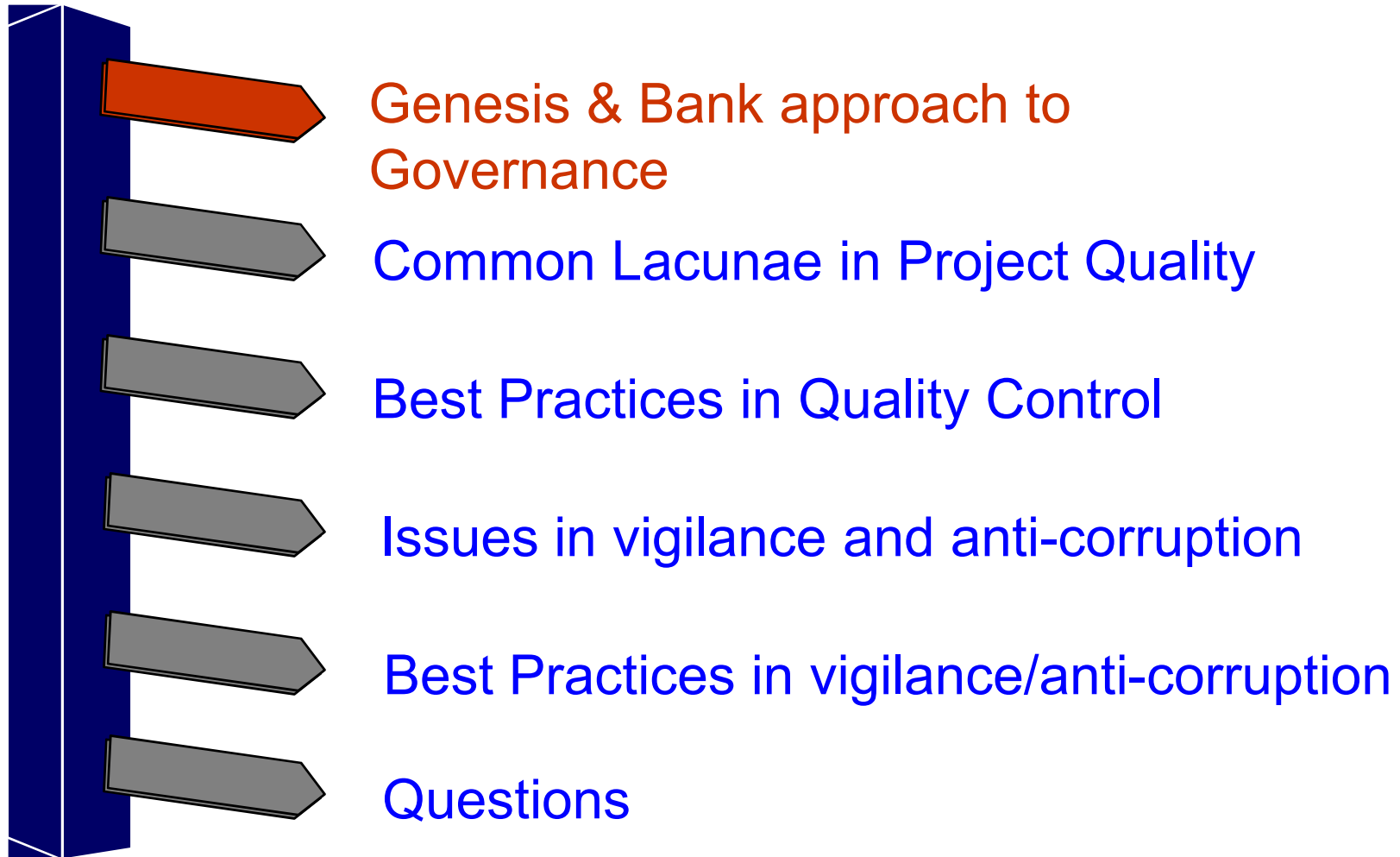


Workshop on Quality, Vigilance, Policy, Roles & Activities in OWD/OSRP

Quality & Vigilance – Issues and Best Practices

Krishnan Srinivasan
Consultant, The World Bank, OSRP
January 20, 2011, Bhubaneswar

