Reducing Corruption at the Local Level

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Executive Summary

Corruption, along with a lack of effective democratic representation, is one of the most difficult problems confronting local governments. The challenge for local governments is to develop accountable and transparent systems that deliver public services efficiently. By virtue of the closeness of their interaction with the public, local governments have a better chance of meeting this challenge and controlling corruption than national-level governments.

The current trend in decentralization is unleashing far-reaching consequences for local governments. Most of the time decentralization not only transfers resources to local governments, but also transfers the authority to allocate resources and exercise discretionary power. Therefore, it has the potential either to reduce corruption and improve public service delivery or to exacerbate corruption and undermine public service delivery.

The objective of this paper is to provide a conceptual framework, including concrete examples, for controlling corruption at the local level. The framework will serve local reformers and citizens’ groups that are intent on changing corrupt systems. It outlines strategies to involve civil society in policymaking and monitoring, to identify reform priorities through diagnostic tools, and to develop systems and processes to improve government performance. In this context strong political will, the involvement of civil society also known as “citizen voice”, appropriate technical support, and a realistic long-term implementation strategy are central to success. Significant results can be expected where three factors are present: informed knowledge; coalition building leading to collective action; and transparent political leadership at the local level.

According to Faguet (1997), citizens often believe that bribery is the most effective way to request and receive services, and they see the public sector as an institution for personal enrichment. Moreover, citizens are not motivated to participate in the public sector.
1. Introduction

Understanding the problem

1. It is widely recognized that sub-national governments face different challenges in combating corruption from those at a national level. Decentralization has brought new challenges and opportunities for local governments. Greater financial responsibility, increased discretionary powers and increased service delivery responsibilities have created opportunities for local governments to better meet the needs of constituents. It has also brought with it greater potential for corruption. In order to ensure the success of decentralization, specific and tailored anticorruption mechanisms for local level government will need to be designed and implemented.

2. Because local governments often interact more closely with people - for instance in the actual delivery of services - corruption can have a more immediate and corrosive impact than it might when present at other levels of government. A degradation in the quality and delivery of public services, increased social polarization, low investment in the municipality jurisdiction and decreased economic growth are some of the manifestations of local government corruption. Conversely, improvements in public integrity at the local level tend to be wider reaching and more immediate at a community level, than they would be at the national level. As a consequence, hand-in-hand with the implementation of broader development goals, significant effort is now being put into building corruption awareness and controls with the aim of improving the performance of local governments.

Defining, assessing and diagnosing corruption

3. Understanding the nature and the contours of corruption in a particular region is fundamental to a well designed anticorruption strategy. Relevant parties (e.g. officials, civil society and business community) need to agree on the definition of corruption and how it should be measured. This is not a simple task. Corruption is difficult to accurately gauge and track. There is often disagreement over the extent and cause of the problem. Obtaining a consensus amongst stakeholders on these issues is a crucial first step for any participatory and sustainable anticorruption reform program.

4. The World Bank’s definition of corruption is ‘the misuse of public services for private gain’ (World Bank, 1998 see pages 19-20 for definitions of corruption). While there are various definitions used throughout the world, most definitions relate to public officials, whether elected or appointed, misusing the power and/or resources entrusted to them for personal benefit or for the benefit of others to whom they are connected. This can include a wide range of acts, from the illegal or criminal (e.g. theft, bribery or intimidation), to the unethical or self-serving ones.

5. Corruption at the local level can appear in many shapes and forms. It will differ between municipalities. The most common type of corruption, however, involves the acceptance or solicitation of bribes. To varying degrees, patronage, nepotism, theft of public goods, political corruption and clientelism also commonly occur at the local level. Corruption most commonly exists when officials enjoy large
amounts of discretion and/or are exposed to high levels of face-to-face contact with
the public. While increased discretion is commonly associated with seniority, it may
also be part of a specific role or function carried out at junior levels. Responsibility
for revenue-raising, often brought in with decentralization, has also become a
particularly vulnerable area.

6. Diagnosing the extent and nature of corruption can impact on what type of
reform is required. Grand corruption involves high-level officials and/or large
amounts of money. Petty corruption, as the term suggests, involves corruption at a
more junior level and/or involving lesser amounts of money.

7. In general, if grand corruption exists so will petty corruption. Grand
corruption tends to be driven by personal greed or ambition, not need. It may have an
overt political aim (e.g., fundraising for a particular political party). In contrast, petty
corruption is more often a response to broader institutional or societal maladies, such
as low wages, poor morale or an entrenched belief that corruption is acceptable. Petty
corruption is more prevalent in regions where governments have failed to deliver
basic services. In these circumstances, corruption becomes seen as a viable or
acceptable alternative remedial.

8. If prevalent, petty corruption can significantly distort the allocation of public
resources and it can, depending on its nature, have a significant negative impact on
the development and sustainability of local economic activity.

9. In many developing countries, corruption at the local level can no longer be
viewed as a number of isolated cases. The problem has spread and become systemic.
Research to better understand the causes and nature of systemic corruption has
generated the study of what is being referred to as ‘captured states’ or ‘captured
economies’. This refers to the level of influence that private actors have over policy
and judicial decision-making that set the “rule of the games” (Hellman et al, 2000).

