Reducing Fiduciary Risk through Increased Transparency and Accountability

Appendices
<table>
<thead>
<tr>
<th>Sr. No.</th>
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<th>Proposed Action(s)</th>
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<tbody>
<tr>
<td>4e</td>
<td>Bid evaluation: No system of evaluating the respective roles of joint venture partners</td>
<td></td>
<td>Nonperformance of JV Partners, leading to delays and disputes</td>
<td>Employers at all levels</td>
<td>Greater emphasis on the roles of joint venture partners during bid evaluation</td>
<td>The role of each member of the JV should be thoroughly evaluated during bid evaluation and the same should be detailed in the contract of the winning bidder</td>
</tr>
</tbody>
</table>
| 4f      | Norms for assessing the bid capacity of the bidders exist at NHAI and at NRRDA, but at PWDs, no such system exists. As a result, some contractors end up with more work than they can handle. Most of such work is then subcontracted without proper authorization. This also enables officials to ‘suggest’ subcontractors of their choice to the prime contractor – more potential for discretion as well as political patronage |            | Nonassessment of contractor capacity leads to large-scale subcontracting and increases opportunities for corruption by officials; for instance, officials may insist that the winning bidder give subcontract(s) to an entity that has promised them some payments | Employers at all levels – mostly at State-level | Ensure that the bidders have adequate capacity to deliver | 1. Abolish registration of contractors; or continue to insist that registrations not be relied on for Bank-funded projects, and assess the capacities of the bidders according to a predetermined formula  
2. Make the specification of current work in hand compulsory, both in financial and physical terms  
3. In addition, put in place an electronic system of verification. All information on subcontracts, when legal, to be shared. This should include a system of warnings/triggers based on comparisons with the previous and current year turnover figures |
| 4g      | Negotiations and contract signing: At all levels (NHAI, PWD, NRRDA, etc.), negotiations carried out as a norm, even with the lowest bidder |            | All bidders, knowing that negotiations will take place, keep a cushion in their price quotes, for giving up, only partially, during negotiations. This results in lower value-for-money for the State | Employers at all levels       | Abolish negotiations, except in exceptional circumstances                                                 | 1. Insert a clause in every bid document that no negotiations will be held  
2. Introduce Integrity Pacts with help from Transparency International, and with Independent Quality Monitors |
|         |                                                                                               |            |                                                                                                                                                     |                              |                                                                                                          |                                                                                                                                                                                                                                                                                                                                 |
|         | **Biggest Problem in Procurement:** Collusion                                                 |            |                                                                                                                                                     |                              |                                                                                                          |                                                                                                                        |
| 4h      | Collusion: 1. The bidders collude to decide who would win, who in turn ‘distributes’ some fixed amount to the others to lose  
2. Bidders collude with the officials who overlook shortcomings in their proposals to award them work |            |                                                                                                                                                     |                              |                                                                                                          | 1. Form a panel drawn from premier engineering colleges (such as IITs/RECs) and have them provide oversight; with one such professional chosen at random (name never revealed to the bidders) for every bid  
2. The independent/outside professional to file a report with the Chairman of the employer and the CVC; after the contract is found to be compliant, the report can be put on the website  
3. The Data and Research Wing to use software for analysis. This will capture information related to collusion – various collusion parameters; track by DIN; and also track patterns across contracts to identify anomalies |

**Reducing Fiduciary Risk through Increased Transparency and Accountability**
## Project Execution, Contract Administration, Monitoring & Evaluation

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</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Execution</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Implementing agencies – at all levels</td>
<td>Strengthen planning for synchronized hiring of consultants and commencement of works</td>
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<td></td>
<td>The Procurement Monitoring Cell to ensure that the consultant is in place four to six weeks before the contractor mobilizes men and equipment, so that the designs can be reviewed and Quality Assurance Plans and Environmental Plans can be drawn up</td>
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<tr>
<td>1a</td>
<td>Mobilization of the contractor and the supervision consultant</td>
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<td></td>
<td>Implementing agencies – at all levels</td>
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<tr>
<td>1b</td>
<td>Mobilization advance: Provided to contractors, upon contract signing, for their initial working capital requirements</td>
<td></td>
<td>Given the real estate boom, many developers divert such funds received from the implementing agencies</td>
<td>Implementing agencies – at all levels; Contractors</td>
<td>Closer monitoring of the utilization of such mobilization advances</td>
<td>1. Make it mandatory for the contractor to submit a fortnightly utilization certificate of the mobilization advance for the mobilization period</td>
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<td>2. In case, work gets held up because of cash flow problems, there should be strict penalty without any exception</td>
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<td>3. The contractor to submit a statement of expenses as per his books at a regular interval for wage disbursement. This would cover a fair portion of the advance</td>
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<td>4. The Bank to be authorized to audit project accounts of the contractor</td>
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<tr>
<td>1c</td>
<td>Subcontracting: Although some implementing agencies such as NHAI and NIRDPA have clear norms on allowing limited subcontracting, norms are not very clear in traditional PWD functioning; moreover, even when norms are clear (such as in Bank-funded projects), unauthorized subcontracting is rampant because of weak monitoring</td>
<td></td>
<td>Lack of appropriate subcontracting norms at PWDs, coupled with weak monitoring, encourages officials to prevail on the prime contractor to subcontract work to entities of their choosing</td>
<td>Implementing agencies – at State-level; Contractors</td>
<td>Stricter guidelines on subcontracting; closer monitoring of compliance with the guidelines</td>
<td>1. Put in place clear-cut guidelines on subcontracting, including prescribing a format in which the contractor has to report all subcontractors to the implementing agency, stating the reasons for subcontracting, the exact role, and the agreed commercial terms</td>
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<td>2. For unauthorized subcontracting, when found, heavy penalties should be levied, including blacklisting for future work for a stipulated time</td>
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<td>3. The extent of subcontracting will need to be reported. In addition, any information obtained from the field (for which a frequency of survey has to be built up), will have to be reported. One of the options could also be for the contractor to submit a statement of expenses as per its books at a regular interval for wage disbursement</td>
</tr>
<tr>
<td>1d</td>
<td>Contract administration: 1. Lack of decentralization: people in the field have to refer to the employer HQ for almost all decisions 2. Lack of trust in the engineer: the engineer does not have a free hand in practice Government agencies still not completely oriented towards working alongside an independent engineer</td>
<td></td>
<td>Most decisions including contract variations, additional items, etc., are referred to headquarters – the cumbersome approval process results in exorbitant delays, thereby also increasing the chances of the contractor resorting to unfair means (speed money)</td>
<td>Implementing agencies – at all levels</td>
<td>Greater decentralization in decision making and further reduction in the role of the employer in day to day monitoring</td>
<td>1. The supervision consultants should be given powers to sanction variations, say up to 20% so that work is not held up</td>
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<td>2. Work out a more contemporary cost escalation formula</td>
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<td>3. The employer should have the powers to only release funds; all other functions should be left to specialized agencies such as in the areas of quality monitoring, audits, etc.</td>
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<td></td>
<td>4. For particularly weak implementing agencies, consider hiring an International Procurement Agent or even a Project Management Consultant to assist the implementing agency as well as build its capacity</td>
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</table>
### Preparing Your Project Governance and Accountability Action Plan