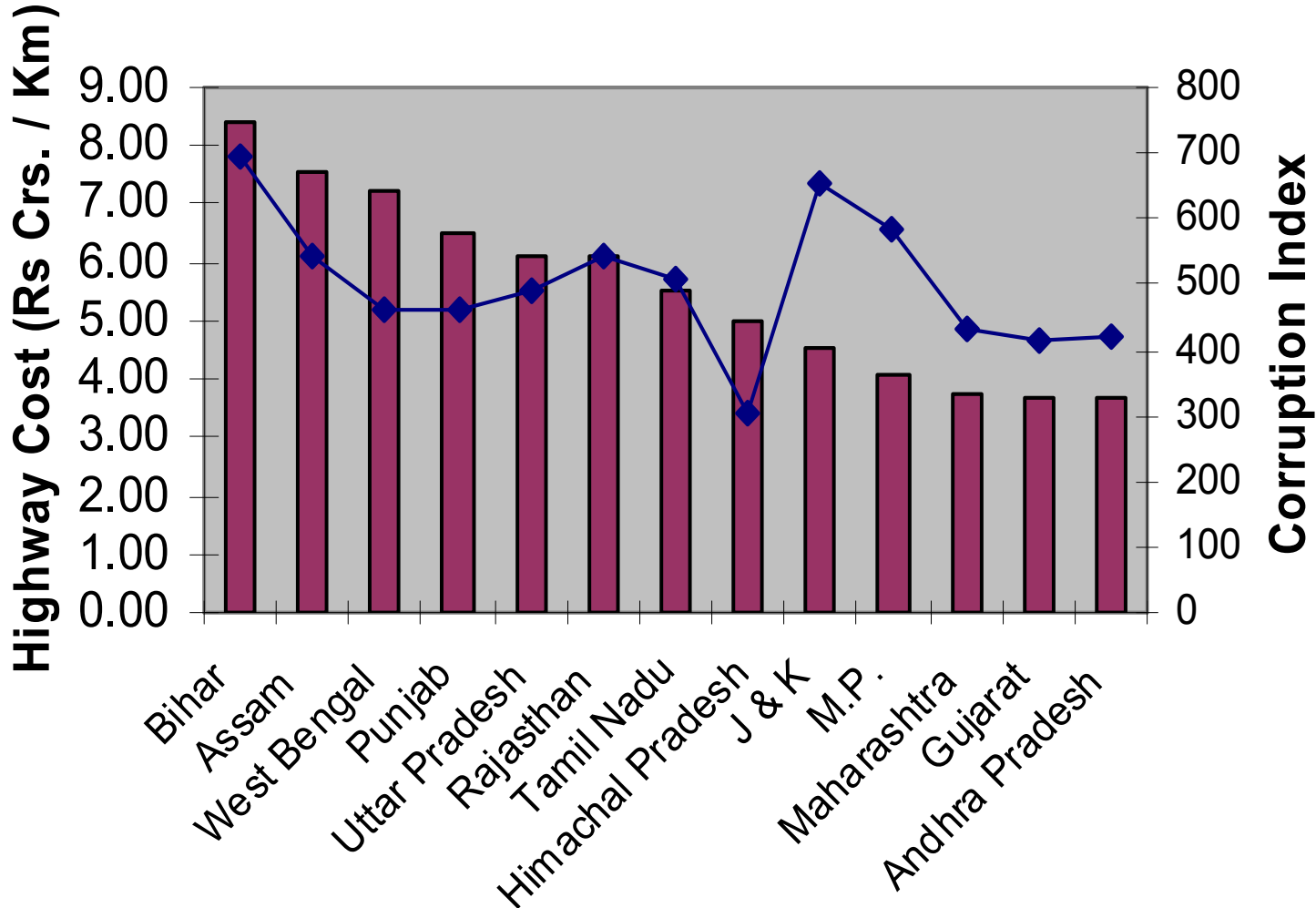
Presentation Outline



Governance concerns in India triggered by...

- Poor quality of works; no demand-side verification of project quality
- Collusive bidding on Bank financed NHDP contracts (2005):
 - Lowest bids ranged from 40% to 90% above cost estimate
 - Re-bidding lowered prices significantly
- Large variations during contract execution - estimates of quantities found to have suspiciously large errors
- Poor performance on contracts – delays in excess of 2-3 years
- Weak emphasis on transparency, reporting and accountability arrangements
- Weak arrangements to protect whistleblowers