10. Unlike isolated bureaucratic corruption, these cases are characterized by
extended networks, usually fuelled by clientelism and patronage structures in which
constraints were brought about by informal institutions rather than by formal ones. In
cases of systemic corruption, the traditional principal-agent model previously used to
view corruption seems insufficient to understand the complex structures that define
such informal networks and to serve as a model on which reforms can be based.
Although there is not an alternative theoretical model available for analyzing these
structures, there is a growing interest in understanding corruption as a social process
(Cartier Bresson, 1997; Warburton, 2001; Khan, 2000) as well as some recent
mainstream acknowledgement that orthodox wisdom has failed to explain systemic
corruption (Kaufmann, 2003).

11. When systemic corruption exists, a more comprehensive and
transformational reform effort will be necessary. The focus should be on grand
corruption involving senior officials. Improvements in integrity at senior levels will
filter down to lower levels and help break down vertical networks.
Causes of corruption

12. The causes of corruption are many and vary from one region to another. In general, however, they can be divided into two broad categories: societal and institutional.

13. Societal causes of corruption can be traced to poor attitudes towards local government or the state by employees, citizens, businesses and politicians. A lack of political will to deal with corruption, a weak civil society, and an ineffective media are all common societal attributes that contribute to an environment in which corruption flourishes.

14. Within this category some cultural issues, such as a divergence between the tenants of good public administration and those of the local culture may also cause corruption. That said, cultural issues usually are not as important factors as other societal or institutional factors and will change over time if other institutional reform objectives are met.

15. Institutional causes of corruption generally arise from lack of transparency, poor accountability, and perverse incentives such as low pay rates, poor employment conditions and poor management practices.

16. A lack of public information and transparency allows public officials to disguise or keep corruption hidden. When government operations are not subject to public scrutiny, the opportunities for corruption increase. Rightly or wrongly, a lack of transparency in local government generates public perceptions that wrongdoing is taking place. This can undermine opposition to corruption, increase the sometimes perceived incentives for corruption, and decrease the incentive to generate or save municipal resources.

17. With a lack of accountability, public officials face little or no risk of punishment for misdeeds. Without this kind of check on their behavior, they are more likely to engage in corruption. As Benjamin Franklin pointed out after the 1787 Constitutional Convention in Philadelphia, “keeping government honest and hence our freedoms intact requires eternal vigilance”. Officials are tempted by corruption when the gain or perceived gain outweighs the risk of being caught or the penalty if they are caught. Corruption in this sense is a rational, though unethical, choice. It is a calculation of risk (see Beccaria 1971; Becker 1968; Bentham 1843; Klitgaard, MacLean-Aboroa, and Parris 2000). One of the keys to fighting corruption is therefore to increase the prospects of detection and to ensure that the deterrents outweigh any expected gains.

18. The process of decentralization can also be included within the institutional causes of corruption. Decentralization can generate new perverse incentives in local institutions if not managed carefully. Unrealistic or increased expectations of officials to deliver services within limited budgets can impact negatively on attitudes towards the state. Coupled with other management or systems failures such as low salaries, undue pressure from superiors, non-merit based appointments or complex and unpredictable processes this can create greater motivation to pursue self interest over public interest. The debate over the extent of the impact of decentralization is outlined in more detail below.
2. Decentralization and Corruption

19. Although empowerment levels vary across countries, the overall move was a response to the assumption that localization improves public efficiency by bringing decision-makers closer to their constituencies. Such an assumption is, in turn, part of a new frame of mind that fosters market-oriented mechanisms for voicing citizens' preferences. Decentralization has been seen as the natural way out of densely centralized bureaucracies built up along decades of import substitution industrialization and also as a driving democratizing force that followed the democratic wave of the eighties.

20. But this drift towards decentralization has raised a number of questions to which we do not seem to have clear answers, e.g., would decentralization affect corruption levels? Scholars and aid practitioners have been theoretically divided and are still empirically uninformed. Nonetheless, in the past couple of years, there have been some studies supporting a positive correlation between localization and efficiency in public service delivery, which has encouraged policy makers and international donors to make a special effort to curb corruption at lower levels of government.

21. The aim of this section is to get a glimpse of the major debates on the relationship between decentralization and corruption

The debate

22. When the decentralization movement started, many scholars debated whether or not it would have effects over corruption, that is, whether local government empowerment would improve corruption control.

23. The basic assumption that decentralization brings decision-making processes closer to the constituencies being served by the public sector was first questioned by Tanzi (1995), who hypothesized a positive correlation between decentralization and corruption, based on the fact that local institutions are less developed than national ones. In this view, local governments usually have fewer trained officials, which results in lower degrees of accountability. In addition, Tanzi argued that localization would further personalism, as opposed to professionalism, on the part of public officials.