<table>
<thead>
<tr>
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<th>Proposed Action(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1e</td>
<td>Lack of standards and inadequate monitoring encourage contractors to use substandard and lower quantity material than what was stated in their bid.</td>
<td>实施 - 省级</td>
<td>不良行为</td>
<td>向供应商提供合理的成本</td>
<td>1. 专业人士应拥有权在完成合同中设置最大不超过两次的延期。</td>
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<tr>
<td></td>
<td>2. The laboratory tests are always carried out jointly between the contractor and the Resident Engineer’s staff – however, it is not done in practice.</td>
<td>省级</td>
<td>低延误和支付</td>
<td>向供应商征税</td>
<td>1. 在保证质量的情况下，居民工程师应具有自己的实验室并接受这种行为。</td>
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</tr>
<tr>
<td>1f</td>
<td>Variations, extensions or additional items: Very cumbersome process involving a number of officials on the field and at headquarters.</td>
<td>实施 - 省级</td>
<td>不良行为</td>
<td>向供应商提供合理的成本</td>
<td>1. 引入简单的形式，作为合同支付的更快捷的手段。</td>
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<tr>
<td></td>
<td>Same as in 1c above. Most decisions including contract variations, additional items, etc. are referred to headquarters – the cumbersome approval process results in exorbitant delays, thereby also increasing the chances of contractor resorting to unfair means (speed money)</td>
<td>省级</td>
<td>低延误和支付</td>
<td>向供应商征税</td>
<td>1. 引入简单形式，作为合同支付的更快捷的手段。</td>
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<tr>
<td>1g</td>
<td>Variations, extensions or additional items: Very cumbersome process involving a number of officials on the field and at headquarters.</td>
<td>实施 - 省级</td>
<td>不良行为</td>
<td>向供应商提供合理的成本</td>
<td>1. SEs should have powers to allow a maximum of two extensions only, that too up to a maximum of 15% of the originally agreed time; Beyond this, a committee should be formed comprising the following:</td>
<td></td>
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<tr>
<td></td>
<td>1. Officials have enormous discretion in granting extensions 2. There is lack of capacity to adequately monitor projects</td>
<td>省级</td>
<td>低延误和支付</td>
<td>向供应商征税</td>
<td>1. SEs should have powers to allow a maximum of two extensions only, that too up to a maximum of 15% of the originally agreed time; Beyond this, a committee should be formed comprising the following:</td>
<td></td>
</tr>
<tr>
<td>1h</td>
<td>Billing/invoicing: Bills prepared on the basis of Measurement Book, requiring handwritten entries. Inability of the agencies to accept computer printouts results in undue delays in invoice processing, cumulatively resulting in time overruns.</td>
<td>实施 - 省级</td>
<td>不良行为</td>
<td>向供应商征税</td>
<td>1. 坚持接受计算机打印件。</td>
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<tr>
<td></td>
<td>Implementing agencies – at all levels</td>
<td>省级</td>
<td>低延误和支付</td>
<td>向供应商征税</td>
<td>1. 坚持接受计算机打印件。</td>
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</tr>
<tr>
<td>1i</td>
<td>Relinquishing payments: 1. Delays in releasing payments on time is an all-pervasive phenomenon at state-level agencies. Till last year, most contractors cited this as one of their major problems. 2. No norms related to certification of work laid down.</td>
<td>实施 - 省级</td>
<td>不良行为</td>
<td>向供应商征税</td>
<td>1. 增加支付的确定性：引入一个条款，使支付在完成时在时间上确定（例如，七天），并适当支付。</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implementing agencies – at State level</td>
<td>省级</td>
<td>低延误和支付</td>
<td>向供应商征税</td>
<td>1. 增加支付的确定性：引入一个条款，使支付在完成时在时间上确定（例如，七天），并适当支付。</td>
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### Reducing Fiduciary Risk through Increased Transparency and Accountability

1. Delays in releasing payments:
   - Implementing agencies at all levels.
   - Introduce disincentives/raise cost for the implementing agencies to delay release of payments for trivial reasons.

2. Variations, extensions or additional items:
   - Implementing agencies at all levels.
   - Greater decentralization in decision making and further reduction in the role of the employer in day to day monitoring.

3. Timely completion of work:
   - Implementing agencies at all levels.
   - 1. Instead of using 30-month contracts across the board, utilize resource-based planning. 2. Reduce discretionary powers to officials to grant indiscriminate extensions.

4. Billing/invoicing:
   - Implementing agencies at all levels.
   - Abolish the antiquated system of handwritten Bills.

5. Releasing payments:
   - Implementing agencies at State level.
   - Introduce disincentives/raise cost for the implementing agencies to delay release of payments for trivial reasons.