Strong correlation between high construction cost and corruption



Note: Corruption index by Transparency International
OSRP Workshop, January 2011

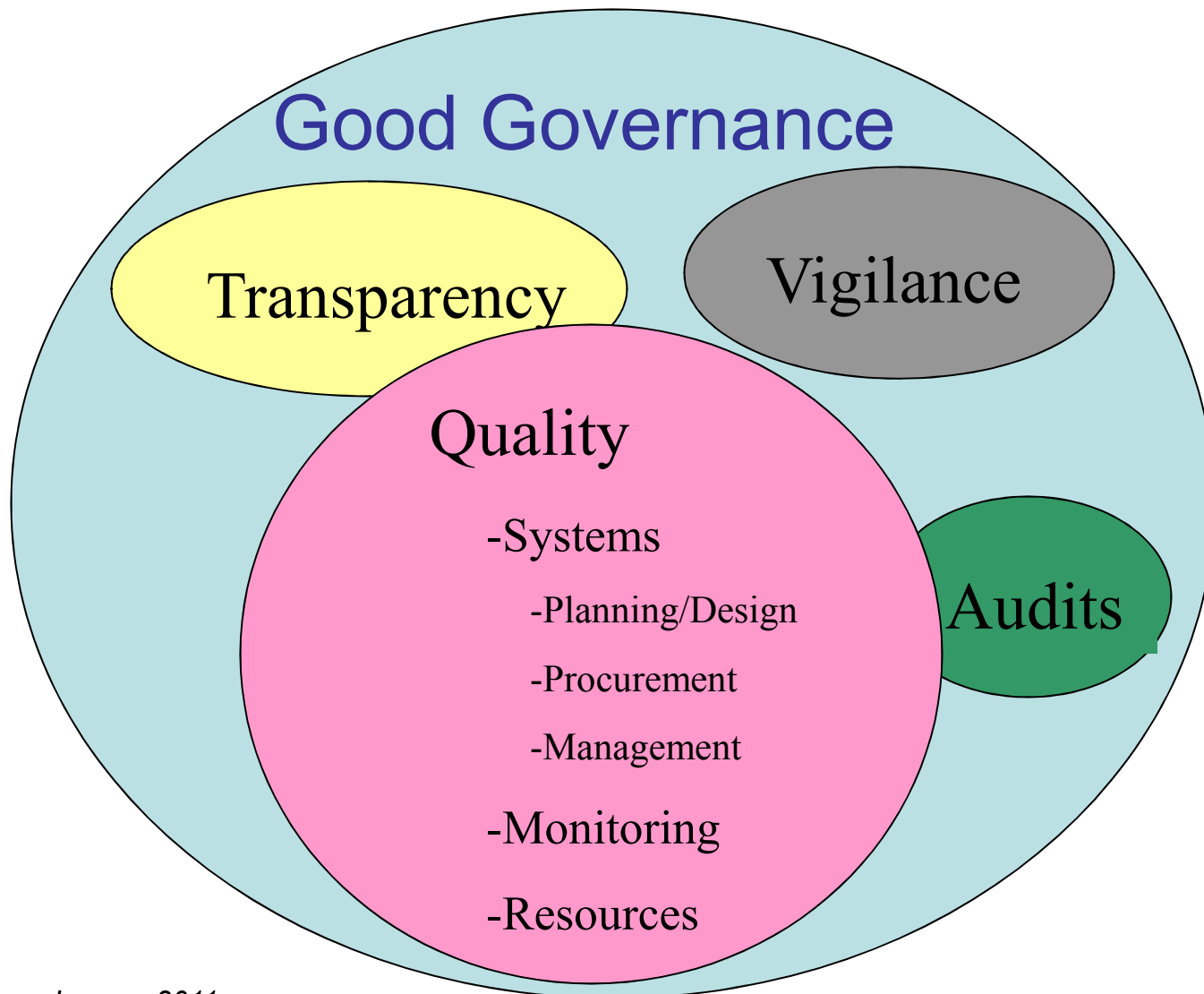
Bank's Approach

- Governance
 - *the traditions and institutions by which authority in a country is exercised for the common good.*
- Anti-corruption
 - *Successful Governance improvement and anti-corruption programs are dependent on the public availability of knowledge and information, political leadership and collective action.*

Bank's approach builds on India's own governance initiatives

- Prime Minister himself identified corruption in road programs as a major obstacle to infrastructure development.
- Civil society has long demanded greater transparency, voice and social justice in government's development programs.
 - Notable examples – Narmada, Singur
- Right to Information Act (RTIA, 2005), enhanced National Policy on Resettlement and Rehabilitation (NPRR, 2007), are important steps towards better Governance
- Central Vigilance Commission (CVC) has mandated better transparency in government procurement and has encouraged use of Integrity Pacts (IP, developed by Transparency International).
 - Example: Ministry of Defense has mandated use of IPs in all defense contracts.
- Several states such as Andhra Pradesh, Orissa, Karnataka have moved completely to e-procurement.

