Social Audits and MGNREGA delivery: Lessons from Andhra Pradesh

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Motivation

- Corruption in the public sector in India consistently perceived to be *high and worse than in other emerging economics* (viz. Brazil, China and South Africa) in the last decade (Transparency International, 2012).

- Potential *adverse implications* for the quality of public services, private investments and economic growth.

Motivation

Community monitoring perceived as a low-cost and powerful, participatory tool that can raise awareness & strengthen accountability in public programme implementation.

Existing evidence

Three determinants of success of participatory monitoring:

- beneficiaries have *high stakes* in and care deeply about the public service being monitored.

- *ease with which stakeholders can comprehend and measure the quality of public service* in question (Khemani, 2008; Olken, 2009)

- *tightness of a mutually accepted contract* between service providers and beneficiaries (Bjorkman and Svensson (2009) vs. Banerjee et al. (2010))

This study

- What are the strengths and shortfalls of community monitoring or social audits in India?

- How can we bolster their effectiveness?

  - Quantify the effects of India's only large-scale community monitoring programme - in Andhra Pradesh (AP).

  - Study malpractices that speak to widespread concerns about the leakages and corruption in public programmes.

The genesis of the AP social audit model

- The National Rural Employment Guarantee Act (NREGA, 2005) provides rights-based employment to rural adults.

- It *mandates* the conduct of regular audits by local stakeholders or gram sabhas (social audits).

- The AP government responded swiftly to this mandate by institutionalizing and 'inducing' social audits.
  - A combination of top-down and grass-roots participation

- 100% probability of an audit in every sub-district.

Data

- Data extracted and codified from official social audit reports for *100 randomly sampled sub-districts across 8 AP districts.*

- *300 gram panchayats (GPs)*: the sub-district headquarter and two randomly selected GPs.

- Data for sampled sub-districts and GPs from *2006 to 2010 on more than 700 audits.*
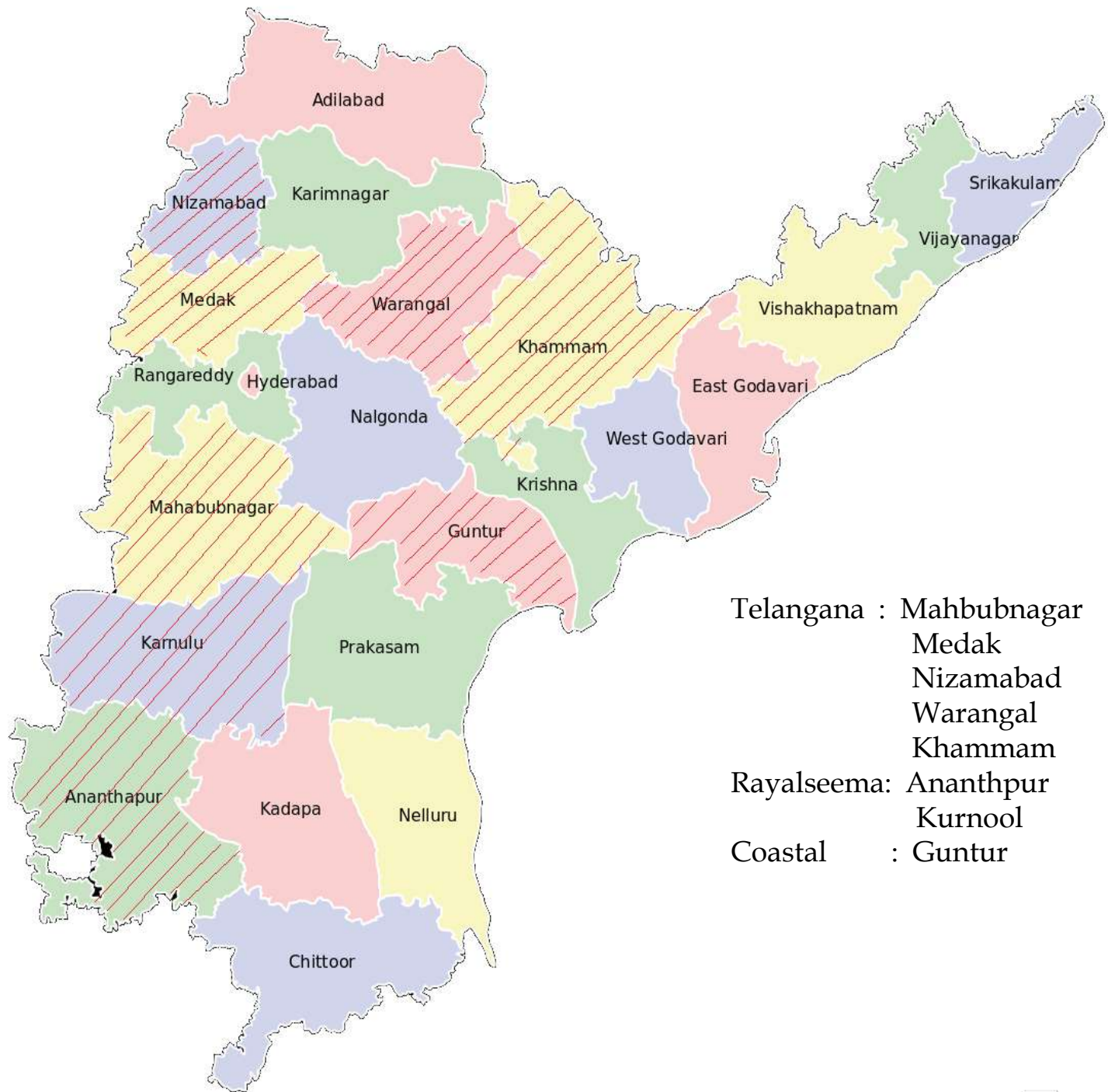
Telangana : Mahbubnagar
            Medak
            Nizamabad
            Warangal
            Khammam
Rayalseema: Ananthpur
   Kurnool
Coastal   : Guntur

