



How can we improve
deterrence of corruption via
centralized/decentralised
monitoring (AC action)

Irregularities in projects under PMGSY: CAG

ET Bureau • Last Updated: Aug 13, 2016, 05:25 AM IST

Synopsis

The report also found that 490 road projects were executed or upgraded with incorrect technical specifications.



NEW DELHI: The Comptroller and Auditor General of India (**CAG**) pointed out several discrepancies and irregularities in the implementation of the **Pradhan Mantri Gram Sadak Yojana**. The national auditor has pulled up the scheme for incomplete projects, poor monitoring and infective utilisation of funds — 372 projects in 11

states were abandoned or proposed to be abandoned midway due to non-availability of land after incurring expenditure of Rs 280 crore.

The report also found that 490 road projects were executed or upgraded with incorrect technical specifications. In 26 states, 4,496 projects were running into delays of one month to nearly 11 years due to land disputes, paucity of funds and lack of clearances.

While Rs 132 crore spent on 68 projects did not result in all-weather road connectivity, another 36 were provided with more than one connectivity at an additional cost of Rs 29 crore. "Programme and administrative expenses funds were diverted towards inadmissible items," the **audit** report said.

Poorest Areas Civil Society (PACS) Programme in India: Social Audits for MNREGA

[YouTube Channel](#)

An initiative of the UK Government's Department for International Development
(DFID)

GI-ACE Project: Efficacy of Centralised/ Decentralised Monitoring

- 1. How effective are Centralized Audits in deterring corruption/ improving performance on a Rural Road Building Programme (PMGSY)?
 - Data on audited vs non audited districts and use of Diff in Diff (pre and post audits) to test for efficacy
- 2. How efficacy of social audits depends on “beliefs” about others propensity to complain and norms of collective action
 - Survey experiment on propensity to take collective action against health corruption during the pandemic. (Ongoing)

Deterrence via Centralised audits



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Anti-Corruption Evidence
Research Programme

Case Study: India, the PM's Rural Road Building Scheme (PMGSY)

Do audits deter corruption?

PMGSY

Scope for corruption

- Total Expenditure has been approx. US\$ 40 billion since the start.
- Scope for corruption high-procurement and tenders involved.
- Lehne et al (2018, 2020) show that state level politicians influence the allocation of contracts leading to more expensive roads as well as missing roads. More competitive tendering leads to better outcomes.

Audits in PMGSY

SAI in India

- The Comptroller and Auditor General of India (CAG) conducts regular audits on various government schemes including PMGSY
- Audits have been conducted in 2005 and 2015 by the CAG on the physical, financial, and other outcomes of this scheme in India.