Elements of good governance



Presentation Outline

- 
- Genesis & Bank approach to Governance
 - Common Lacunae in Project Quality
 - Best Practices in Quality Control
 - Issues in vigilance and anti-corruption
 - Best Practices in vigilance/anti-corruption
 - Questions

Common weaknesses in project quality

- Poor quality of Detailed Project Reports, indicating ineffective review and quality control, lack of professional accountability
- Large errors in surveys and investigations creating opportunities for large variations, extensions of time
- Bias in site inspection or falsification of inspection certificates/ quality tests
- Lack of third-party, independent monitoring of quality
- Focus on inputs, not outputs
- Archaic methods of quality inspection

Related issues

- Mobilization advances diverted to unintended purposes
- Outdated cost estimation methodologies - schedule of rates not market based, not updated
- Lack of accountability of Design Consultants, Construction Supervision Consultants, Project Directors, Contractors
- Contract management, sub-contracting, enforcement of contract clauses, dispute resolution weak

Presentation Outline

- 
- Genesis & Bank approach to Governance
 - Common Lacunae in Project Quality
 - Best Practices in Quality Control
 - Issues in vigilance and anti-corruption
 - Best Practices in vigilance/anti-corruption
 - Questions

Quality – Best Practices ... 1

- System of third party quality assurance (AP, PMGSY)
- Citizen monitoring of rural roads in Karnataka & Orissa by Public Affairs Center under PMGSY
 - 3 local NGOs and high school graduates trained by technical agency for monitoring of roads and for conducting road user surveys
 - 18 roads of 2-4 KM stretches each
 - Simple tests for shoulder, quality and thickness of the road surface, camber, road furniture, size and gradation of aggregates

