"The State of India’s Public Services: Benchmarks for the New Millennium" summarises the findings of PAC's recent Millennial Survey that covered five basic services of concern to the people of India. The release of this document in New Delhi (see page 2 of this issue) marked an important milestone in PAC's short history. It is a good example of how PAC has scaled up its work from the local to the national level. It testifies to the versatiliy of the tools and approaches used by PAC.

The Millennial Survey is the first independent assessment of basic public services in India. It has not only unveiled the current state of the services, but has also created a set of benchmarks that could be used to track the performance of major service providers in the future. More importantly, it has highlighted the need to assess services not merely as physical infrastructure (e.g., number of hospital beds or class rooms), but in terms of their effectiveness and quality of delivery (e.g., frequency of breakdowns of water supply, availability of doctor at time of visit to health facility). User perspective is the dominant feature of this survey. Its focus is not on how much public expenditure has been incurred for a service, but on what it has meant for the user of the service, the citizen. Governments are good at throwing money at problems, but often with poor results from the people's standpoint.

The survey results have been most useful in assessing where the different states stand with respect to the five services. Comparisons shed light on how the states differ in terms of performance. We have learned from our work on cities how such comparisons of public agencies could be used to create a sense of shame among the poor performers. We hope that similar responses will emerge at the state and national levels too. The state level reports will also help to make comparisons between the sub-regions within each state.

The Millennial Survey has important policy implications. Despite the differences between states, many common themes have emerged. A striking finding is that the central and state governments have achieved a respectable record of extending physical access to public services such as drinking water in most parts of the country. But this has not been matched by a similar achievement in terms of the quality and effectiveness of the services. The user feedback provided by the survey should be used to goad governments to rectify this glaring failure. Similarly, though the reach of these services looks extensive, there are pockets of low access. Not surprisingly, it is the poor and those in remote locations that are caught in these pockets. New ways to reach and serve them need to be developed. Equally striking is the finding that competition in service provision does not automatically result in better performance by the public agencies. In health and education, where private providers are present, there is little evidence that the public sector has been challenged to improve its responsiveness. It means that reforms have to be deliberately engineered by government to make public providers to perform better.

- Dr. Manmohan Singh MP and Former Union Finance Minister Released Report, titled, "The State of India’s Public Services: Benchmarks for the New Millennium" by Public Affairs Centre
- First Independent Nationwide Study Benchmarking the Public Services
- The event was attended by Representatives from the Government, Donor agencies, Civil Society Organisations and Academia
- The event was covered by leading newspapers and TV channels

All in all, the Millennial Survey offers much food for thought and action with respect to public services. It is the single largest initiative taken up by the fledgling PAC so far. We hope that it will make an impact on the governance of the country through a series of public dialogues and debates between the state and civil society institutions.

Samuel Paul
THE STATE OF INDIA'S PUBLIC SERVICES: BENCHMARKS FOR THE NEW MILLENNIUM

"What gets measured, gets done
What gets compared, gets bettered"

The Millennial Survey is the first, nationwide, independent study in India of user feedback, and focuses on five basic public services — of special concern to the weaker sections of society and for which the government has made major investments. These are:

- Drinking Water
- Health & Sanitation
- Education & Child Care
- Public Distribution System (Fair Price Shops)
- Road Transport

The project had three key objectives:

a. To provide a well focused and independent assessment of key public services, using citizen feedback and direct observation of facilities

b. To create an independent database and benchmarks, which help measure the progress and performance of these services over time, and

c. Stimulate public debates on critical issues affecting users of public services

The PAC study is unique in its perspective on the citizen's view point and in its use of "satisfaction" as a measure of the people's assessment of essential public services. The five services have been compared across India with respect to citizens' access to facilities, usage of public services, quality/reliability of public services and satisfaction with selected qualitative and quantitative dimensions of service delivery. The study's inter-state comparisons clearly highlight the problems faced by the weaker sections of society in the matter of public services. The states that suffer from wide variations in the access to public services have also been identified by the study. States vary in the extent of corruption in these services and in their quality of governance. The study shows that high income levels and infrastructure spending by themselves do not ensure a higher quality of governance.

