

Community Contracting in the Gewogs

I. Background

Community Contracting refers to awarding of contract work directly to a local community group, called Community Contract Group (CCG), without fully applying the procurement rules and regulations of the Government (Community Contracting Protocol 2021). The gewog administrations are the implementing agencies for community contracts. Community contracting has indeed benefitted the community but construction and procurement are some of the areas always vulnerable to corruption.

A recent study¹ by the Anti-Corruption Commission highlights that the participation and inclusion of citizens in the planning and priority setting, budgeting process, monitoring and evaluation process are very low. It has been found that of the existing committees, 98 percent function without Terms of References and are controlled by Local Government Officials as opposed to greater participation and inclusion of citizens.

Research² on community contracting has reported that while there are benefits, some pressing issues faced while implementing community contract are construction quality, poor monitoring, lack of skilled workers, time and cost overruns and corruption.

The key findings of a pilot test report³ of the Anti-Corruption Commission (ACC) found that in overall, one in 13 community contractors had to make payment in cash or kind entertainment and other forms of gratifications in relation to community contract work.

The ACC also regularly receives complaints from the public as discussed below in Section II including on community contracts. A corruption risk assessment conducted by the ACC for the gewogs in 2019 also found many potential corruption risks. Moreover, the annual audit reports of the Royal Audit Authority highlight many instances of fraud, corruption and embezzlement related to community contracting.

Of the thirty-four corruption offences outlined in the Anti-Corruption Act of Bhutan 2011, **abuse of function, bribery, conflict of interests and embezzlement** are highly likely to occur during the planning, implementation and monitoring process of community contract works in the Gewogs.

¹ Draft Report on Evaluation of Social Accountability Programs, 2022

² Journal of Economics, Management and Trade, 2021, Pema Wangchuk

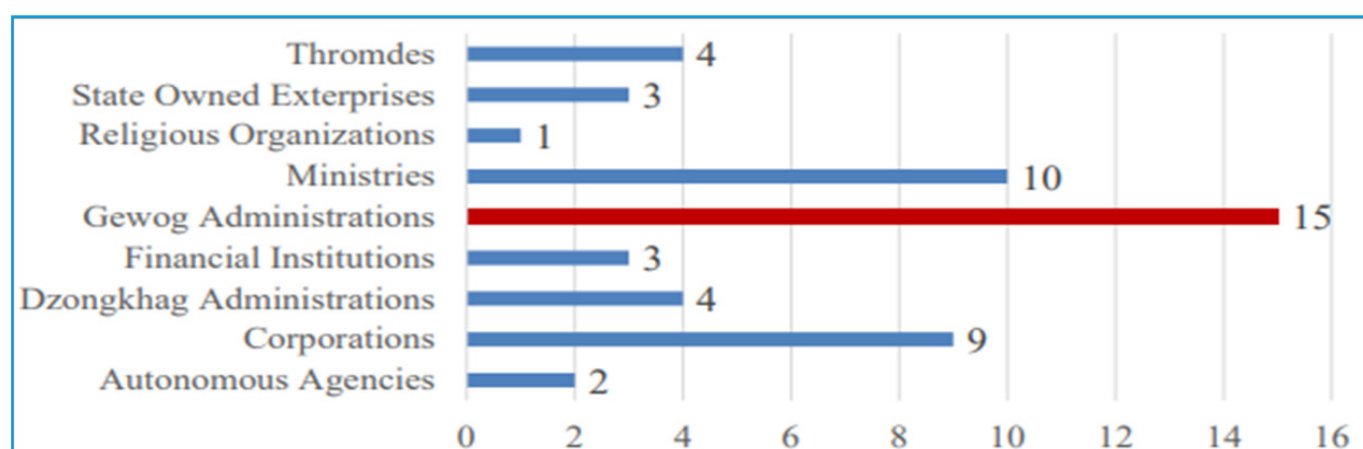
³ National Integrity Assessment Pilot Test Report, ACC 2019

II. Corruption Offences and Few Examples of Implicated Cases and Audit Issues

As per annual report of the ACC for the year 2020-2021, of the 57 complaints qualified for investigation by type of corruption offences, majority pertained to **Abuse of Functions (45.6%)**, followed by **Embezzlements (29.8%)** in the area of Public Revenue and Resources.

In terms of agency-wise complaints qualified for investigation as shown below in the table, Gewog Administrations had the highest with 15 complaints qualified for investigation.

