

Reducing Corruption at the Local Level

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Introduction

Corruption ranks together with effective democratic representation as the most important problems facing local governments.¹ The challenge facing local governments is to develop innovative ways of building effective, accountable, and transparent systems that are able to efficiently deliver service. By virtue of being close to the people, local government has a better chance of providing services to civil society with transparency, fiscal discipline and openness, in order to control corruption.

The objective of this chapter is to provide both a conceptual and a practical framework, as well as an international perspective with concrete examples, to address the contexts that create perverse incentives for corruption to exist and to provide practical solutions.

There is no recipe on how to have a transparent government that functions in all municipalities in the same way. However there are several instruments that can help to establish a framework for policy formulation and implementation at the municipal level, anchored in modern management thinking. This framework ought to promote further innovative thinking and action by public reformers and citizen groups alike.

The case study will serve to underscore and guide local reformers and citizen groups who are intent on changing corrupt systems by introducing practical strategies to combat corruption and reform local institutions. Practical tools and approaches are presented to be used during the case study, including how to involve people in policymaking; different diagnostic tools to identify priorities of reform; informatics to track public revenue and expenditure; simplified rules to improve the procurement process; diagnostics; and participatory techniques for developing and monitoring local budgets.

In this context, strong political will, citizen voice, appropriate technical support, and a realistic long-term implementation strategy are central to success. Where there is integration among various factors, significant results be expected: informed knowledge (with action program formulation based on in-depth empirical evidence in each setting), coalition-building leading to collective action, and transparent political leadership at the local level.

Local Framework for Corruption

Corruption distorts the allocation of local resources and the performance of local governments. The praxis consequences of corruption are poor public services, increased social polarization, inefficiency in public services, low investment in the municipality and decreased economic growth. Combating corruption is crucial to the broader goal of achieving more effective, fair and efficient local governments. The rationale for curbing corruption should not arise from the perception of corruption as 'immoral or ethical behavior'. Rather, the rationale should be the negative impact that corruption has on economic development and on investment, and its role in deepening poverty in the local governments.

The concept of corruption at the local level means many different things to many different people and takes different forms around the world.² Corruption is by no means a unique problem of a particular locality,

¹Decentralization and Local Government Performance. Jean-Paul Faguet. Centre for Economic Performance and Development Studies Institute, London School of Economics, 1998. 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.

²'Dash' in West Africa; 'la bustarella' in Italy, 'grease' in America; 'graft' In New Zealand;

country or region. However, this fact should not be a consolation, nor does it render less urgent the tasks it must be undertake to end corruption at the local level. For the purpose of this chapter we will consider the general definition of corruption used by the World Bank. In this sense, corruption is “the misuse of public services for private gain.”³ Corruption involves behavior on the part of officials in public service, whether politicians or civil servants, in which they use the service improperly to enrich themselves or those close to them through misuse of the public power entrusted to them.

Corruption at the local level can appear in many forms. The main types of corruption are: acceptance, soliciting or extortion of bribes, patronage, nepotism, theft of public goods, political corruption and clientelism. All types of corruption are related to pervasive incentives provided by particular institution or local government. Pervasive incentives cause individuals to behave in a particular way. As Luis Moreno Ocampo points out there are three kinds of individuals: Demons, Saints and Honest but saintly. Most of the people are in the middle category, which means that incentives within the institutions are crucial to making people behave in one way or another⁴.