The PAC study highlights the paradox at the dawn of the new millennium that the Central and State Governments in India have focused more on extending the access to public services such as drinking water, PDS, health, education and public transport while paying inadequate attention to the quality, reliability and effectiveness of the services. The new challenge that governments should now address is how to improve the quality and impact of these services for the citizen, a goal that will require more than mindless public spending. It is believed that the poor rely almost exclusively on these public providers for primary education, health and drinking water, unlike the better off sections of society who may be able to access private providers. This has been the rationale for stepping up the "social sector expenditure" of governments. Indeed, the social sector expenditure of both central and state governments in India increased significantly in recent years. Per capita real expenditure on social sectors in the central and state budgets has increased from Rs. 623 in 1990-91 to Rs. 959 in 2000-01. Expenditures on major services such as health care, primary education, food subsidy, drinking water and sanitation, rural development, social security and employment programmes together accounted for nearly 27 per cent of these budgets (revenue plus capital) in 2000-01.

Among the public services, drinking water seems to have done better than other services; however, in terms of access, it still lags behind others. Dependence of people on public sources is found to be high for PDS and primary education and low for road transport, health services and drinking...
water. Reliability of services is found to be relatively high for drinking water (public sources) and health and low for PDS, primary schools & road transport. Scores on satisfaction are generally observed to be on the lower side; a significant proportion of users are partially satisfied. Services with a high element of human interaction report significantly lower satisfaction.

Governments have emphasized concern for ensuring basic services to the marginalized and the poor. Disadvantages to these sections arise not only from low incomes, but also other features such as remoteness of location and behaviour of service providers. The survey also examined variations in access to the five services across the major socio-cultural regions within the larger states to assess the extent of equity households enjoy in access to services.

Public expenditure on these basic services represents a significant allocation of the scarce resources of the nation. The outcomes and effectiveness of this expenditure, however, are not easy to observe and measure. Governments typically monitor the progress of expenditure on each and every service and scheme, and measure achievement in terms of the physical assets and benefits created as recorded by the officials involved. But whether these services and assets are actually delivered efficiently and meet the real needs of the people cannot be determined by expenditure monitoring or head counts alone.

Public Affairs Centre’s survey of selected public services, the findings of which are summarised below, is an attempt to redress this imbalance. Underlying the survey is the belief that feedback from the people who use public services will effectively fill the information gaps for assessing the efficiency of public expenditure. Their degree of satisfaction with a service may also reflect the responsiveness of the service provider in its interactions with the public. In brief, citizen feedback on services is a cost-effective way to articulate the “voice” of the people. Citizen feedback can provide early warning signals that could be used by governments to redesign services and make mid-course corrections so as to improve the service outcomes. In the Indian context, there is the additional advantage that inter-state and inter-regional (within states) comparisons based on citizen feedback may act as a catalyst to nudge the state governments to upgrade their quality of governance.

**The study has generated**
- A ‘State Level Database for India’ as a whole, on aspects of quality and performance of the five selected public services during 2001.
- State-wise assessment reports on service levels and user satisfaction with the quality and effectiveness of services
- Sectoral assessments on the performance and issues related to the selected public services

**Approach and methodology**
The study was jointly designed by PAC and ORG-MARG. The field execution of the survey was carried out by ORG-MARG.

**The study was carried out in 3 parts:**
- a. Survey of households to get a rating of selected public services on measures of access, quality, reliability, satisfaction, etc.
- b. Independent assessment by observation of select public facilities such as primary schools, clinics, fair price shops, etc.
- c. Village Profile sheets on each village covered in the sample.

Case studies on service delivery were also carried out to throw light on processes experienced by citizens, which highlight good practices as well as serious constraints.

