

**Division 42**

Sector Project: Development and Testing of Strategies  
and Instruments for the Prevention of Corruption

# Preventing Corruption in Public Administration at the National and Local Level

**A Practical Guide**



Deutsche Gesellschaft für  
Technische Zusammenarbeit (GTZ) GmbH

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for Economic Cooperation  
and Development**

**Division 42**

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Eschborn 2005

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## Foreword

Corruption constrains development and reforms: Development potentials go unutilised, public funds are wasted, and processes of democratic consolidation are jeopardised. This calls into question the possible success of development initiatives in all areas where the distribution and wielding of political and economic power come into play. Corruption prevention is therefore a cross-cutting task.

Corruption is everywhere. Therefore, our advisors on the ground are sensitised to the problem. Yet there is a need for analytical tools and recommendations for action to prevent corruption in the specific areas of work.

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) has therefore commissioned the GTZ "Development and Testing of Strategies and Instruments to Prevent Corruption" project to prepare the present studies and practical guides.

They are designed primarily for seconded experts responsible for preparing and implementing projects and programmes in the areas covered, or who address the theme of corruption prevention at the level of political dialogue. We would be delighted to receive feedback on their experiences when using the guides, and helpful suggestions as to how we might improve them.

The **Chapeau Paper** "Mainstreaming Anti-Corruption" defines the analytical framework for all papers.

The **Practical Guides** cover the following themes:

- ◆ Public Finance
- ◆ Public Administration at the National and Local Levels
- ◆ the Legal and Judicial System
- ◆ Education
- ◆ Resource Allocation (Land, Forests, Water)
- ◆ Privatisation
- ◆ Tools for the Analysis of Anti-corruption Measures.

Two more extensive **studies** cover:

- ◆ Combating Poverty and Corruption – Institutionalising Corruption Control in the PRS
- ◆ Corruption and Gender.

Our thanks to the authors who through their professional expertise and personal commitment made these publications possible, as well as to all the commentators and professional advisors whose valuable contributions helped make them a success. Dr. Mechthild Runger initiated the project and set it on course, Birgit Pech brought it to a successful conclusion.

Bernd Hoffmann      Dr. Albrecht Stockmayer

Director of Division      Head of Section  
Governance and      Governance and Gender  
Democracy

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## Summary

This practical guide is designed first and foremost to assist those responsible for development cooperation projects and programmes that facilitate administrative reform at the national and/or municipal levels. It provides suggestions and practical advice to support those individuals in integrating corruption prevention components into such projects in an appropriate manner.

Good governance, based on democratic principles and creating conducive frameworks for economic and social development, is key to poverty reduction. Anti-corruption projects within the broader scope of administrative reform measures aim above all to raise the quality of public administrations, and help enable them discharge their mandate to deliver public goods and services for poverty reduction. The overarching development-policy goal of these components is to help directly improve the life situation of target groups.

Reform measures are best positioned at the interface of the administration and its socio-institutional environment (including the legislative, judiciary, civil society and/or the private sector), and include the creation of effective and independent monitoring mechanisms, as well as incentives to competition, that promote an internal dynamic for reform within the administrations concerned. It is particularly desirable to institutionalise citizen participation in administrative affairs, and/or to involve civil society organisations.

### 1. Administrative Organisation and Civil Service Systems

Corruption is often attributable to systemic weak points opened up by the structures and procedures of administrative organisation and civil service systems. It may be that the given organisational structures themselves are a product of corrupt interests, as in the case of unnecessary agencies or areas of competence at the macro level that can serve as sources of patronage. Typical manifestations of corruption in civil service systems are e.g. nepotism in job appointments or promotions, politicisation of the administration, susceptibility to influence in office, dishonest handling of salaries and pensions etc.

Possible weak points are to be found both at the fundamental, i.e. structural level, and at the level of the organisational structures of individual administrative units. The former would include an oversized and/or over-centralised state (measured in relation to the subsidiarity principle), and opaque structures of decision-making and responsibility at the policymaking level.

At the implementation level, excessive discretionary scope, competences, procedures and rules that are lacking in transparency, weak internal monitoring and control systems, and poor public access to information can be points of entry for corruption. With regard to civil service systems, particular weak points include weak laws and guidelines on corruption, poorly integrated supervisory and monitoring systems, a lack of performance incentives, and non-transparent appointment, promotion and remuneration systems.

**The following anti-corruption measures are therefore recommended:**

**Administrative Organisation:**

- ◆ advisory services for appropriate downsizing of the administration; promotion of administrative decentralisation, incorporating effective administrative and political accountability; promotion of outsourcing and market competition;
- ◆ advisory services to help create the legal and institutional preconditions for more transparent, more rational governance structures, and help facilitate coordination processes at the macro level;
- ◆ organisation development to promote a transparent administrative structure with clearly defined areas of responsibility and procedures; advisory services to help simplify and standardise procedures (in the case of key decisions safeguarded by the "two heads are better than one" principle and the multiple signatures principle); division of tasks; obligatory keeping of correct, complete and timely documentation on decisions and their rationales; staff rotation; improvement of information and documentation systems by introducing computer-based procedures (e.g. payment procedures);
- ◆ improvement of internal financial control and of internal M&E systems (quality management)
- ◆ strengthening of the legal, institutional and procedural foundations for improved freedom of information and active public relations work, involving civil society in the planning, design and/or monitoring.

**Civil service:**

- ◆ strengthening of the legal foundations for, and internal awareness-raising on, depoliticisation and anti-corruption; strengthening of the independence of officials, especially in core areas of sovereignty; establishment of Codes of Conduct; disclosure of income, assets and gifts in sensitive areas;
- ◆ creation of performance incentives and greater transparency of appointments, promotions and remuneration, i.e. more appropriate, performance-based remuneration systems, transparent procedures for personnel selection and promotion, linked to training and upgrading systems and human resources development;
- ◆ strengthening of the legal and institutional foundations for the development of processes as well as trustworthy, where possible independent integrated complaint and monitoring systems with the mandate, competences and expertise to expose corruption in all areas of public personnel administration (civil service commission); monitoring systems for review of the system and reporting to parliament and the public; strengthening of cooperation with the legislative and the media, and involvement of civil society organisations in monitoring tasks.

## **2. The Award of Public Contracts – a Particular Point of Entry for Corruption**

Typical manifestations of corruption in the award of public contracts (above all involving public infrastructure / facilities / maintenance, regular large-scale deliveries) are bribery to exclude competitors who might be economically superior, and to circumvent contracts after the award, political influence, bribery of monitors etc. This results in higher prices, lower quality, distorted selection decisions and resource allocation in favour of oversized, capital-intensive public measures.

As well as inadequate expertise (especially in the fields of planning, bid evaluation, M&E after the award), other major weak points are inadequate legal foundations for guaranteeing processes of rational and fair competitive award in compliance with international standards, weak anti-corruption laws and guidelines, as well as weak internal and external supervisory, monitoring and complaint mechanisms.

### **The following corruption prevention measures are recommended:**

- ◆ strengthening of the appropriate legal foundations and procedural guidelines; process and organisation development to ensure an efficient and fair award process in compliance with international standards; anti-corruption legislation; Codes of Conduct; promotion in particular of planning, bid evaluation, M&E after award, establishment of internal and external supervisory and monitoring systems and complaint mechanisms;
- ◆ division and separation of functional responsibilities for implementation and monitoring; establishment of a central internal supervisory body; establishment of a central tender board (responsible for comparing bids and making the award); support of documentation and communication systems and e-procurement; further measures of institutional development (training and upgrading systems for corruption prevention etc.);
- ◆ strengthening of the legal, procedural and institutional foundations for the systematic, institutionalised involvement of civil society organisations in external and internal monitoring structures, e.g. institutionalisation of integrity pacts (for more details see: GTZ, Avoiding Corruption in Privatization. A Practical Guide);
- ◆ promotion of integrity in the private sector, also involving private-sector associations.

## **3. Citizen Participation in Administrative Affairs at the Municipal Level**

Substantial participation creates a more rational basis for local decision-making, increases the transparency and accountability of the administration, and allows better monitoring of the use of resources.

**Key activities for citizen participation in administrative affairs would include:**

- ◆ citizen participation in municipal planning (e.g. medium-term development and investment planning, land management/land-use management planning, local action plans);
- ◆ participatory local budgetary planning ;
- ◆ participatory processes to approve local legal reforms and ordinances;
- ◆ participation in the sectoral management of public resources and facilities (e.g. in the health or education sectors);
- ◆ participatory monitoring (e.g. expenditure and result monitoring).

**Anti-corruption activities of civil society partner organisations in this context could be:**

- ◆ awareness-raising among, and organisation of, target groups; aggregation and articulation of their interests vis-à-vis governments and administrations;
- ◆ exposure of corruption and monitoring (e.g. expenditure and result monitoring, privatisation, procurement, implementation of corruption-oriented user surveys);
- ◆ advocacy activities, lobbying for reform and coalition building;
- ◆ involvement in the development, monitoring, implementation of action plans, Codes of Conduct;
- ◆ training for civil society organisations and officials, preparation of toolkits etc.

**The following method for institutionalising participatory procedures is recommended:**

- ◆ situation analysis and identification of strategic actors and groups in the state, civil society and private sectors;
- ◆ in-process moderation, including conflict transformation, to develop, introduce, practice, evaluate and legally underpin culturally appropriate mechanisms of participation;
- ◆ training and upgrading of the involved governmental and non-governmental actors and civil society organisations;
- ◆ multi-layered approach and knowledge management, incorporating the regional and central levels, to promote and disseminate good practices beyond pilot measures.