Systemic corruption within the public sector can be defined as the systematic use of public office for private benefit that results in a reduction in the quality or availability of public goods and services (Buscaglia 1997). With systemic corruption there are strands of corrupt behavior with an upward trend from the bribe collection point and the system depends on corruption for its own survival. It also includes grand corruption of high-level public officials and politicians who make decisions involving large public contracts or projects. This corruption is motivated by personal greed, not need, or is used to benefit the fundraising of a political party. Its components are *theft* – spontaneous privatization of public enterprises, equipment or financial sources; uncontrolled utilization of enterprise funds; obtaining credits without repayment; payment of wages to non-existent employees; etc., and/or *political corruption* – violation of the election legislation, financing the electoral campaigns, solving parliamentary conflicts through illegal modalities, and lobbying. Systematic corruption generates (a) economic costs by distorting incentives; (b) political costs by undermining institutions; and (c) social costs by redistributing wealth and power toward the undeserving. Corruption creates inefficiencies, such as discouraging investment in the local economy and in infrastructure, which in turn has a harmful effect on urban finance.

The causes of corruption are many and may vary from one local government to another. Since the causes of corruption vary, and because of the number of variables involved, it is unlikely that a detailed attempt to achieve a global, or even regional list of factors, would serve a useful purpose. However, in any case, the common ground for the misuse of public power for private benefit is related to three elements: 1) pervasive incentives; 2) lack of public information and transparency; and 3) lack of accountability.

1) The existence of pervasive institutional incentives increases the probability for corruption to occur. The risk of corruption increases as local officials are given new responsibilities and functions and as more officials are exposed to providing quality services with a limited budget . Common pervasive institutional incentives are the lack of efficiency, arbitrary discretion, excessive complexity, low salaries, pressure from superiors, unpredictability of administrative procedures used to provide public services (i.e. permits, tax payments), low quality of public administration, lack of key sources of city revenue (such as property taxes or fiscal caster),⁵ and existing kinship ties, civil traditions/pride, and non-merit based appointments/promotions.

'mordida in Mexico.

3 The World Bank, Helping Countries Combat Corruption: The Role of the World Bank, Poverty Reduction and Economic Management Network, September 1998. See pages 19-20 on definitions of corruption.

⁴ The category has been created by Luis Moreno Ocampo (Head of Transparency International for Latin America).

⁵ Taxes are a crucial for urban management, planning and regulation. Enhancing Integrity and Accountability in Central America.

2) The lack of public information and transparency allows public officials to maintain the aura of secrecy necessary for corruption to continue. When the resources are treated as municipal secrets, the opportunity for corruption increases. The aura of secrecy surrounding local government reinforces public perception of potential wrongdoing, thereby increasing the incentive for corruption and decreasing the incentive to generate and save municipal resources.

3) Lack of accountability and impunity or low risk if public officials are captured. Monopoly of power and the ability to arbitrarily make decisions without accountability is a very important incentive for corruption. When Benjamin Franklin was asked what type of government we have, he replied, "A republic, if you can keep it...keeping government honest and hence our freedoms intact requires eternal vigilance."⁶ Power without accountability could be an incentive for corruption. There is a saying that a gun itself is neither good nor bad; it is the hand on the trigger that makes it so. So it is with lack of accountability: if a good man strives to acquire or provide a bribe, he is likely to do so if he knows that nothing will happen to him. Officials are tempted by corruption when the gain (or perceived gain) is greater than the penalty if they are caught. Corruption in this sense is a rational choice based on calculation, a "*crime of calculation*"⁷.

To know the extent and nature of corruption in a municipality, indicators should be used to find the specific causes of corruption through perception surveys and other diagnostic tools. "Harder" data on corruption can be also collected to complement the survey diagnostics.

Measuring corruption in a municipality helps to establish its causes and the priorities for reform by identifying the pitfalls of activities and agencies where corruption is concentrated. Concrete evidence is used to depersonalize the debate on corruption, shift the focus to substantive issues, and educate the public about the economic and social costs of corruption. It also establishes a baseline against which the successes and failures of reform can later be measured. Diagnostic surveys are therefore an integral part of building consensus, diagnosing, designing and evaluating anti-corruption action programs for local governments.

Anticorruption programs at the local level are an enclave within a country. Because of its size and closeness to the citizens local anticorruption programs allows better adaptation of international experience to local conditions before applying it to a national scale. Success can breed more success originating a domino effect among the municipalities who implement this kind of programs.