The survey covered 115 districts spread over 24 states, and reached 36,542 respondents. Roughly a fourth of the sample was from urban areas including small towns and metros. To generate a representative sample, socio-cultural regions (SCR) within the rural part of the state, were identified as decisive clusters for geographic spread of the sample. Districts were selected from each SCR on the basis of a computed development index. Stratification was also done by village population size into three categories. A total of 2304 villages were covered. A total of 12,256 facilities were observed across the five services covered.
Comparisons across service attributes
The Millennial Survey has highlighted an interesting spectrum of findings across five basic public services. In this section, an attempt is made to compare these five services on four fundamental attributes common to all public services:

a. citizens' access to service facilities
b. extent of usage of public services
c. quality/reliability of public services and
d. satisfaction with selected qualitative and quantitative dimensions of service delivery.

I. Physical Access to Facilities
Physical access highlights how close to the household a service facility is located; a major indicator of the effectiveness of a public service is the penetration and spread of the physical infrastructure for its delivery. Access to each of the five services for the country as a whole, (in terms of proportion of households benefited) is:

- Access to a public protected source of drinking water within 100 metres of the house: 55%
- Access to a Fair Price Shop within the village/area: 87%
- Access to a medical facility within 3 Kms from the place of residence: 73%
- Access to an educational facility within 1 km from the place of residence: 66%
- Access to a public bus throughout the year: 54%

Overall, access to public facilities seems to be an issue for states in the Eastern zone (Bihar, Orissa, West Bengal & Assam). The North East presents a mixed picture with Mizoram and Sikkim reporting high access and Nagaland, Meghalaya and Tripura recording very low figures on access to public services. Most states in the North, West & Southern Zones have a better reach in contrast to Uttar Pradesh in North, Madhya Pradesh in the West and Kerala in the South. Low scores in this regard could be due to settlement patterns and geographical terrain or to the existence of other service providers.

II. Usage of Public Facilities
Usage profiles of the various infrastructure facilities provided by the state would, on the one hand reflect the dependency of the citizens on these provisions and also on the other, reflect access to alternate service providers in the arena. It is clear that physical access does not mean that services are going to be used by all. Summarised below are the usage profiles of the five basic services; quoted figures represent proportions using government sources to access various services:

- Users of public protected public drinking water sources: 62%
- Users of a government medical facility for treatments: 52%
- Users buying items from a Fair Price Shop at least once in two months: 87%
- Eligible respondents sending their children to government schools: 78%
- Users of public buses: 35%

Usage of government facilities shows mixed trends across states and zones with no clear pattern. Three of the top five ranking states on access namely Sikkim, Mizoram and Tamil Nadu are also among the top five states on usage. Among the lowest five states (ranked on access), only Meghalaya repeats the poor ranking on usage.

III. Quality / Reliability of Public Facilities
Quality of public service delivery is often measured in terms of well established technical parameters like the Nitrate test to check for the level of chlorination in ground water sources or the Learner’s Achievement Test to test the aptitude of primary school going children. Seldom does one find any evaluation on the quality from the end-user's perspective.

For most users, reliability is a key dimension of the quality of service. This section focuses on the reliability dimensions of the service. Quoted figures represent proportion of the total users of the relevant public source:

- No breakdown of public drinking water sources during the last 3 months: 76%
- Presence of doctors at the time of visiting a government health facility: 70%
- Full satisfaction with behaviour of teachers in government primary schools: 16%
- Regular availability of staple foodgrain at the Fair Price Shop: 23%
- Full satisfaction with the punctuality of public buses: 20%

Across states, quality scores are high for the Southern states and low for the states in the North-East and East.

IV. Satisfaction with Public Facilities
Satisfaction represents the user’s assessment of the performance of a service. A user’s satisfaction will depend not only on his/her experience with the service, but also on his/her expectations and standards. Satisfaction with a service may be assessed in overall terms or with reference to different dimensions of the service. The extent of satisfaction derived by users could vary depending on their specific contexts and experiences. A measure of this variation can be captured by getting users of the service to indicate their levels of intensity of satisfaction. In this study, for example, respondents have been asked to say whether they are fully satisfied, partially satisfied, or dissatisfied partially or fully. However, in this analysis, we have focused on full satisfaction scores as we believe that service providers should benchmark their performance against this standard.

In this section, an attempt is made to aggregate the full satisfaction scores given by respondents across various indicators to get an assessment for the five services.