Data

- *Labour related irregularities*: List of complaints filed during the door-to-door verification process by individuals, groups of individuals or by the members of the audit team itself.

- *Materials related irregularities*: Visits by the audit team to project sites to verify expenditures on the materials component of the programme.

- *Verification process*: Each complaint verified through affidavits and brought up during the public hearing. Scope of frivolous complaints is negligible.

Data

Average number of complaints per audit
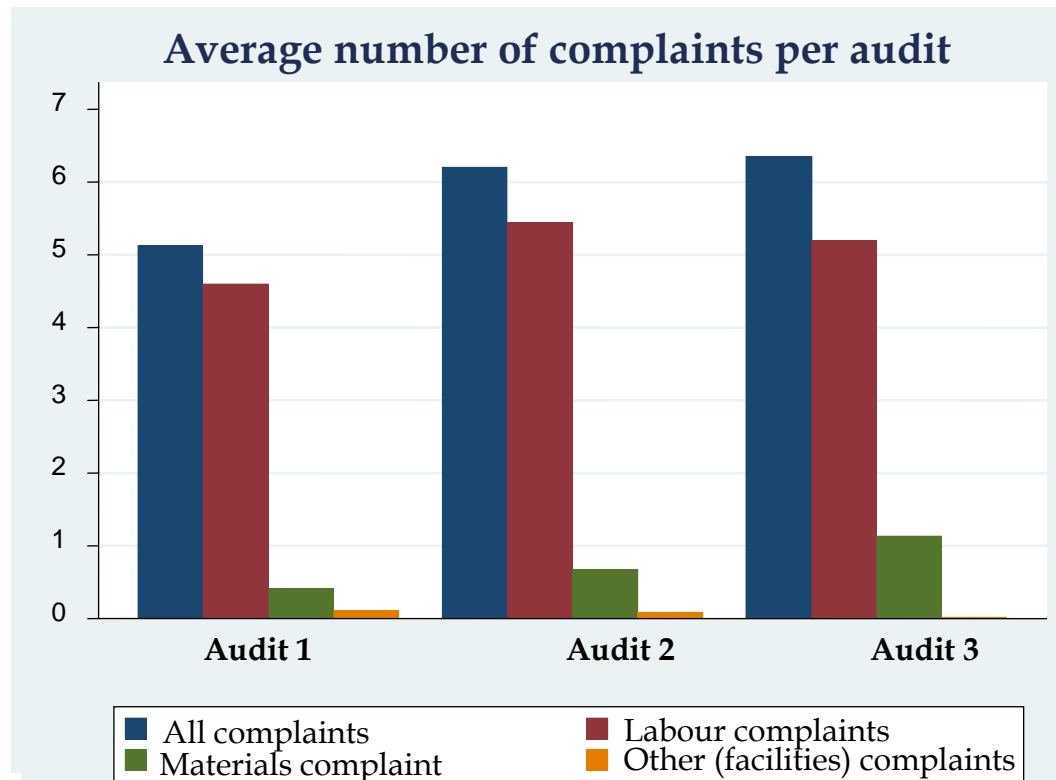
Data