Strategies for Combating Corruption

The smaller size of the local level is an advantage for creating a systemic and practical strategy of cooperation among the civil society and a government that is able to be more responsive to the needs, requests and demands of individuals or groups in the community.

Practical strategies for combating corruption at the local level can address the pervasive incentives of the institutions through a participatory process of institutional reforms. For that purpose, some of the best international experiences collected are presented here to provide concrete examples. Every tool is crucial, however, each should be implemented in the context of a clear and integrated strategy that will be able to build sustainable institutional reforms at the local level.

Building sustainable institutional reforms at the local level implies taking several steps toward the design of a participatory strategy, starting with a strong political will to reform.

⁶ Quoted after the 1787 Constitutional Convention in Philadelphia.

⁷ Robert Klitgaard, Ronald Maclean-Abaroa and H. Lindsey Parris "Corrupt Cities" [Bentham \(1843, p. 399 \[1788\]\)](#) "... the profit of the crime is the force which urges man to delinquency: the pain of the punishment is the force employed to restrain him from it. If the first of these forces be the greater, the crime will be committed; if the second, the crime will not be committed". *Crime and Punishment* by [Becker \(1968\)](#). He suggests that specific criminals will consider the benefits and costs deriving from its commitment as well as the benefits and costs of abstaining from its commitment. Becker, Gary S. (1968) 'Crime and Punishment: An Economic Approach', *Journal of Political Economy* 76: 169-217; Beccaria, C. (1776) 'On crime and punishment (1764)', in S.E. Grupp ed., *Theories of Punishment*, Bloomington (IN), Indiana University Press, 117-137; Bentham, Jeremy (1843) 'Principles of Penal Law', *Works*, 1:399 ff.

Political will

A strong political will at the top of the local government is a precondition for initiating this process. Political will normally comes when a window of opportunity opens in a particular municipality (e.g. newly formed governments, election times, etc.). Once a window of opportunity is opened and political will exists, civil society plays a key role in designing sustainable institutional reforms. The programs should be designed without putting the focus on corruption itself, but by allocating municipal resources in a more equitable manner for reform. In order to prioritize areas for reform, the local government and civil society should use participatory working groups whose tasks are to identify the problems and pervasive incentives at the municipal level (i.e. lack of information, accountability, low salaries, too much discretion, complex regulatory framework).

Once the problems are identified, civil society and the government propose innovative ways to address these problems and suggest reforms. The process of implementation is periodically monitored and evaluated.

Diagnostic tools and training workshops

The first thing to do in a well-planned strategy should be the conduction of surveys. Surveys of citizens, businesses and households should be conducted by reputable academics to uncover key corruption-related problems. Identifying an independent firm is a crucial step in the process in order to avoid political interference during the period of data collection. The results of the surveys describe and identify the main governance-related problems pertaining to corruption and performance in the municipality.

A municipal customer perception survey for example can collect data on enterprise and citizen perceptions of service delivery, as well as the integrity and credibility of municipal government. The survey measures perceptions of efficiency, efficacy, corruption, and the quality and breadth of information supplied by local authorities for public use (all related to the provision of key services).

Participatory Diagnostics: Workshop and Action Plan

The results of the survey are presented at a workshop held in participation with the community. Strategies for attaining municipal reform is developed based upon survey findings and through participatory and group method consensus. Working groups will identify barriers to reform and the actors and resources available for implementing a strategy to curb corruption and reform municipal government in an action Plan. An action plan is the instrument by which the local government initiates a strategy to develop an institutional arrangement and incentives to create an open and transparent system.

