U4 Expert Answer

Sub-national corruption measurement tools

Query
What is the international experience with developing indicators of corruption at local governance level? Please provide examples of corruption measurement tools, particularly tools that can be used by non-experts at sub-national and local levels.

Purpose
We are trying to work out indicators of corruption at local governance levels in support of the District Development Program in Afghanistan. What we need to develop is a set of observable indicators that non-experts (members of a Provincial Reconstruction Team) can use to detect corruption within new government offices as they are established as part of this program. The ultimate objective is to develop a tool to monitor this program on a regular basis to detect corruption “seeping in” as quickly as possible to allow remedial action.

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Summary
Decentralisation has been promoted in recent years as an opportunity to make the public sector more responsive and accountable to citizens by bringing government activities closer to the people. However, in countries such as Afghanistan, the expected benefits of decentralisation can be undermined by specific corruption challenges emerging at the local level, including the risk of elite capture and the development of corrupt networks among public officials, citizens and interest groups.

Against such a background, there is a need to monitor the prevailing conditions in local institutions on a regular basis as part of a corruption risk mitigation strategy. A number of measurement tools have been developed in recent years for measuring local governance and corruption that can inspire the design of relevant indicators for monitoring local governance in Afghanistan. These tools typically focus on issues of representation, participation, accountability, transparency, effectiveness, fairness and equity.

The design and implementation of local assessment tools faces major challenges of a political, methodologi-
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Experience shows that to address most of these challenges, the most successful methodologies are those that promote transparency and stakeholder participation at all stages of the process.

1 Corruption risks factors at the sub-national level

Indicators of corruption at the local level need to be based on a solid understanding of the corruption challenges associated with local governance in a specific context. These challenges are highlighted in the many discussions debating the pros and cons of decentralisation. By bringing government activities closer to the people, decentralisation is expected to make public services more responsive and accountable to citizens. As responsibilities are transferred from central to local level, there are greater opportunities for public participation, theoretically empowering citizens to monitor state activities and hold public officials accountable for their decisions.

The expected benefits of decentralisation can, however, be undermined by a new set of corruption challenges emerging at local level. Some experts argue that, as local governments often lack the capacity, as well as human and material resources, to perform government duties in an efficient and transparent manner, there is a risk that government activities are transferred from corrupt central administrations to even less dependable local institutions.

State capture by the local elite

As decentralisation occurs, local elites and politicians gain access to regional resources that can be channelled towards the satisfaction of local vested interests rather than poverty alleviation and citizens’ needs. Local patterns of power relations are therefore essential to consider when mapping corruption risks at the local level.

In some countries, clientelistic local politics and patronage that fuel unethical practices are more likely to be tolerated when they can instrumentalise and exploit a cultural context that values reciprocity. Factors such as family, religious, ethnic, clan and kinship ties, local power dynamics, and the dominant influence of local leaders can make local governments particularly vulnerable to the development of local networks of patronage and the risks of state capture by the local elite. Social and political functions also often tend to overlap at the local level as powerful and influential local figures live in close proximity and find it easy to maintain close personal relations. As a result, local politicians or bureaucrats may find it particularly difficult to extricate themselves from undue influence by local powerbrokers.

In addition, citizens and public officials come more often in close contact at the local level, creating potential opportunities for the development of corrupt networks. Frequent interactions among various stakeholders can facilitate the development of stable relationships, potentially increasing the risks of collusion, nepotism, and favouritism.

This is especially likely to affect the vulnerable area of public procurement. Many of the tasks carried out by local government require close collaboration with the local private sector. The relative proximity between local officials and potential contractors may distort local procurement procedures, increasing the risks of collusion between local governments and local industry, not least because there are often a smaller number of local firms and potential suppliers in the local market place. Public officials’ greater discretionary powers and longer office tenure at the local level can further exacerbate these risks.

Weak public financial management systems

Local governments need to have the capacity to manage public funds. A functioning and transparent system of accounting and reporting is required, as well as clear government structures that allow a tracking of responsibilities within the government chain. These mechanisms may be missing at a local level. In addition, the transfer of central funds downwards through different layers of government and the related dispersal of powers increase the number of players gaining control over public finances. Decentralisation may also result in reduced control and oversight of higher levels of government over lower level administrations, as monitoring and auditing mechanisms are often better developed at the central level.