- Full satisfaction with the quality and adequacy of drinking water from public sources: 22%
- Full satisfaction with behaviour of doctors (in-patients & out-patients): 15%
- Full satisfaction with the availability of supplies, quality of supplies and fairness of shopkeeper: 8%
- Full satisfaction with quality of school building and quality of toilets in the school: 10%
- Full satisfaction with the frequency of public buses and behaviour of conductors: 21%

Satisfaction scores are very low for PDS (8%) and School Education (10%). A large proportion of users are partially satisfied. Dissatisfaction is highest for PDS at 31%, and schools follow with 29%. Across states, Southern and Western states score relatively higher compared to Northern and Eastern states. Tamil Nadu comes out on top, but in absolute terms, satisfaction is still in the lower fringes.

V. Conclusions & implications

Conclusion
Drinking water: One out of every five households still depends on unprotected sources for this vital requirement every day. Breakdowns of supply of public sources are of an order that seriously affects large sections of users.

Health Services: States with more remote habitations need to plan the locations of health infrastructure and develop mechanisms to ensure adequate presence of personnel at these locations. Fees and bribes are being demanded in hospitals projected as highly subsidised or free.

Road Transport: The combination of lack of pucca roads and poor availability of public buses affect over half the population. Punctuality of public buses has not been of a high order even in the better performing states, and is of very poor order in the rest.

Public Distribution System: The achievement in this sector in reaching out to all parts of India has been very impressive except in some North Eastern States. But user feedback suggests that regular availability of staple foodgrains is of a low order.

School Education System: The government-supported primary school education system has extensive reach and is well utilised. The mid-day meal scheme has also achieved an impressive reach, of nearly half the children.
Public Services and the weaker sections: There were however, important disadvantages which households from weaker sections encountered. Access to facilities is an overarching issue faced by households in the smaller villages, in relation to health facility, public bus, school or anganwadi. Households with ICD as well as those living in smaller villages experience significantly more breakdowns of public water sources. Behaviour of service providers is an issue that the poor have to live with. ICD households are also significantly less satisfied than other households, with behaviour of doctors and paramedical personnel in health facilities, as well as behaviour of shopkeepers in PDS outlets.

Variations within states: The survey also examined variations in access to the five services across the main socio-cultural regions within the larger states to assess the extent of equity households enjoy in access to service. It is evident from this analysis that households across the socio-cultural regions in Maharashtra, Punjab, Haryana, Himachal Pradesh, Andhra Pradesh, Gujarat and Rajasthan share fairly similar access to services. Higher degrees of variation are experienced in Uttar Pradesh, Bihar, Kerala, West Bengal and Orissa, followed by Madhya Pradesh and Assam.

Implications
Some problems and achievements highlighted by survey findings can be attributed to the success or failure of public policy. Others can be traced back to the design and management of service delivery mechanisms.

Drinking water is an example of a policy that seems to be working, though ease of access is still a problem in many states. On the other hand, with PDS there seems to be a failure of policy, with mounting food reserves in the country on the one hand, and pervasive irregularity of food supplies at the village level, on the other hand.

On the whole, Government of India and the state governments seem to have done more in extending people's access to basic services than in improving the effectiveness and quality of the services. Services such as fair price shops and primary schools have a wider reach while protected drinking water supply and healthcare are somewhat more limited in terms of physical access.

The overall satisfaction scores of the services are more closely related to the reliability (quality) of the service than to its ease of physical access or usage.

Extending the access to a service requires the building of physical infrastructure and investment of funds on a large scale. Upgrading quality and effectiveness, on the other hand, calls for much greater attention to management systems, responsiveness to solving the problems of citizens and communities, and unconventional monitoring mechanisms to track the progress of highly decentralised operations. Government needs to shift gears to address these problems, and search for new ways to enhance the effectiveness and quality of its services to the people.

While the levels of access to services are relatively high in the more developed parts of the states, the survey findings show that the weaker sections of society are still at a disadvantage. Economies of scale, for example, make it difficult for the states to provide the same ease of access in small and remote villages and to the poor households in the periphery.