To achieve a transparent and efficient local government, an integrated strategy that includes participatory methodologies and tools to promote an open and participatory government is necessary: (local assemblies, local consultation processes, participatory action plans, participatory budgets and local consensus-building workshops). All of these initiatives imply different levels of transparency, information and power sharing among local governments. The local assemblies are open plebiscites or referendums on specific issues, initiated by the mayors. Information on those issues is shared with the people, who are then asked to either give their opinion or their decision on the issue under consideration. A more systematic, recurrent yearly process is carried out in municipalities in order to assemble a yearly budget on the basis of the community's preferences. The use of these tools together with a participatory process has resulted in some cases in a complete overhaul of the administration, including a reduction in staff and the redesign of some processes permitted the municipality to transform from a catastrophic situation that was driven by corruption to one of relative stability and good management. Cases of San Salvador, Campo Elias (Venezuela), Limpio (Paraguay), Porto Alegre (Brazil).

Tools to Fight Corruption

Although there is not a recipe for fighting corruption at the local level, some tools as the ones presented below can be used in an integrated manner to design a strategy to fight corruption at the local level:

Simplification of administrative procedures

The complexity and unpredictability of administrative procedures creates confusion and it is one of the main factors contributing to corruption. Administrative manual for decreasing and standardizing procedures and a computerized data system for storing administrative data, including tax registers and estimates can simplify the problem. Both tools assist in improving coordination among offices, avoids duplication of duties, and eliminates the use of unjustified administrative discretion, thus speeding the permit process.

Developing and implementing standardized administrative procedures serves as an initial step in combating corruption. In order to significantly reduce corruption, however, citizens must be well informed about such procedures and how to benefit from them.

Citizen Participation

The measures below include programs, entities or services that can be created to improve citizen participation in government. These measures can be institutionalized through the enactment of ordinances at the municipal level. As a result, citizens could be provided with both the incentive as well as the juridical means for participating in municipal government. In order to facilitate accountability and transparency and the participation of civil society in government, ordinance or other legal mechanisms can be implemented to make all municipal documents available to the public. Citizens may remain abreast of municipal policies, programs, and activities by reviewing documents and information such as the disclosure of assets by upper management, council members, and the mayor; performance indicators for the delivery of key services; tendering procedures; and the annual budget program, all of which are available as well through the Office of Information Services and the internet.

a) Public hearings: One of the most useful tools to assure public access to information is a participatory public budgetary hearing program and planning. The public hearing is a participatory mechanism allowing for the elaboration of the municipal budget in a citizen forum. This mechanism is a way in which citizen participation in government decision making can increase through public cooperation in the municipal budget process.

Three basic requirements of a public budgetary hearing program are: 1) a democratic and transparent government, managed by a mayor who is willing to govern in a transparent manner; 2) the development and support of neighborhood associations; 3) investment in civil education; and 4) political willingness and technical capacity to conduct public budget hearings. This tool helps to identify and prioritize citizens needs; co-manage municipal resources; control and evaluate the mayor's commitments; and create opportunities for participation, accountability and transparency.

The Public Budgetary Hearing Program not only create a mechanism for institutionalizing citizen involvement in government decision making, but it provides citizens with a better recognition of the importance of their role in participation. There are different public budgeting program methodologies; normally The Mayor presents a preliminary budget to citizen participants. In keeping with preliminary budget figures, the citizens break into working groups to discuss and prioritize their needs. Participatory budgeting workshops are then held in each of the neighborhood association districts, in order to determine their respective shortlist of budget priorities. Shortlists are presented to technical specialists at a participatory workshop and individual projects or programs are discussed and tested for feasibility and cost. Proposals are again presented to the municipality by neighborhood association district representatives in order to finalize budget recommendations. Projects are selected by the Tripartite Auditing Commission. Every three months, the mayor must provide a written public rendering of the budget status and accompanying projects.