Mean amount per complaint (in 2006 Rupees)
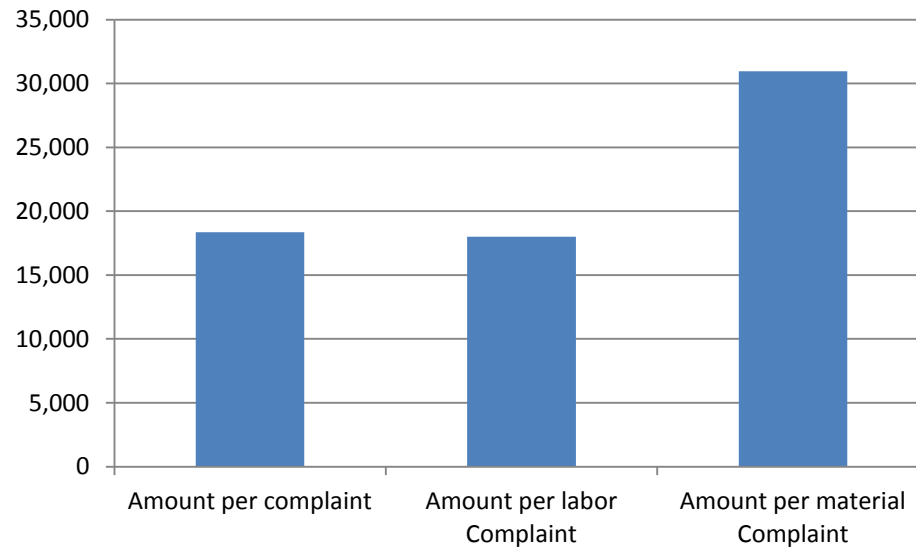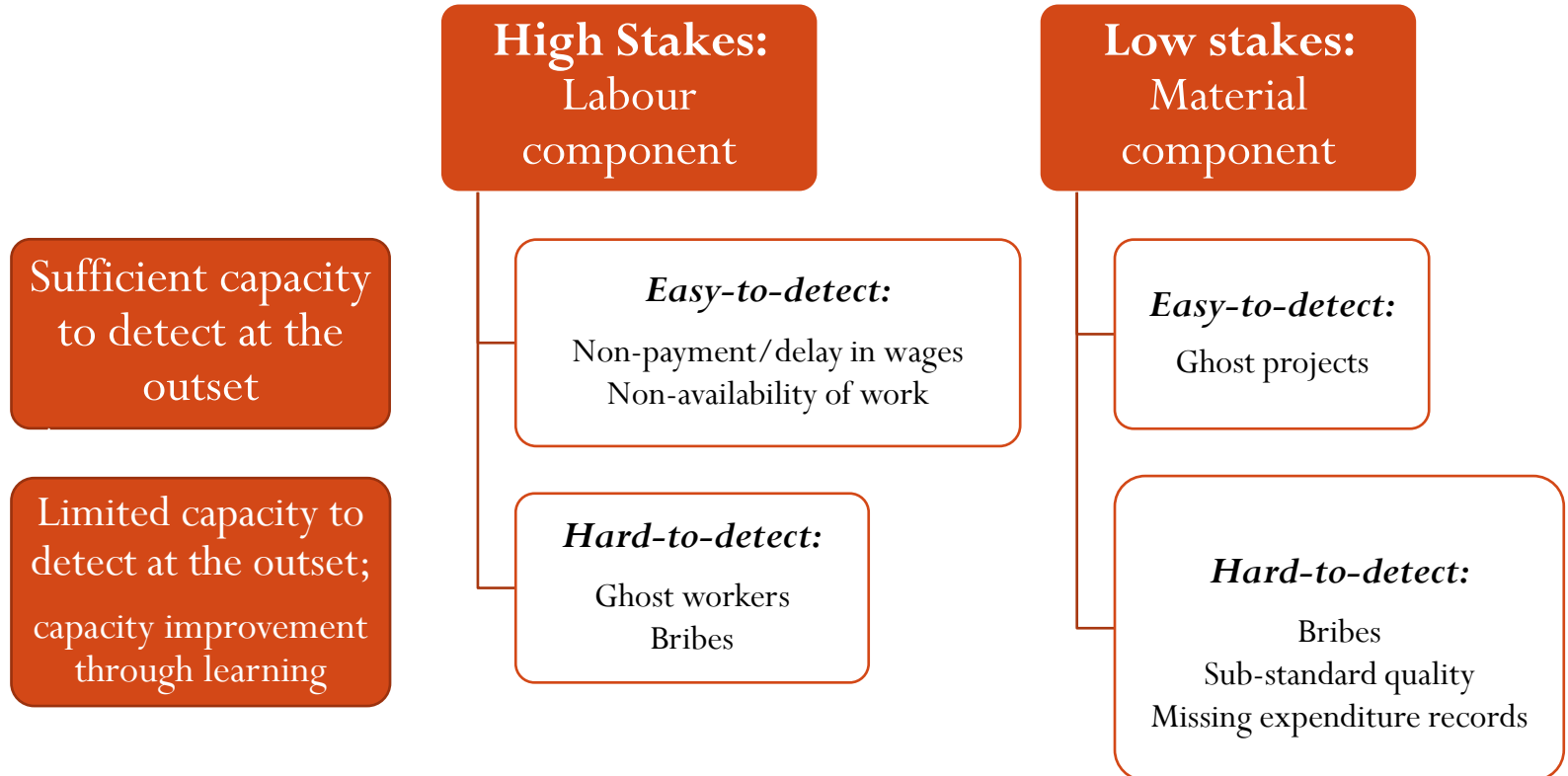