Private provision of public services is very much in evidence in this study. Health care, primary education, public transport and drinking water are being provided through private sources also in a number of states. Votaries of liberalisation will predict that the pressure of competition will force the public providers to improve their services to the people.

Opening up the public service arena to private competition is not enough. Government must restructure itself to effectively evaluate the performance of its agencies and create the right incentives for its personnel to more efficiently deliver public services.

The ranking of the states according to the quality of governance based on our survey data brings out the fact that governance is not primarily a function of the income levels of the states. The richer states are not necessarily the ones to attain higher levels of governance quality. Where better systems and practices are responsible for improved governance, stimulating the transfer of knowledge and best practices from the better states to the low performers could help. Donor supported projects is another route to achieve this objective, but it is not clear how successful they are in this regard or
whether the new practices introduced through such projects get replicated in a sustainable fashion. (for further information on the Millennial Survey, please contact Dr. Suresh Balakrishnan at PAC)

CAMPAIGNS

Supreme Court Judgement for Candidates Contesting Elections

The Supreme Court Judgement of May 2nd 2002 calls for the disclosure of poll antecedents by candidates contesting for Parliament or state legislative elections. This judgement will help check the quality of candidates contesting for the elected offices of the country. It has now become mandatory for all candidates seeking election to Parliament or State legislature to furnish all the information asked of them by the Election Commission.

Operative Portion of the Supreme Court Judgement on May 2nd 2002 regarding disclosure of poll antecedents by candidates.

The Election Commission is directed to call for information on affidavit by issuing necessary order in exercise of its power under Article 324 of the Constitution of India from each candidate seeking election to Parliament or a State legislature as a necessary part of his nomination paper, furnishing therein, information on the following aspects in relation to his/her candidature:

1. Whether the candidate has been convicted or acquitted or discharged of any criminal offence in the past- if any. Whether he/she is punished with imprisonment or fine?

2. Prior to six months of filing of nomination, whether the candidate is accused in any pending case, of any offence punishable with imprisonment for two years or more, and in which charges were framed or cognizance was taken by a court of law, and if so, details thereof;

3. The assets (immovable, movable, bank balances, etc) of a candidate and of his/her spouse and that of his/her dependents;

4. Liabilities, if any, particularly whether there are any overdue dues of any public financial institution or government dues.

5. The educational qualifications of the candidate.

It is to be stated that the Election Commission has from time to time issued instructions/orders to meet with the situation where the field is unoccupied by the legislation. Hence, the norms and modalities to carry out and give effect to the aforesaid directions should be drawn up properly by the Election Commission as early as possible and in any case within two months.

(for more information on the Campaign, please contact Mr. Manjunath at PAC)

SPECIAL FEATURE

The Bribe Payers Index 2002: Revealing the Other Side of Corruption

Dr. Gopakumar Krishnan

It is a classic case of the proverbial story of the little boy shouting that the Emperor has no clothes being enacted in a real-time global stage. For many ‘developed’ countries, which pontificate on the evils of the corruption scourge, the newly unveiled Bribe Payers Index 2002 comes as a rude and embarrassing wake-up call. Released on May 14, 2002 by Transparency International — a global coalition against corruption, based in Berlin — BPI 2002 reveals the shocking fact that large numbers of multi-national corporations from the richest and developed nations across the world are actively pursuing a criminal course to win contracts in the leading emerging market economies of the world. Leading the rogue’s list are corporations from Russia, China, Taiwan and South Korea, as well as numerous industrial nations, all of which have clear laws making corrupt payments to foreign officials a criminal offence. Interestingly, construction and arms industries top sectors of heaviest bribery.

The Transparency International Bribe Payers Index ranks leading exporting countries in terms of the degree to which international companies with their headquarters in those countries are likely to pay bribes to senior public officials in key emerging markets. In that sense, it measures the supply side of bribery in the countries where the bribery is paid. Countries are ranked on a mean score from the answers given by respondents to the question “in the business sectors with which you are most familiar, please indicate how likely companies from the following countries are to pay or offer bribes to win or retain business in this country?”