One of the best examples in terms of participatory budget system is Porto Alegre. The participatory budget system created in Porto Alegre is an instrument that combines direct democracy with the empowerment and promotion of parliamentary representation. In Porto Alegre the city was divided into 16 areas for a more representative system. The Participatory Budget Council was created with two

representatives and two substitutes for each area, elected in the area assemblies responsible for the discussion of the Municipal Revenue and Expenses as well as hearing the community's claims and establishing criteria for resource distribution.⁸

The criteria for resource distribution was based on lack of facilities or urban infrastructure in the area; population in areas with a severe lack of facilities or infrastructure in the region, total population of the area and area priorities. In Porto Alegre, citizens identified and prioritized their needs; co-managed municipal resources; controlled and evaluated the mayor's commitments; and created opportunities for participation, accountability and transparency.

b) Computerized data system. Another mechanism for improving accountability and transparency is providing access to information through computerized data systems. A software package can be designed and implemented in order for citizens to access information on transactions carried out by the municipality. Individuals may visit a public office for Citizen Participation and, if necessary, receive staff support in order to monitor municipal transactions by computer, including public bidding, acquisitions, and execution of public works. This tool aims to achieve a more transparent government through public control and monitoring of transactions.

More and more municipalities all over the world are implementing computerized data systems through internet web-sites. Services vary from one municipality to another. Some examples include public good being procured over the internet (Campo Elias (Venezuela) Limpio (Paraguay) Obnisk (Russia). This allows not only an easy access for local officials to the information, but also the community came to the city hall or some public information offices and use the general computer terminals to check up on such information as well. Other examples include the developing of the budget, including the draft on their internet web-site and the budget for the previous year, including taxes, licenses and other services. The services are offered to the rest of the community encouraging participation.

Office for Development and Citizen Participation is a complement to the data and workshop systems to respond to the citizens demands. The Office of Information and Citizen Participation are public spaces created with the objectives of: 1) create channels for dialogue between government and civil society; 2) promote citizen participation in government and to provide an actual site for citizens to engage in participatory activities; 3) organize, systematize and disseminate information about municipal services, municipal officials, and administrative procedures requested by citizens; 4) respond to citizen complaints in a timely fashion; and 5) to serve as focal point for organizing anti-corruption campaigns.

Another example is "e-corruption". Service created in Campo Elias (Venezuela). "E-Corruption" is a technological service that allows citizens to track municipal transactions via the Internet. All enterprises that provide goods or services to or on behalf of the municipal government (above a threshold cost) must register and provide status reports on the Internet site. Failure to do so results in sanctions. Citizens who do not have access to the Internet may gain access through the Office of Information.

c) Auditing commissions. An additional approach used to achieve accountability and transparency is the creation of mix commissions. A Tripartite Auditing Commission for monitoring public budgetary hearings. This Commission includes: 1) citizen representatives; 2) chamber representatives; and 3) local municipal officials. The Commission has two objectives: a) to facilitate community participation and b) to oversee and audit public works and social programs, whether administered directly or on a contract basis.

Citizen representatives elected by the neighborhood association districts, one municipal chamber representative, and two local municipal officials appointed by the mayor. The purpose of the Commission is to facilitate community participation; keep the community informed about the public budget hearing process; participate in technical workshops and select public works projects; develop a timeframe and select the mode (direct administration or contract) for the execution of public works; and follow up on the execution of public works and community programs provided for in the budget ordinance. Nominees to the Commission serve

⁸ Participatory Budget, Municipal City Hall of Porto Alegre. Municipal Department of Culture. Coordination of Social Communication-CSC. 1995.

for a period of time (usually one year). The Commission holds four public sessions per year in order to communicate with citizens.

Example of auditing commissions at the local level can be found in Campo Elias (Venezuela) or in the Province of Mendoza, (Argentina). In Mendoza, the Government with the help of Fundación Poder Ciudadano organized a public hearing. The purpose of the public hearing was to publicly review the bidding documents of companies in order to ensure transparent contracting conditions. The government received proposals in broad daylight and then evaluated them with an impartial body of experts. It was also important to have politicians, union leaders, citizens private analysts and other experts, as well as journalists, participating or observing the hearing.