Table 1. Agency-wise Complaints Qualified for Investigation



Source: Annual Report 2020-2021, ACC

Few examples of the past cases that were either investigated, prosecuted and or judgement rendered for embezzlement, fraud and corruption and misuse wherein Gewog and Drungkhag officials were involved and implicated are:

- embezzlement of public fund by the Ghoshing Gup, Panbang;
- fraud and corruption involving incumbent DT Thrizin, Mongar Dzongkhag;
- embezzlement of fund in the Lhamoizingkha Drungkhag Administration; Dagana and
- misuse of fund in construction of irrigation canal at Trashiyantse.

Some examples of irregularities of various kinds reflected in the annual audit reports of the Royal Audit Authority in relation to community contracting are:

- work worth Nu.4.00m awarded in piecemeal basis or by splitting the amount thereby exceeding the community contract threshold amount (Gewog Administration, Tshakaling);
- wasteful expenditure of Nu. 8.870m for constructing irrigation canal that could not be utilized by the public (Gewog Administration, Sangacholing);
- excess payment of Nu. 0.917m for unexecuted farm road work (Gewog Administration, Choekhor); and
- payment of Nu. 1.500m made for unexecuted lhakhang construction work (Gewog Administration, Chagsakhar).

III. Causes and Schemes of Corruption and Strategies for Preventing Corruption in the Planning, Implementation and Monitoring of Community Contract Works

Causes – why would corruption occur?	Schemes – how would corruption be perpetrated?	Strategies to prevent corruption
<p>1. Pressure:</p> <ul style="list-style-type: none"> financial pressure. having to maintain status. appease supporters for political mileage. expectations from family members, relatives and friends. <p>2. Opportunity:</p> <ul style="list-style-type: none"> weak internal control e.g., unclear and high discretion in authorization procedures and lack of accountability fixing mechanisms. lack of appropriate information sharing and dissemination practices affecting equitable opportunity and timeliness. lack of competent and technical human resource. non enforcement of separation of duties and roles & responsibilities strictly. inadequate supervision and laxity in monitoring <p>3. Capability:</p> <ul style="list-style-type: none"> lack of training and skilling opportunities for community contract groups. being elected or served in same post and place for long duration. illiterate community groups susceptible to abuse of function/ authority etc. <p>4. Rationalization:</p> <ul style="list-style-type: none"> lack of ethical leadership, role models and employees with low ethical and integrity competence. lack of professionalism. <p><i>* The four angles of fraud diamond - Pressure, opportunity, capability, rationalization.</i></p>	<p>1. Abuse of function:</p> <ul style="list-style-type: none"> when an activity and budget for community contracts are diverted from the approved location in the plan to another location illegally. keeping the contract works to be implemented towards the closure of the financial year to take undue advantages. Bifurcation of work at the discretion in absence of proper guidelines and procedures. <p>2. Bribery:</p> <ul style="list-style-type: none"> receive bribe for authorizing payment of manipulated bills of quantities (work not done but billed). receive bribe for awarding works through splitting budget that is beyond community contract threshold. <p>3. Conflict of interests:</p> <ul style="list-style-type: none"> awarding works to disguised community groups formed by family members, relatives and friends. hiring and deployment of machineries owned by gewog officials, their relatives and friends. <p>4. Embezzlement:</p> <ul style="list-style-type: none"> by imposing monetary contribution to supplement budget provision. embezzle differential amount through collusion by paying and accepting contract works less than tendered amount. balance materials embezzled by not maintaining proper records. Nonpayment/refund of security deposit and full bill amount. 	<p>1. Planning:</p> <ul style="list-style-type: none"> use Community Engagement Platform (CPE) to cascade/share information to all. ensure that information about community group registration reach all the households. provide sufficient time for group formation and registration. Sensitization and training on ethics and integrity to the gewog officials and community contract groups <p>2. Implementation:</p> <ul style="list-style-type: none"> ensure information on budget and activity for community contract are conveyed to all the groups clearly and on time. any changes in plan, budget and implementation of community contract works be routed through Gewog Tshogde. develop and implement guidelines for transparent bifurcation of an activity that require involvement of gewog as well as the community contract group. declaring and managing conflict of interests and gift rules strictly by the tender committee and gewog officials. work award value of the community contracts be strictly based on available budget, approved drawings and designs. ensure bill payment for works is made to/in one of the members names in the community contract group. <p>3. Monitoring:</p> <ul style="list-style-type: none"> conduct monitoring as per plan and ensure proper reporting on the status and progress of work.