### Proposed Action(s)

1. In the interest of proper quality control, the Resident Engineer should have his own laboratory and be independent of the contractor.
2. Increase the Defect Liability Period in PWDs and NHAI from six months to one-year at present to five years, like in NRRDA. The contractors would need to take on the onus of maintenance for the entire five years, thereby ensuring that the original material and the workmanship is good.
3. Bank to insist on formation of National Quality Assurance Monitors at the national level (retired engineers and State level (local engineering institutes) separately, on the lines of NRRDA.
4. Bank to insist on Third-party Quality Audits.
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<tbody>
<tr>
<td>1j</td>
<td>Dispute/grievances redressal systems: No proper system exists; in PWDs, the only recourse available are the PWD itself and the courts. In recent times, NHAI has introduced Dispute Resolution Boards (DRB), but the appellants are rarely satisfied and invariably go into arbitration/litigation</td>
<td>Implementing agencies – at all levels</td>
<td>The lack of appropriate dispute resolution mechanisms at the state PWD level encourages the practice of payments to officials to get their disputes resolved rather than take recourse to courts (where litigation may take years)</td>
<td>Strengthen dispute resolution systems for speedy disposal of cases</td>
<td>1. Introduce a Challenge Procedure: an independent authority – a Public Procurement Tribunal – outside the government system, one in each State, to whom bidders can appeal or challenge an award decision. Appeals shall be subject to a reasonable fee, which would be forfeited if the appeal is declared frivolous. The appeal shall be filed within 15 days of the notification of intention to award, and shall be disposed of in 15 days. 2. DRB should be given more teeth, to be headed by retired High Court Judge and assisted by a Chief Engg. level and one Auditor. Award to be made binding; can be appealed only in designated courts. Consider scrapping Arbitration, as it takes too long, people change in the interim and, sometimes, even the documents are not available 3. Adopt FIDIC guidelines for dispute resolution. These are very clear on when work can be stopped. 4. Grievances can be recorded on web sites by both contractors and citizens. The citizen interface becomes important for quality issues 5. Establish a state-wide hotline for receiving complaints; Also, enable the web site to capture data from telephone and letters (manual entry) 6. Establish a separate wing in the PWDs for grievances redressal, to be headed by a non-PWD-cadre person (e.g., a retired serviceman)</td>
<td></td>
</tr>
</tbody>
</table>

2 | Monitoring & evaluation | | | | |
| 2a | Road condition Assessments/Surveys meant to taken up every year, are rarely undertaken | | | | 1. Strengthen the Development & Research Wings in PWDs, which could be mandated to carry out anticipated statistical studies, including bidding price range per region/country/province for similar works, average percentage amount of variation orders per region, number of days between signing and bid opening, etc. Such studies could be used to evolve benchmarks for future contracts and as indicators (flags) for potential corruption 2. Insist on annual road assessments and the report to be displayed prominently on the agency’s web site; outsource the work to private consultants. Provide reports of surveys not done |
| 2b | Prior and postreviews of contracts by the World Bank are usually administered in a routine manner, without taking into account the capacity of the implementing agency | | | | Establish the prior-review and ex-postreview thresholds carefully, taking into account the capacity of the implementing agency |
| 2c | Progress Reports by Supervision Consultants | | | | The monthly Progress Report is usually very detailed but still fails to capture information in a manner that throws up sufficient and timely flags/alarm bells 1. A short executive summary 2. Action required on key issues 3. Dates by which parties concerned are expected to take action |

** The database should specifically allow: (i) complete and adequate record keeping and retrieval of all documents supporting each bid including unit prices quoted and prices at which contracts are awarded; (ii) Quantities and dates of supply as per the contract and actual; (iii) Rejection of supplies, if any, with reasons; (iv) Date bill received, value, and date of payment; and (v) complaints received, responses sent and actions taken by dates
## Appendix 2: GAC Action Matrix Prepared by the ACGA Subgroup