24. Prud’homme (1995) has also argued that local governments are prone to being captured by interest groups. This is due mainly to two reasons. Firstly, local politicians and bureaucrats collude to advance narrow self-interests. And secondly, traditional accountability mechanisms, such as the media or auditing agencies, are usually less competent than at the national level. This hypothesis was empirically confirmed by Triesman (1999), who found that federal states tended to be more corrupt than Unitarian states. He explains his finding on the overgrazing effect of duplicate law enforcement agencies, plus the existence of veto-like institutions (local parliament) which increase the likelihood of corrupt transactions. In a more recent study using available data for 154 countries, Triesman (2000) affirms that states with more tiers of government tend to have higher perceived corruption and do a worse job of providing services.
25. The argument that decentralization is prone to pitfalls due to local governments' greater vulnerability to local elite captures has been recently re-examined by Bardhan and Mookherjee (2002). Using a theoretical model of electoral competition they found that while cohesiveness of interest groups, less voter awareness and lower local electoral competition support the view of Prod'homme, other factors such as lower electoral uncertainty at national level may reduce the capture tendency locally. Importantly, these authors found that relative capture is highly dependent on levels of local inequality and poverty: decentralization will tend to increase capture in high-inequity districts and to lower capture in low-inequity districts.

26. While the debate over the impact that decentralization has had on corruption at the local level continues, the fact that corruption exists, whatever the causes, in local governments is undeniable. For that reason diagnosing and implementing tools that target the specifics of the corruption problem is a fundamental starting point for combating the negative consequences that decentralization may bring or exacerbate in local governments. The following sections will provide some ideas and tools that may assist local reformers in achieving this goal.

3. Strategies for Reducing Corruption at Local Level

27. There is no ‘blue print’ for designing a successful anticorruption strategy. Each municipality and region has different characteristics, constraints and opportunities. The key, however, is a strategy that is holistic and considers the integration of initiatives across the municipalities as well as linkages to efforts at the national level.

28. This section suggests a broad framework of strategies that may be useful to local officials and citizens’ groups intent on curbing corruption. This framework is by no means prescriptive, but rather provides a set of fundamental goals reformers will need to bear in mind when designing more detailed initiatives.

Improve transparency and accountability

29. The ultimate goal of an anticorruption program within a democratic system should be to maximize transparency of government activities and decision making. As corruption, by definition, is shielded from public view, maximizing transparency and scrutiny of government actions aids in the prevention of corruption. While national security considerations may in some cases justify limiting public disclosure and scrutiny, most matters falling within the ambit of local government do not. The key therefore is to ensure that the public is aware, and capable of easily accessing government information. Local governments can be more easily held to account by the citizens they serve, when these citizens are armed with information.

Assess political will and entry points

30. Strong political will on the part of senior local government officials is a precondition for initiating anticorruption reform. It is also an important consideration when determining entry points for reform.
31. Changes of government, corruption scandals that attract public attention, or strong political opposition to corruption, can all provide windows of opportunity for institutional and/or wider level reforms. In situations where political will is lacking, an indirect or alternative entry point to engage and build support for reform may be required. For example, identifying respected and committed leaders, with strong anticorruption credentials, to act as reform champions may assist in building coalitions of interest and constituencies for reform. Alternatively, temporarily avoiding actions in highly controversial areas, or focusing reforms on increasing civil society involvement and awareness (see below) may be a better way to generate momentum for reform.

Encourage citizen participation

32. Increasing citizen participation in government activities is both fundamental to the reform process and to the sustainability of local government integrity. A number of measures to increase citizen participation in government can promote transparency and accountability in local administration. In general terms, not only do people know where corruption is concentrated but they are also aware of which incentives are driving such practices. The greater the number of actors taking part in such a process—politicians, bureaucrats, private sector, civil society actors, labor union representatives—the more the set of interests that perpetuate incentives for corruption emerge. A participatory strategy is essential to building a sustainable institutional reform.

33. These measures can be institutionalized through local ordinances, policies and practices, giving citizens both the incentive as well as the juridical means for participating in municipal government.

Diagnosing the problem

34. Measuring corruption in a municipality helps to establish its causes and identify the activities and agencies where corruption is concentrated. Evidence can help to depersonalize the debate about corruption, shift the focus to substantive issues, and educate the public about the economic and social costs of corruption. As a general concept, anticorruption strategies aim at changing systems and policies, not individuals (Klitgaard 1998:10). This requires a clear understanding of what systems and policies need to be changed.

35. Diagnostic work also establishes a baseline against which the successes and failures of reform can later be measured. Diagnostic processes are therefore an integral part of building consensus, diagnosing key problems, designing anticorruption action programs for local governments, and evaluating their implementation.

36. The small size of municipalities, the defined services they provide and the usual homogeneity of the population (ethnical, religious) makes the diagnostic stages easier than in national contexts.

A holistic approach to reform

37. A truly effective anticorruption strategy is like building a bird’s nest – each of the elements must overlap and be mutually reinforcing in order to create a network of systems, practices, laws and institutions that can prevent and punish corruption.
Reducing Corruption at the Local Level

(Sampford et al, 2005). No one element or institution is capable of combating corruption on its own. Corruption exploits weaknesses and vulnerabilities in a system. Ensuring that reform programs are cohesive and mutually supportive will prevent corruption shifting from one area of government to another. Anticorruption reform should involve a range of cross-institutional activities to target systemic weaknesses and complement the strengths of individual municipalities.