**Key activities for sustainable capacity building among civil society partners include:**

- ◆ training to develop anti-corruption knowledge and expertise in relation to relevant themes (e.g. budget analysis);
- ◆ developing capacities for dialogue with other strategic groups;

- ◆ improving cooperation with the media, and capacity-building in the local media: (transfer of professional techniques of investigative journalism, promotion of internal ethical standards);
- ◆ improvement of internal and external capacities for organisation and management.

## **I. Introduction**

This practical guide is designed first and foremost to assist those responsible for development cooperation projects and programmes that facilitate administrative reform at the national and/or municipal levels. It provides suggestions and practical advice to support those individuals in integrating corruption prevention components into such projects in an appropriate manner.

Good governance, based on democratic principles and creating conducive frameworks for economic and social development, is key to poverty reduction. Anti-corruption projects within the broader scope of administrative reform measures aim above all to raise the quality of public administrations, and help enable them discharge their mandate to deliver public goods and services for poverty reduction. The overarching development-policy goal of these components is to help directly improve the life situation of target groups.

### **Analytical Framework**

The analytical framework within which the problem of corruption is addressed is laid down in the GTZ Chapeau Paper "Mainstreaming Anti-Corruption". The present guide uses the terms "administrative reform" and "decentralisation", as well as other relevant terms, in the senses broadly defined in the relevant BMZ position papers.<sup>1</sup> The analytical framework also incorporates the promotion approaches and broad goals laid down in those documents. The goal of decentralisation, for instance, is to strengthen processes of democratisation at the local level and beyond. A further objective is to help enable local authorities to better identify local needs, and deliver public goods more efficiently and on a more development-oriented basis.

### **Administration and Decentralisation in the Context of Corruption**

In many cooperation countries, less capable public administrations do not perform their roles to the full, since they are neither development- nor citizen-oriented. In many contexts, corruption is an endemic and deeply rooted problem. This prevents public administrations from delivering public goods and services efficiently and justly for poverty reduction.

Opaque and complicated rules and regulations that offer numerous opportunities for officials to demand and conceal the payment of bribes, make access to public goods and services expensive or unobtainable. Disproportionately high transaction costs, arbitrariness and the distortion of competition constrain economic dynamisation and development of the area or region concerned. Scarce public resources are invested in questionable development measures and "diverted" into people's own pockets, while existing financial and development potentials remain unutilised. Especially where social goods and services are concerned, expensive or unobtainable access, and the poor quality of the goods and services has a particularly negative impact of disadvantaged

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<sup>1</sup> Cf. BMZ (2002a, b). As well as these BMZ Position Papers, the "GTZ Sector Guideline: Decentralisation" (2001) was also used.

sections of the population. Recruitment, promotion and remuneration practices based on the maintenance of nepotistic rule also undermine the political neutrality, integrity and performance capability of public administrations.

One severe impact is the loss of citizens' trust and confidence in the legitimacy of the democratic state at the national and local levels. Corruption and the poor performance of democratic systems are mutually reinforcing factors – manifested in political processes that are distorted in favour of the interests of elites, and which constrain the opportunities for political participation and emancipation of broad sections of the population.

The problem of corruption thus jeopardises all the broad development-policy goals of both administrative reform and decentralisation.

Within the international debate, no consensus has yet emerged on how to evaluate the contribution of decentralisation measures to corruption prevention. This is because on the one hand, in the context of decentralisation, the creation of an effective professional and legal supervisory structure at supraordinate levels comes up against the particular problem that more individuals with more decision-making competence over public resources then need to be supervised across large distances, while larger asymmetries of information come into play. At the same time, the higher density of interaction at the local level among elites within and outside of the state sector is conducive to the formation of closer relationships, corrupt networks and the concealment thereof.

On the other hand, decentralisation can lead to democratic watchdogs and mechanisms of political accountability effectively stemming corruption. Opposition parties have an interest in monitoring the executive, exposing official corruption and offering themselves as a political alternative. Furthermore, local electorates gain an opportunity to vote corrupt officials out of office. Nevertheless, decentralisation cannot be viewed as an "anti-corruption measure per se". Even though democratic institutions may be formally created and free elections introduced at the local level, experience shows that powerful and economically privileged elites within and outside of the state sector are able through the informal wielding of power and money politics to abuse those institutions in pursuit of their own interests. A "decentralisation of corruption" is particularly likely where the administrative, parliamentary, legal and civil society monitoring and control mechanisms or groups do not have sufficient capacities, or are themselves corrupt.

On the other hand there are positive examples demonstrating that the promotion of decentralisation and local self-government can lead to a reduction in corruption. An important role is played here by the transfer of appropriate resources and available basic capacities for budgeting and financial management, the transfer of political legitimacy and substantial monitoring rights to local representative bodies, as well as an active civil society and free media.<sup>2</sup>

The integration of specific anti-corruption measures into projects and programmes for administrative reform and decentralisation can make a major contribution toward the sustainability of their results.

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<sup>2</sup> Cf. OECD/DAC/Govnet (2003) und Crook/ Manor (1998).

Through anti-corruption measures, German Development Cooperation (DC) supports systemic institutional change of a preventive nature, especially by establishing transparent and accountable structures in the public sector. Reform measures are best positioned at the interface of the administration and its socio-institutional environment (including the legislative, judiciary, civil society and/or the private sector), and include the creation of effective and independent monitoring mechanisms, as well as incentives to competition, that promote an internal dynamic for reform within the administrations concerned. It is particularly desirable to institutionalise citizen participation in administrative affairs, and/or to involve civil society organisations.

### **Structure and Scope**

The present guide will focus on the following activity areas of administrative reform: The structures and procedures of public service may involve key systemic weak points for corruption (1). The award of public contracts is treated separately as a typical point of entry for corruption (2). The analysis first of all identifies specific manifestations and possible weak points for corruption. For each of these, counter-measures are then presented as recommendations for development cooperation. Finally, in Section 3, mechanisms for citizen participation in administrative affairs and the municipal level are identified and discussed.

Annex (I) contains suggested indicators for results at the project level. Annex (II) presents an overview of the quoted checklists, local training offerings, as well as other resources and literature.

At this point we should make several distinctions: The GTZ Practical Guide "Corruption Prevention in Public Finance" deals with the areas of taxation, customs and the budget, and includes financial control. Regarding the legal and judicial system, interested readers are referred to the GTZ Practical Guide "Preventing Corruption in the Legal and Judicial System". This guide also contains brief examples of the links between corruption and individual sectoral administrations (such as "corruption and education", "corruption and the health sector" etc.). The topic "Preventing Corruption in the Education System" is also dealt with in detail in the GTZ Practical Guide of the same name.

## **II. Activity Areas of German Development Cooperation for Administrative Reform/Decentralisation**

### **1. Administrative Organisation and Civil Service Systems**

#### **1.1. Typical Manifestations and Possible Weak Points**

##### **Where is corruption manifested?**

Corruption is often attributable to systemic weak points opened up by the structures and procedures of administrative organisation and civil service systems. It should be emphasized that organisational structures themselves may be a product of corrupt

interests, and therefore should not be treated as an external variable. One example would be poorly defined divisions of competence and the macro level, which can then – in the form of unnecessary agencies or areas of competence – serve as sources of patronage. Equally essential for eliminating these weak points is the political will at the level of management to implement administrative reform and prevent corruption.

#### **Typical Manifestations of Corruption in a Civil Service System:**

- Irregularities in the administration of personnel affairs can assume considerable proportions, e.g. ghost workers, false salary payments, supplementary remunerations or pensions.
- Appointments and promotions that are not based on qualifications and performance, but on nepotism or bribery, are among the most widespread or "cross-cutting" forms of corruption.
- Administrations are often politicised, i.e. following political elections large sections of them are replaced by incoming party members, which increases the risk of officials being subject to political influence.
- Corruption can become a dominant or systemic part of the administrative culture. Officials should have to fear negative consequences if they attempt to acquire corrupt practices "through official channels".

#### **What are the signs of corruption?**

Administrative organisation includes not only the definition and division of functions and responsibilities, or the hierarchical relationship structures, but also the organisational "rules of the game" that govern decision-making. It also includes the structures and processes for implementation of those decisions, as well as for knowledge and information management, performance management, evaluation and in-house monitoring.

Alongside internal administrative organisation, the aspect of "freedom of information for citizens" points to an **interface with the public environment**. Other essential interfaces for democracy and the rule of law, i.e. interfaces with the legislative and judiciary (including functioning audit offices, anti-corruption agencies, ombudspersons etc.), and with civil society, are dealt with in detail elsewhere.

### **Possible Weak Points of Administrative Organisation:<sup>3</sup>**

#### **Size and Degree of Centralisation of the State:**

- Empirical data on the number of employees and the degree of centralisation alone indicate little about any inclination toward corruption.<sup>4</sup> Application of the subsidiarity principle does, however, help identify reform potentials for corruption prevention (see counter-measures").

#### **Competences and Decision-making Structures at the Macro Level:**

- Opaque decision-making processes and procedures at the macro or policymaking level are highly problematic, because almost impossible to monitor. Objective forms of cooperation with parliament - the key body for political monitoring of governance - are circumvented. Poorly defined divisions of competence not only reduce the consistency of policy, but also the allocation of responsibilities, including responsibilities for the supervision and monitoring of subsidiary levels.