Citizen Monitoring Process

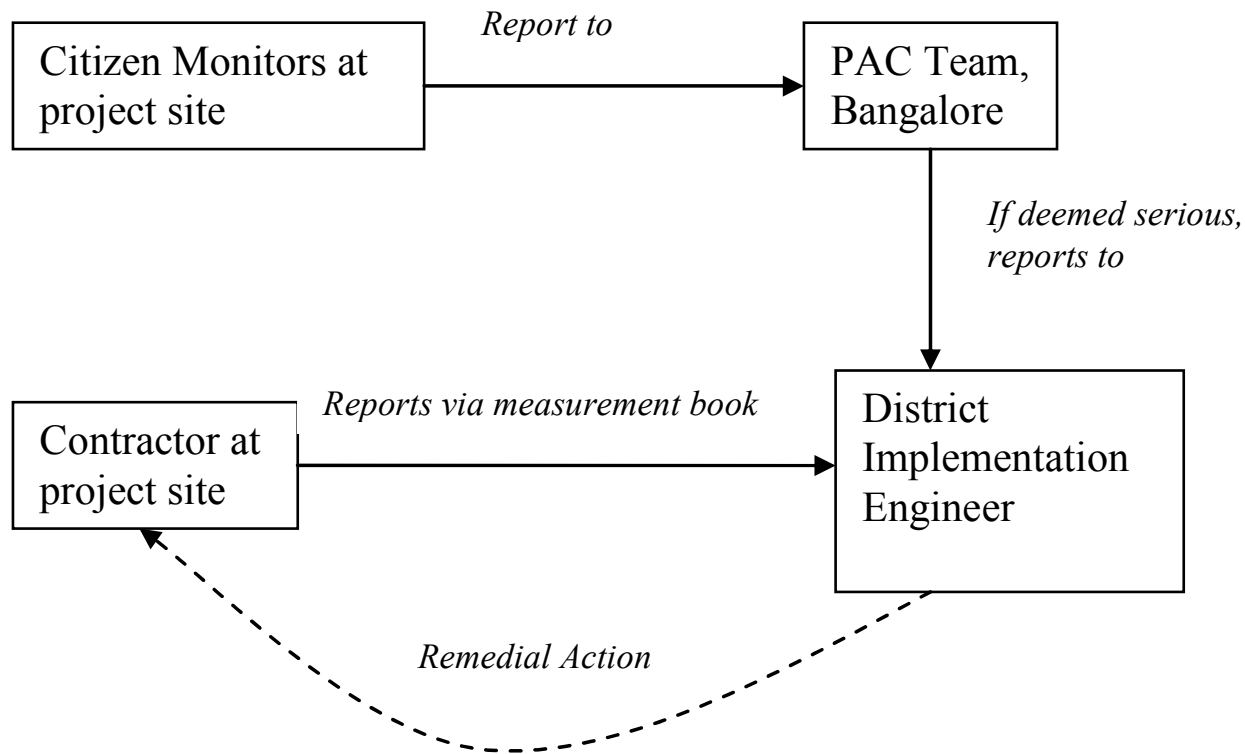


Figure illustrating PAC's reporting mechanisms on their pilot project

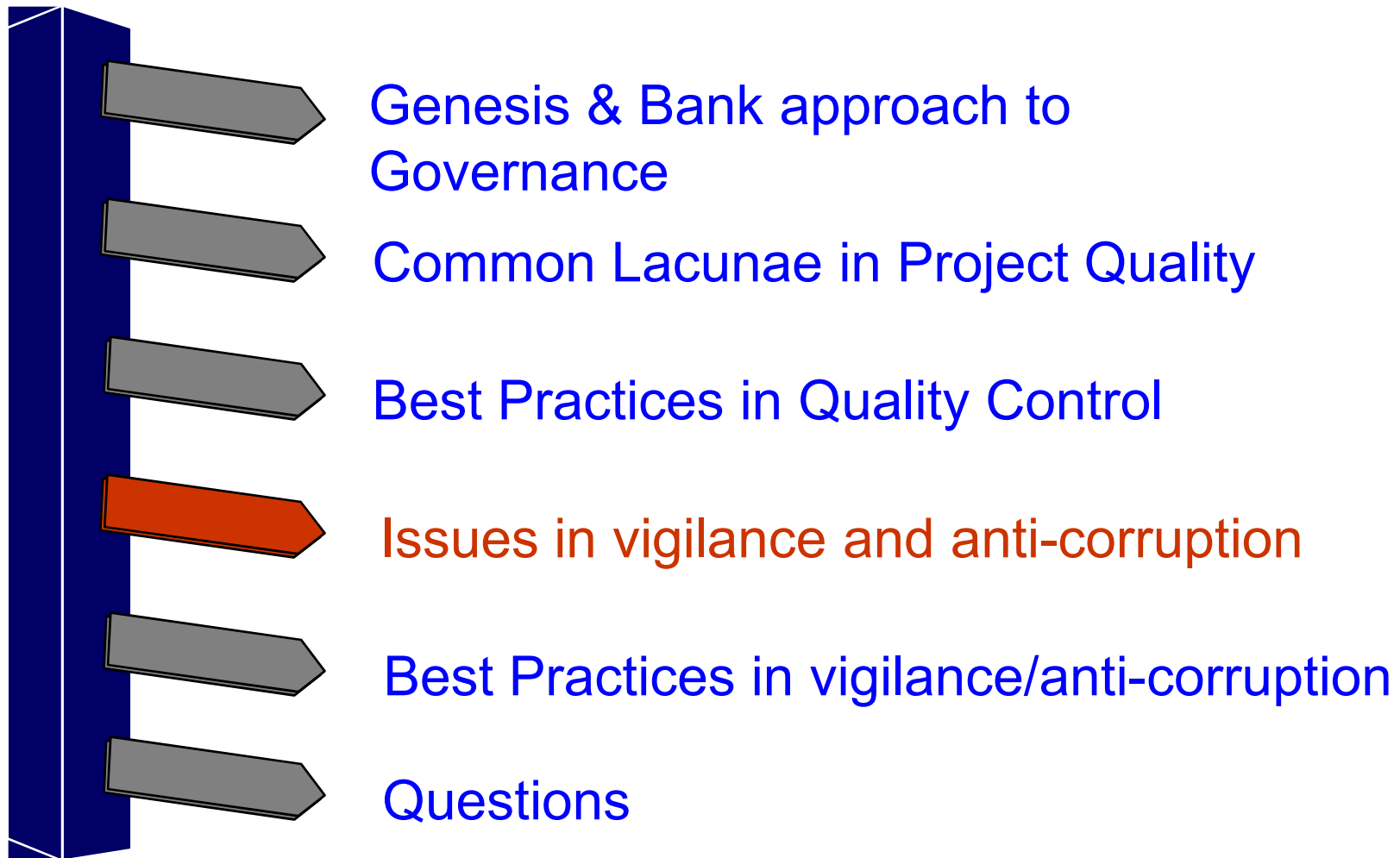
Quality – Best Practices ...2

- Enable community participation on projects
 - Pune Municipal Corporation – Non-Motorized Transport Cell
 - Andhra Pradesh Rural Poverty Reduction Project – community scorecards for health services
 - Jaipur – Citizen’s Technical Advisory Group for JNNURM projects
- Ensure qualified contractors get the job through e-procurement (AP, Karnataka),
- Centralized registry of contractors and consultants with performance ratings (UK);
 - HP (Irrigation & Public Health Dept) had made a start.
- Contractors/consultants as partners in work execution
 - USA, European Union; DMRC in India