<table>
<thead>
<tr>
<th>Project Cycle Step</th>
<th>GAAP Interventions</th>
<th>Who Does What</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identification</strong></td>
<td>New Client – Assessment of key governance structures/systems, processes and capacity; Existing Client – Review engagement from a governance enhancement perspective Prioritization of governance issues to be addressed during project preparation</td>
<td>To broadly accept preliminary assessment as reflected in PCN</td>
<td>PCN will include preliminary risk assessment in the Risk Identification Worksheet (RIW) of governance issues Team member identified to lead preparation of governance enhancement program</td>
</tr>
<tr>
<td><strong>Preparation</strong></td>
<td>Refine preliminary assessment of key internal issues (within service provider/client – internal controls, decision-making processes, etc.) and external relationships which could influence internal governance; Build awareness with client on key governance issues and good practices in building systems to better control business processes and enhance transparency; Develop plans to address priority issues – identify what needs to be addressed during preparation and what during implementation</td>
<td>Agree on action plan to address key governance issues – analytical and implementation Contract necessary analytical studies and implementation support TA Project design may include components to implement Borrower’s governance action plan Explore soft funding</td>
<td>Linked to priority governance issues, identify and engage with key stakeholders who can/will influence building client ’ownership’ to taking actions to address governance issues Develop advocacy tools or analysis to motivate stakeholders to focus on governance issues (cost-benefit analysis) Assist with mobilizing TA support, identify qualified consultants, etc. Consultations, thematic workshops, etc. (to raise awareness and/or generate solutions) By QER and RRR meeting, team prepares its assessment of key governance issues (revised RIW), action plan to address key issues, and progress</td>
</tr>
<tr>
<td><strong>QER stage</strong></td>
<td>As part of QER documentation, task team presents to QER/RRR panel a summary of its assessment of key governance issues, action plan to address key issues, and progress to date, actions to be taken by Appraisal, and monitoring framework</td>
<td>Task Team prepares QER documentation, including governance assessment, etc. Task team estimates Bank costs and resources needed to help prepare and supervise governance enhancement measures</td>
<td>QER/RRR Panel categorizes project – low/moderate or substantial/high governance risk – and endorses/refines Governance Risk Mitigation action plan</td>
</tr>
<tr>
<td><strong>Appraisal</strong></td>
<td>Decision Package would include a summary of team’s assessment of governance framework and issues, action plans, progress, QER/RRR findings and how they have been incorporated. Package will also include a results monitoring framework</td>
<td>Complete agreed actions, including necessary staffing actions Maintain progress in preparing/ implementing governance action plans Discuss with Government (DEA) the final scope of the project, including Borrower’s governance action plan</td>
<td>Decision Meeting issues Note reflecting discussion, next steps and agreed Governance Risk Assessment and Mitigation arrangements</td>
</tr>
<tr>
<td><strong>Negotiations</strong></td>
<td>On high risk/high governance issue projects, brief country’s Executive Director’s office Ensure Government team presents governance plan</td>
<td>Come prepared to discuss Governance Action Plan</td>
<td>Agreement on appropriate governance action plan and monitoring framework</td>
</tr>
<tr>
<td><strong>Supervision</strong></td>
<td>High risk projects to have designated team member to review, support and monitor implementation of Borrower’s governance action plan</td>
<td>Provide regular progress report, highlighting achievements, lags and areas needing special attention</td>
<td>Highlight – in Aide-memoires and Management Letters – governance issues which Borrower needs to address Regular reporting of progress in BTORs and ISRs</td>
</tr>
<tr>
<td><strong>Mid-term Review</strong></td>
<td>Reappraise effectiveness of Borrower’s governance framework (structures/systems, processes and capacity) Review of status report and effectiveness enhancement plan (if needed)</td>
<td>Borrower prepares status report and updates action plan to enhance governance effectiveness (if needed) Where appropriate, Borrower completes third party verification of governance effectiveness Borrower proposes adjustments in project design to address any changes in governance action plan</td>
<td>Reappraise Borrower’s governance framework (structures/systems, processes and capacity) and its effectiveness Discuss/agreement on updated action plan Restructure/re-enforce project to support updated governance action plan (if necessary)</td>
</tr>
<tr>
<td><strong>Implementation Completion</strong></td>
<td>Highlight lessons learned Estimate incremental costs and benefits of enhanced focus on governance issues</td>
<td>Prepare special section on progress and impact of governance improvement Third party assessment of Borrower’s progress</td>
<td>Review progress and incorporate into ICR Mainstream into other similar Bank operations Candid reflection of experience and lessons in ICR</td>
</tr>
</tbody>
</table>
Appendix 3: The Right to Information Act’s ‘Proactive’ Disclosure Requirements

Section 4 1. b II of the Right to Information Act binds every public authority to:

“Publish within one hundred and twenty days from the enactment of this Act,-

i) The particulars of its organization, functions and duties.
ii) The powers and duties of its officers and employees.
iii) The procedure followed in the decision-making process, including channels of supervision and accountability.
iv) The norms set by it for the discharge of its functions.
v) The rules, regulations, instructions, manuals and records, held by it or under its control or used by its employees for discharging its functions.
vi) A statement of the categories of documents that are held by it or under its control.
vii) The particulars of any arrangement that exists for consultation with, or representation by, the members of the public in relation to the formulation of its policy or implementation thereof.
viii) A statement of the boards, councils, committees and other bodies consisting of two or more persons constituted as its part or for the purpose of its advice, and as to whether meetings of those boards, councils, committees and other bodies are open to the public, or the minutes of such meetings are accessible for public; (sic).
ix) A directory of its officers and employees.
x) The monthly remuneration received by each of its officers and employees, including the system of compensation as provided in its regulations.
xi) The budget allocated to each of its agency, indicating the particulars of all plans, proposed expenditures and reports on disbursements made.
xii) The manner of execution of subsidy programs, including the amounts allocated and the details of beneficiaries of such programs.
xiii) Particulars of recipients of concessions, permits or authorizations granted by it.
xiv) Details in respect of the information, available to or held by it, reduced in an electronic form.
xv) The particulars of facilities available to citizens for obtaining information, including the working hours of a library or reading room, if maintained for public use.
xvi) The names, designations and other particulars of the Public Information Officers.
xvii) Such other information as may be prescribed, and thereafter update these publications every year.

Publish all relevant facts while formulating important policies or announcing the decisions which affect the public; provide reasons for its administrative or quasi-judicial decisions to affected persons.
Appendix 4: Mainstreaming the Right to Information Act in The World Bank’s Sectoral and Fiduciary Work in India

Implementation of the Right to Information Act 2005

Background

1. India has recently passed the Right to Information Act (RTI), 2005, which became operational across India from October 12, 2005. It encourages suo moto disclosures and universal access to information wherever in the public interest. The Act requires that records be maintained and be available to the public. Compliance with the Act is required for all public entities.

2. For Bank-financed projects, full compliance in letter and spirit has the potential of enhancing transparency and accountability and reducing chances of corruption. For all new projects, details can be agreed on a project-by-project basis, in an agreed project disclosure policy during preparation. The expectation is for projects to fully comply with provisions on suo moto disclosure under Section 4 of the RTI, besides complying with on-demand access to information. During preparation, an action plan can be agreed to develop a disclosure strategy for the project that includes all relevant information required to be disclosed, agree on systems and procedures, agree on organizational arrangements including capacity-building efforts, and monitoring mechanisms (including reporting) as part of the M&E for the project.

Summary of actions for new projects to comply with RTI 2005

3. Given below is a summary of actions required to fully comply with RTI and enhance transparency and accountability under projects financed by the Bank:

   - Agree on a project disclosure strategy during preparation, with the intention of allowing greater access to information, including disclosure of mid-term review reports, safeguards information, audit reports and selected information on the entire procurement process.
   - Develop systems and procedures to implement the disclosure policy, including a document management and information management system.
   - Develop organizational arrangements and a capacity-building plan.
   - Plan reporting and monitoring arrangements to monitor implementation of the disclosure policy.