#### **Structures and Processes within Individual Agencies at the Implementation Level:**

- Competences that are inadequately defined both internally and externally make it more difficult to assign responsibilities. Often there is a de facto concentration of competences coupled with incomplete or mutually conflicting procedures and rules. These weak points create opacity, reducing the likelihood of corrupt practices coming to light. At the same time, decision-makers gain disproportionately wide discretionary scope.
- Complexity and bureaucratic hurdles in terms of the number, duration and costs of the procedural steps, involving a large number of officials, generate a risk of corruption. In some cases, hurdles of this kind and additional veto points are created for the sole purpose of generating additional earnings.

#### **Mechanisms of Internal Evaluation and Control:**

- Inadequate mechanisms of internal financial control;<sup>5</sup>
- Inadequate professional supervision and quality management. Here, there is a lack of adequately developed and published quality standards, appropriate information systems and/or methods and indicators to measure service delivery. The deterrent effect of disciplinary sanctions usually fails due to the lack of implementation of those sanctions.

#### **Public Access to Information:**

- Citizens often have inadequate public access to information on the administration. Therefore they have barely any opportunity to challenge decisions and monitor the administration.

<sup>3</sup> Cf. ADB Guide Questions to Public Administrations: [http://www.adb.org/Governance/gov\\_framework1.asp](http://www.adb.org/Governance/gov_framework1.asp); World Bank Administrative and Civil Service Assessment Tool: <http://www1.worldbank.org/publicsector/anticorrupt/toolkitacsr3.doc> and <http://www1.worldbank.org/publicsector/civilservice>.

<sup>4</sup> Cf. the overview of the literature in OECD/ DAC/ Govnet (2003).

<sup>5</sup> Cf. GTZ, Preventing Corruption in Public Finance. A Practical Guide.

### Possible Weak Points in a Civil Service System:<sup>7</sup>

#### **Inadequate Legal Foundations:**

- The legal framework is often unclear, inconsistent and does not cover all public officials.
- There is often no explicit separation between political and non-political government officials. This creates a risk that any position can de facto be subject to political influence.
- Anti-corruption laws and guidelines are often deficient and unclear. Enforcing them usually also poses serious problems.

#### **Lack of Performance Incentives, and Poor Transparency of Appointments, Promotions and Remuneration:**

- At the lowest levels of the civil service in particular, salaries can be so low that additional earnings need to be generated either by officers taking a second job, or through corruption. At higher levels too there is a lack of salary-based incentives to perform well and maintain integrity.
- Unclear and/or non-performance-based, non-publicised criteria and procedures for appointments and promotions are further possible weak points. This makes decisions less easy to monitor and contest, and at the same time is conducive to a politicisation of the administration. The remuneration system is inconsistent and opaque, and is not performance-based.

#### **Poorly Integrated Supervisory and Monitoring Systems for the Civil Service:**

- Non-existent or ineffective internal competences and procedures to expose and pursue cases of corruption, and an absence of legal and institutional foundations for politically and operationally independent complaint and monitoring systems.

## 1.2. Corruption Prevention Measures<sup>8</sup>

Given the above weak-point analysis, possible development cooperation activities for administrative reform would include measures to reform the structures and procedures of administration organisation both at the fundamental, i.e. structural level, and at the level of individual administrative units. Concretely, this would mean activities to reduce government officials' bargaining power and clout, to increase transparency and to improve effective supervision and monitoring. Secondly, a contribution can be made toward

<sup>6</sup> Cf. GTZ, Preventing Corruption in the Legal and Judicial System. A Practical Guide; (idem) Preventing Corruption in Public Finance. A Practical Guide.

<sup>7</sup> Cf. <http://www1.worldbank.org/publicsector/civilservice/>; World Bank: Administrative and Civil Service Assessment Tool at <http://www1.worldbank.org/publicsector/anticorrupt/toolkitacs3.doc>; TI Sourcebook (2000): Ch. 20.

<sup>8</sup> Cf. World Bank: Administrative and Civil Service Reform Website, Designing and Implementing Reforms: <http://www1.worldbank.org/publicsector/civilservice/designimplementing.htm> and Bottom-up Approaches: <http://www1.worldbank.org/publicsector/civilservice/innovative.htm>.

depoliticising the civil service, increasing performance incentives and raising the transparency of appointment, promotion and remuneration practices. These measures should be complemented by the introduction of an integrated monitoring and evaluation system, as well as improved training and upgrading.

## **Administrative Organisation**

### **Size and Degree of Centralisation of the State**

- ◆ advisory services for downsizing the administration in those areas where it seems appropriate in accordance with the subsidiarity principle;
- ◆ promotion of administrative decentralisation, accompanied by capacity building and the creation of transparent structures that are administratively and politically accountable;
- ◆ promotion of outsourcing and market competition, above all for service delivery (wider range of choice for citizens, who are then less "at the mercy" of corrupt officials. Those officials are then exposed to stronger pressure of competition to become more efficient and "client-oriented"). The privatisation process itself must be secured by applying frameworks and rules of procedure to prevent the creation of new points of entry for corruption and the abuse of private coercive monopolies.<sup>9</sup>

### **Defining Competences and Decision-making Structures at the Macro Level**

- ◆ advisory services to help create the legal and institutional preconditions for transparent governance structures with clearly defined competences and responsibilities; rationalisation of decision-making processes (common rules of procedure etc.); promotion of maximum transparency of governance vis-à-vis parliament, the public and the media; improvement of inter-ministerial and inter-governmental harmonisation and coordination in the planning and implementation of policies for legal and institutional reform.

### **Structures and Processes Within Individual Agencies at the Implementation Level**

- ◆ organisation development to promote a transparent administrative structure with clearly defined areas of responsibility and procedures;
- ◆ advisory services to help simplify and standardise procedures (in the case of key decisions safeguarded by the "two heads are better than one" principle and the multiple signatures principle); division of tasks (e.g. evaluation and purchasing); obligatory keeping of correct, complete and timely documentation on decisions and their rationales; improvement of information and documentation systems by introducing computer-based procedures (e.g. creation of one-stop-agencies,

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<sup>9</sup> Cf. GTZ, Avoiding Corruption in Privatization. A Practical Guide.

especially in high-risk areas such as tax authorities; automatic allocation of applications to case officers);

- ◆ review of the possibility of rotating staff members in sensitive areas to prevent the formation of collusive relationships between actors (although in a systematically corrupt environment this can also have undesired impacts, making it more difficult to build professional capacities).

### **Mechanisms of Internal Evaluation and Control**

- ◆ strengthening of internal financial control<sup>10</sup>;
- ◆ advisory services for the introduction and implementation of quality management measures; advisory services for the participatory development of transparent standards and indicators<sup>11</sup>; improvement of information systems for periodic performance monitoring using diversified information sources; administrative survey of inputs and directly measurable outputs, applying both technical quality measurement measures and user surveys including corruption-oriented questionnaires.

#### **The Municipal Administration of Seoul's Corruption Report Card to the Mayor**

The Corruption Report Card to the Mayor introduced in 1999 is a mechanism of complaint for citizens negatively affected by corruption, and at the same time an instrument for feedback and evaluation by the municipality of Seoul. The users of public goods and services, and public officials, especially from sectors susceptible to corruption such as construction or tax, are periodically surveyed concerning their corruption-related experiences. This has already led to a large number of disciplinary proceedings and systemic reforms.

An independent evaluation in 2002 revealed a decline in corruption, and improvements in both the quality of public services and public perception of the integrity of the municipal administration. At the same time, it identified among other things a need for more in-service training and improved public relations work.<sup>12</sup>

<sup>10</sup> Cf. GTZ, Preventing Corruption in Public Finance. A Practical Guide.

<sup>11</sup> In Indonesia, for instance, GTZ is supporting local planning agencies in developing a participatory monitoring and evaluation system. In cooperation with the district government of East Sumba, UNICEF and the national statistical agency BPS, work is under way to develop locally specific and culturally sensitive poverty indicators, appropriate data survey methods and instruments for local information management. Through this initiative, the national statistical agency is pursuing the goal of developing in East Sumba an exemplary system that is replicable in other regions.

<sup>12</sup> Cf. Seoul Institute for Transparency (2002).

### **Public Access to Information**

- ◆ strengthening of the legal and institutional foundations (freedom of information law) for public access to timely, correct and complete information on administrations, and for unrestricted access to mechanisms of complaint with guidelines and procedures that have been made both internally and externally explicit;
- ◆ This is especially applicable to information enabling citizens to monitor the administration, i.e. information on the budget and its use (including procurement, see also the relevant section), the results of reviews and evaluations, claims, standards including costs, procedures and responsible officials to approach, status of personal and community affairs, and the rationales of decisions taken.
- ◆ improvement of public relations work by promoting an active, media-friendly, target-group-oriented and comprehensible information offering, promotion of citizens' information bureaus, citizen charters etc.;
- ◆ involvement of civil society organisations in the planning, design and/or monitoring of reforms.