4. Tools to Fight Corruption

38. While there are numerous activities that can support an anticorruption reform strategy, the following tools have been shown to be particularly effective in curbing corruption in municipalities around the world.

Participatory diagnosis and planning

39. Unfortunately, one of the main weaknesses in anticorruption programs over the last twenty years has been the poor diagnosis of the corruption problem and its related issues (in particular political will and institutional capacity) at the beginning of the process. The World Bank and other international donors are now investing significant effort into developing practical methods for evaluating the extent, form and areas in which corruption exists. Evaluation methods have also been developed to assess specific known causes of corruption, in particular weaknesses in institutional systems and practices considered as fundamental to the integrity of government operations.

40. A participatory approach to the diagnostic processes will not only enhance accuracy, but will also generate support and credibility to the process.

Surveys

41. Surveys have shown to be a useful method for collecting data on corruption and government performance at the local level. Apart from obtaining vital data, surveys can also lend credibility to the reform effort, generate awareness of relevant issues and provide momentum for meaningful progress toward curbing corruption. Well designed surveys can identify where governance problems exist. They can also identify or help to predict areas or institutions prone to corruption and the causes of corruption.

42. The credibility of survey outcomes increases with wider levels of participation. Accurately capturing the views of officials, businesses and households on local government performance, corruption and access to public information will provide a more balanced assessment than surveys focused merely on internal stakeholders (i.e. officials). As the results of surveys will have significant bearing on the design of a reform strategy, it is important to ensure the integrity of the process (e.g., by using an independent firm) and to avoid any political interference or manipulation during data collection.

43. The World Bank has supported the use of surveys in various corruption diagnosis projects. The diagnostic methods found to be the most effective at the local level are listed below. Each of these processes attempts to collect information on different aspects of the reform program including: where and how corruption occurs,
institutional readiness for reform, political will and the current impact and cost of corruption on society. While some of these issues may not be feasibly tested (in particular from a cost or time perspective), or relevant to each municipality’s reform process, an understanding can be gained of the types of issues that need to be considered prior to designing an anticorruption reform program.

**Reports cards**

44. A Report Card rates the efficiency and value of services provided by public authorities to local beneficiaries. Similar to the private sector practice of conducting client satisfaction surveys, reports cards aggregate qualitative opinions from users and provide an overall quantitative measure of satisfaction with public services received. Indicators for measuring the perception of corruption and its impact on the services can also be included. Survey results are used to investigate which services are not meeting recipients’ expectations and to develop appropriate recommendations for improvements.

45. Bangalore, India, was the first city to implement a citizen’s score card in 1994. The result of the process led to the worst-rated agency, the Bangalore Development Authority, reviewing its systems for delivering services, introducing training for junior staff and commencing a process of close dialogue with NGOs to solve high priority problems such as waste management.

**Municipal checklists**

46. These surveys examine the local conditions and readiness for reform. The information from these surveys is used to enlighten reformers about the local challenges, constraints and opportunities that can impact on the successful implementation of anticorruption reforms. In particular they provide guidance on the types and levels of participatory decision-making processes which may best generate momentum and sustainability for reforms.

47. The surveys include indicators and attributes which assess a range of relevant factors to implementing reform, but in particular, political will, political capacity, institutional readiness, ability to operationalize stakeholders involvement, type and relevance of priority issues and potential for mobilizing local and other resources. The checklist can also include an assessment of existing institutional capacity for monitoring, evaluating, sharing and disseminating information on the proposed reform process. Various municipalities in Namibia, Sri Lanka, Zambia and Tunisia have undertaken successful Municipal Checklists.

**Urban corruption survey**

48. These surveys attempt to pinpoint the public institutions where corruption is most prevalent. They also try to quantify the costs of corruption to the average citizen, in particular interest groups and/or the poor. The aim of the survey is to obtain a more quantifiable and accurate gauge on the specifics of the corruption problem and disseminate this information widely within the community. These surveys aim to increase public interest in the issues surrounding corruption and provide a basis for action planning.

49. Brazil and Kenya have both conducted Urban Corruption Surveys. In Kenya information was collected on the type and number of incidences of bribery in
interactions between the public and officials. The result was an index of six aggregate indicators which measured incidence, prevalence, severity, frequency, cost and bribe size. In Brazil’s survey the focus was on the level of vote buying in the 2000 municipal elections.

**Workshop and action planning**

50. Workshops to present survey or assessment findings involving both local officials and civil society have also shown to increase participation, build ownership and create momentum for reform.

51. Based on the survey and other diagnostic findings, officials and local residents can work together to establish reform priorities and agree on solutions. Using working groups an action plan detailing projects, responsibilities and the allocation of resources can be developed. At these workshops mechanisms for monitoring and evaluating the progress of reform can also be agreed upon. This is usually done through working groups, which are allocated responsibilities for specific reform areas. Participatory monitoring will ensure the action plan is being carried out effectively and building the collaborative approach to reform essential for successful implementation and long term sustainability.