Notes: Amount per Complaint =Total amount/total complaints;
Amount per labor Complaint = Labor Complaint amount/total labor complaints;
Amount per material Complaint = Material Complaint Amount/total material complaints;
Data conditional on amount being reported;
Deflated using CPIRL,http://labourbureau.nic.in/indtab.pdf, base converted to year 2006.

Conceptual Framework: Capacity, stakes and learning

Sufficient capacity to detect at the outset

Limited capacity to detect at the outset; capacity improvement through learning

High Stakes: Labour component

Easy-to-detect:
Non-payment/delay in wages
Non-availability of work

Hard-to-detect:
Ghost workers
Bribes

Low stakes: Material component

Easy-to-detect:
Ghost projects

Hard-to-detect:
Bribes
Sub-standard quality
Missing expenditure records

Methodology

- We focus on 'impacts' but recognize the limitations imposed by
  - non-random roll out of social audits in AP
  - absence of a baseline comparison

- Analyse how irregularities in programme implementation are affected by *repeated* audits within the same sub-district over time, while controlling for other factors that could impact programme implementation.

Methodology

Confounding factors:

- Bureaucratic efficiency at the sub-district level
  - within sub-district variation in outcomes

- Beneficiary awareness levels and learning by audit teams over time
  - control for audit-year

- Differences in programme characteristics across districts and over time
  - district level audit-year trends

Findings

While total labour related irregularities were unchanged there was a more than 300% increase in materials related irregularities in audit 3 relative to audit 1

	Total number of irregularities	Total labour related irregularities	Total materials related irregularities
Audit 2	2.528*	1.740	0.818**
Audit 3	2.695	1.409	1.345**
Audit 3 - Audit 2	0.166	-0.330	0.526*

Notes: Controls include mandal, year and state x year dummies, and GP characteristics. Standard errors clustered at the GP level. *significant at 10%, ** 5% and ***1% level.