### **Civil Service**

#### **Strengthening Legal Foundations and Internal Awareness Raising**

- ◆ advisory services to help establish legal provisions governing the employment of all civil servants, within the scope of a consistent and transparent labour law;
- ◆ promotion of restrictions on the positions of political civil servants, and a clear distinction between them and civil servants who are explicitly obliged to remain impartial and are protected by greater job security, especially in core areas of sovereignty (such as the legal system, tax administration, domestic and foreign security);
- ◆ advisory services to help develop and implement anti-corruption laws and guidelines, as well as clear and publicised Codes of Conduct, pursuant to which public officials are required to refrain from, prevent or report corruption; provisions for data protection, for the appropriate sanctioning of corruption and for the establishment of corresponding procedures, especially in high-risk areas and at the management level; obligation to periodically declare and disclose (certain<sup>13</sup>) data on individual income

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<sup>13</sup> In Australia and Canada, lists of assets are not published, on the grounds that an individual's privacy and personal security (e.g. risk of kidnapping) should be protected. Compromises such as those in Bulgaria, Thailand or South Africa would appear appropriate. In these countries the list is published only in part, although disclosure clearly reveals any substantial conflict of interests. The privacy of the family members of the officials concerned is protected to a higher degree than that of the officials themselves.

Cf. <http://www1.worldbank.org/publicsector/civilservice/enforcement.htm>.

and assets<sup>14</sup>; involvement of the implementation level and of civil society organisations in the development of corresponding codes of conduct; discussion-intensive training offerings; establishment of advisory inputs in cases of doubt.

### **Creation of Performance Incentives and Transparency of Appointments, Promotions and Remuneration<sup>15</sup>**

- ◆ The fundamental importance of appropriate remuneration for preventing corruption is undisputed. However, a combination of effective supervisory and monitoring mechanisms is needed in order to generate corruption-preventive impacts. Given the fiscal difficulties faced in a number of cooperation countries, this combination of measures should be employed primarily in high-risk areas.
- ◆ There is empirical evidence demonstrating that the principle of appointment or promotion on the basis of performance or merit helps prevent corruption. The special advantage of clear criteria of performance is the fact that questionable decisions can be challenged on the basis thereof.
- ◆ advisory services to help develop and implement standardised and publicised personnel selection procedures; requirement profiles, performance-based evaluation systems, published job offers, fair appointment procedures, publication of personnel decisions, development of documentation systems;
- ◆ advisory services to help develop transparent criteria and procedures for promotions or entry into higher salary groups; transparent bonus systems for good performance;
- ◆ promotion of upgrading systems and human resources development strategies offering career incentives for personnel willing to undergo training.

### **Support of Integrated Monitoring Systems for the Civil Service**

- ◆ strengthening of legal foundations, development of processes as well as independent and trustworthy institutions, coupled with complaint and monitoring systems with the mandate, competences and expertise to expose corruption in all areas of public personnel administration (including recruitment, promotion and remuneration); monitoring systems for review of the system and reporting to parliament and the public; strengthening of cooperation with the legislative and the media, and involvement of civil society organisations in monitoring tasks;
- ◆ development of periodically updated lists providing information on personal assets and accepted gifts, and transfer of methods for the review thereof.

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<sup>14</sup> Other relevant provisions to prevent conflicts of interest include in particular restrictions on the acceptance of gifts, personnel decisions concerning family members, business interests in companies with which an official is associated by virtue of his or her office, and career moves to the private sector etc. Concerning model and worldwide best practice legislation and guidelines, see: TI Knowledge Centre:  
[http://www.transparency.org/knowl\\_intro.html](http://www.transparency.org/knowl_intro.html).

<sup>15</sup> See the empirical and theoretical overview at:  
<http://www1.worldbank.org/publicsector/civilservice/ineffectivemon.htm>; see also the links there to the relevant empirical studies.

### **TC Support for South Africa's Public Service Commission**

German TC is delivering advisory services to South Africa's Public Service Commission in the discharge of its mandate to monitor and evaluate human resource management in public administration, especially in the fields of client-oriented service delivery, codes of conduct and labour ethics, and internal disciplinary proceedings. This institution is answerable to parliament, and is supported by decentralised offices in the provinces. Provisionally, it is being financed from the public pocket. The advisory services required involve primarily institutional and organisation development, and capacity building. The Commission is being supported in coordinating and implementing a proactive strategy to fight corruption, chiefly in public service, and to develop lists of personal assets held by high-ranking public servants, as well as methods for their review.

## **2. The Award of Public Contracts – a Key Point of Entry for Corruption**

### **2.1. Typical Manifestations and Possible Weak Points**

#### **Where is corruption manifested?**

Surveys of the losses resulting from corruption in the award of public contracts put the figures at around 20-30% of the total value of the contracts. In a number of cases the figures are very significantly higher.<sup>16</sup> One result is a decline in the quality and quantity of public goods and services, combined with an increase in their price. Particularly badly affected are sectors of public infrastructure (traffic, water, energy, schools, hospitals etc.), their appurtenant facilities and ongoing maintenance, and the regular requirement for large deliveries of medicines, schoolbooks etc. The decision to select certain public measures can already have been made in the conscious expectation of receiving kickback payments. The overall result is an incongruity between needed investment for development on the one hand, and oversized, capital-intensive public measures on the other that are likely to generate both larger profits - from corruption - and better opportunities to conceal them.

The parties to these contracts are the clients (officials in the public administration), and contractors (suppliers of goods for procurement, construction and utility companies, consultants etc.). Before a contract is awarded, bribes are paid in an attempt to limit market access and exclude competitors of the individual or company having bought favour. Yet possible points of entry for corruption can also be observed after the award of contracts. This because during every phase of the process there exists a risk that preference for certain suppliers can be brought about by an official exerting influence, perhaps with the blessing of his superiors, or through political pressure, and that monitoring mechanisms can be circumvented by bribing the monitors.

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<sup>16</sup> Cf. TI Sourcebook (2000): Ch. 22. See also Soreide (2002).

### **Typical Manifestations of Corruption Before the Award of a Contract:**

- award of the contract without any competition to the "bidder offering the most"<sup>17</sup> -either patently circumventing regulations or appearing to comply with them (e.g. on the pretext of urgency);<sup>18</sup>
- corruption in the process of shortlisting candidates/prequalification;
- short-term or limited publication of tender information, in order to favour a certain group of candidates; the terms of the invitation to tender are "tailor-made" to suit the corrupt candidate, thus de facto excluding possible competitors;
- transfer of insider information on internal preferences or on the bids of competitors, thus enabling corrupt candidates to make their own bid more attractive;
- above all with international transactions, payments to middlemen are agreed - including customary bribes - without the corrupt company themselves needing to be informed of the details;
- collusion or cartel formation among bidders, i.e. covert agreements among actors participating in the public contracts awarded, with or without the knowledge of the public client.

### **Typical Manifestations of Corruption After the Award of a Contract:**

- in return for kickbacks - a share in the difference between the value of the contract and the actual value of the goods and services supplied - compliance with quality standards, the agreed bill of quantities or other contractual provisions is not monitored, vouchers are manipulated, or contracts are modified after the award;
- In return for "cultivating long-term business relations", public officials receive personal benefits (travel, financing of children's education at elite schools abroad).

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<sup>17</sup> Or to companies with which the decision-maker is linked, either through business connections or personally through nepotistic networks. Hereinafter, the straightforward term bribery will be used to simplify matters.

<sup>18</sup> For smaller contracts, complex award procedures would usually be too elaborate. The following comments are based on assumed contract values that would permit or indeed require elaborate award procedures on economic grounds.

## What are the signs of corruption? <sup>19</sup>

### Possible Weak Points in Public Procurement:

- Laws and guidelines for public procurement often do not include all types of award, public sectors, parastatal enterprises or levels of administration; in particular, exceptional rules often apply to the defence and security sector.
- incomplete, unclear, unnecessarily complex, inadequately publicised laws and guidelines that create additional monopolies, discretionary scope and opportunities for concealment, or prevent effective monitoring; non-compliance with international standards to guarantee rational and fair competitive bidding and award,
- absent or inadequate anti-corruption laws and guidelines that are often not applied, and a lack of appropriate sanctions (in the case of international invitations to tender, also in the country of the potential bribing party<sup>20</sup>); absence of or inadequate Codes of Conduct within the companies involved (lack of corporate governance);
- unclear, inadequately publicised responsibilities and competences; poor institutionalisation of internal and external supervisory, monitoring and complaint mechanisms; lack of operationally and politically independent monitoring; inadequate information and reporting duties vis-à-vis auditors, complainants and the public<sup>21</sup>;
- underpaid and under-qualified staff - in relation to comparable positions in the private sector - which can affect both the award process itself, and monitoring and evaluation; inadequate expertise also in procurement planning (needs analysis, realistic projection of costs and time frame of service delivery etc.) and in contract management, which in turn creates scope for corrupt practices, and at the same time makes it more difficult to apply supervision and monitoring using corresponding criteria of performance.

## 2.2. Corruption Prevention Measures

Given the above weak-point analysis, possible development cooperation support to help prevent corruption both before and after the award of contracts would first of all include measures to fundamentally strengthen planning and management capacities for procurement, and especially measures to strengthen accountability, transparency and

<sup>19</sup> Cf. Questionnaire on Public Procurement System of the Country Procurement Assessment Reviews conducted by the World Bank since 2000: <http://www.worldbank.org/html/opr/procure/Annex%20A.htm>. Of particular interest here is the analysis of the effectivity of the existing supervisory and monitoring mechanisms in theory and practice, and beyond that the assessment of the risk factors for, and signs of, corruption. Also highly recommended, including the corruption checklist, is: Wittig (1999). See also TI Sourcebook (2000): Ch. 22.