In some cases, such as New York city vendors that wants to bid on contracts must complete a comprehensive questionnaire that looks at traditional measures such as financial assets, wherewithal, and experience, as well as at the key people associated with and at the head of the company. Prequalification has given the auditing commissions (in this case the Office of the Inspector General) access to information traditionally not available except through difficult, time-consuming law enforcement procedures.

Monitoring and Evaluation

Beyond internal monitoring techniques such as public budgetary hearings, the computerized public works monitoring system, and local workshops, external monitoring tools are very important in the process. Seminar holds targeted to mayors, city council members, and municipal authorities. The purpose of the seminar is to monitor, evaluate, and follow up on the implementation of program by using participatory methodologies.

By attending the seminar, participants are able to provide feedback to the municipal government and citizens of on the continuing government reform effort. These officials also gain valuable information and skills to help determine how such a reform program could be replicated or adapted in their respective municipalities. Specifically, the participants share evaluations of the following instruments: Office for Development and Citizen Participation, the Tripartite Auditing Commission, the Organizational Information System, and municipal ordinances.

Following the implementation phase, a second municipal customer perception survey should be conducted to evaluate the impact of the municipal reform program.

The results of the latest survey should show that the civil society-local government consensus-based methodologies used to implement the instruments have increased transparency, the public's access to services, and the government's capacity to address municipal problems. With the inception of a participatory budgetary public hearing program, civil society can become an integral and active part of the local decision and public policy-making process. Now the citizens of one particular municipality decide the manner in which local government expenditures are allocated, and because citizens are involved in defining priorities and determining trade-offs, they demand efficiency in the execution of projects. As stakeholders, they have been empowered to care about projects and monitor their performance. By comparing the performance and perception indicators measuring efficiency, access, and transparency, we can see the improvements on the specific areas.

Conclusion

The issues of transparency and efficiency are strategic entry points for addressing local government reform. These issues are also key features in enhancing public sector credibility and legitimacy. In some cases, increasing public sector credibility created a positive image of the municipality and enable the citizens and government to more effectively govern, utilize resources, provide services, and increase the community's overall quality of life.

Political commitment is indispensable. Political commitment throughout all levels of government is a crucial condition for achieving comprehensive institutional reforms and, in particular, for creating

accountable and transparent systems and curbing corruption. Developing and successfully implementing an integrated framework to fight corruption at the municipal level is likewise impossible without local political commitment.

Surveys are a useful method for raising awareness and designing, monitoring and evaluating reforms. The diagnostic survey are useful and effective tools for identifying specific problems correlated with corruption and the shortcomings of a municipal government that is not accountable and transparent. Identifying problems through a participatory survey raised awareness and created an optimal environment for change. The survey should be conducted by independent consultants outside of the government. This process lent credibility to the reform effort and provided the momentum for meaningful progress toward curbing corruption and reforming the government.

The methodology merges innovative participatory approaches to ensure government-civil society consensus. The consensus reached at the workshops should be well-founded on survey to capture the effects of implementing in instruments in two main areas: (i) on the public perceptions of those demanding specific services subject to reform; and (ii) the effects of these reforms on objective performance indicators (e.g. cost-effectiveness and productivity).

Deficient regulatory frameworks create confusion, increase arbitrary discretion, and serve as incentives for corrupt behavior. The perverse incentives of deficient regulatory frameworks and administrative procedures generate foci for corruption while diluting accountability. The first step in the Action Plan if this is the case is to simplify administrative procedures. Administrative procedure reform could had a great impact among citizens. Some municipalities has shown (Campo Elias (Venezuela) that implementing this mechanism, citizen satisfaction with services increased and complaints decreased by seventy percent.