Audits in PMGSY 2015-2016

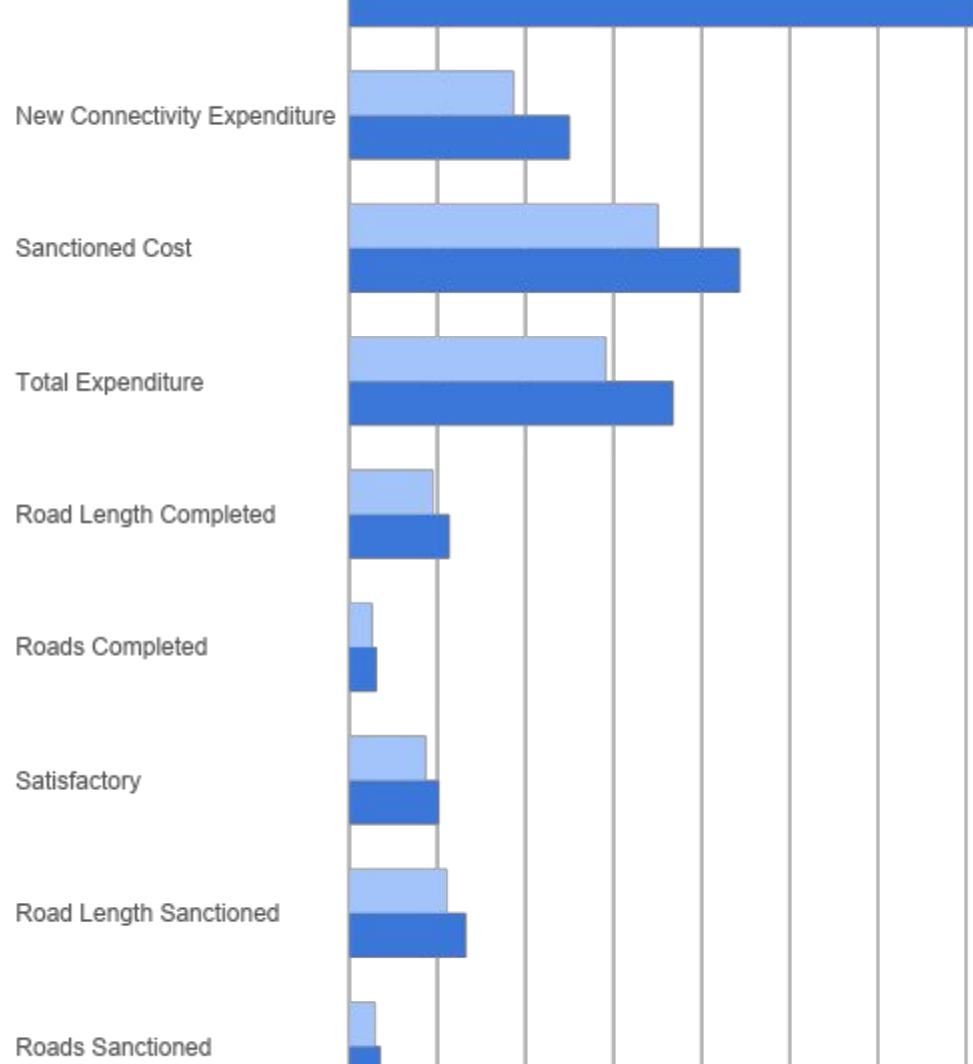
Design

- 176 districts were audited from each strata of all the states in India- selected using a Probability Proportional to Size Without Replacement (PPSWR) method.

Audits in PMGSY

Outcomes

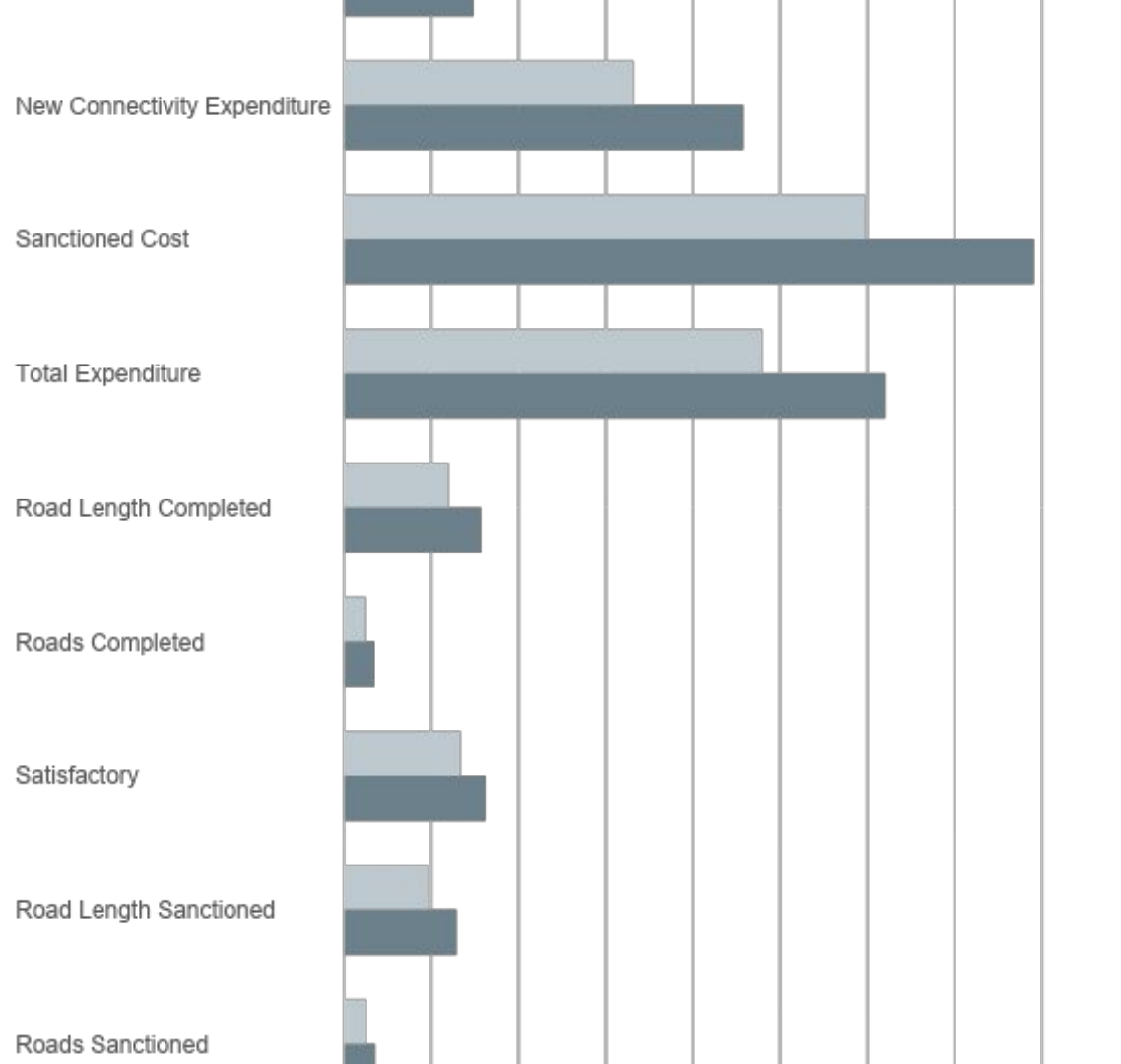
Outcomes	Mean	Standard Deviation	N
Number of Roads Sanctioned	15.36	31.26	10030
Road Length Sanctioned(km)	57.55	114.77	10030
Sanctioned Cost (Rs. Lakh)	209.73	509.91	10051
Number of Roads Completed	13.77	22.3	10030
Road Length Completed (km)	52.49	82.7	10030
Proportion of Satisfactory Roads	0.75	0.27	4475
Total Expenditure (Rs. lakh)	172.37	353.15	10051
New Connectivity Expenditure (Rs. lakh)	114.83	291.72	10051
Mean Delay Days	351.84	353.81	5109
Proportion of Delayed Roads	0.79	0.27	5109
Contractor-MLA names matched	0.04	0.11	4760
Contractor-MLA names matched (ex. Tamil Nadu)	0.04	0.11	4456