<sup>20</sup> Through its binding Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997/ 99), the OECD generated key impetus among OECD members (and beyond) to promote the implementation of national laws to criminalise the bribery of foreign officials in international business dealings.  
Cf. <http://www.transparency.de>.

<sup>21</sup> Cf. GTZ, Preventing Corruption in Public Finance. A Practical Guide.

effective monitoring and evaluation. One key instrument would be institutionalised safeguards for efficient and fair competitive bidding and award.<sup>22</sup>

#### **Development Cooperation Activities for System Development:**

- ◆ advisory services to help formulate and implement a comprehensive law for public procurement, covering all types of procurement, all state sectors and parastatal enterprises, and all levels of administration; formulation and implementation of procedural guidelines to guarantee compliance with international standards, and ensure an objective and fair award process (see the section on process development);
- ◆ advisory services to help strengthen and enforce appropriate anti-corruption laws and guidelines, including appropriate sanctions, also for companies already blacklisted (for a limited period, depending on the severity<sup>23</sup>; clear definition and division of functional responsibilities for implementation and monitoring. It is recommended that a central internal supervisory agency be created that is separate from and functionally independent of the purchasing agencies, possesses clear competences, adequate resources and personnel, and explicit authority to both expose corruption and systemic weak points, and introduce sanctions and systemic preventive counter-measures.
- ◆ It is also recommended that a central tender board be created with specialised personnel, remunerated on a basis commensurate with their expertise and performance, that would be responsible for comparing bids and awarding contracts.
- ◆ strengthening of the legal foundations and institutionalisation of effective administrative and legal complaint mechanisms with regard to award procedures and decisions;
- ◆ strengthening of the legal foundations for appropriate documentation and reporting duties of responsible officers vis-à-vis complainants, auditing bodies and the public, especially with regard to responsibilities, decisions and the grounds on which those decisions have been taken, during all phases of the process including audits and possible complaint procedures, status of measures and status of monies etc.<sup>24</sup>;
- ◆ strengthening of the legal foundations governing processes for the systematic, institutionalised involvement of civil society organisations in external and internal monitoring structures.

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<sup>22</sup> Key international standards would be: UNCITRAL Model Law on Procurement of Goods and Construction (developed in 1993 by the United Nations Commission on International Trade Law, particularly to support developing and transition countries); GPA (Government Procurement Agreement, 1994) of the WTO, although this is not binding for membership. See also – less relevant, though recommended on the basis of its clarity and practicability: APEC Government Procurement Expert Group (1999): Non-binding principles on government procurement.

<sup>23</sup> Cf. GTZ, Preventing Corruption in Public Finance. A Practical Guide.

<sup>24</sup> See especially UNCITRAL, as well as TI.

### E-Procurement

E-procurement is the utilisation of information and communication technologies (ICT), and especially the Internet, for procurement purposes. This can be used in all phases of the procurement process (planning and preparation, invitation to tender, evaluation, contract management, monitoring). A distinction is made between information systems (supply of information and documents on the procurement process, as well as procurement reports and statistics, information on the status and duration of procedures and complaint mechanisms etc.), and combined information and transaction systems (with placement of invitations to tender and bids via the Internet, through to online award of contracts, purchases and payments).<sup>25</sup>

Furthermore, electronic technologies are also used for purposes of documentation and information (aggregation) within the scope of internal (management, finance) and external monitoring, possibly in combination with comprehensive financial information systems. By standardising documentation and comparing diverse sources of information on finance and performance, irregularities can be detected more easily, and traced back to those responsible (audit trails). Before establishing such comprehensive systems, however, basic capacities for sound financial management should be in place.<sup>26</sup>

It is widely acknowledged that streamlining of the process improved efficiency and transparency. However, generally speaking it is not sufficient simply to introduce new technologies. These need to be integrated into wider political and administrative reform process that includes both professional change management and intensive user training. One particular technical problem with e-tendering is guaranteeing the security of online data, and data protection. A further aspect is the fact that small and medium-sized enterprises may have less market access due to a lack of technical capacities.

### Development Cooperation Activities for Process Development:

Advisory services can be delivered to help plan and implement standardised procedures and mechanisms to guarantee transparency and accountability within an efficient and fair bidding and award process. The International Competitive Bidding (ICB) standards can serve as a frame of reference here, deviations from or exceptions to which must be clearly defined and externally transparent, as well as objectively justified. This applies in particular to shortlisting procedures. Further support measures – both before and after the award of contracts - are also recommended.

<sup>25</sup> Cf. the examples of international best practices with a focus of developing countries in Latin America: OAS/ IACD (n.y.): [http://www.iacd.oas.org/template-ingles/best\\_practices\\_pub.htm](http://www.iacd.oas.org/template-ingles/best_practices_pub.htm). See also Section 1.

<sup>26</sup> Cf. Janus (2001).

**The Following Activities Result for the Individual Phases of the Process:**

- advisory services for process development, including documentation of participatory needs analysis involving both the population and civil society organisations<sup>27</sup>; advisory services for procurement planning and methods to determine going market rates; drafting of professional ToRs; professional production of standardised tender documents, and publication of the invitation to tender that is appropriate in terms of form, content, range and time frame;
- establishment of public opening of bids; advisory services for protection of confidential information both beforehand and throughout the entire process;
- advisory services to help design and implement procedures for the professional comparison of bids for award of the contract, in accordance with publicised criteria (to be performed by an appropriately qualified, functionally independent committee of evaluators); development of monitoring procedures for the evaluation process to be conducted by independent supervisory bodies and civil society organisations, for instance in the form of "integrity pacts"<sup>28</sup>;
- advisory services for documentation of the evaluation process and publication of information on the evaluation and the award decision. The process should incorporate appropriate time limits, and possibly provision for the exchange of evaluators.
- advisory services to help develop standardised, detailed and verifiable contracts, including anti-corruption clauses with appropriate sanctions in the event of proven violations;
- procedures to guarantee proper process management, including provision for additional costs or delays; advisory services for in-project contract management and final account; appropriate documentation of payments, inspections, project progress and acceptance; planning and implementation of procedures and methods of functionally self-reliant and independent supervision and monitoring after award of the contract; in particular, audit of actual expenditure and results with systematic involvement by civil society organisations;
- planning and implementation of procedures for effective complaint mechanisms and their documentation.

**Development Cooperation Activities for Institutional Development:**

- ◆ development of improved structures and processes that are more appropriate, transparent and accountable (planning and technical management, commercial management, monitoring and evaluation, and coordination thereof); support of documentation and communication systems utilising ICT;
- ◆ training and training system development in the aforementioned functional areas, especially to identify corrupt practices and systemic counter-measures; socialisation of developed Codes of Conduct; possibly making use of appropriate local training offerings provided by specialised non-governmental organisations<sup>29</sup>;

<sup>27</sup> See also Section 3.

<sup>28</sup> Cf. GTZ, Avoiding Corruption in Privatization. A Practical Guide.

<sup>29</sup> E.g. Procurement Watch Philippines: <http://www.procurementwatch.org.ph>; a number of TI Chapters such as TI Argentina etc.

- ◆ improvement of professional cooperation with audit bodies, civil society organisations, promotion of an open information culture vis-à-vis the media and public relations work;
- ◆ support of civil society organisations in the exercise of the aforementioned monitoring functions ;
- ◆ promotion of integrity in the private sector, including private-sector associations.<sup>30</sup>

### **Survey Instruments to Measure and Analyse Corruption in Local Process of Supply and Delivery of Public Goods and Services**

#### **Public Expenditure Tracking Surveys (PETS)**

The focus of PETS, first implemented by the World Bank in 1996<sup>31</sup>, is on the social sectors. Information on public expenditure is collected by central and subcentral administrations, and in individual schools, hospitals etc., and evaluated in order to track the flow of monies and establish what proportion of it is being "lost" in each case. Surveys in Uganda for instance established that a total of just 13% of transfers for schools actually reached their designated recipients. The majority of schools never received anything from these transfers. Apart from the difficulty of surveying reliable government data - generally speaking one of the fundamental structural problems - household-based surveys have also been lacking, i.e. end consumers have not been involved in survey activities.

#### **Public Expenditure Monitoring of the Uganda Debt Network**

Since 1999 the Uganda Debt Network, a coalition of civil society organisations, has been monitoring independently at district level - though with the active support of the Ugandan central government - the Poverty Action Fund, which was established in 1998 as a budget item in its own right, with a mandate to use HIPC resources to help reduce poverty. Monitoring committees in the districts conduct interviews with district and municipal governments, with personnel at the implementation level (school principals, doctors, engineers etc.), and hold discussions with target groups in local communities. At the same time, monthly allocations by the central government to the district government are monitored, in which context government information is also obtained both from monthly publications, and directly from the Ministry of Finance, Planning and Economic Development (MFPED), as well as from other sources such as the central bank. The reports are published, and presented quarterly at MFPED-organised events in the presence of the media, governmental and non-governmental stakeholders, and international donors.<sup>32</sup>

<sup>30</sup> Cf. TI Sourcebook (2000): Chapter 16; ICC (1996): Proposed Anti-Corruption Rules of Conduct for Corporations and Corresponding Actions for Government:  
[http://www.iccwbo.org/home/statements\\_rules/rules/1999/briberydoc99.asp](http://www.iccwbo.org/home/statements_rules/rules/1999/briberydoc99.asp).

<sup>31</sup> Cf. Reinikka/ Svensson (2003).