The 21 exporting territories listed in the BPI 2002 are: Australia, Austria, Belgium, Canada, China, "The writer works with Transparency International as Programme Officer at their Secretariat in Berlin."
France, Germany, Hong Kong, Italy, Japan, Malaysia, Netherlands, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom, USA, in addition to "this country" (the emerging market where the respondent is resident). The survey also included a range of questions on the prevalence of bribery by foreign companies in different sectors, on levels of awareness of the OECD Anti-Bribery Convention, and company policies to implement the legislation resulting from the Convention. In drawing up the survey, TI was advised and guided by a Steering Committee of leading international experts in the fields of corruption, econometrics, and statistics. The selection of Gallup International Association ensures the highest professional standards in the survey work.

A total of 835 interviews were carried out between December 2001 and March 2002, principally with senior executives of domestic and foreign companies, but also with executives at chartered accountancies, bi-national chambers of commerce, national and foreign commercial banks, and commercial law firms. The survey questions related to perceptions about multinational firms from 21 countries. The survey was carried out in Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea, and Thailand. These countries account for more than 60% of all foreign direct investment into the developing world. It was not, unfortunately, possible to conduct a survey in China, the largest emerging market economy, due to the difficulties involved in commissioning a survey on this subject in China.

The BPI shows that US multinational corporations, which have faced the risk of criminal prosecution since 1977 under the Foreign Corrupt Practices Act, have a high propensity to pay bribes to foreign government officials. The US score of 5.3 out of a best possible clean 10 is matched by Japanese companies and is worse than the scores for corporations from France, Spain, Germany, Singapore and the United Kingdom. The highest scores, indicating the lowest propensity to bribe abroad, were for companies from Australia, Sweden, Switzerland, Austria, Canada, the Netherlands and Belgium (see table 1 for the full scorecard).

Ineffective Global Mechanisms
A major lesson emanating from the survey is the ineffectiveness of much publicized global anti-corruption mechanisms like the OECD Anti-Bribery Convention. The OECD Anti-Bribery Convention came into force in February 1999, and by May 2002 it had been ratified by 34 of the 35 signatory countries. These countries account for more than three-quarters of global trade. The Convention outlaws bribery of foreign public officials. The BPI looks directly at bribery by international companies abroad, most of whom have their headquarters in countries whose governments are signatories of the OECD Convention. For the convention to be effective, anti-bribery compliance codes need to be implemented not only in a company's headquarters, but also in its foreign subsidiaries, branches and at local partners of the company. This requires training "in the field" as well as in the country where the company has its headquarters. In 2002, three years after the Convention came into force, only 7% of respondents were familiar with the Convention while 12% stated that they knew something about it. This is the same figure as in the first BPI conducted in 1999. The situation is aptly summed up by Mr. Peter Eigen, Chairman of Transparency International: "Politicians and public officials from the world's leading industrial countries are ignoring the fact in their own backyards and the criminal bribery-paying activities of multinational firms headquartered in their countries, while increasingly focusing on the high level of corruption in developing countries. The governments of the richest nations continue to fail to recognize the rampant underlining of fair global trade by bribery-paying multinational enterprises. The meeting in the coming days of ministers at the Organisation for Economic Cooperation and Development (OECD) and then the G8 Summit provide the leaders of the industrial world with an opportunity to confront this critical situation."

The Sectoral Profile
The BPI 2002 highlights rampant corruption in the public works/construction and the arms and defence industries. In a new study by the UK chapter of Transparency International, it is estimated, for example, that foreign bribery is associated with tens of billions of dollars of defence deals. While even agriculture, the sector considered least likely to involve bribery by foreign companies, scored only 6.9 against a clean score of 10, public works/construction was deemed highly corrupt, with a score of 1.3, followed by arms and defence with 1.9, and the oil and gas sector with a score of 2.7. For a comprehensive sectoral profile, see table 2. Given the prolific emergence of global tenders in huge infrastructure projects in countries like India, this trend is indeed most worrisome.
The Unfinished Agenda
The most visible face of corruption in the developing world is the 'petty' variety wherein bribes are paid by the citizens to domestic actors. However, far more powerful and debilitating is the spectre of grand corruption involving international actors. The BPI 2002 is a poignant reminder that the fight against graft is not a one-sided need. The fight must certainly involve the offenders who now take umbrage in the territorial immunity granted by being far away from the scene of the crime. Extradition of criminals, tracking money laundering and blacklisting of criminal organizations are some of the steps urgently required in this direction.