Disclosure strategy

4. The project disclosure strategy, besides complying with RTI, should keep in mind the considerations of the project communication strategy. Priority should be given to information that will help manage the project better and increase chances of better outcomes. This disclosure strategy should allow access to important project information that will increase public awareness about expected outcomes, about the process for producing the outputs, and progress reports that could facilitate monitoring.

5. Given in Box 1 is section 4 (1)(b),(c), and (d) of RTI specifying the type of information required to be provided suo moto. The preparation team should prioritize information based on considerations of Para 3 above and determine project-specific details.
Box 1: Information that is Required to be Published Suo Moto Under Section 4 of RTI

Section 4(b) publish within one hundred and twenty days from the enactment of this Act,—

(i) The particulars of its organization, functions and duties.
(ii) The powers and duties of its officers and employees.
(iii) The procedure followed in the decision-making process, including channels of supervision and accountability.
(iv) The norms set by it for the discharge of its functions.
(v) The rules, regulations, instructions, manuals and records, held by it or under its control or used by its employees for discharging its functions.
(vi) A statement of the categories of documents that are held by it or under its control.
(vii) The particulars of any arrangement that exists for consultation with, or representation by, the members of the public in relation to the formulation of its policy or implementation thereof.
(viii) A statement of the boards, councils, committees and other bodies consisting of two or more persons constituted as part or for the purpose of its advice, and as to whether meetings of those boards, councils, committees and other bodies are open to the public, or the minutes of such meetings are accessible for public.
(ix) A directory of its officers and employees.
(x) The monthly remuneration received by each of its officers and employees, including the system of compensation as provided in its regulations.
(xi) The budget allocated to each of its agencies, indicating the particulars of all plans, proposed expenditures and reports on disbursements made.
(xii) The manner of execution of subsidy programs, including the amounts allocated and the details of beneficiaries of such programs.
(xiii) Particulars of recipients of concessions, permits or authorizations granted by it.
(xiv) Details in respect of the information, available to or held by it, reduced in an electronic form.
(xv) The particulars of facilities available to citizens for obtaining information, including the working hours of a library or reading room, if maintained for public use.
(xvi) The names, designations and other particulars of the Public Information Officers.
(xvii) Such other information as may be prescribed; and thereafter update these publications every year.

Section 4(c) publish all relevant facts while formulating important policies or announcing the decisions which affect public.

Section 4(d) provide reasons for its administrative or quasi-judicial decisions to affected persons.

Systems and procedures

6. To implement the disclosure strategy, systems and procedures need to be developed both for on-demand requests and suo moto disclosure. It is envisaged under the Act that information should be provided suo moto to the extent that the need for on-demand information is minimized (see Section 4[2] in Box 2).

7. Under Sections 4(1)(a), it is required that records are cataloged, indexed, computerized, and networked, subject to availability of resources. For new projects, where resources are being planned, this becomes a mandatory requirement. Thus, for new projects, the Act requires the development of automated systems, including a document management and an information management system, both networked to facilitate access (relevant provisions are given in Box 2). Development of these systems could be included as part of the institutional development of entities implementing Bank-financed projects.
Box 2: RTI Requires Development of Automated Systems (Section 4)

Section 4(1)(a): Maintain all records duly cataloged and indexed in a manner and the form which facilitates the right to information under this Act and ensure that all records that are appropriate to be computerized are, within a reasonable time and subject to availability of resources, computerized and connected through a network all over the country on different systems so that access to such records is facilitated.

Section 4(2): It shall be a constant endeavor of every public authority to take steps in accordance with the requirements of Clause (b) of Sub-section (1) to provide as much information suo moto to the public at regular intervals through various means of communications, including Internet, so that public have minimum resort to the use of this Act to obtain information.

Section 4(3): For the purposes of Sub-section (1), all information shall be disseminated widely and in such form and manner which is easily accessible to the public.

Section 4(4): All materials shall be disseminated taking into consideration the cost-effectiveness, local language and the most effective method of communication in that local area and the information should be easily accessible, to the extent possible in electronic format with the Central Public Information Officer or State Public Information Officer, as the case may be, available free or at such cost of the medium, or the print cost price as may be prescribed.

Organizational arrangements and capacity-building

8. Organizational arrangements must be made both for the functioning of the disclosure policy and its associated systems, and for the maintenance of the automated systems. Also, as per the RTI, every agency must appoint a Public Information Officer (PIO) and a first appellate authority (under Section 5, as given in Box 3 below).

Box 3: Designation of Public Information Officers and Appellate Authority (RTI Section 5)

Section 5(1): Every public authority shall, within one hundred days of the enactment of this Act, designate as many officers as Central Public Information Officers or State Public Information Officers, as the case may be, in all administrative units or offices under it as may be necessary to provide information to persons requesting for the information under this Act.

Section 5(2): Without prejudice to the provisions of Sub-section (1), every public authority shall designate an officer, within one hundred days of the enactment of this Act, at each subdivisional level or other subdistrict level as a Central Assistant Public Information Officer or a State Assistant Public Information Officer, as the case may be, to receive the applications for information or appeals under this Act for forwarding the same forthwith to the Central Public Information Officer or the State Public Information Officer or senior officer specified under Sub-section (1) of Section 19 or the Central Information Commission or the State Information Commission, as the case may be.

9. Capacity-building is envisaged for all involved for enhanced disclosure to become effective and improve accountability and transparency. Programs need to be developed and organized for public to use the information most effectively. PIOs also need to be trained to become more effective (Section 25 of RTI is given in Box 4).
Box 4: Capacity-building Programs (RTI Section 26)

Section 26(1): The appropriate Government may, to the extent of availability of financial and other resources,—

(a) Develop and organize educational programs to advance the understanding of the public, in particular of disadvantaged communities as to how to exercise the rights contemplated under this Act.

(b) Encourage public authorities to participate in the development and organization of programs referred to in clause (a) and to undertake such programs themselves.

(c) Promote timely and effective dissemination of accurate information by public authorities about their activities.

(d) Train Central Public Information Officers or State Public Information Officers, as the case may be, of public authorities and produce relevant training materials for use by the public authorities themselves.