<sup>32</sup> Cf. World Bank Institute:  
<http://www.worldbank.org/wbi/publicfinance/publicresources/module8.pdf>.

### **Governance and Anti-corruption Diagnostic Surveys**

The Diagnostic Surveys were designed by the World Bank Institute, and so far have been conducted on 27 occasions. They comprise extensive, standardised and representative surveys conducted in households, firms and among government officials. They contain institution-related questions on individual experiences with the scope of costs of corruption, and on parameters of institutional quality linked to that. These are combined with "hard" quantitative data (budgetary expenditure flows etc). Usually, local independent research institutes are commissioned to perform these surveys. The results serve as a basis for the design of anti-corruption measures. Here, questionnaires, analyses, the identification of reform priorities and the design of counter-measures are all participatory, i.e. all stakeholders and the civil society are involved.<sup>33</sup>

### **Report Card Surveys**

The Report Card Surveys of the Indian NGO Public Affairs Center (PAC), developed back in 1993, are similar in design, but are more local in scope and have a stronger conceptual focus on the advocacy role of municipal civil society. The urban population<sup>34</sup> are surveyed on their concrete experiences with public agencies or with municipal public goods and services (issues of access, quality of service, problems encountered - especially corruption, and the effectivity of complaint mechanisms). The results, broken down by period and allowing comparison between agencies, are made public through extensive media activities, and discussed in public with government representatives. This raises awareness and mobilises the population to cooperate with grass-roots activists and social workers. PAC also initiates (within the Swabhimana NGO network) working groups involving representatives of local authorities, civil society and the private sector, in order to identify potentials for reform within the respective authorities, and to agree on action plans, the implementation of which is reviewed periodically.

## **3. Citizen Participation in Administrative Affairs at the Municipal Level**

Mechanisms for citizen participation in administrative affairs are best realised at the municipal level. Alongside the foundational element of free elections and the strengthening of local parliaments in the exercise of their monitoring function vis-à-vis the executive, desirable measures to strengthen political accountability would also include elements of direct democracy (such as referenda on major public projects), or other regular, legally recognised opportunities for participation by citizens or intermediary groups. The basic aim of these measures is to strengthen the bargaining power of groups disadvantaged by corruption in the face of elite interests. These measures should involve all social groups on an equal footing, and should be oriented toward conflict prevention.

<sup>33</sup> Detailed instructions for implementation and case examples can be found at: <http://www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html>.

<sup>34</sup> Cf. <http://www.pacindia.org>.

As well as covering Bangalore, Pune, Ahmedabad, Chennai, Kolkata, Mumbai, Bhopal and Delhi, the 2001/02 survey was also broadened to incorporate urban and rural goods and services in 24 states (Millennium Survey).

Substantial participation<sup>35</sup> creates an improved information base for local decision-making, increases the transparency and accountability of the administration, and thus allows improved monitoring of the use of resources. This strengthens mutual trust and confidence, while at the same time the pressure on democratic institutions to implement responsive decisions grows. Parallel to that it is often necessary to improve the legal and institutional framework for participation, e.g. by guaranteeing freedom of information, freedom of organisation and freedom of the media, In many cooperation countries there also exists a need among citizens to obtain information on their rights and obligations through political education, a need to strengthen citizens' awareness of their political rights and to build civil society capacities for political participation.

**Key activities of citizen participation in administrative affairs would include:**

- ◆ citizen participation in municipal planning activities (e.g. medium-term development and investment planning, land management/land-use planning, local action plans);
- ◆ participatory local budgetary planning;
- ◆ participatory processes for approving local legal reforms and local ordinances;
- ◆ participation in the sectoral management of public resources and facilities, e.g. in the health or education sectors. German TC is for instance promoting the introduction of participatory management methods through selected school committees comprising representatives of the teaching staff, parents, school students and civil society organisations, in selected schools in Indonesia.<sup>36;</sup>
- ◆ promotion of participatory expenditure and result monitoring, promotion of "integrity pacts" etc.<sup>37</sup>

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<sup>35</sup> With regard to the depth of participation, a distinction should be drawn between information (two-way information flows, e.g. publication of policies, legislative initiatives, government information on the budget and public finance, and the supply and delivery of public goods and services), consultation (two-way information flows, e.g. public hearings or consultation with intermediary organisations), which as responsiveness becomes more formalised makes a gradual transition toward cooperation (shared control of decision-making and resources), and finally the transfer of control over decision-making and resources.

<sup>36</sup> See also the GTZ product "Community participation in school management": <http://intranet.gtz.de/produkte>.

<sup>37</sup> Concerning integrity pacts, see: GTZ, Avoiding Corruption in Privatization. A Practical Guide.

### **Citizen Participation in Municipal Self-Government**

The "participatory budget" in place in Porto Alegre since 1989 (supported by the German Catholic Central Agency for Development Aid), with its elaborate institutionalised participatory procedures, its extensive bargaining power for citizens' delegates representing different sections of the population on an equal basis, and its outstanding contributions toward improving the living conditions of the poor, is one extremely positive example known the world over.<sup>38</sup>

Less far-reaching, though perhaps more easily replicable, are for instance the activities of German TC to support municipal self-government in Indonesia. These focus inter alia on areas of participatory regional development planning - from village planning events through to the district level - and transparent public financial planning. The forms of citizen participation in medium-term and annual development planning have already been developed. Efforts are now geared toward the optimisation and legal institutionalisation of the participatory processes. Furthermore, activities include raising transparency within the budgetary planning process, inter alia by preparing and publishing budget analyses, supporting sustainably designed consultation mechanisms (public hearings), and moderating processes to incorporate petitions into the budgetary planning process. In the districts of Alor and Sumba, local authorities are also receiving advisory services to help develop a participatory process for approving district ordinances. The district of Alor is planning a parliamentary resolution to make this process a binding procedure for preparing district ordinances in the future.

One factor for success in this case is certainly the linking of the measure with activities to directly improve the living conditions of the poor population - activities that in recent years have made a major contribution toward building acceptance and confidence on the Indonesian side.

### **Anti-corruption activities of civil society partner organisations<sup>39</sup> may include:**

Awareness-raising - i.e. information, education and communication activities that are appropriate to target groups, their living situation and their level of education - on the impacts and mechanisms of corruption in the various spheres. These awareness-raising measures would also cover the goals and nature of participation, and encourage target groups to actively call for a responsive administration that maintains standards of integrity;

<sup>38</sup> For further information see: Songco (n.y.) as well as the literature at <http://www.worldbank.org/participation/learning2.htm#pem>.

<sup>39</sup> See for instance the overview of local TI chapters by region and sector: [http://www.transparency.org/building\\_coalitions/public/local\\_government/localindex.html](http://www.transparency.org/building_coalitions/public/local_government/localindex.html). See also TI Corruption Fighters' Tool Kit 2002: <http://www.transparency.org/toolkits/2002/index.html>. Civil society can be termed a non-governmental level of action comprising a large number of civil society organisations that are established on a voluntary basis, are organisationally autonomous, are subject to social competition, and are committed to the principles of tolerance and non-violence. They include first of all trade unions, employers' associations, cooperatives, interest groups and professional organisations, citizens' initiatives, the independent press, secondly advocacy organisations, thirdly self-help groups and voluntary associations, fourthly faith communities that directly serve social, economic, cultural or community interests, and finally think tanks and educational institutions. Cf. Adam (1994).

- ◆ survey and aggregation, operationalisation and articulation of sections of the population whose are particularly hard hit by corruption on the part of the government or administration;
- ◆ exposure of corruption and monitoring, e.g. in the spheres of expenditure and result monitoring, privatisation, procurement, conduct of corruption-oriented user surveys;
- ◆ advocacy activities, lobbying for reform and coalition building;
- ◆ involvement in the development and implementation of action plans and codes of conduct;
- ◆ training for civil-society organisations, as well as for public officials, preparation of toolkits etc.

**The following method for institutionalising participatory procedures is recommended:**

- ◆ analysis of the causes and forms of constraints to participation, i.e. exclusion of disadvantaged groups at the local level;
- ◆ identification of the stakeholders within municipal administrations and offices, and within civil society (including traditional leaders);
- ◆ in-process moderation, including conflict transformation, to develop, introduce, practice, evaluate and legally underpin culturally appropriate instruments for institutionalising participation and the systematic exchange of information;
- ◆ training and upgrading of strategic actors and groups;
- ◆ multi-layered approach and knowledge management, incorporating the regional and central levels, to promote and disseminate good practices beyond pilot measures.<sup>40</sup>

The work of civil society organisations engaged in corruption prevention is tending to move away from confrontational approaches toward more cooperative approaches, and away from more general activities (broad-based awareness-raising and advocacy work) toward more focused activities (specialised advocacy work for legal reforms, sector-specific monitoring in procurement etc.).<sup>41</sup> The rising demands on civil society organisations as regards their strategic bargaining and negotiating skills and expertise – especially as an incentive to cooperation for governmental partners, e.g. in budget analysis and planning – is also generating a growing demand for capacity-building activities by development cooperation. Having said that, greater expertise and cooperation with governments and administrations must not be achieved at the expense of capacities for intensive communication and interaction with target groups, or the application of those capacities.

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<sup>40</sup> See also the GTZ product "Citizen participation in local decision-making and implementation processes": <http://intranet.gtz.de/produkte> and the GTZ "Sector Guideline: Decentralisation" (2001).