Quality – Best Practices ...3

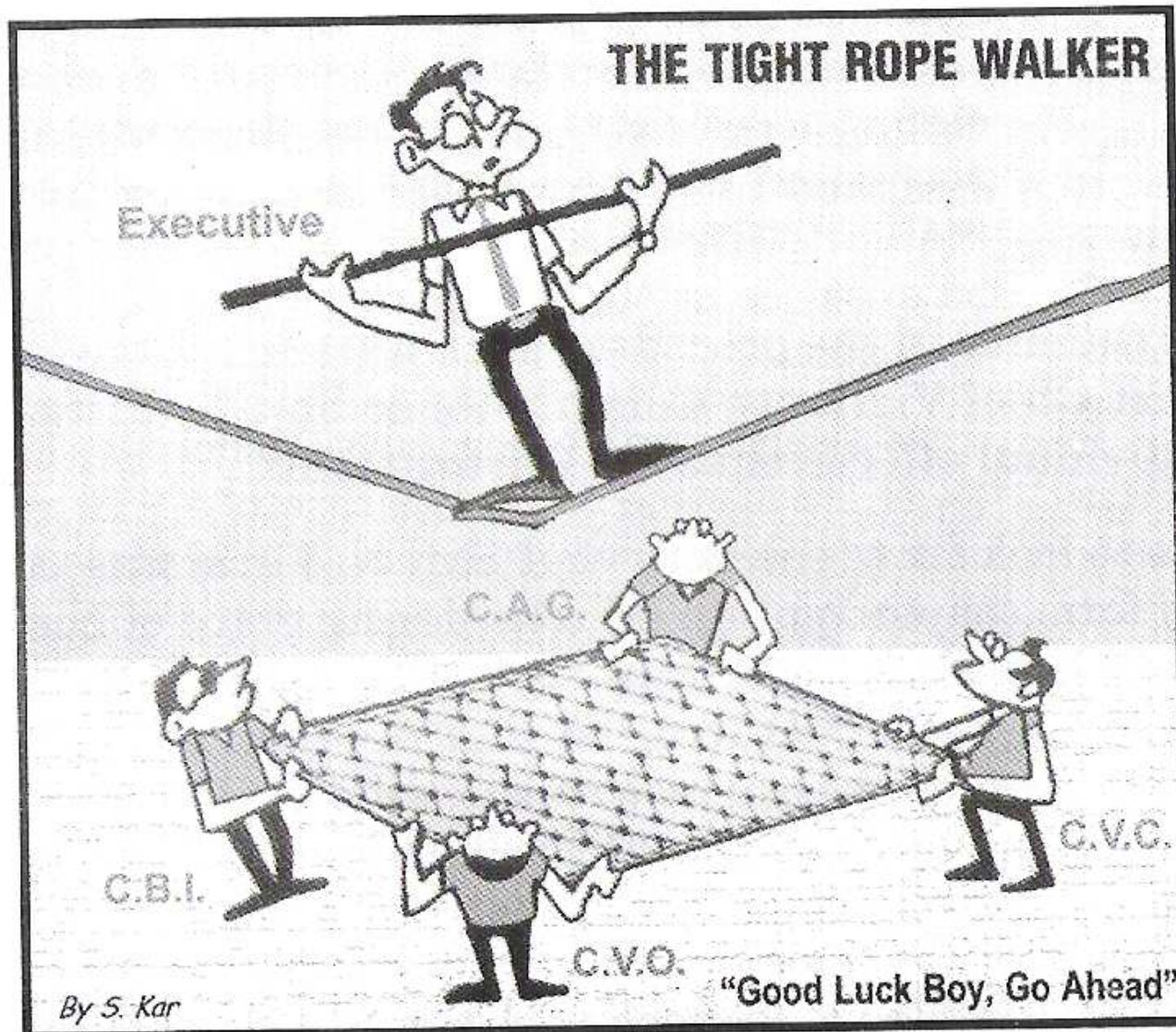
- Focus on strengthening quality assurance units
 - Research, Resources/Systems
 - Technologies – non-intrusive testing – more extensive, faster, less chances of manipulation of test results
- Focus on Value Engineering (UK, USA) to improve quality
- Social audits with support of local engineering institutes/polytechnics
- Move to output based quality assurance
 - Performance based contracts
 - increased defect liability periods
 - AASHTO, several South American Countries