**Reform of administrative procedures**

52. Complex and unpredictable administrative procedures create confusion and delays and can give public officials high levels of arbitrary discretion. Long delays in processing licenses or other government approvals, increases the risk of illegal ‘facilitation payments’. Similarly, decision-making in the absence of administrative doctrine, effective record keeping or other accountability mechanisms also increases the risk of corruption.

53. Streamlining and simplifying administrative processes helps counter this problem. Developing administrative manuals that aim to standardize and decrease administrative tasks is one way to assist in more efficient and consistent decision making by public officials. When government procedures are consistent it is easier to identify potentially corrupt patterns of behavior by officials. Similarly, simplification of processes can prevent corruption being buried by ‘red tape’ and eliminate or reduce delays in licensing or other approval processes that often create demand for illegal facilitation payments. After several municipalities in Campo Elias, Venezuela, reformed their administrative procedures, citizen satisfaction with public services increased and complaints decreased in some cases by more than 70 percent.

**Computerizing data and e-system**

54. Providing access to government information through computerized data systems and the internet has been one of the most significant steps taken by local governments to increase transparency. The use of the internet to publicize details about government processes assists in informing citizens of proper processes and their entitlements. Better informed citizens are more empowered to pressure officials and politicians to provide promised services and eradicate ‘facilitation payments’ that are all too common in poorly performing local governments.

55. Implementing computerized data systems for storing administrative data, including tax registers and estimates of the cost of administrative procedures, has
shown to significantly assist in the retention of public records that lead to better overall transparency. The computerization and use of modern software packages for streamlining and coordinating budget and financial management has also assisted local governments to better track administrative and financial resources. Lost records or poor record keeping are frequent barriers to corruption detection.

56. The posting of local government procurement processes on public internet sites has also provided considerable benefits to reducing the level of corruption between business and government. Public access to bidding processes, in particular suppliers, prices and quality levels, will lead to improved competition between suppliers, deter favoritism or kick-backs and increase the accountability imposed on both the municipality and contracting parties. Campo Elias, Venezuela implemented a system that required enterprises providing goods or services to the municipal government above a certain value to register and provide status reports on a public internet site. Failure to do so resulted in sanctions that could cost companies millions of dollars. Similar moves to increase the transparency of procurement activities by local government have been made by Moron, Argentina, Porto Alegre, Brazil, Limpio, Paraguay, and Obniysk, Russia.

57. However, for a maximum effect, citizens must be well informed about such procedures and how to benefit from them. In regions where citizens have limited personal access to computers the installation of computers, linkages to the internet and experienced operators in public facilities (e.g. town halls or information offices) have been shown to improve the monitoring of government activities. The introduction of public computer facilities can also serve as an alternative gateway to information once hidden from public view such as licensing and fee structures as well as other administrative details.

58. Informed citizens and a transparent public administration are fundamental to eliminating corruption in local government. Once citizens are aware of the processes, fees or authorities involved in government activities they are better armed to demand their entitlements. Even in regions where computerized solutions may not be viable, other means of informing citizens of their entitlements and the activities of local government should be used. For example in the municipalities of La Paz, Bolivia, and San Marcos, Guatemala, all rates for municipal services are posted on the walls in public areas to prevent municipal employees from over-charging for services. Equally, a shift to computerize records and internet services must also be supported by a public promotion and education program to ensure citizens are aware and capable of utilizing the services.

**Access to information laws**

59. Some countries are now starting to establish statutory rights to enable citizens to have better access to public information. In local governments that have recently gone through a decentralization process, the channels for disseminating information may be poor or citizens may lack the understanding or ability to access important information. This provides a screen for corruption to continue unabated.

60. The passing of laws directing governments to develop better information dissemination channels, and awareness of these channels, can help break down this screen and reduce the risk of corruption. The Promotion of Access to Information Act in South Africa was one example of legislators trying to overcome the difficulties in obtaining unclassified government records.
Public hearings

61. One of the most useful ways to increase citizen participation is through public hearings. In many municipalities this has provided an effective forum for developing the annual budget. Public budget hearings help to identify and prioritize citizens’ needs and municipal resources, and to evaluate the commitments made by local authorities.

62. Public hearings promote participation, accountability, and transparency. Through participatory budget setting, civil society can become an integral part of defining priorities and determining trade-offs. Citizens then feel more satisfied with municipal services and are motivated to take an interest in projects and monitor their performance. Citizens can see the benefits of reducing corruption. In these circumstances, when public resources which were once lost to corruption, are returned to the budget, it provides society with a vivid and tangible demonstration of the benefits of dealing with the problem.