Reporting and Monitoring

10. Reporting requirements under the RTI includes an annual report that includes data related to implementation of RTI and recommendations for the future. Details are given below in Box 5.

Box 5: Reporting Requirements: (RTI Section 25)

Section 25(1): The Central Information Commission or State Information Commission, as the case may be, shall, as soon as practicable after the end of each year, prepare a report on the implementation of the provisions of this Act during that year and forward a copy thereof to the appropriate Government.

Section 25(2): Each Ministry or Department shall, in relation to the public authorities within their jurisdiction, collect and provide such information to the Central Information Commission or State Information Commission, as the case may be, as is required to prepare the report under this section and comply with the requirements concerning the furnishing of that information and keeping of records for the purposes of this Section.

Section 25(3): Each report shall state in respect of the year to which the report relates,—

(a) The number of requests made to each public authority.

(b) The number of decisions where applicants were not entitled to access to the documents pursuant to the requests, the provisions of this Act under which these decisions were made and the number of times such provisions were invoked.

(c) The number of appeals referred to the Central Information Commission or State Information Commission, as the case may be, for review, the nature of the appeals and the outcome of the appeals.

(d) Particulars of any disciplinary action taken against any officer in respect of the administration of this Act.

(e) The amount of charges collected by each public authority under this Act.

(f) Any facts which indicate an effort by the public authorities to administer and implement the spirit and intention of this Act.

(g) Recommendations for reform, including recommendations in respect of the particular public authorities, for the development, improvement, modernization, reform or amendment to this Act or other legislation or common law or any other matter relevant for operationalizing the right to access information.

11. Monitoring implementation of suo moto disclosure is critical since the level and quality of this disclosure will directly influence the effectiveness of the disclosure policy. The Center for Civil Society, India, has published a report based on an index of 37 types of information required under Section 4. This index, called the Duty to Publish (DPT) index, was applied to information published by the education ministries of all states as an indicator of access to information provided to public. This type of index can be used to monitor implementation of RTI and level of transparency under projects financed by the Bank as part of the M&E framework of the project.
Appendix 5: Bihar Rural Livelihoods Project (BRLPS) GAAP

Governance and accountability arrangements

1. Governance and Accountability arrangements have been developed by BRLPS to ensure that funds are used effectively and efficiently under the project and key stakeholders are enabled to give feedback and their grievances are addressed in a responsive and accountable manner. All project information will be made available through a functioning project web site6 and projects will comply with provisions of the State Government’s Right to Information Act.

Governance

2. The Governing Body and the Executive Committee will be expanded to include members from civil society, private sector and financial institutions to enable development of a broad-based governance structure.

Accountability

3. BRLPS will proactively set up a dedicated grievance redressal cell to handle grievances and complaints regarding the project. The cell will also have an exclusive phone number for receiving calls and a cell phone number for receiving SMSes. These numbers will be publicized widely through various means, including posting on the project web site. The BRLPS web site will also have a provision for registering grievances. The Executive Committee of BRLPS will review grievance redressal performance under the project as an agenda item in all its meetings. In addition, the project will conform to the requirements of the Right to Information Act and appoint a focal point to deal with requests for information.

4. The project will also enable comprehensive audit arrangements covering all project aspects of sources and utilization of funds, and expenditures incurred.

5. At the village and block level, social audits will be undertaken to monitor utilization of funds, procurement of goods and services, financial efficiency and accountability. The Village Organizations (VO) and Block Level Federations (BLF) will have subcommittees, such as a social audit committee for tracking expenditure and financial supervision, and a procurement subcommittee for ensuring transparent procurement processes. Report cards, with criteria developed in conjunction with members, will be used for evaluating VO performance periodically. Score cards will be developed to rate all service providers including BRLPS, BLF and VO on a six-monthly basis. The cumulative results will be published annually and shared with stakeholders.

Transparency

6. The project will enable transparency through the public display of information related to release of funds, physical and financial progress, and expenditures, on the VO and BLF notice boards, as well as on the BRLPS web site. The project web site will also display all state-level procurement related information on the web site.

Communication strategy

1. The main objective of the communication strategy is to increase awareness and promote a better understanding of the project’s vision, approaches, objectives, components, policies, procedures, implementation and financing mechanisms among the various project stakeholders and partners.

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6 www.brlp.in
2. To achieve the above objective, the communication strategy for the BRLPS would be based on a modular approach using multi-media to communicate multisectoral content from multiple sources to multiple users with built in end user needs assessment and feedback mechanisms; in short, the Four M modular approach for rural communication. The multiple users would consist of project staff, self-help groups, private enterprises, financial institutions, line Government departments, nongovernmental organizations, donor organizations, etc. The multiple media would consist of print, drama, folklore, fairs, displays, radio, video, CDs, photos, television, telephone, Internet, etc. The multisectoral content would consist of agricultural practices, HIV/AIDS prevention, employment opportunities, health, labor laws, land reforms, market prices and opportunities, project objectives, approaches, policies and procedures, women’s rights, etc. The multiple sources would consist of self-help groups and members, project staff, line departments of the government, non-governmental organizations, relevant local, national and international research institutes, universities, private enterprises, financial institutions, world wide web, etc.
Activities

3. **Development of an internal communication system:** This would include periodic training of staff in communication, exchange of experience through workshops, conferences, meetings, development of a cadre of community reporters in each project block, development of electronic networks within and between Patna and the districts, periodic visits to similar projects within and outside India.

4. **Development of an external communication system:** This would include the development and dissemination of a variety of relevant project-related information and material in vernacular languages for distribution to interested organizations, groups, or individuals, on activities being carried out by self-help groups, multicastraler awareness raising/sensitization workshops focused on building social cohesion and belongingness among local groups, public awareness and campaigns in villages on issues affecting social and/or economic activities of interest to rural poor, such as children’s education, child labor, child marriages, HIV/AIDS, etc. This will also involve development and maintenance of the project web site and feedback mechanisms by different stakeholders, as provided in the Governance and Accountability Arrangements.

