Corruption and Local Government

Anti-corruption initiatives often focus on abuses and illegal practices at the national level. Yet significant power is also vested in local government; for allocating state resources to citizens and delivering public services directly. As a result, it is likely that in the course of their daily lives citizens have more contact with local agencies than with the national government. This proximity to the people and the discretion that local officials have in exercising their functions can make local government highly vulnerable to corruption.

Experiences from Liberia, Peru, Slovakia and South Korea show that tailored strategies and tools are effective for identifying corruption risks and building integrity locally. For example, using local governance and corruption indicators can help to monitor changes over time. Civil society engagement is crucial in these efforts. Institutional reforms, such as creating local anti-corruption agencies, can engage citizens in oversight mechanisms as well as policy decisions. Such an approach promotes stakeholder collaboration and aids in the design of effective local initiatives.
The Decentralisation Debate

Proponents of decentralisation argue that sub-national organisations are more relevant and responsive to citizens, with decision-making better informed by local experience and circumstances.

Through decentralisation, it is believed that resources can be targeted with greater efficiency to the areas where they are most needed and demanded. Moreover, by bringing the state closer to the public, decentralisation is seen as incentivising public participation in local democratic structures and greater accountability. Decentralisation, advocates would argue, is a means to empower and strengthen local communities.

Critics of decentralisation claim that it rolls back the economic and social functions of the state and that local political competition can discriminate against the poor.6

Since the 1990s decentralisation programmes have become increasingly prevalent. Yet evidence of any correlation between decentralisation and economic and social development remains inconclusive and contested. In particular, there is very little empirical evidence of the effect of decentralisation within a country on overall levels of corruption. As a result, the relationship between decentralisation and corruption is an area where additional field research is merited.

1. The role of local government

Local government often plays a prominent role in managing the delivery of services to citizens, including for registration and licensing, road maintenance, city planning and public utilities.1 In many countries, local bodies also deliver core services, such as public security, healthcare and education, and can hold cross-cutting responsibilities for economic development or poverty alleviation.2 As a result, local government is often a citizen’s first and direct contact point with the state and may be the only linkage that people have with those who govern them.

The structure and powers of local government vary considerably from country to country. This reflects a long-established debate as to the benefits and pitfalls of decentralising power to improve service delivery and stimulate access to government (see side bar). The four countries examined in detail in this paper — Liberia, Peru, Slovakia and South Korea — exemplify this diversity, yet they also highlight common corruption risks in local government.

Local government comprises sub-national legislative, executive or administrative units, which are generally organised into tiers at regional, district or municipal levels. For example, Liberia has 15 counties administered by superintendents appointed by the president, whereas Peru has three levels of local government (regions, provinces and districts) composed of over 2000 administrative bodies.

The extent of operational and fiscal autonomy held by local government bodies is highly variable. Decision-making powers may be fully devolved and include a degree of political or legislative autonomy, or they may take the form of delegated responsibility whereby local bodies remain accountable to the central government.3 Similarly, many local government bodies (particularly in developing countries) rely mainly on funds dispensed from central government budgets, while others enjoy revenue raising powers, including the ability to set and collect local taxes or charge for the provision of utilities. For instance, according to data from the early 2000s, 85 to 90 per cent of district council funding in Tanzania comes from central government transfers, while local authorities in South Africa generate over 90 per cent of their own revenues.4

2. Corruption risks at the local level

The experiences of many Transparency International (TI) chapters indicate that local government can be the prime locus of corruption in a country. TI-Korea, the TI national chapter in South Korea, has found the problems of local corruption to be more severe than those at the national level, a situation which has led many non-governmental organisations (NGOs) in the country to focus their efforts on the local level. TI’s national chapter in Peru, Proética, increasingly has targeted its work at local governments, reflecting both the lack of checks and balances in place at this level and the desire of regional and provincial authorities to bring anti-corruption programmes to their jurisdictions. In Slovakia, citizen surveys have prompted the chapter to develop programming to address a reported rise in local corruption. According to a poll carried out by TI Slovakia, more than a third of citizens feel that local government suffers from corruption.5
One of the reasons to target anti-corruption programmes locally is that the political economy of corruption is different at the local level.7 Theorists note that local public officials usually have greater discretion than national decision-makers and highlight the relative organisational complexity and freedom from oversight of local government bodies.8 As such, local leaders often have greater opportunities to take charge but also to abuse their position. Specifically, several corruption vulnerabilities can be identified at the local level:

**Dispersed control over finances.** Both the transfer of central funds downwards through different tiers of government (often through administrative bottlenecks) and the dispersal of powers to raise revenues increase the number of actors with control over public finances. Such a situation heightens the potential for budget fraud, particularly through embezzling or ‘skimming’ public funds that have been allocated or collected. A snapshot of regional and provincial corruption cases in Indonesia found that budget fraud accounted for over 60 per cent of the legal actions.9 Further research revealed that nearly 30 per cent of reported spending on Indonesian village roads had been diverted.10 There is also evidence of the alleged widespread diversion of public funds in the resource-rich Rivers State region of Nigeria, where there has been only nominal investment in local services despite significant increases in local government budgets as a result of its oil wealth (see side bar).11

**Freedom to hire and fire.** The discretion to recruit and dismiss local staff without the approval of central government is a practice that lends local government increased independence. Yet when effective controls and safeguards are not in place, it can create opportunities for corrupt employment practices. For example, political candidates in Peru and South Korea often rely on relatives or friends to fund or organise their campaigns. These ‘favours’ must then be repaid if the candidate wins and can lead to local politicians using public resources to hire political supporters for posts in the local administration. In Slovakia, clientelism and nepotism in municipal human resource management are reportedly the prime source of local corruption. More than half of respondents to a survey by TI Slovakia reported that they had witnessed clientelistic practices by local government and felt that corruption was the only way to secure a job at the municipal government office.12

**Interaction at the point of service delivery.** Given the service delivery responsibilities of local bodies, relationships between actors tend to be closer, and local officials are more likely to have direct personal contact with citizens.13 This situation can help to strengthen governance. But it can also increase the potential for bribes to be offered or demanded for services to be provided more efficiently, favourably or speedily, such as for issuing licenses or collecting levies. TI Kenya’s 2009 East African Bribery Index found that 40 per cent of respondents in the three countries surveyed — Kenya, Uganda and Tanzania — reported that a bribe had been solicited or expected by local authorities.14 Bribery at the local level includes demands for facilitation payments, where officials solicit payment for services regardless of free entitlement, or for the promise of faster or more favourable service. Similar findings were revealed through TI’s Africa Education Watch programme, which found that parents continued to be charged local school registration and exam fees even after their abolition (see side bar).15

**Local Corruption in Nigeria**

Nigeria’s River Delta region enjoys high levels of public resources as a result of its oil revenues. In 2006, the Rivers State region had a budget of US$1.3 billion ($1.04 billion), larger than that of many West African countries. Yet widespread corruption has led to the poor provision and quality of basic public services.

These problems are not limited to this one region. For example, the non-payment of primary school teachers by local administrations has become so prevalent that Nigeria’s central government now administers their salaries directly.

In addition, there is evidence that local corruption has resulted in heightened insecurity and violence in the region. Many state and local electoral contests have been reportedly rigged by candidates using resources allegedly acquired through corruption to buy votes and hire gangs to intimidate voters.15

**Corruption in Local Education**

As part of Transparency International’s Africa Education Watch (AEW) programme16 national chapters of TI assessed the quality of governance, transparency and the management of resources in schools in seven countries: Ghana, Madagascar, Morocco, Niger, Senegal, Sierra Leone, and Uganda.

The research findings identified three corrupt practices that particularly concerned parents:

- illegal demands for fees that have been abolished;
- embezzlement of resources; and
- abuse of power by teachers or officials.

In Madagascar, nearly a quarter of households reported paying some fees although they were eliminated in 2005. In Sierra Leone 20 per cent of household reported paying exam fees although they are now illegal. In other countries, there was evidence of demands from schools and teachers to pay for private tutoring and textbooks.17
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Ugandan efforts to curtail the misuse of education funds transferred from the central to local government revealed that public access to information was a critical factor in reducing the diversion of public monies. The Ugandan government began publishing details of fund transfers to districts in local newspapers. In evaluating the overall initiative, which aimed at stopping the loss of state funds for district schools, it was found that there was a strong relationship between the proximity of a community to a newspaper outlet and reductions in the diversion of funds.25

Relationships between local officials and contractors. The relative proximity to stakeholders also allows for greater interaction and dialogue between local officials and businesses which can subvert fair procurement procedures. In the local marketplace, there are often a lesser number of (often smaller) businesses18 and significant conflicts of interest can emerge in the awarding of contracts. In Peru, procurement is seen as the local administrative function most vulnerable to corruption, with concern that public contracts may be awarded to favour supporters of winning political candidates. In Slovakia, as in many other ‘transition’ economies, land management is perceived as highly corrupt. The public sale of municipal property and contracting of construction projects are viewed with particular concern.19 Commentators also note that localities often compete for investors, using incentives or preferential treatment that can extend to tax evasion or the lax enforcement of regulations, such as for building permits. Such collusion between local governments and local industry is widely viewed as an important factor in the uneven growth of the Russian economy.20