Management of human resources

As decentralization rolls out, local governments may gain more discretion in hiring and firing local staff. When adequate controls and safeguards are not in place, this can lead to widespread practices of clientel-
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ism, favouritism and nepotism in local human resource management.

Red tape and bureaucratic corruption

Decisions and services falling within the remit of local governments may provide opportunities for rent seeking at sub-national level, as public officials enjoy discretionary powers and monopoly over community services such as health, housing, education, environment, water and sewage. High levels of bureaucracy and red tape for permits and licensing in particular can provide opportunities for bribe extortion. In Indonesia, for example, several studies indicate that many local governments deliberately create heavier regulations and procedures as an opportunity for local governments to collect supplementary direct revenues and for public officials to extort indirect revenues in the form of bribes (World Bank, 2003).

Specific corruption challenges in Afghanistan

In the absence of conclusive evidence on the impact of decentralisation on governance and corruption, there is an emerging consensus that such an approach is more likely to succeed in a well-functioning political, institutional and legal environment. In Afghanistan, this is unlikely to be the case as the country faces major challenges of endemic corruption, as indicated by its poor performance on major governance indicators such as TI's Corruption Perceptions Index (CPI) or the World Bank's Worldwide Governance Indicators. Specific factors such as weak state institutions, the general state of insecurity combined with the lack of human, material and financial resources at both the local and central levels create major challenges of efficiency, responsiveness and accountability for local institutions.

A UNODC report on corruption published in January 2010 confirms this picture with alarming figures. In the past twelve months, one Afghan citizen out of two had to pay at least one bribe to public officials, both in rural and urban areas. The reports evaluates the amount of bribes paid in 2009 to USD 2.5 billion, equivalent to almost one quarter (23%) of Afghanistan’s “licit” GDP. The majority of Afghan citizens (59%) perceive corruption to be the most prominent problem in the country, before insecurity (54%) and unemployment (52%) (UNODC; 2010). A further U4 expert answer has also specifically focused on corruption challenges associated with decentralisation in Afghanistan (Chêne, M, 2007).

2 Examples of corruption measurement tools at sub-national level

In view of the corruption challenges possibly associated with decentralised government activities, there is a broad consensus on the importance of monitoring the prevailing conditions in local institutions on a regular basis as part of a corruption risk mitigation strategy. This involves assessing the forms and extent of corruption, as well as levels of integrity, accountability and transparency in local governance. This can help create a baseline against which progress (or the lack thereof) can be measured over time. The selection and design of local governance indicators can be inspired by international good practice, as a number of tools have been developed in recent years for measuring local corruption. The UNDP Oslo Governance Centre’s user guide to measuring local governance has catalogued some of the key tools, a selection of which is presented below (UNDP, 2009).

Good Governance for Local Development: GOFORGOLD Index

The GOFORGOLD indicators and reporting system are being developed in response to findings from a rapid assessment of the state of reporting systems at the sub-national level in Afghanistan. They aim to provide a snapshot of governance at the sub-national level to help monitor the governance situation in the provinces, districts, municipalities and villages against benchmarks set by governance indicators. The index is intended to be used for all sub-national governments in Afghanistan but had not been piloted at the time of the publication of the UNDP guide.

It comprises 25 indicators grouped under seven “good governance themes”, namely representation, participation, accountability, transparency, effectiveness, security and equity. For example, transparency is assessed by looking at criteria such as facilities for citizens’ com-

1 The selection of local governance measurement tools presented in this section is not intended to be a comprehensive list.
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The Local Governance Barometer was developed by the Impact Alliance in 2006 to assess the state of governance at the local level and to identify capacity needs for improved governance. It has been applied in more than 10 countries in partnership with local NGOs. The LGB is based on a “Universal Local Governance Model” comprising 22 sub-criteria that are grouped in clusters, including effectiveness, transparency and rule of law, accountability, participation and civic engagement and equity. Examples of sub-criteria include indicators such as users’ satisfaction vis-à-vis access and quality of services, accessibility and availability of information, checks and balances, incidences of corruption, recourse mechanisms, etc. Specific indicators with a scoring scale are provided for each of the 22 sub-criteria. This universal model is transformed by local experts and stakeholders into a specific local model that reflects the local context and priorities during an initial workshop.

Data collection is outsourced to local organisations with pertinent skills and capacity. Data can be qualitative or quantitative, derived from various sources such as review of reports, interviews and surveys with sectoral experts, and focus group discussions.