The question related to the propensity of companies from leading exporting countries to pay bribes to senior public officials in the surveyed emerging market countries.

A perfect score, indicating zero perceived propensity to pay bribes, is 10.0, and thus the ranking starts with companies from countries that are seen to have a low propensity for foreign bribe paying. In the 2002 survey, all the data indicated that domestically owned companies in the 15 countries surveyed have a very high propensity to pay bribes - higher than that of foreign firms.

Table 1
BPI 2002: The Final Scorecard

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<th>Total Sample</th>
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<th>1999</th>
<th>OCED Convention (as of 14 May)</th>
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<td>Domestic companies</td>
<td>1.9</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2
Bribery in Business Sector

<table>
<thead>
<tr>
<th>Industry</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arms and defence</td>
<td>1.9</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2.7</td>
</tr>
<tr>
<td>Real estate/property</td>
<td>3.5</td>
</tr>
<tr>
<td>Telecoms</td>
<td>3.7</td>
</tr>
<tr>
<td>Public works/construction</td>
<td>1.3</td>
</tr>
<tr>
<td>Power generation/transmission</td>
<td>3.7</td>
</tr>
<tr>
<td>Mining</td>
<td>4.0</td>
</tr>
<tr>
<td>Transportation/storage</td>
<td>4.3</td>
</tr>
<tr>
<td>Pharmaceuticals/medical care</td>
<td>4.3</td>
</tr>
<tr>
<td>Heavy manufacturing</td>
<td>4.5</td>
</tr>
<tr>
<td>Banking and finance</td>
<td>4.7</td>
</tr>
<tr>
<td>Civilian aerospace</td>
<td>4.9</td>
</tr>
<tr>
<td>Forestry</td>
<td>5.1</td>
</tr>
<tr>
<td>IT</td>
<td>5.1</td>
</tr>
<tr>
<td>Fishery</td>
<td>5.9</td>
</tr>
<tr>
<td>Light manufacturing</td>
<td>5.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5.9</td>
</tr>
</tbody>
</table>

The question related to the propensity of senior public officials to demand or accept bribes in the above business sectors. The scores are mean averages from all the responses on a 0 to 10 basis where 0 represents very high perceived levels of corruption, and 10 represents zero perceived levels of corruption.
Budget Transparency in 5 Latin American Countries

The International Budget Project of the Center on Budget and Policy Priorities has recently released a five-country study of “budget transparency” in Latin America. The study was conducted by a team of specialists from academic institutions and civil/nonprofit organizations. The five countries examined were Argentina, Brazil, Chile, Mexico, and Peru.

Scope, Method, and Findings

The study is in two parts, linking an examination of the budget process and the legal system. The first part focuses on the budgetary process in all five countries and uses a survey developed by the researchers comprising an “index of budget transparency.” The survey respondents selected were experts and budget information users, such as legislators, print media professionals, and non-governmental organization members. The survey was made up of 78 questions divided into 14 categories, including: citizen participation; information on macroeconomic assumptions in their respective national budgets; the degree of oversight by agencies responsible for supervising, evaluating and monitoring budget policies and their implementation; and public access to budget information. It was distributed to 792 individuals, although only 320 responded; the response rate was particularly low in Argentina. Chile received the marginally highest rating in level of budget transparency, with Argentina, Brazil, and Mexico trailing closely behind, and Peru scoring the lowest. Only in the category of macroeconomic information did all five countries receive a relatively positive rating from those surveyed. In contrast, all five countries were rated most poorly in the category of “citizen participation,” which the study defined as “the opportunity for the public to provide input into the budget decision-making process, as well as the degree to which the government informs the public about changes made when the budget is enacted or about the impact of budget policies.”