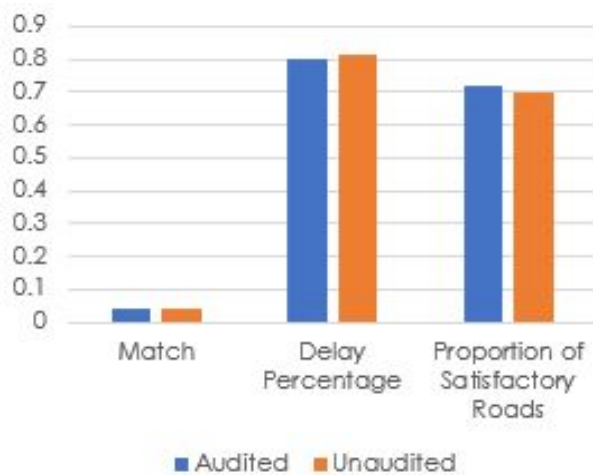
Deterrent effects of Audits

Criminal Deterrence Literature:
Becker 1968

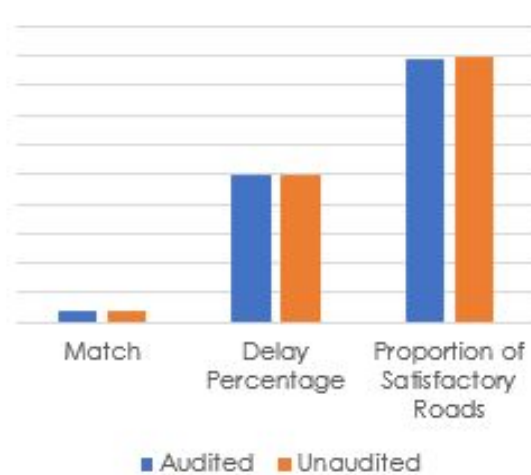
- The CD literature showed that higher probability of monitoring together with fines can be used to deter criminal behaviour.
- Similar to that, probability of audit together with punishment that has immediacy can deter corruption.
- **When punishment is certain and is sufficiently high the threat of audit is enough to deter corruption.**



Pre-Audit Period



Post Audit Period



Results

Difference in Difference

- The effect of audits on outcomes may not be causal—areas which are audited might systematically perform better or worse than unaudited districts.
- We look at the differences pre and post audit for audited and unaudited to account for these unobserved differences.
- Then take the difference in difference between audited and unaudited.

Are audits ineffective?

DiD Results

There is no statistically significant difference between outcomes in audited vs unaudited districts in any of the outcome variables!

Explanations and Recommendations

Possible explanations

CAG office has no legal mandate to punish transgressions

- Maybe threat of audit is sufficient to incentivize good performance/honesty.
 - Unlikely as very infrequent audits, small sample
- Or lack of legal punishment/electoral punishment
 - No evidence that electoral competitiveness matters for performance post audits
- Results not disseminated to stakeholders

JOURNALISM *of* COURAGE

ARCHIVE

PAC asks ministry to check corruption in rural road scheme

Express News Service , Express News Service : NEW DELHI, APRIL 30, Thu May 01 2008, 23:39 hrs



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Recommendations

Actions to take – parliament to change laws (1)

- Improve data availability –help target audits GI-ACE [Report](#)
- Public Accounts Committees take action against officers caught for malfeasance.
 - Makes non binding recommendations
- Increase powers of CAG/closer collaboration with disciplinary agencies -to punish smaller transgressions.

Recommendations

Actions to take: CAG office(2)

- Reports to be disseminated among stakeholders
- Increase intensity of audits and punishments.
- Collaborate with scholars to experiment with audit design

Other Policy Reports (GI ACE)

- [Inter state Comparison of Performance on two public service delivery schemes over two decades.](#)
 - Ministry of Rural Development: New measures for performance introduced.
 - Determinants of success.
- [Policy Brief on the need for good audit data](#)
 - CAG Office