5. **Pilot activities** in community radio and promoting functional literacy, especially among adults using the latest advances in information technology which have been tested and proven in other parts of India.

Management Information System

1. The project will support a decentralized and flexible rural livelihoods management information system (RLMIS). The main objective of the Management Information System would be to assist in the decision-making process by managers based on factual and verifiable data, analysis and lessons learnt at each level, viz., state, district, block, cluster, village organization, and SHG level. The RLMIS would be used as follows:

   - To organize, analyze and manage the data and information in an easy-to-understand, accessible manner and to ensure consistency at different levels of project intervention.
   - As an input for evaluating the performance of the project.

2. The RLMIS would either use simple paper-based or web-based RLMIS systems (during the five-year project implementation period) depending on the needs, availability of skills, cost-effectiveness and telecommunications infrastructure at each of the SHG, village, block, district and state project levels. It will be linked with the project’s financial and procurement management systems to the extent possible. Linkages with commercial banks and other partnering institutions with the organizations of the poor being created by the project will be explored to ensure consistency and compatibility of data and information and for more accurate attribution of project benefits. Following is a brief description of the RLMIS architecture for the proposed Bihar Rural Livelihoods Project.

   The following pilots are currently being undertaken in the project:

   - Institution building: Saturation of the village by formation of SHGs and its network in the targeted communities.
   - Job creation for unemployed youth in one block.

3. The main objective of the above pilots is to test the appropriateness and effectiveness of the proposed project interventions on a limited scale before they are scaled up and to learn lessons from these interventions. These lessons are being used in the design of the project.
4. The following data and information are being collected and documented:

- Preparation of monthly reports of the SHG meetings focusing on the following areas: (a) obstacles being faced by the group; (b) proposed solutions for overcoming the bottlenecks and reasons for choosing the preferred solution; (c) social processes in group formation – affinity or activity-based; (d) vulnerabilities; (e) risks being faced by the poor; (f) key lessons learnt; and (g) actions to be taken.
- Description of activities which can be scaled up as and when identified.
- Key indicators for input, output, outcome and impact indicators.

5. The RLMIS for the project will be designed to track key process and activity indicators required to monitor the progress of improvements in rural livelihoods, social and economic empowerment of the poor, identify bottlenecks, emerging opportunities and take timely management decisions. The project will support three types of RLMIS, viz., manual, semimanual and fully automated computerized systems according to the need, appropriateness, capacity, technical – and cost-effectiveness at each level, viz., household, and SHG, village, cluster, block, district and state levels. The RLMIS would specifically cater to the needs of management at each of the following levels.

6. RLMIS at household level: The RLMIS at the household level would consist of providing data and information on resource endowment, basic demographic patterns, income and expenditure, consumption of staple foods (e.g., rice and wheat). This data will be used for determining the trends in household income and expenditures, level of indebtedness, consumption patterns, food security and capacity-building of the household. This data will be supplemented by data from other household surveys and readily available data being undertaken by other institutions. This will be used by project staff to determine the progress and performance of project initiatives at the household level.

7. RLMIS at SHG level: The focus of the RLMIS at the SHG level will be to help increase the quality of groups and capacity-building. The RLMIS at the SHG level will be manual, and would be used by the community resource persons (CRPs) to provide the data and information needed for the creation of sustainable, creditworthy, bankable, transparent and motivated SHGs. The key indicators that the RLMIS will provide are the amount of savings and loans; income received from inter-loaning, prevailing interest rates from moneylenders in the local area, interest on savings, and repayment. In this regard, the following RLMIS-related activities are currently in place.

8. The SHGs maintain two types of records: (i) Meetings’ register; and (ii) Financial records.

(i) **Meetings’ register:** The meetings’ register records the date, time, meeting number, total number of group members, number of members present, names with signatures of members attending the meeting, proceedings of the meeting, amount of savings, issues to be discussed, date and place of next meeting. These records will be kept in manual form, with the project providing the registers and writing supplies. From these records, a quarterly report will be provided by the community coordinator on the progress of the SHGs.

(ii) **Financial register:** Each SHG’s bookkeeper will maintain three types of registers for tracking savings (Bachat Pustika), loans (Rin Pustika), and Cash, (Rokad Pustika). At the SHG level, these books will be maintained manually.

(iii) **Computerization of SHG financial register:** The project will support the computerization of SHG savings, loans and cash records, using an outsourcing model to be carried out through a service provider specialized in microfinance operations with substantial successful experience in the computerization of SHG records. The selected service provider would use a variety of methods to computerize the SHG financial register, such as training a local village person to input the data of savings, loans and cash records of all SHGs in the village, and use of appropriate easy-to-use software, electronic devices, (such as Personal Digital Assistants, mobile phones), etc. The project will finance the computer hardware and related accessories, equipment, generator, supplies and the consulting services of the service provider, and pilot the use of latest advances in information technologies.
9. **Village Organization-level**: consists of 10 to 15 SHGs – where the focus of RLMIS would be to identify the strong and weak SHGs, monitor performance of SHGs, measures to be taken to strengthen the weak SHGs and document lessons – the RLMIS would be a combination of manual and semiautomated system which would be used by the VO leaders and Community Coordinators. The key indicators which the RLMIS would provide are: level of food security, number of SHGs formed by category, amount of savings, loans, income from inter-loaning and interest on savings, credit received from commercial banks or other financial institutions, amount of CIF received from the project funds.

10. **Cluster-level**: consists of a group of 25 to 35 villages – where the focus of RLMIS would be to identify the strong and weak village organizations, monitor the performance of village organizations, measures to be taken to strengthen the weak VOs, and document lessons. The RLMIS would be a combination of manual and semiautomated system consolidating the data from the VO-level RLMIS. The area coordinators would use this. The key indicators which the RLMIS would provide are: number of VOs formed, performance of livelihood activities being carried out at the cluster level, amount of savings, loans, income from interloaning and interest on savings, credit received from commercial banks or other financial institutions, amount of CIF received from the project funds by each VO, assets created.