63. Although public budget hearings can be conducted in different ways certain elements or practices improve the process. Most of them start with the Mayor presenting a preliminary budget to citizen participants. Using the preliminary budget figures, citizens will then break up into working groups to discuss and prioritize their needs. Participatory budgeting workshops are then held in each of the neighborhood association districts to determine their respective shortlist of budget priorities. Shortlists are presented to technical specialists at a participatory workshop and individual projects are discussed and tested for feasibility and cost. Neighborhood associations present revised proposals to the municipality and a tripartite commission composed of citizens, chamber of commerce representatives and public officials. Public officials then select the projects. Every three months the Mayor provides a written public rendering of the status of the overall budget and the projects.

64. The basic requirements of a public budgetary hearing program are:

- a democratic and transparent government, managed by a Mayor who is willing to govern in a transparent manner;
- the development and support of neighborhood associations;
- the willingness to invest in civic education; and
- a political willingness and technical capacity to conduct public budget hearings.

65. Public hearings have also been used to engage citizens in monitoring local government activities known to be prone to corruption, such as public procurement. In Mendoza, Venezuela, the government, with the help of a citizen group NGO, organized a public hearing to publicly review companies’ bidding documents to ensure transparent contracting conditions and limit public officials’ discretion. Those participating in the hearing would work with government officials to undertake an evaluation of each of the proposals. The participants included impartial area experts, politicians, union leaders, citizens, private analysts and journalists.

66. The Moron municipality in Buenos Aires, Argentina, implemented, as part of its ‘Program for Transparent Contracting of Citizens Power’, both public hearings
and integrity pacts for procurement activities over a certain amount. Public hearings provided a forum for stakeholders, including opposition parties, to air their views on the planned terms of the contract to be awarded. The signing of integrity pacts by bidding companies legally bound both government and companies to adhere to certain ethical standards, in particular refraining from the payment of bribes (see below for more details).

**Integrity pacts**

67. The framework for Integrity Pacts (IPs) was first developed by Transparency International as a means to deter corruption in public procurement. An IP is an agreement between the government contracting agency and bidders to abstain from bribing. The content of the pact details a list of expectations on both sides, but effectively provides a promise by the government that they will not accept bribes during the procurement process, and a promise by the bidder that they will not offer bribes. Pre-agreed sanctions for any violations of this agreement provide an incentive to both sides of the party to adhere to the agreement. Sanctions may include: denial or loss of contract; forfeiture of the bid security or performance bond; liability for damages to the principal and the competing bidders, or debarment of the violator by the principal for an appropriate period of time.

68. IPs have been successfully implemented in several countries, usually in large-scale infrastructure projects. While there is still only limited evidence on the impact of IPs, anecdotal evidence points to success in reducing corruption.¹

**Disclosure of income and assets**

69. The forced disclosure of officials’ and politicians’ personal income and assets deters corruption. With a greater risk that changes in individual wealth levels will be detected, corrupt officials are discouraged from entering into corrupt practices that entail financial gain. While some elementary provisions for disclosure are often included in other laws, it may be useful to have specific and focused legislations for officials and/or politicians, particularly in circumstances where corruption at senior levels is rampant. Of course, for disclosure laws to be effective in deterring corruption they must be properly enforced. Rhode Island, USA, has implemented financial disclosure acts that see an average of 6000 disclosure statements audited each year. However, in Papua New Guinea the lack of enforcement of disclosure laws has meant the law has had no impact on deterring leadership level corruption.

**Ethical campaign practices**

70. The combination of democratization and decentralization can bring increased pressure on the electoral processes of municipalities. The appeal of obtaining access to government funds for personal means can, at times, distort the electoral processes. In regions where voters lack knowledge about the political processes or candidates’ policy platforms there is less likelihood that elected officials will be held to account by their constituency. Therefore the regulating of ethical campaign practices can be an initial step in deterring elected officials from entering into corrupt practices. In particular, mechanisms that publicize the goals and position of the candidates

¹ To find out more about the use of Integrity Pacts in government contracting, see Transparency International’s explanatory guide at http://www.transparency.org/global_priorities/public_contracting/integrity_pacts
encourage public debate between candidates and make party registration compulsory (to prevent the ‘buying’ of support of members of parliaments in an attempt to gain a political majority ) are some of the steps that can be taken to improve the integrity of the electoral process.

71. The regulation of lobbying activities to prevent excessive or unethical influence over political and government leaders may also assist in providing a more transparent and accountable policy environment. San Francisco City and County regulations for lobbying are a good example of the types of regulations that have been successful in reducing unethical practices of lobbyists.

Office for citizen participation

72. In situations where political will is strong, the establishment of an Office for Citizen Participation (or a similar model) can provide an additional avenue to bring together civil society and government. While these offices are traditionally publicly funded, retaining some sense of independence from government hierarchy enhances their credibility. This may be particularly important when poor attitudes towards local government exist. The exact role will vary between regions, but usually involves:

- acting as a channel for dialogue between government and civil society;
- providing an actual site for citizens to engage in participatory activities;
- organizing and disseminating information about municipal services, officials and administrative procedures to the public;
- responding to citizens complaints in a timely fashion
- assisting in establishing citizen advisory boards to provide insight to government on specific issues ; and
- serving as a focal point for organizing anticorruption campaigns.