The power of patronage networks. Local government is particularly vulnerable to capture by groups using informal or patronial relationships to exert undue influence over local decision-makers and erode accountability. Factors such as strong family ties or dynasties, the dominant influence of local leaders and cultural traditions of reciprocity, allied to the often lengthy tenure of local officials, can lead to elite state capture.21 Alternatively, local power relations may simply replicate those in place at the national level. In Liberia the appointment of county superintendents by the national political elite, rather than independently, means a key accountability mechanism to citizens is absent. Local officials are not inclined to consider themselves accountable to local communities, but tend to be more concerned with how national level leaders view them. Ultimately elite state capture of resources can contribute to ethnic division, instability and violence. Local decision-makers may use their power to discriminate against specific groups, for example by heavily taxing minorities.22

Relative lack of capacity and oversight. The material and human resources available to local government institutions are often limited and prevent effective self-regulation. Compared to national institutions, many local government agencies lack capacity and staff are often inadequately paid, creating an environment that may incentivise petty corruption as a means for officials to supplement their income. In Afghanistan, local institutions are hampered by a lack of material resources and knowledgeable staff, a situation which has reportedly heightened security concerns in some parts of the country.23 The scope for corruption at the local level can be compounded by a relative absence of effective checks and balances, with local government activities normally subject to less monitoring from audit agencies and the media. Developing countries, in particular, often do not have a robust local media that can report on government activity or the funds being transferred from central to local government bodies (see side bar).24
3. Measures to combat local corruption

The local level presents unique opportunities for anti-corruption advocacy, initiatives and coalitions to address the problems identified. Raising awareness of the need for change among the public can be easier where corruption directly affects individual lives and work is directed at the communities suffering the abuses. By having a common set of shared experiences and concerns, coalitions for local action can be more easily forged. When anti-corruption initiatives meet with success, results can be more visible to communities, illustrating to them the direct link between transparency, integrity and improved service provision.26

Local anti-corruption work can complement, support and even supersede national-level initiatives. In Peru, the model for local interventions — mapping corruption risks and developing capacity for social monitoring — was later scaled up nationally when one of the local public officials who championed the work took on a wider national role. In Liberia, local corruption monitoring and interventions have been used to help shape decisions being undertaken by the Governance Commission to formulate the country’s decentralisation policy.

Assessing local corruption risks

When implementing an anti-corruption programme at the local level, it is vital to gather all relevant information on the prevailing conditions in local institutions. TI’s national chapter in Peru carried out such an exercise, spending six months mapping corruption risks in Lambayeque province. The study assessed the regional government and included a risk analysis of the most relevant public institutions in the region (municipalities, courts, auditors and others), as well as key private sector and civil society actors, like businesses, the local media and grassroots organisations. The knowledge gathered allowed the chapter to address the corruption risks that were uncovered, including a lack of open access to public information at the municipal and regional levels and limited awareness among local NGOs about the different levels of local government.

In Liberia, the TI contact group CENTAL (Center for Transparency and Accountability in Liberia) has worked with Global Integrity, an international NGO, to develop local integrity indicators which can quantify both the legal framework for local governance and the effectiveness of these measures in practice to combat corruption. Similarly, TI national chapters in Spain and South Korea have utilised local municipal indices to capture and promote transparency and integrity. TI Korea uses an integrity index, which is produced by the national anti-corruption agency, to bring local stakeholders to the table to discuss policy options for municipalities to better address corruption risks.

The selection and design of local governance indicators and indices have been helped by international best practice and the sharing of country experiences.27 For example, a recent Latin American workshop in Caracas allowed six TI national chapters — Colombia, El Salvador, Guatemala, Mexico, Nicaragua and Venezuela — to exchange methodologies and assessment indicators that each is using to assess local governments.28
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**The OPEN System in Seoul**

The OPEN system (On-line Procedures Enhancement for Civil Applications) is a web-based tool that allows citizens to track in real time the progress of applications made to the Seoul Metropolitan Government. It is designed, in part, to alert citizens of any unjust or corrupt action in processing requests for licences and other authorisations. The system also allows citizens to ask questions if they believe that there have been irregularities in their application processes.24

**Monitoring local government performance**

Engaging civil society in monitoring budget allocations and the delivery of services can help to ensure that funds in local government coffers reach the projects and people they were intended for. Work in Rajastan, India by MKSS, a local NGO, has resulted in the release of local government records and the organisation of public hearings to have communities verify whether there are any irregularities between what was budgeted and delivered.29

As demonstrated in India, these types of social audits empower citizens to take part in the ‘bottom-up’ monitoring of service provision and challenge corrupt officials or institutions. Civil society actors in Kenya have utilised a range of social audit tools including citizen score cards, checklists and public hearings to question how the country’s Constituency Development Fund has been managed and to monitor where its resources have been spent.30

The potential of information technology (IT) has also been harnessed to promote transparency in local government administration by engaging citizens in the oversight of services. For example, the city of Seoul in South Korea has introduced online monitoring of licences and other applications by citizens (see side bar).