<sup>41</sup> Cf. OECD/ DAC/ GOVNET (2003).

Those grass-roots organisations, which are less formally established, are often overstretched by these new monitoring tasks. Key activities for sustainable capacity-building within civil society organisations are therefore:

- ◆ training to develop knowledge and expertise on relevant themes (e.g. budget analysis);
- ◆ developing capacities for dialogue with strategic groups within and outside of the state sector;
- ◆ improving cooperation with the media;
- ◆ increasing internal and external capacities for organisation and management;
- ◆ capacity-building in the local media: transfer of professional techniques of investigative journalism to expose corruption, as well as "grass roots" vernacular reporting; promotion of internal ethical standards, for instance via journalists' associations.<sup>42</sup>

Positive criteria for the selection of appropriate partners, where possible in cooperation with civil society umbrella organisations or the like, include above all integrity, member representativity, grass-roots orientation, and where possible democratic internal structures. Further important aspects are sufficient quality and experience in anti-corruption work and work in the relevant fields, experience in cooperation with the governmental sector, other strategic alliances entered into, and media work.<sup>43</sup> As regards risk factors, planners should assess in particular whether and to what extent party-political or other interests might be leading to certain groups being excluded, and whether and to what extent transparent and responsive financial management is in place.

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<sup>42</sup> Cf. OECD/ DAC/ GOVNET (2003). The International Center of Journalists (IJNet) for instance offers a range of training courses on independent and investigative media work for journalists on the ground (currently with a focus on transition countries). The website includes a list of all Codes of Ethics of the media sector, handbooks, and further links on the theme of corruption: <http://www.icjf.org/>

<sup>43</sup> See for example the survey and analysis of local civil society organisations by the GTZ Support for Good Governance project: <http://www.gtzsfgg.or.id/cspsd/index.htm>.

## Annex I: Examples of Results Indicators

| Topic<br>Results chain  | Possible indicators   | Further comments  |
|---|---|---|
| <p><b>Administrative organisation</b></p> <p>The integrity, performance capability and service orientation of public administrations is to be improved (outcome).</p> <p>To this end, process and structural reforms are introduced within the organisation to prevent corruption or make it more difficult (outputs).</p> <p>Another aim is that NGOs and user of public administrations are enabled to assert their rights to access information and monitor administrative bodies, thus helping make public administrations more transparent (use of outputs).</p> | <p><b>Main indicators:</b></p> <p>The time and costs saved (to be specified) in the processes of the respective administrative unit, measured values taken in the initial year and in the final year.</p> <p>The internal reviews of the supervisory body demonstrate a decline in cases of corruption of at least ... in relation to the reference year yyy.</p> <p><b>Further indicators:</b></p> <p>Increase in the rate of systematic reviews carried out by the internal supervisory body from.. % to at least ..% p. a.</p> <p>Representative surveys (in households with an income of less than ...) show that...% of respondents are aware of the "Citizens' Charter", and have used it to obtain information on their rights vis-à-vis the administrative unit in question.</p> <p>The respective administrative unit (to be specified) conducts regular (x p.a.) user surveys on service quality and problems experienced including corruption / publishes the results / implements needed improvements.</p> <p>Increase in the number of implemented recommendations of an in-house monitoring body dealing with complaints / increase in the number of counter-measures (including sanctions) from x in the initial year to at least y p. a. in the final year.</p> | <p>These indicators presuppose that the corresponding baseline data are obtained during the initial year.</p> <p>Instead of percentages, absolute figures are normally more helpful, i.e. in this case comparison of the absolute figure of internal reviews.</p> <p>One of the project measures is to help achieve public pledges from the administrative units concerning competences, responsibilities and service quality, and to advise on the implementation of those pledges.</p> <p>Actually these are outputs of the administrative unit itself. Without a doubt they indicate qualitative improvements in internal corruption prevention.</p> |

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| <p><b>Civil service</b></p> <p>A civil service of growing integrity is discharging its tasks effectively and efficiently (outcome).</p> <p>To this end, greater transparency and performance-orientation are to be introduced in personnel management. The application of anti-corruption laws and ethical codes of conduct is to be improved, and further internal monitoring system capacities are to be built (outputs and use of those outputs).</p> | <p><b>Main indicators:</b></p> <p>Decline in the number of cases of corruption exposed though escaping sanction from x in baseline year yyy to y.</p> <p>Decline in the number of cases of corruption exposed p.a. from the peak figure of x / the figure for baseline year yyy (course: reviews of the civil service commission).</p> <p>Increase in the number of systematically implemented corruption monitoring reviews in personnel administration and personnel management from x in baseline year yyy to y.</p> <p><b>Further indicators:</b></p> <p>A representative survey of public officials on date x demonstrates that at least ...% of respondents are familiar with the basic content of the Code of Conduct / are familiar with the consultation and complaint mechanisms available / that at least ...% have trust and confidence in them.</p> <p>Surveys of public officials reveal that ...% of respondents believe that appointment and promotion practices within their agency are more qualification- and performance-oriented than before the reforms.</p> <p>Increase in the number of enquiries from ministries approaching the commission for advice on corruption, x in baseline year yyy to y p. a.</p> <p>Increase in the number of effective measures against corruption initiated by the commission from .. to .. and improvement in the rate of implementation of recommendations (including sanctions) from ... % to at least .. % p. a.</p> | <p>Recommended: further investigation, e.g. in-depth interviews exploring the plausibility of the link between these developments and the project.</p> <p>This indicator captures "intermediate steps", and is not so oriented toward the desired result. In fact, it does not actually capture the results generated.</p> |
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| <p><b>Award of public contracts</b></p> <p>Public contracts are to meet the objectively verifiable demand, the efficiency, transparency and fairness of the award procedure are to be increased and monitoring of due contractual performance (especially in the social sector) is to be strengthened (several outcomes).</p> <p>To this end a new central tender board will be created (output). This central tender board and civil society groups are to each play in helping achieve these improved practices (use of outputs).</p> <p>Citizens are to be enabled to avail themselves of their legitimate right to access information on the administration (in this case: concerning procurement) (use of outputs).</p> | <p><b>Main indicators:</b></p> <p>Increase in the number of contracts from a contract volume of x, upwards that comply with international standards for tendering procedures, from y in baseline year yyy to z.</p> <p>Increase in the number of monitoring measures systematically implemented by the central tender board from x in baseline year yyy to y.</p> <p>Decline in the number of cases of corruption exposed after contractual award from at least x p.a. as compared with the peak figure of / with the figure for baseline year yyy.</p> <p><b>Further indicators:</b></p> <p>Increase in the number of public hearings</p> <ul style="list-style-type: none"> <li>◆ during the phase of project selection /</li> <li>◆ of decision to award /</li> <li>◆ of discussion of inspection reports, (followed by the publication of information in relevant newspapers)</li> </ul> <p>from x p.a. in baseline year yyy to at least y p.a.</p> <p>Decline in the number of complaints received by the central tender board concerning award decisions to x p.a. as compared with the baseline year / the peak figure since reached.</p> <p>(Regular) surveys among the inferior bidders for public tenders reveal that at least x % of respondents judge the tendering procedure to be transparent and fair.</p> <p>Internal reviews reveal an improvement in the quality of works executed (measured by quality standards), combined with a reduction in costs (initial year dependent on survey ability of comparable data).</p> | <p>Another option would be to quantify the percentage of contracts awarded in compliance with international standards. This is likely to be complex and time-consuming, however.</p> <p>Recommended: further investigation, e.g. in-depth interviews exploring the plausibility of the link between these developments and the project.</p> <p>Caution! Here too, a decline in complaints need not necessarily be attributable to a desired reason (further investigation needed).</p> <p>Trends will emerge from panel surveys.</p> <p>This "indicator" needs to be precisely adapted/ concretised in the given context and with respect to the AURA-criteria for indicators.</p> |
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| <p><b>Citizen participation</b></p> <p>Local governments are to cooperate constructively with citizens and local civil society actors in the planning and implementation of their policies (outcome).</p> <p>To this end broader, more sophisticated opportunities for public participation and monitoring are to be introduced. These are to be jointly developed by the administration and civil society representatives (outputs).</p> <p>Citizens and local civil society actors (especially the local media) will avail themselves of these participatory opportunities at the municipal level, thus participating constructively in the public monitoring of state action (use of outputs).</p> <p>Citizens, their organisations and the local media will thus help improve public services (impacts).</p> | <p><b>Main indicators:</b></p> <p>Increase in the number of formalised mechanisms for citizen participation between governmental and non-governmental organisations from x in baseline year yyy to y.</p> <p>Increase in the quality of formalised mechanisms for citizen participation by:</p> <ul style="list-style-type: none"> <li>◆ frequency and sustainability from baseline year yyy to target year /</li> <li>◆ formal and real depth of participation (to be specified, e.g. legal status, obligations of the administration to inform, consult, cooperate, co-determine, delegate rights of disposal over resources).</li> </ul> <p>Increase in proposals from citizens' assemblies, and individual entries incorporated into annual budgets and activity plans of municipal administrations from x in baseline year yyy to y.</p> <p><b>Further indicators:</b></p> <p>A representative survey (of households with an income of less than ... [currency/head&amp;year]) reveals</p> <ul style="list-style-type: none"> <li>◆ that ...% of respondents are aware of the respective opportunities for participation /</li> <li>◆ regularly obtain information thereupon through local media, NGOs or other sources /</li> <li>◆ in their opinion the interests of the poor are now better served in municipal planning and budgeting processes than before.</li> </ul> <p>Decline in the number of cases of corruption exposed in those areas now subject to closer political and social monitoring, to x p.a. as compared with the peak figure of / the figure for baseline year yyy.</p> | <p>Data relatively easy to survey, though not that significant.</p> <p>Difficult to objectify, because it incorporates many judgements This is not untypical of qualitative indicators.</p> <p>Difficult to objectify, because the link between participation and decline in cases of corruption exposed is not necessarily direct.</p> |
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|  | <p>Surveys of individuals with an income of below ... [currency/head&amp;year] reveal that...% of respondents believe that</p> <ul style="list-style-type: none"><li>◆ their access to services /</li><li>◆ their health status /</li></ul> <p>the educational opportunities for their children have introduced since the introduction of participatory local government management.</p> | <p>These are indicators which may already describe the impacts (this needs to be established on a case-by-case basis).</p> |
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## Annex II: Resources