The LGB methodology can be accessed at:
http://www.pact.mg/lgb/index.php?option=com_content&task=view&id=5&Itemid=6

Municipal Ethical Checklists

A municipal checklist was developed as a self-assessment tool for local cities by Transparency International to assess the vulnerability of the local government system to abuses of authority and resources. It consists of a series of questions divided into sections that correspond to those areas of municipal life that are most vulnerable to abuse. These areas include the municipal ethical framework (e.g. existence of codes of conduct, policies, asset declaration regime, etc), the effectiveness of public complaints mechanisms, evidence of municipal leadership to fight corruption, municipal management of human resources (e.g. fairness of recruitment, disciplinary measures and firing, pay scales, administrative systems for appeals, etc), level of openness and transparency of municipal budgeting processes, municipal procurement and audit procedures.

The checklist can be used to conduct an assessment of local government in a participatory manner by involving a wide range of stakeholders. It can involve small group
meetings, larger workshops and outside studies all conducted in a collaborative manner with municipal staff.

The Municipal Vulnerability Assessment is a similar tool originally developed by the World Bank Institute. It can be used to understand how local government addresses transparency and equity issues. It focuses on three areas: 1) whether the general control environment is conducive to corruption; 2) the extent to which a particular activity carries inherent risks of corruption and 3) whether existing controls are adequate. It consists of a series of questions which are answered after a thorough analysis of the municipal structures. Questions relate to issues such as policies and procedures, budgeting and reporting procedures, financial controls, human resource management, size, budget, complexity of the programme, etc.

Copy of both checklists can be accessed at: http://www.transparency.org/tools/e_toolkit/tools_to_support_transparency_in_local_governance.

Public Record of Operations and Finance (PROOF)

PROOF is a simple tool developed and tested in Bangalore, India, to reduce the opportunities for maladministration and financial misappropriation in municipal councils and other local public agencies. It uses performance audits and quarterly financial statements as key criteria for progress in transparency. The tool focuses on three areas: obtaining quarterly financial statements from government, developing performance indicators to assess municipal undertakings across the city and public discussions. PROOF requires that municipal finance relating to public services are published and scrutinised by organised groups and the public at large, promoting the sharing of full and accurate performance information. Each review provides an opportunity to bring government and citizens closer together and bring financial accountability and performance into the public sphere (UN-Habitat/Transparency International, 2004).

Participatory corruption assessment tools

Though more resource-intensive and technically demanding, participatory approaches can also be used to monitor the performance of local authorities in delivering public services as a way to promote social accountability at the local level. They can be especially useful as a way to enhance dialogue and build consensus for anti-corruption among various local stakeholders.

Participatory corruption appraisals (PCA) were first introduced by the World Bank in Indonesia to assess the impact of corruption on the most vulnerable urban groups. Data is collected through focus group discussions and several personal interviews conducted in communities in which there are large numbers of poor people. Data and findings are discussed with the community, as are possible corrective actions. This can be followed by a public meeting in which the findings of the appraisal and action plans can be presented to a larger audience of stakeholders, with a view to having the voice of the poor heard.

Report cards solicit user feedback on the quality, efficiency and adequacy of the various public services provided by local authorities. A survey of the beneficiaries of these services provides a quantitative measure of the overall satisfaction and perceived levels of corruption among a larger range of other performance indicators, as a way of promoting transparency in the provision of public services.

For a more detailed overview of the methodology used for developing and conducting such participatory assessments, see: http://www.transparency.org/tools/e_toolkit/tools_to_support_transparency_in_local_governance.

Social Audits typically focus on public service providers and on factors that may affect the quality of service delivery. Data is collected through interviews with service users, the service provider’s records and in some cases the providers’ self evaluation of service provision. Social audits aim to identify weaknesses in the system, by linking qualitative and quantitative data collected at household, community and public sector employee level. They integrate the service users’ views and involve communities in the interpretation of the findings.

An example of such an approach is a social audit of local governance conducted in 2006 in Bosnia Herzegovina (PrismResearch, 2006). The audit collected information about the specific characteristics of services provided in four municipalities, looking at technical details of the services, citizens’ access, usage and satisfaction with the quality of the services, as well as the providers’ self evaluation of service provision. An important aspect of this research is the participants’ recommendations for improvement that can inspire concrete policy action in each municipality. Such exercises can be conducted on a regular basis to allow
comparisons over time, as has been done in Pakistan within the framework of a social audit of governance and delivery of public services (CIET, 2005).