Presentation Outline



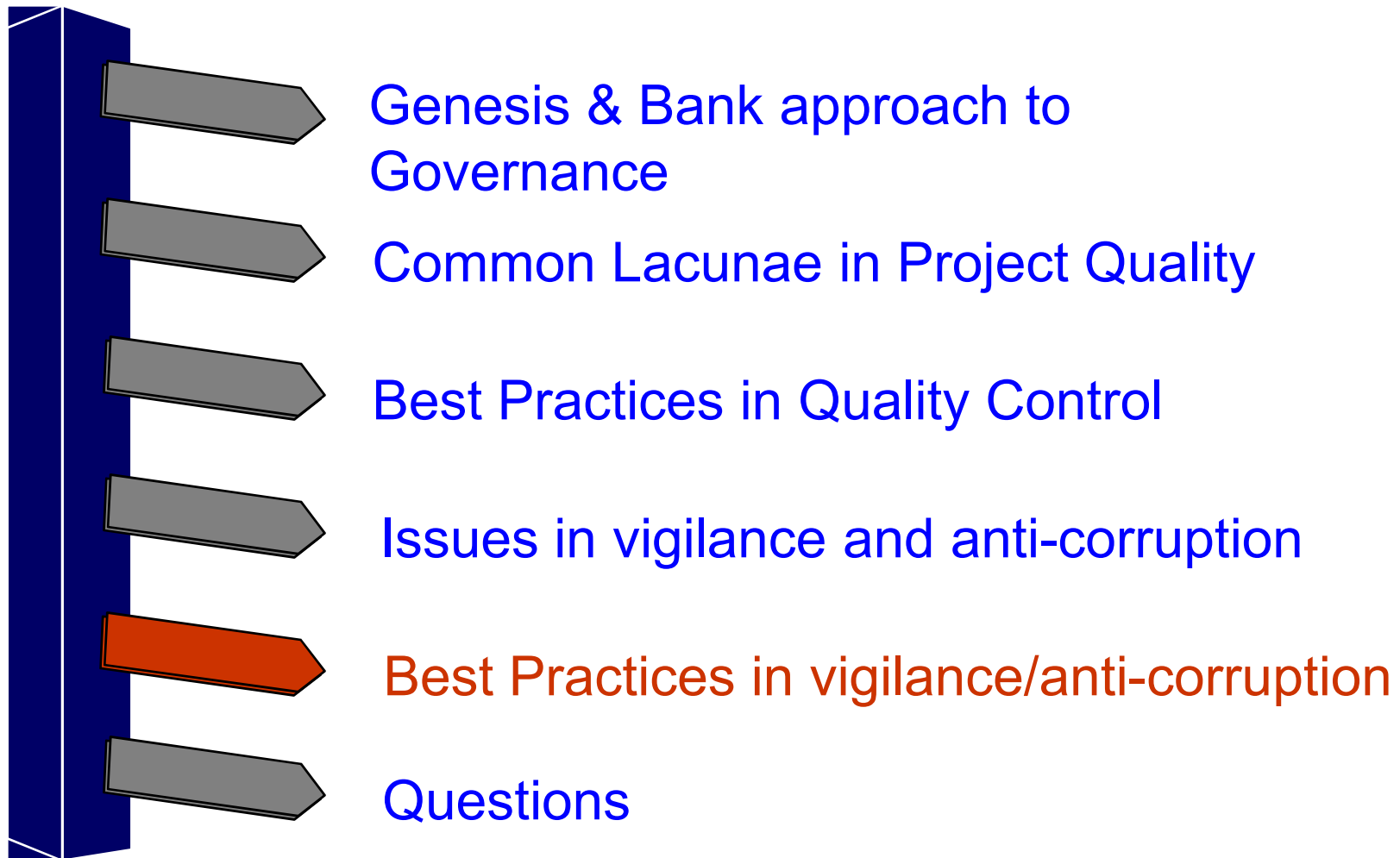
Issues in vigilance/anti-corruption

- Vigilance function – largely reactive in most states of India
- Vigilance units may lack capacity and technical competence (with specific reference to roads)
- Improper documentation may often lead to vigilance/audit enquiries