Findings

- *No change in the number of easy to detect irregularities.*

- *A significant increase in irregularities related to bribes and missing expenditure records in materials component.*

	Labour related irregularities				Material related irregularities			
	ETD		HTD		ETD		HTD	
	Non-payment/ delay in wage payment	Non-provision of work	Benami/ impersonation	Bribes	Non-existent projects	Poor quality of materials	Bribes	Missing records
Audit 2	1.262*	-0.513***	0.730	0.280	0.356**	0.204	0.077	0.097***
Audit 3	1.279	-0.460	-0.079	0.278	0.350	0.131	0.317	0.330***
Audit 3 – Audit 2	0.016	0.053	-0.809*	-0.001	-0.006	-0.073	0.239*	0.233***

Notes: Controls include mandal, year, state x year dummies and GP characteristics. Standard errors clustered at the GP level. *significant at 10%, ** 5% and ***1% level.

Findings

A marginally significant decline in the real amount per labour complaint

	Amount per complaint	Amount per labour complaint	Amount per material complaint
Audit 2	-3458.7	-8291.1	-45926.9
Audit 3	-59368.2	-73238.9*	-71959.0
Constant	36466.7	32094.5	456951.0***
Audit 3 - Audit 2	-55909.47*	-64947.78*	-26032.11
Number of audits	560	536	162

Notes: Controls include mandal, year, state x year dummies and GP characteristics. Standard errors clustered at the GP level. *significant at 10%, ** 5% and ***1% level.

Robustness of findings

- Frequency of audits could be correlated with existing levels of corruption:
  - Data restricted to GPs with 3 audit rounds

- Lack of independent measure of corruption:
  - Irregularities filed by audit team only

- Differences in time trends across mandals

Summary

We do not to detect a significant effect of the social audit process on reducing the aggregate number of registered irregularities:

- An insignificant effect on the number of easy-to-detect labour related irregularities.

- *Startling shift in the anatomy of irregularities*: significant increase in the number of hard-to-detect materials related irregularities.

    - quicker learning by transgressors relative to auditors
    - rents extracted higher than cost of effort

Summary

While the audit process may have been effective in *detecting* irregularities, the audits were NOT an effective *deterrent* and have thus had only a marginal (if any) impact on *reducing* irregularities.

Policy recommendations

Bolster the credibility of the audit process:

- Social audits must culminate in an ***enforceable and credible 'contract'*** that not only allocates responsibilities but defines time lines and ensures those who have been found guilty of irregularities are punished.

Policy Recommendations

Disciplinary action and recoveries by district (2006-13):

District	Proportion of irregularities for which person(s) held responsible	Type of Disciplinary Action (%)			Irregularity amount		
		Minor	Medium	Major	Total Amount Involved (Rs.)	Amount Recovered (%)	Amount to be Recovered (%)
Mahbubnagar	100	25.717	0.711	0.227	121317391	9.6	90.4
Medak	100	13.173	0.708	0.095	139046861	35.11	64.89
Warangal	100	11.106	2.230	0.159	81227702	3.13	96.87
Anantpur	100	45.336	1.550	0.870	90282892	3.74	96.26
Kurnool	100	19.653	1.308	0.200	60401875	7.23	92.77
Guntur	100	10.307	2.739	3.381	88547954	7.13	92.87
Nizamabad	100	7.058	9.742	1.844	88436603	9.76	90.24
Khammam	100	2.113	0.873	0.242	52563447	12.18	87.82
TOTAL	**100**	**14.738**	**2.414**	**0.965**	**721824725**	**12.758**	**87.242**

Minor disciplinary actions: censure, fine, stoppage of increments, recovery of irregularity amount and hearing.

Medium disciplinary actions: suspension, show-cause notice, ineligible for contractual work, charge-memo, enquiry committee instituted.

Major disciplinary actions: termination/dismissal/removal, criminal action (FIR/chargesheet/detention/conviction).

Policy Recommendations

Respond to the changing patterns of corruption in public programmes that may transmute with scrutiny:

- *Bolster capacity and experience based skill accumulation* by core social audit personnel.

- *Technological innovations* to monitor materials expenditures coupled with *expertise* for reducing harder to detect leakages.

Policy Recommendations

Community led audits are unlikely to materialise spontaneously:

- Top-down element of the process essential to leverage grass roots participation.

Conclusion

- Potential to raise awareness of entitlements and learning by beneficiaries.

- Low cost of community monitoring: 1% of annual NREGA expenditures.

- High potential benefits if community monitoring process is credible.