### Cited checklists/ diagnostic tools

- ◆ ADB: Guide Questions to Public Administrations:  
[http://www.adb.org/Governance/gov\\_framework1.asp](http://www.adb.org/Governance/gov_framework1.asp).
- ◆ Transparency International (TI):
  - ◆ Checklists in the TI Source Book 2000: Confronting Corruption: The Elements of a National Integrity System, London 2000:  
<http://www.transparency.org/sourcebook/index.html>,  
here mainly Ch. 22: Public Procurement and Ch. 20: Public Service Ethics.
- ◆ World Bank:
  - ◆ Questionnaire on Public Procurement System of the Country Procurement Assessment Reviews <http://www.worldbank.org/html/opr/procure/Annex%20A.htm>.
  - ◆ Administrative & Civil Service Assessment Tool The Administrative & Civil Service Assessment Tool:  
<http://www1.worldbank.org/publicsector/anticorrupt/toolkitacs3.doc>.
  - ◆ Wittig: A strategy for improving public procurement, 9<sup>th</sup> IACC Paper, 1999:  
[http://www.transparency.org/iacc/9th\\_iacc/papers/day2/ws2/d2ws2\\_wwittig2.html](http://www.transparency.org/iacc/9th_iacc/papers/day2/ws2/d2ws2_wwittig2.html).

### Cited standards, model laws etc.

- ◆ APEC Government Procurement Expert Group, 1999: Non-binding principles on government procurement:  
[http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/committee/gov\\_non\\_binding.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/committee/gov_non_binding.html)
- ◆ ICC: Proposed Anti-Corruption Rules of Conduct for Corporations and corresponding Actions for Government, 1996:  
[http://www.iccwbo.org/home/statements\\_rules/rules/1999/briberydoc99.asp](http://www.iccwbo.org/home/statements_rules/rules/1999/briberydoc99.asp).
- ◆ International Center of Journalists (Codes of Conduct for the media):  
<http://www.icfj.org>.
- ◆ TI: Modell- und weltweite *Best Practice* Antikorruptionsgesetzgebungen und Richtlinien (includes Codes of Conduct): TI Knowledge Centre:  
[http://www.transparency.org/knowl\\_intro.html](http://www.transparency.org/knowl_intro.html).
- ◆ UNCITRAL (United Nations Commission on International Trade Law): Model Law on Procurement of Goods and Construction, 1993:  
<http://www.uncitral.org/english/yearbooks/yb-1993-e/yb-1993-index-e.htm>.
- ◆ WTO: Government Procurement Agreement (GPA), 1994:  
[http://www.wto.org/english/tratop\\_e/gproc\\_e/gp\\_gpa\\_e.htm](http://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm).

### **Cited sets of best practices / toolkits**

- ◆ Transparency International:
  - ◆ TI Source Book 2000 (see above).
  - ◆ TI Corruption Fighters' Took Kit 2002:  
<http://www.transparency.org/toolkits/2002/index.html>.
  - ◆ Overview and description of the local initiatives of TI chapters by region and sector:  
[http://www.transparency.org/building\\_coalitions/public/local\\_government/localindex.html](http://www.transparency.org/building_coalitions/public/local_government/localindex.html).
- ◆ World Bank:
  - ◆ Administrative and Civil Service Reform - Bottom-up Approaches:  
<http://www1.worldbank.org/publicsector/civilservice/innovative.htm>.
- ◆ Songco: Accountability to the Poor: Experiences in Civic Engagements in Public Expenditure Management. Draft Paper n. y.:  
<http://www.worldbank.org/participation/web/webfiles/cepemsynthesis.htm>.

### **Cited links to local / regional/ training providers**

- ◆ International Center of Journalists (IJNet): <http://www.icj.org>.
- ◆ TI National Chapters – contacts:  
[http://www.transparency.org/contacting\\_ti/chapters/index.html](http://www.transparency.org/contacting_ti/chapters/index.html).

### **Cited literature**

- ◆ Adam, E.: Wie ist wieder Staat zu machen in Afrika? in: IPG, 4/ 1994.
- ◆ BMZ: Position Paper "Administrative reform in German Development Cooperation", Bonn 2002a.
- ◆ BMZ: Position Paper "Decentralisation and strengthening local self-governance in German Development Cooperation ", Bonn 2002b.
- ◆ BMZ: Position Paper "Combating corruption in German Development Cooperation", Bonn 2002c.
- ◆ BMZ-GTZ: Handreichung zur Bearbeitung von AURA-Angeboten, September 2003.
- ◆ Crook/ Manor: Democracy and decentralization in South Asia and West Africa. Participation, accountability and performance, Cambridge 1998.
- ◆ GTZ: Sector Guideline: Decentralisation, Eschborn 2001.
- ◆ GTZ: Chapeau Paper: Mainstreaming Anti-Corruption, Eschborn 2004.
- ◆ GTZ: Preventing Corruption in the Education System. A Practical Guide, Eschborn 2004.
- ◆ GTZ: Preventing Corruption in the Legal and Judicial System. A Practical Guide, Eschborn 2004.
- ◆ GTZ: Preventing Corruption in Public Finance. A Practical Guide, Eschborn 2004.

- ◆ GTZ: Preventing Corruption in Resource Allocation. A Practical Guide, Eschborn 2004.
- ◆ GTZ: Avoiding Corruption in Privatization. A Practical Guide, Eschborn 2004.
- ◆ GTZ: Tools for the Analysis of Anti-Corruption Measures. A Practical Guide, Eschborn 2004.
- ◆ GTZ: Corruption and Gender, Eschborn 2004.
- ◆ GTZ: Fighting Poverty and Corruption, Eschborn 2004.
- ◆ Janus: Ansatzpunkte für Technische Zusammenarbeit im Bereich armutsorientierter Haushaltspolitik, GTZ-Studie, Bochum 2001.
- ◆ Kaufmann/ Reacanatini/ Biletsky: Assessing Governance: Diagnostic Tools and Applied Methods for Capacity Building and Action Learning, Discussion Draft, June 2002: [http://www.worldbank.org/wbi/governance/assessing/pdf/kauf\\_recan\\_bilet\\_assessing.pdf](http://www.worldbank.org/wbi/governance/assessing/pdf/kauf_recan_bilet_assessing.pdf).
- ◆ Klitgaard: Controlling Corruption, Los Angeles 1988.
- ◆ OAS/ IACD: Government Best Practices Program: Profiles of Electronic Government Procurement Systems, n. y.: [http://www.iacd.oas.org/template-ingles/best\\_practices\\_pub.htm](http://www.iacd.oas.org/template-ingles/best_practices_pub.htm).
- ◆ OECD/ DAC/ Govnet: Synthesis of Lessons Learned of Donor Practices in Fighting Corruption, Paris 2003.
- ◆ Reinikka/ Svensson: Survey Techniques to Measure and Explain Corruption, Washington 2003: <http://www1.worldbank.org/publicsector/pe/PETS2.pdf>.
- ◆ Seoul Institute for Transparency: Evaluating the Municipal Reforms through Engaging Citizen – the case of the Corruption Report Card to the Mayor and the Integrity Pact, 2002.
- ◆ Soreide: Corruption in Public Procurement: Causes, Consequences and Cures, Bergen 2002: <http://www.cmi.no/public/2002/Reports/R2002-01.htm>.
- ◆ UNDP: Local governance for Poverty Reduction: Uganda's Experience, 1993-2002, Country Paper AGF-V, Maputo, Mozambique 2002: <http://www.undp.org/rba/pubs/agf5/AGF%20V%20Uganda%20CP.PDF>.
- ◆ World Bank Institute: Public Expenditure Management Course Module 8, The Role of Civil Society: <http://www.worldbank.org/wbi/publicfinance/publicresources/module8.pdf>.
- ◆ World Bank: World Development Report, Washington 2002.

### **Other cited links**

GTZ Product Database: <http://intranet.gtz.de/produkte>.

Website of the GTZ project Support for Good Governance, analysis of civil society organisations: <http://www.gtzsfgg.or.id/cspsd/index.htm>.

Website of Procurement Watch Philippines: <http://www.procurementwatch.org.ph>.

Website of the NGO Public Affairs Centre: <http://www.pacindia.org>.

Website of TI Germany: <http://www.transparency.de>.

Website of TI Argentina: <http://www.poderciudadano.org.ar>.

Websites of the World Bank: <http://www1.worldbank.org/publicsector/civilservice>,  
This website contains further interesting links referred to in the present paper, as does  
<http://www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html>.



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