Citizen’s charters

73. Setting standards for the delivery of public services assists in reducing distortions to the supply of these services from corruption or inefficiency. A citizen charter is developed and published laying out in plain language what citizens can expect from service providers. This can range from the specifics of the product quality and quantity to the level of courtesy afforded by the service providers. The United Kingdom is the pioneer of this instrument, but these charters have also subsequently been implemented in Jamaica, India and Scotland.

Auditing commission

74. The creation of an auditing commission (also referred to in some countries as an oversight committee) comprising citizens, chamber of commerce representatives and local officials improves the transparency and accountability of local governments. An auditing commission’s primary function is to provide an impartial body to oversee and monitor the budget, resource allocation and procurement activities of government. The aim is to provide a more balanced review of government decisions and ensure higher ethical standards.
75. A typical commission might include a citizen representative from each neighborhoods association, one municipal chamber representative and two local municipal officials appointed by the mayor. Commissioners usually serve for one year and meet with citizens in four public sessions per year. The main activities of the commission are to facilitate community participation, keep the community informed about the budget hearing process, participate in technical workshops and selected public works projects, develop a time frame and select the mode (direct administration or contract) for the execution of public works and community programs.

76. Examples of auditing commissions at the local level can be found in the province of Mendoza, Argentina, Limpio, Paraguay and Campo Elias.

**Public watchdog groups**

77. Public watchdog groups are community based organizations that monitor and generate awareness of government activities. They act as a collective representation of citizens’ views and needs. They interact closely with the media, business and officials within the municipality, including participating in official forums open to the public such as public hearings or audit commissions.

78. These organizations are completely independent from government or government funding and therefore rely wholly on the willingness of committed community members to function effectively. When there is only limited political will for reform, the establishment of these types of organizations can be good starting points for building awareness of corruption problems and providing subsequent pressure for reforms.

**Public complaints mechanism**

79. The implementation of mechanisms to receive complaints of corruption, maladministration or unethical behavior will assist in the detection of corruption and provide a gauge on citizens’ general levels of satisfaction with local governments’ performance. An external reporting mechanism to the service delivery areas is preferable, as internal collection of complaints can be distorted by dishonesty or defensiveness. Commonly, public complaint lines or reporting channels are located within ombudsman or anticorruption offices, a public complaints commission, the police or, in situations where political will may be lacking, the media and/or NGO organizations.

80. A public complaints mechanism will work more effectively if individuals reporting corruption can be guaranteed some level of protection from potentially damaging ramifications. This type of protection is particularly important in investigations of grand corruption cases that involve influential members of the government or legislative branches. The implementation of whistleblower protection laws by various countries and regions has led to an enhanced willingness of citizens and other government members to come forward and report corruption. The Whistleblower Protection Act 1992 in New South Wales, Australia, was integral to the investigations and subsequent reduction in corruption of the New South Wales police force.
Study circles

81. Study circles are forums for community members to discuss and exchange ideas on specific issues relating to local government administration. These issues may be directly related to corruption or be part of wider issues on government performance. Ideas stemming from study circles can contribute to officials or NGOs gaining a better understanding of different interest or socioeconomic groupings, needs and attitudes. If supported by the local administration, this can also be a powerful channel for disseminating information about reform progress to the wider community. The key feature of this group is the participation of a diverse group of individuals, representing different educational and professional backgrounds.

Anticorruption agencies

82. When political will is high the establishment or reinforcement of government structures specifically focused on detecting and deterring corruption can be a valuable tool in coordinating a successful whole-of-government response to corruption. A recent trend has been to establish new and independent agencies, such as the increasingly popular independent anticorruption agencies, to avoid potential conflicts with pre-existing internal loyalties and power structures. However, the success of these independent agencies has been limited. This has been attributed to both a lack of political will and also a lack of local resources, particularly in developing countries, needed to sustain a new institution. For this reason, the reinforcement of existing investigative government structures, such as the police, ombudsman, inspector general or public auditor offices may be a more feasible alternative.

83. While independent anticorruption agencies are more common at the national level (the most successful cases are Hong Kong and Singapore) there is also some evidence that the establishment of local branches or agencies can be effective in curbing corruption. Independent corruption agencies are usually solely focused on reducing corruption within government through the implementation and promotion of both preventative (deterrence) and responsive (detection) systems. The level of investigative powers, however, may vary between countries and regions. But, most usually have only civil level investigatory powers and will rely on public prosecutors to advance criminal cases.

Monitoring and evaluation

84. Monitoring and evaluation should be an essential part of all government activity. It is particularly important during the implementation and post-implementation phase of institutional reform.

85. A multifaceted approach to seeking feedback is essential to obtaining an accurate and credible gauge on the progress of reform. Obtaining the views of both internal and external stakeholders (e.g. officials, business people and citizens) is critical. There are various methods to monitor reform programs. Different methods of evaluation should be used at different times in the reform program.

86. Regular monitoring may be undertaken by the working groups of officials and citizens established during the diagnostic and planning stage. There may also be pre-agreed interim evaluations that happen either at certain milestones or within certain time-frames. Public seminars are an effective means of obtaining feedback
from citizens on the reform effort and the performance of municipal government. Officials from other localities can also benefit from these seminars by learning how to replicate the reforms in their own municipalities.