The governments of all five countries were found to be lacking in mechanisms of accountability, for example, for assessing programs and evaluating their impact. With the exception of Chile’s relatively higher score, all other countries were rated from 19 to 25 percent positive. Likewise, on average only 20 percent of the respondents in all countries believed budget information to be accessible and only 16 percent thought it to be timely. In terms of all three areas, the researchers found these results theoretically important in that “public understanding and participation are clearly inhibited if budget information is neither accessible nor timely.” The second part of the study consisted of an “in-depth examination of the legal framework for the budget processes” in these countries. This aspect of the study was predicated on the assumption that coupling an examination of the budget process and the legal system would enable the researchers to “determine whether a lack of transparency is due to legal gaps or to deficient implementation of the budget laws.” All countries scored positively. Argentina achieved the highest rating, followed very closely by Chile; Brazil and Peru were in the middle of the range, with Mexico at the lowest end. In view of the budget process findings, these generally positive results suggest to the researchers that “sound laws on budget transparency and accountability are not always adequately implemented, and thus do not always translate into budget transparency and accountability in practice.”

The Bottom Line

The significance of the study is reflected in one general conclusion reached by the researchers. “Three important aspects of governance are citizen participation, accountability, and the accessibility and timely publication of government information...The weaknesses we found in all three areas, in all five countries, suggest the fragility of the fundamental democratic relationship between the government and the society. The problems uncovered by this report should be addressed with a sense of urgency.”

For more information about this study and about the International Budget Project, visit its website: www.internationalbudget.org

Activity-Based Costing for Nonprofits

Universities, government agencies, and other nonprofit and public sector organizations can improve their financial management by adopting activity-based cost accounting systems that measure not only their “inputs” but also their “outputs,” according to a new research report funded by The PricewaterhouseCoopers Endowment for The Business of Government. This report examines the value of activity-based costing (ABC) for decision-making in public-sector universities. The study shows how activity-based costing can be applied to institutions of higher education and could improve the information available to academic administrators, legislators, voters and customer. The purpose of this report is
to demonstrate the feasibility and benefits of, and obstacles and limitations to, applying ABC in an academic environment.

"Using Activity-Based Costing to Manage More Effectively," by University of Texas at Austin professors Michael H. Granoé, David E. Platt, and Igor Vaysman, outlines a case study of the application of activity-based costing (ABC) principles to one department of a large university's business college. The case study found that in this and other settings, ABC has advantages over conventional accounting systems, chiefly because it allocates "overhead" costs to programs and activities in a way that is more reflective of the factors that influence them.

Activity-based costing has long been embraced by industrial and service firms as an integral element of accounting and control systems. ABC also occasionally has been adopted in government and not-for-profit settings, but it usually has been applied only to repetitive processes rather than more costly "intellectual activities".

By studying how ABC can be applied to one specific department of a large nonprofit institution, the authors conclude that a similar model can be applied successfully to other nonprofit and public sector organizations, including government agencies and entire colleges and universities. While the primary benefit of ABC may not be an improvement on already adequate accounting systems, it provides the structure for the establishment - for the first time - of true management-oriented accounting systems, the authors conclude.

Activity-based costing can be used by nonprofit and government executives to manage more effectively. The applicability of the activity-based costing model presented in the report is said to have far-reaching implications for all organizations. This report can be helpful to both the public and nonprofit sectors that are working towards quantifying their "outputs."

The researchers chose to apply ABC to a university setting because of widespread concern about the rising costs of higher education and the unique characteristics of universities. For example, universities are characterized by an absence of well-defined products or outcomes, unusual interrelationships among outcomes, and capacity constraints that are seemingly elastic.

To be successful, ABC systems must be flexible. Rigid allocation rules cannot readily be imposed on organizations such as universities, which are characterized by decentralized management systems. Additionally, the report found that ABC, by assigning costs to previously unmeasured factors in decisions and providing a measure of the full cost of programs and activities, helps identify circumstances in which goals and objectives are out of line with spending decisions.


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