Red flags of corruption in development projects

Although not per se local corruption measurement tools, a number of organizations have examined some of the main corruption risks that can occur at the various stages of the development program cycle and developed indicators that can allow early detection of fraudulent practices. Such tools can be adapted to capture corruption challenges at the sub-national level and inspire the design of governance indicators to monitor corruption risks at the local level.

For example, Transparency International’s recently published Handbook on Preventing Corruption in Humanitarian Operations covers a series of practical humanitarian assistance activities, including targeting of beneficiaries, procurement, finance, human resources, asset management, etc. For each of these activities, the nature of the risk of corruption is described as well as a number of “red flags” that can alert an observer to potential corruption schemes. As a user friendly reference, the handbook can be consulted for specific situations and provides concrete, actionable recommendations on how to reduce corruption risks (Transparency International, 2010).

In the same spirit, the U4 has compiled a list of red flags of corruption, bid rigging and fraud in development projects. The list provides a description of fraudulent schemes, a complete list of red flags for these schemes and follow-up steps to assess whether the scheme is actually present. With a focus on procurement, it covers corruption risks associated with the procurement planning stage, prequalification and short listing, bidding documents, advertisement, bidding, bid opening and evaluation, draft contract, contract delivery and changes and payment.

The World Bank has also identified common corruption schemes that may occur during a procurement process and has compiled ten common red flags of fraud and corruption in procurement processes. These include complaints received from bidders and other parties, multiple contracts below procurement thresholds, unusual bidding patterns, seemingly inflated agent fees, suspicious bidders, lowest bidder unjustifiably not selected, unjustified and/or repeated sole source awards, changes in contract terms and value, multiple contract change orders, as well as poor quality of or undelivered goods, works or services (World Bank, 2009).

3 Process of developing indicators of local governance

The process of identifying the most locally relevant set of corruption indicators is a complex undertaking facing many challenges of methodological, operational and political nature that need to be taken into account in the design of local corruption measurement tools.

Challenges involved in developing local level indicators

Methodological challenges

Measuring local levels of corruption faces similar challenges of definition and quantification as national or global measurement tools. Given the secretive nature of corruption it is difficult to come up with precise and direct measures of its prevalence. Since collecting “hard” and “experience-based” data is a significant challenge, many measurement tools rely on perception-based evidence such as public or expert perceptions of corruption. However, observed incidence, experience and perception of corruption may differ from each other and from actual levels of corruption, requiring careful interpretation of the data collected. Even when “hard” data exist, indicators looking at the existence and content of anti-corruption policies, laws, or institutions may say little about the extent of enforcement and implementation. As a result, each governance indicator has its strengths and weaknesses and needs to be interpreted cautiously in the context of complementary indicators and other analytical work. A previous U4 expert answer has highlighted various methodological challenges associated with measuring corruption at the international level which are also relevant at the sub-national level (Chêne, M., 2009).

Another difficulty is that corruption has many dimensions and covers a wide range of practices such as nepotism, bribery, patronage, state capture, and political corruption. As corruption tools are usually focused on a specific form of corruption, no single indicator can pretend to comprehensively capture all aspects of corruption. The golden rule in this regard is to use a combination of tools and indicators to do justice to the full complexity of corruption in a given context (UNDP/Global Integrity, 2008).
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Political challenges

Corruption is a politically sensitive issue and the political will for carrying out corruption diagnostics can be difficult to generate. Local politicians and public officials with vested interests in existing patterns of governance can be resistant to change and potentially undermine the credibility and outcome of monitoring exercises. In addition, many countries resent being monitored and evaluated by the international community, fearing bias and a symbolic challenge to state sovereignty.

As a result, the emerging trend is to set anti-corruption targets and standards for government performance through nationally driven processes to ensure local ownership of the monitoring process. This applies to local corruption assessments in equal measure. These assessments should ideally be conducted through locally owned processes to ensure the full engagement, support and cooperation of local stakeholders.

Operational challenges

At the operational level, monitoring local corruption raises major issues of resources, capacity, availability, accessibility and quality of data.

Resources and capacity: Corruption assessments can be complex, costly and time-intensive. They require sufficient resources (both in terms of staffing and funding), capacity and technical expertise. Experience shows that a lack of local capacity constitutes a major challenge for data collection and analysis.