87. Surveys should also be included to evaluate progress against the reform agenda. Following the implementation phase, a second customer perception survey can be conducted to evaluate the program’s impact. The results of this survey should show that the consensus-based methodologies used to implement reforms have increased the level of transparency, the public’s access to services, and the government’s capacity to address municipal problems. A comparison of results from the initial diagnostic survey and the post-implementation survey should reveal improvements in the indicators measuring efficiency, access, and transparency.

5. Conclusion

88. The key advantages of local government anticorruption programs are that they can be successfully implemented within smaller or discrete political or administrative enclaves. Their scale and scope are manageable. The closeness of the interaction between local government and the public make these reforms simpler to implement, fine-tune and evaluate. Implementation at the local-level can also make it easier to adapt international experiences to local conditions before being applied on a national scale. Moreover, success can breed success, creating a domino effect among the municipalities that implement similar programs. As there are usually closer relationships among civil society, government and business at the local level, building a participatory approach to anticorruption – a key ingredient to sustaining reforms – is more likely.

89. There is no doubt that, if successfully implemented, anticorruption measures will enhance the performance of local governments and, importantly, the legitimacy and support they enjoy. Improvements in transparency and accountability, enhance overall standards of governance, ensure a more equitable allocation of public resources, and improve the delivery of public services. The overall impact is to increase the community’s overall quality of life.

90. An anticorruption strategy must be holistic. It must encompass a variety of measures that are integrated and mutually supportive. Reforms should be prioritized to target systemic weaknesses or areas where the risk of corruption is greatest. While regions will need to design their anticorruption strategy to suit local conditions, the overall aim of all programs should be to increase transparency and accountability, increase public participation in government, and incorporate genuine monitoring and evaluation processes.

91. The success of anticorruption measures depends on several other elements as well. First, political commitment is indispensable. Political commitment at the local level is a crucial precondition for achieving comprehensive institutional reforms and, in particular, for creating accountable and transparent systems. Second, information is key to establishing priorities and lending credibility to the reform effort. Surveys provide hard data for designing, monitoring, and evaluating reforms. Third, civil society involvement in reforms is vital for their legitimacy and feasibility. Consensus reached at action planning workshops bolsters commitment to the reform processes and increases the likelihood of successful implementation and sustainability.
92. The reform of information systems has had a significant impact on government and civil society. A vital condition for building efficient, accountable, and transparent systems at the local level is the simplification and accessibility of information. Participatory workshops, information campaigns, and offices of information with computerized data systems provide streamlined, accessible information for public consumption, thereby increasing the likelihood of transparency and accountability.
Annex 1: Case Study: Local Government Reform

Gouzebré is a 400-square mile municipality with a population of 200,000, of which 89 percent live in urban areas and 11 percent in rural areas. Estimates indicate that 40 percent of the population lives below the poverty level. Gouzebré has an annual budget of US$1.2 million.

The city just held democratic elections and you have been elected mayor. As a citizen, you experienced corruption during the last administration. Now you are realizing how important the battle against it is, because corruption is adversely affecting the provision and maintenance of services, as well as the quality of life in Gouzebré. Decentralization took place a year ago. Public and private financial systems, as well as the public procurement system, are all vulnerable to corruption.

Property taxes represents about 30 percent of total revenue, however, these taxes are rarely collected. Taxes in general are subject to corruption, because there are no reliable records and no official or accountable manner for collecting them. Tax collectors are known to take bribes.

Because of unpredictable procedures and duplicated functions, no accountable or transparent methods for providing public services are available. The resulting administrative and regulatory framework generates confusion. Administrative procedures are often delayed or not carried out at all unless speed money is paid. Citizens who apply for a license or permit have to wait at least six to seven months before obtaining it unless they offer a bribe. If they do not know what the process entails, officials usually extort money from them based on their lack of knowledge. Citizens often believe that bribery is the most effective way to request and receive services, and they view the public sector as an institution for personal enrichment. Moreover, citizens are not motivated to participate in the public sector.

Collusion is a common practice in public procurement. Corrupt local officials reject low bids and instead award contracts to their business partners, who will compensate them.

Your friends and colleges are offering you gifts, houses, and contracts in exchange for being offered a job in city hall. The lack of accountability among your staff and the unregulated discretionary behavior of the local officials working for you is creating perverse incentives for corruption. You are realizing that the system works on the basis of political influence.

In the current administration the vicious cycle of corruption is more rampant than ever. Some of your new staff are adapting quickly to the situation, while others feel impotent to do anything about it.

Question

What would you do as a first step? What would you do to change the status quo? How would you find out what the priorities areas for reform should be? What are the potential solutions for solving the problem of corruption in procurement? What are the mechanisms for developing a better information system and a more accountable municipal government?

What anticorruption processes have been implemented in your city? What were the results? Which of the instruments and processes outlined earlier could be used to reduce corruption in your city? What are the main barriers to implementing such instruments and processes?
Reference and Selected Readings


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