Functional responsibilities are clearly delineated. Incentives to engage in bribery in order to more quickly obtain permits are removed. Citizens are aware of the fees that can be requested by providers. Due to the consciousness raised among citizens through participatory mechanisms most people are sensitive to the steps that must be followed whenever administrative procedures are involved. Those who are not familiar with administrative procedures can rely on the Office of Information as an accountable and transparent source for obtaining information and assistance.

Public perception of wrongdoing promulgates corruption. The aura of secrecy surrounding the local government reinforced the public perception of potential wrongdoing, thereby increasing incentives for corruption and decreasing incentives to generate and save municipal resources. In addition, the complexities of obtaining information served as a disincentive for citizens to demand a transparent and accountable government.

Information is an essential tool for achieving accountability, transparency, and participation. The information system reform 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 the Office of Information's computerized data system provide streamlined, accessible information for public consumption, thus increasing the probability for transparency and accountability.

Making information available to the public is a necessary, albeit insufficient, step in building transparency in local governments. A participatory process is necessary in order to assure accountability and reinforce healthy citizen-government relations. Participatory workshops are a key tool in eliciting strong interest on the part of civil society to understand administrative organization. Such forums enable citizens to improve the quality of municipal management.

The participatory methodology used in workshops increases transparency, credibility, and the capacity to address municipal problems. With the inception of a participatory budgetary public hearing program and system, civil society become an integral part of the local decision-making system. Citizens then decide the manner in which local government expenditures are allocated. Citizens understand that putting an end to bribery frees up financial resources that could otherwise be allocated to essential social services. Citizens

then feel more satisfied with municipal services and complain less as a result of the appreciation of the fact that prioritization and trade-offs are necessary when working with a limited budget. Because citizens are involved in defining priorities and determining trade-offs, they demand efficiency in the execution of projects. As stakeholders, they have been empowered to care about projects and monitor their performance. The credibility of the mayor and municipality has greatly improved. In turn, the propensity for citizen participation in government and the sustainability of institutional reforms have increased.

Powerful and beneficial effects of an innovative mix of local political will, instilling the technical capacity to execute reforms, and forging a strong partnership with civil society in the drive to enhance efficiency, equity, and transparency.

Readings

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Case Study: Local Government Reform

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Gouzebré is a hypothetical municipality with an area of 400 km². The population of 200,000 consists of 89 percent urban and 11 percent rural inhabitants and it is estimated that 40 percent of the population lives below the poverty level. Gouzebré has a yearly budget of \$US 1.2 million.

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

In Gouzebré property taxes represents about 30% of total revenue, however these taxes are rarely collected. Taxes in general are subject to corruption since there is no means of reliable records or an official and accountable manner to collect them. The resulting administrative and regulatory framework is generating confusion within Gouzebré. Due to unpredictable procedures and duplicated functions, there are no accountable or transparent institutionalized methods for providing public services. Administrative procedures are often delayed or not obtained unless speed money is paid.

All your friends and colleges are offering you gifts, houses, contracts and all type of gifts on the basis of being offered a job in the city hall. The lack of accountability among your staff and unregulated discretionary behavior of the local officials working for you is creating perverse incentives for corruption. You are realizing that the system is working on the basis of political influence. Up to day, revenue collection is assigned by local officials who beyond the collection of the official revenues are collecting bribes. Citizens who apply for a license or permit do not know what is the process to do it and in most of the cases they are extorted based on their ignorance. Those who know the process they have to spend at least six to seven months before obtaining a permit or a license unless a bribe is given. Collusion is a common praxis in public procurement. Lower bidders are rejected often by corrupt local officials. 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.

In the current administration the vicious cycle of corruption is more rampant than ever, some of your new staff is adapting quickly to the situation while others feel impotent to do something about it. What would you do as a first step? What would you do to change the status quo? How would you find out what are the priorities areas for reform? What are the potential solutions for improving and solving the problem of corruption in procurement? What are the finding mechanisms to develop a more optimal information system and a more accountable municipal system?