



The CLP's Approach to Reducing Leakage

Background

The CLP implements activities through many local implementing organisations (IMOs), local government bodies and special service providers, which each employ a considerable number of staff. This increases the risk of CLP funds being misappropriated (often called 'leakage').

Evidence of leakage in a partner can draw substantial penalties: the involved staff are dismissed, and if they are senior officials contracts with the organisation that they represent may be terminated.

There are particular risks around capital-intensive elements of the programme, such as infrastructure work and asset purchase. These are more often vulnerable to demands for bribes or unwarranted payments, known as 'kickbacks'. The poor, rural contexts in which the CLP works require many payments to be made in cash, a circumstance which increases the risk of leakage.

In order to mitigate these risks to the fullest extent, the CLP implements a variety of routines and procedures that aim to reduce the likelihood of leakage. This brief details the most important of these.

Output Verification

The CLP operates a system of output verifications in order to ensure partners deliver planned services to beneficiaries. Partners are required to provide a monthly report detailing the outputs they have produced; for example, the number and location of plinths raised in the past month, or the number of satellite health clinics conducted. While self-reporting has several advantages, it creates an opportunity for partners to overestimate their outputs, and thus claim funds for services which may not have been delivered.

An independent contractor is employed to verify between 5 and 10% of the outputs claimed by IMOs in their monthly reports. The contractor conducts unannounced visits to random samples of output sites, where they physically check that outputs have been delivered and meet required specifications. This process is undertaken within a month of the output being produced. Discrepancies between reported and actual outputs are immediately communicated to the Innovation, Monitoring and Learning (IML) Division, and are investigated by the appropriate staff. Such rapidity provides CLP the capacity to respond quickly to suspected leakage.

Verification acts as a strong incentive against falsification of outputs by partners, as well as being a means by which such behaviour may be discovered. It thus both deters and identifies any corrupt use of CLP funds. The most

recent output survey, for February 2012, found that 100% of reported plinths were raised, and that 100% of reported asset transfers were conducted.

Identification of Core Participant Households

The process by which Core Participant Households (CPHH's) are identified represents another risk of leakage. The CLP is designed to deliver to participants living in extreme poverty, so it has strict criteria that a household must meet to be eligible for CLP benefits and services. IMOs identify all households within their working area which meet these criteria. The level of funding an IMO receives is related to the number of households they will serve. This ensures that the IMO has an incentive to identify all eligible CPHHs, but it also carries the risk that some organisations might add non-qualifying households as CPHHs to derive additional funds from the CLP. As with output delivery, the CLP manages this risk through the use of a verification process.

The CLP requires each IMO to produce a list of households identified as eligible for participation in the programme. This list is certified by the Executive Director of the IMO, a procedure which creates accountability for the accuracy of participant selection at a senior level. The CLP then selects a random sample of between 5% and 7% of identified participants, and verifies that they have met the inclusion criteria. This verification is performed through a CLP team visiting a participant's house, performing an interview, and investigating their level of assets and living conditions. During the verification spouses, neighbors and relatives are also interviewed as a method of cross-checking information. The team conducting these visits is led by a senior member of CLP staff.

If a significant error rate is found, the IMO may be asked to recheck the sample. Likewise, if a verification visit raises suspicions over the inclusion of a household, IMOs can be asked to undertake a re-verification of all households. These measures entail substantial costs for IMOs, which discourages attempts to overestimate participant numbers. Again, a procedure of this sort plays the dual role of both identifying and deterring leakage.

Customer Satisfaction Survey

Customer Satisfaction Surveys (CSS) provide another powerful mechanism by which leakage can be hindered. Whereas the output verification process addresses all dimensions of CLP outputs, the survey focuses on areas which have a high potential for leakage in the form of kickbacks: the high expenditure activities of plinth raising and asset transfer.

The CSS is undertaken by an independent contractor, who visits cattle markets and sites of infrastructure work in order to survey participants. The use of an independent contractor insulates the survey against bias. The contractor anonymously interviews participants employed on infrastructure work, and the beneficiaries of both



infrastructure and asset transfer work. Participants on infrastructure projects may face threats and demands for kickback payments by those involved in managing the work or others claiming to have created the work opportunity for them. In this way employees of partners may seek to capture some of the funds provided by CLP.