11. **Block-level**: consisting of three to four clusters – where the focus of RLMIS would be to identify the strong and weak clusters and measures to be taken to strengthen the weak clusters, monitor performance of each cluster, measures to be taken to strengthen the weak cluster and document lessons. The RLMIS would be a semiautomated computerized system which would be used by the block development manager. The key indicators which the RLMIS would provide are: performance of livelihood activities being carried out at the cluster level, amount of savings, loans, income from interloaning and interest on savings, credit received from commercial banks or other financial institutions, amount of CIF received from the project funds by each cluster, and assets created.

12. **District-level**: consisting of about 20 Blocks – where the focus of RLMIS would be to identify the strong and weak blocks, monitor the performance of each block, measures to be taken to strengthen the weak blocks and document lessons learnt, identify activities which can be scaled up at the block level. The RLMIS would be a fully computerized system which would be used by the district level manager. The key indicators which the RLMIS would provide are: performance of livelihood activities being carried out at the block level, amount of savings, loans, income from interloaning and interest on savings, credit received from commercial banks or other financial institutions, amount of CIF received from the project funds by each block.

13. **State-level project RLMIS**: consisting of six districts in the first phase - where the focus of the RLMIS would be to identify the strong and weak districts, monitor the performance of each district, measures to be taken to strengthen the weak districts, document the lessons learnt, identify activities which can be scaled up at the district level. The RLMIS would be a fully computerized system which would be used by the state level project managers. The key indicators which the RLMIS would provide are: performance of livelihood activities being carried out at the district level, amount of savings, loans, income from interloaning and interest on savings, credit received from commercial banks or other financial institutions, amount of CIF received from the project funds by each district.
Appendix 6: Fiduciary Checklist

Checklist of procurement and financial management actions for reducing opportunities for corruption

a. Agree on a standard wording of advertisements (no changes to be allowed in general provisions during implementation, except for provisions specific to a particular procurement).

b. Agree on the list of nationally-circulated newspapers in which specific advertisements will be placed.

c. Agree to finance the cost of procurement work, including the cost of preparing bidding and contract documents and advertisements. Inadequate funding has been an excuse for poor advertisement and notification practices, sharply curtailing competition and transparency. During project appraisal, if the GOI does not seek IDA financing for this, we should insist on acceptable arrangements and amounts that should be set aside and made available for this critical work (including earmarking of the counterpart funds, if necessary). This agreement should become a covenant in the DCA.

d. Agree during appraisal and negotiations on all standard bidding and contract documents (including for NCB), and request for proposals (for consultancy services). All agreed documents should include provisions in all contracts, allowing the World Bank the right to audit the accounts of the suppliers, contractors and consultants. The agreements should include the statement that no further changes will be made in the documents without the World Bank's prior approval.

e. Give more attention to the TORs for consultancy assignments, selection procedures, arrangements for contract management, and procedures for assessing consultants' performance during implementation, to enhance effectiveness of the large TA included in the project. These should be spelled out in the implementation manual. A procedure to assess the performance of consultants by the Borrower and the World Bank should be agreed during preparation, including remedies against poor performance.

f. Base the packaging for procurement on economy and efficiency. It should not be influenced by the desire to spread works among local firms. The first year procurement plan should be as specific as possible. Disbursements for subsequent years should be allowed only after there is an agreement on the procurement plan for the subsequent years. Prior review thresholds should be project-specific and take into account the institutional capacity of the new districts; the standard thresholds of US$50,000 for individual consultants and US$100,000 for consulting firms should be reviewed.

g. Define and agree upfront on items to be procured using national shopping. Where appropriate, the project should promote more use through UN agencies like IAPSO.

h. Ensure that the project keeps records of prices paid for major items under each contract and regularly makes this information available to the public.

i. Build annual reviews and audits by independent firms, particularly of procurement processes and results, into project design. Make the recruitment of such a firm a condition of effectiveness. For shopping processes, this third-party review should verify who the firms quoting are, their independence from each other, and their existence as established vendors of the items being procured. The project should finance the cost of these reviews, and make all results available to the public.

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7 Results would include prices obtained, quantity and quality of delivered goods or works, and of services purchased, comparison of prices with prices of similar items in the market, verification of prices for similar supplies to other clients by the same vendor, and end use checks.
j. Consider having the project agency conduct an annual survey of contractors, suppliers, consultants, NGOs and community groups about their experience in dealing with the project implementing agencies. Make the results public.

k. Agree upfront on the specific format and contents of the project progress reports, including procurement, financial management and disbursements.

l. Include an updated procurement plan in regular project progress reports (giving status of procurement, reasons for delay and revised procurement schedule) so that we stop the ‘business as usual’ for annual procurement plans.

m. Prior to project start-up, install financial planning, budgeting and project monitoring systems in the implementing agencies considered ready for participation.

n. Give a fit and proper test for the Project Managers. Require their appointment before the Board (preferably before negotiations, so that they can participate in these). Explore enhanced salaries for project staff.

o. Develop a code of conduct and ethics that should be observed by the project implementing agencies, bidders, suppliers, contractors and consultants. This should be incorporated in the implementation manual and made public.

p. Ensure that both the eligibility criteria and decision on the readiness of a subnational government for participation in the project should include an assessment of the fiduciary environment and capacity (including an assessment of internal controls and enforcement capacity). Corrective actions to strengthen capacity should be realistic and practical, as well as including a feasible basis for monitoring progress.

q. Suggest that the implementation manual include a separate section on the fiduciary risks and actions to mitigate these risks. This would help ensure that implementation staff at all levels become familiar with the fiduciary issues.

r. Finally, on monitoring and evaluation, make sure that there are simple indicators ensuring that:
   • Baseline data is available at the time of negotiations.
   • Arrangements are in place for gathering and analyzing data during implementation.
   • Analysis feeds into the necessary corrective actions.
Notes
Preparing Your Project Governance and Accountability Action Plan

Reducing Fiduciary Risk through Increased Transparency and Accountability

A Guidance Note for New Projects in India