**Strengthening local capacity**

Building integrity in local government systems may require institutional reform of local bodies. Initiatives can include pursuing civil service reform, strengthening the integrity of the judiciary; improving financial controls; or revising local procurement procedures.31 In addition, the creation of local anti-corruption agencies (ACAs) can play an important role in investigating and publicising allegations of corruption. Although less common than their national counterparts, there is some limited evidence of their success, such as the accomplishments of local ACAs in the US (Florida) and Australia (New South Wales), to uncover corruption in local government institutions (see side bar).

Strengthening local capacity also involves empowering civil society organisations (CSOs) to make local government more accountable for its actions and policies. TI-Romania has organised ‘training of trainers’ workshops for representatives of NGOs working at the grassroots level. Training sessions have focused on such topics as building public integrity and establishing mechanisms to protect local whistleblowers. By training these representatives as trainers, the aim has been to promote a multiplier effect of knowledge on these issues among civil society and to build a new constituency interested in combating local corruption.

In Peru, the national chapter has launched a national anti-corruption school, which aims to train key social actors from every region in anti-corruption advocacy techniques and provide technical assistance to them for the implementation of local anti-corruption initiatives. More informally in Liberia, the local TI contact group has opted to set up ‘Integrity Clubs’ to publicise corruption issues with community members and solidify buy-in from local leaders.32
Building coalitions for change

Building a broad coalition of stakeholders at the local level helps to nurture the political will for implementing reforms and provides a solid base of support to set up safeguards against corruption. The United Nations Development Programme has recommended that partners in this work should include representatives of both central and local government, local government associations, CSOs, community-based organisations, traditional leaders or institutions, local businesses and ordinary citizens.33

In particular, strong partnerships with government officials and key political actors are critical for establishing agreements to promote greater accountability and transparency. Recommended initiatives include the use of integrity or anti-corruption pacts, such as the Guri-PACT initiative in South Korea (see side bar). Similarly, in its project with the City of Martin, TI Slovakia has worked closely with the local government across a range of policy areas where corruption risks have been identified. The first phase of this project assessed existing policies, in consultation with the city’s mayor and other stakeholders (i.e. local deputies, city hall staff, municipal employees, local business people and citizens) to identify areas which were the most vulnerable to corruption. TI Slovakia then worked to formulate concrete policy recommendations focused on increasing transparency and reducing discretionary power (for example, the use of electronic auctions for local procurement processes). These recommendations were presented to the local government and discussed in forums with relevant city stakeholders. The project’s final phase has been to implement the outcomes of the consultations.

As the experiences from Slovakia and South Korea show, the use of a champion within local government can be a way to encourage broader take up of anti-corruption initiatives. In both countries, local mayors endorsed the proposed work, allowing for broader buy-in. Anti-corruption work being done in six regions in Peru is also the result of a champion within the regional government supporting it. Moreover, training on corruption risks for local civil servants in Peru has been possible only after the national comptroller’s office decided to back it.

4. Conclusion

National anti-corruption campaigns must take into account the important role that local administrations assume in citizens’ lives, and their potential to help combat corruption throughout the country. Local government plays a vital role in building national integrity, as well as contributing to active citizen participation.

The experiences of TI chapters in Liberia, Peru, Slovakia and South Korea, as well as other countries, suggest that local anti-corruption work should consider how greater local decision-making may lead to higher levels of local corruption, depending on the context. In assessing the situation, CSOs and anti-corruption bodies should develop a good understanding of the current risks posed by and to local government administrations and their delivery of public services.

Designing successful anti-corruption and integrity programmes that can respond to these risks should include the local community. This can be done by building a coalition of stakeholders that want to promote positive change as well as by getting key members of the local executive to support and oversee the reforms.
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References:


2. See: M&E support to decentralisation and local governance programme of the European Centre for Development Policy Management, Available at: www.ecdpm.org/.../ECDPMWeb/Content/Content.../11415/0705.pdf.


4. Results are from November 2007. Poll was conducted by FOCUS for TI Slovakia.


6. Findings of empirical research have been inconclusive on the question of whether decentralised systems result in greater or lesser corruption. Further research to examine the link between decentralisation and corruption at the local level would be welcome.

7. See, for example: R. Prudhomme, ‘The Dangers of Decentralisation’, The World Bank Research Observer, 10:No.2 (1995). Further research to examine the link between decentralisation and corruption at the local level would be welcome.


14. Transparency International’s Africa Education Watch (AEW) is a three-year programme (2007-2010) that focuses on governance and transparency in the management of public funds in the primary education sector.


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