Sustainability of the exercise: Monitoring local authorities for fraud and corruption detection implies repeating the exercise on a regular basis, which again has implications for resources and capacity. Issues relating to the sustainability of the exercise over time should be considered at an early stage of the development of a monitoring tool.

Monitoring mechanism: With this in mind, simple solutions drawing on easily accessible data and information should be prioritised over more complex, costly and technical processes. Ideally, selected indicators and tools should be simple, user-friendly, easy to understand and apply by non-technical staff. They should also come with a practical step-by-step guide for each stage of the monitoring process.

Data collection: Another major challenge relates to the availability, accessibility, cost and quality of data from reliable sources at the local level. The challenge in this regard consists in finding the right balance between the need for reliable data from credible sources and the cost of data collection. Weak statistical capacity of municipalities makes data collection an even more challenging and time consuming process. The capacity of local data collectors is also often inadequate. Capacity building is therefore an important dimension of any monitoring process.

The institution collecting data is also an important issue to consider. Data should ideally be collected by independent and credible institutions that enjoy public trust and visibility.

Issues to consider when designing indicators of local governance

The above-mentioned UNDP user guide on measuring local governance provides guidance on the various steps involved in the design of indicators of local governance that can help address some of these challenges (UNDP, 2009).

Normative foundation of local governance assessments

Local monitoring tools need to be based on recognised principles of local governance that serve as a reference framework for the development of relevant indicators. Indicators are meant to capture the actual state of governance against a desired standard. As illustrated in the various examples of local governance measurement tools presented above, each assessment methodology endorses a combination of “normative” principles from which specific indicators and operational questions are derived. Principles that cut across most local assessments include issues of representation, transparency (including openness and access to information), accountability, effectiveness, participation and civic engagement, fairness and equity.

Typical categories of indicators

Local governance diagnostics aim at capturing the major aspects and determinants of governance at the local level, of which corruption is a key dimension. This typically includes looking at issues that relate to the local political system (elections, human rights, rule of law, civil society participation, freedom of information, etc), institutional issues (corruption, public administration, financial management, public procurement, etc), cross cutting issues (policy process, budget process, service delivery, etc) and the business environment. There are different types of indicators that can be used to capture these various dimensions of local govern-
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Most assessments use a mix of the following indicators to bring a strong factual basis to the diagnostic:

- **Input indicators** measuring the financial, human and material resources, as well as the institutional environment in which the organisation operates;
- **Process indicators** looking at the procedures in place and actions undertaken to fulfil the organisation's mandate such as the quality of administrative systems, planning and decision making processes, implementation mechanisms, level of participation, transparency, accountability.
- **Output indicators** assessing the observable results of input and processes, included goods and services delivered;
- **Perception indicators** capturing the citizens' perceptions and opinions on service delivery, accountability, responsiveness and corruption;
- **Outcome and impact indicators** measuring the longer term benefits derived from a particular process.

Sources of governance data

The availability, quality and accessibility of data at the local level are key factors to consider when selecting the monitoring methodology. There are various sources of governance data that can be used for governance indicators. These include primary sources – generated especially for the indicators through surveys, report cards, focus groups, etc - and secondary sources of data – based on already collected and published information such as official statistics, reports and documents. Governance data can include:

- **Fact based evidence** drawn from policy and legal documents (including institutional framework and performance standards), organisational set-up and management systems (including consultative mechanisms and decision making);
- **Statistical financial data**, expenditure tracking, budgetary information, audit reports, etc;
- **Perception and experience based evidence** from surveys, interviews, focus group discussions, etc;
- **Mixed evidence** collected through interviews, focus groups and consultation, performance evaluations, etc

Stakeholder participation

There can be a trade-off between promoting inclusive and participatory approaches and containing the costs and time requirements for the exercise. However, the monitoring process requires broad consultation at the local level both to ensure legitimacy and credibility, and to secure local support for the initiative. Experience indicates that the most successful methodologies are those that promote a high degree of transparency at all stages of the process, from design to the implementation and dissemination of results. This is usually enabled by regularly informing and/or involving local stakeholders on procedures, indicators and measurement tools. Indicators are also more reliable when the methodology used to devise them is transparent. The UNDP guide recommends the establishment of a core group of individuals who lead the process of data collection, analysis and report writing, comprising representatives of local government, the commissioning institution, civil society and research organisations.

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