Vigilance is like a Damocles Sword – impeding decision-making

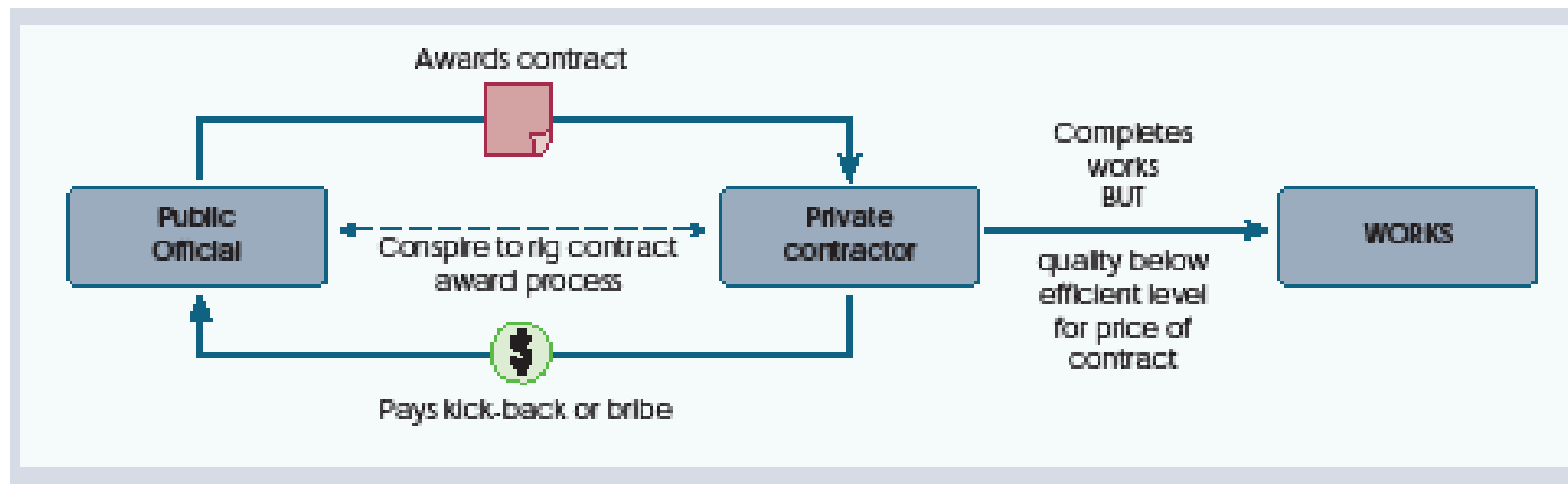
Presentation Outline



Vigilance – Best Practices ...1

- Preventive/Proactive vigilance only now taking off – Mumbai Rail Vikas Corporation – regular awareness programs
- Integrity Pact (IP) type mechanisms are increasingly becoming routine for deterring fraud/corruption.
 - Ministry of Defense, AAI, GAIL, ONGC, Sutlej Jal Vidyut Nigam
- NHAI considering rewarding whistle-blowers
- Better complaint handling mechanisms to respond to public complaints. Examples: Kerala hotline, Powergrid
- Vigilance should enlarge its role to ensuring good governance – example – MRVC's vigilance has taken ownership of the GAAP.

Corruption in Capital Projects

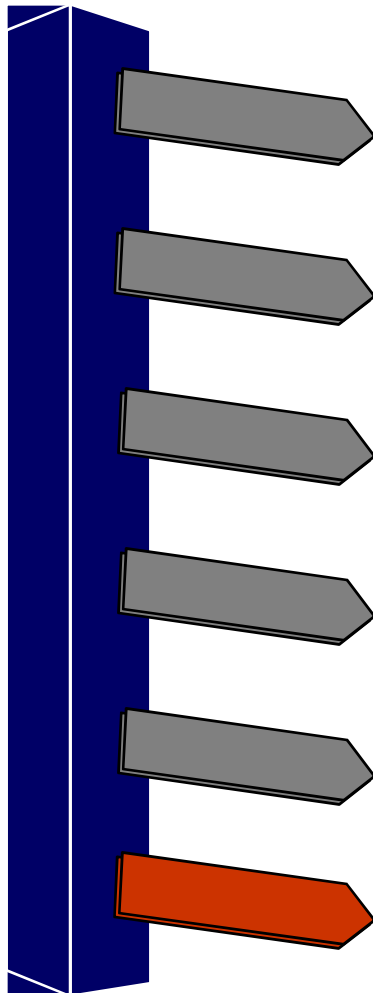


Source: Deterring corruption and improving governance in the urban water supply and sanitation sector, Water Working Note 18, The World Bank, December 2008

Vigilance – Best Practices ...2

- Vigilance should be partners in the decision-making – as is now routine of the CAG/AG in several departments, rather than just post-decision inspectors. Eg. – China.
- US Department of Transportation's (USDOT) Office of the Inspector General has a 24/7 complaint center and hotline for reporting allegations of fraud, waste, abuse, or mismanagement within the USDOT.
 - Allegations can be made by DOT employees, contractors, public
 - Operated by third-party contractor

Presentation Outline

- 
- Genesis & Bank approach to Governance
 - Common Lacunae in Project Quality
 - Best Practices in Quality Control
 - Issues in vigilance and anti-corruption
 - Best Practices in vigilance/anti-corruption
 - Questions

Thank you!



Questions?