The CSS methodology allows the CLP to respond to suspected leakage. The CSS is a rolling survey, with travelling teams of enumerators from the contractor performing unannounced visits to work sites during the workday and conducting interviews. This information is quickly reported back to the CLP, which is then able to investigate issues with the appropriate staff.

This reporting system allows a 'quasi real-time' reaction to suspicious events; it can be investigated within one to three days. Surveys with workers are also conducted after work is completed, as demands for payments may be made after the work is performed. Again, this systematic investigation of leakage acts as both a tool for the identification of leakage and as a deterrent. In the January 2012 CSS, no kickbacks were discovered.

Affidavit Survey

On one occasion, where there was a serious concern that leakage was taking place, the CLP performed an additional survey. During the 2007-2008 plinth construction work, existing processes discovered substantial evidence that kickbacks from workers were being requested by the staff of partner organisations. Therefore, an independent survey was commissioned, which collected information from workers on their experiences with partner organisations in that year. As part of this survey, people who had previously raised complaints were asked to produce written and signed affidavits identifying the individuals concerned.

The survey found that a considerable percentage of workers were asked for kickbacks by the staff of partner organisations. The affidavit process produced a list of suspected individuals whom workers had identified as having made demands for kickbacks in this year. The CLP stopped working with the organisations involved, which were primarily local government Upazilas, and blacklisted them for future work. As a result of these findings, the CLP's strategy for working with partners changed. The programme has decreased the amount of infrastructure work it performs through local government, and increased the amount of such funds it disperses through IMOs. These are easier for the CLP to audit and investigate. This provides value for money to the CLP's donors. However, through training key staff in Upazilas, the CLP is also building the capacity of local government to manage infrastructure funds.

Information for Participants

The CLP also seeks to reduce leakage by informing participants of their entitlements before work begins on infrastructure projects. A paid day of induction training,

Case Study: Nohali Upazila

In 2011, the Union Parishad (UP) of Nohali Upazila in Rangpur agreed to raise plinths on behalf of the CLP. On receiving funds, the Chairman of the UP withdrew the full amount from the bank and invested it in his personal business, rather than paying wages to the labourers engaged for raising the plinth. Participating labourers put pressure on the UP, and the CLP was notified. After an investigation, the UP Chairman agreed to refund all money to the CLP, which paid participating labourers from its own funds in the meantime. The CLP no longer uses the UP in order to carry out plinth raising in the working area.

setting out the conditions of employment, is provided for all participants involved in plinth raising prior to the commencement of work. This is supported by on-site measures: signboards contain a contact telephone number for workers to report requests for kickbacks, the volume of earth or sand to be moved, total wages allocated for workers, actual wages paid and other relevant information. The provision of information makes it difficult to use misinformation in order to extract funds from workers.

Likewise, participants in the asset transfer process are provided with information, in order to prevent leakage. Orientation sessions explain the process by which assets are selected and purchased, and the support to which CPHH's are entitled. CLP District staff ensure that the asset purchase process follows CLP guidelines. Participants, IMO staff and CLP District staff are also informed that they should contact the CLP if they suspect leakage is taking place. In this way the CLP ensures that funds do not leak in the process of asset transfer.

Finance and Procurement Audit

The CLP also guards against leakage through its procurement practices. Contracts with IMOs are awarded through a confidential open tender process involving senior international staff, and are approved by both DFID and the Government of Bangladesh.

Service Agreements manage contractors, which are awarded through an Evaluation Committee comprising staff from across the CLP, using a transparent scoring process.

Procurement by IMOs is also subject to audit by the CLP every three to six months. Large procurement spends are undertaken through Crown Agents, DFID's central procurement agency. There is thus little opportunity for contracts to be awarded in exchange for kickbacks.

The CLP also uses a range of financial measures in order to prevent leakage. Each IMO is audited every three months, and any issues are investigated by senior CLP staff. Monthly financial reporting and open book accounting are also used in order to make financial arrangements transparent, and therefore make corrupt use of funds difficult.