

Corruption and Decentralisation in Afghanistan

Query:

“Are there any studies specifically on anti-corruption in the context of sub-national administration and/or decentralisation? Can decentralisation (or “deconcentration” if we are talking about a unitary state that is decentralizing administration) lead to better accountability/transparency -- or does it usually just lead to decentralized corruption? Particularly, I am interested in expertise on whether and how one can engage units of sub national administration on corruption when these may be comprised of less than savoury individuals. Are there techniques that can help strengthen accountability, transparency and effectiveness in centre-periphery relations over the long term?”

Purpose:

“To provide guidance on how to make programming decisions on anti-corruption in Afghanistan and propose options for future programming.”

Content:

- Part 1: State of Research on Corruption and Decentralisation
- Part 2: Anti-Corruption Measures in the Context of Decentralisation
- Part 3: Specific Challenges of Decentralisation in Afghanistan
- Part 4: Further Reading

Decentralisation has become an emerging trend in recent years and governments have been increasingly encouraged to decentralise their activities and shift decision making to the local level in order to promote public participation, government accountability as well as responsiveness of public policies and service delivery. Although decentralisation provides opportunities as well as entry points for anti-corruption reform programmes, specific corruption risks and vulnerabilities are associated with it. Part 1 of this Answer looks at the impact of decentralisation on corruption from a theoretical and empirical perspective. Part 2 provides examples of anti-corruption tools and measures that can help address corruption risks at the local level while Part 3 sets out the specific corruption challenges associated with decentralisation in Afghanistan.

Part 1: State of Research on Corruption and Decentralisation

Although there have been numerous attempts to assess the impact of decentralisation on corruption, findings of theoretical and empirical research have failed to clearly establish whether decentralisation or decentralised systems systematically lead to less corruption. As responsibilities are transferred from central to local governments, new corruption opportunities occur, including the risk of elite capture or the development of corrupt networks among public officials, citizens and interest groups. At the same time, decentralisation provides more participation opportunities, potentially resulting in an increased ability of citizens to monitor state activities and hold public officials accountable. Research and arguments supporting both

www.U4.no

www.transparency.org

www.cmi.no

Authored by:

Marie Chêne
U4 Helpdesk

Transparency International
mchene@transparency.org

Reviewed by:

Robin Hodess, Ph.D.
Transparency International
rhodess@transparency.org

Date: 01 October 2007

views, current knowledge as well as major controversies on this issue are presented and further developed in the literature review compiled by Odd-Helge Fjeldstad for CMI (<http://www.cmi.no/publications/file/?1860=decentralisation-and-corruption>) as well as more recently in "Localisation and corruption : Panacea or Pandora's box?" (<http://ideas.repec.org/p/wbk/wbrwps/3486.html>).

The Pros of decentralisation

The theoretical arguments in favor of decentralisation are well known. By bringing government activities closer to the people, decentralisation offers greater opportunities for voice and choice, making the public sector more responsive and accountable to the citizens. Competition between the various levels of government theoretically results in increased efficiency and accountability, reducing the amount of services for which public officials can demand bribes. In a decentralised system, a variety of "voice" mechanisms may also potentially influence the use of public resources, including influencing taxing and spending priorities. As a result, decentralisation is believed to promote greater transparency in the local allocation of public resources, making service delivery and local investments more responsive to the local community needs, including the poor and marginalized groups. Local voter citizens are also better informed of the local government performances and can sanction corrupt practices or bad governance through local elections. Furthermore, local officials with limited powers have reduced opportunities to engage in massive corruption. Decentralisation is also expected to reduce the expected gains of corruption.

Numerous empirical studies support the positive impact that decentralisation can have on controlling corruption. Evidence from Bolivia indicates that decentralisation results in higher investment patterns in human capital and social services, pointing out to a form of government more responsive to the local community needs. (Please see: <http://www.grade.org.pe/eventos/lacea/papers/faguet.pdf>). A study on decentralisation carried out in India, Bangladesh, Ivory Coast and Ghana shows that decentralisation substantially reduced the amount of public funds diverted by powerful individuals in India (Crook and Manor in 2000¹). However, the study further indicates that if decentralisation tends to reduce grand corruption, it is nonetheless likely to increase petty corruption. An earlier study also finds that increased fiscal decentralisation is associated with enhanced quality of governance, as measured by citizens' participation, political and bureaucratic accountability, social justice, improved economic management and reduced corruption (Huther and Shaw² in 1998). Another much quoted study also conclude that over centralized top down management systems contribute to corruption and poor service delivery (Wade³, 1997). Cross country evidence from a study conducted in 2000⁴ by the World Bank further suggests a consistent negative relation between decentralisation of government expenditures and corruption.(Please see: <http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/wps2290.pdf>).

The Cons of Decentralisation

Other authors argue that the benefits of decentralisation in terms of corruption reduction are not as obvious as the theoretical model suggests. Local governments in developing countries often lack the human and material resources to perform government duties in an efficient,

^{1 2 3} It was not possible to have direct access to this research within the 10 days allocated for this answer.

⁴ More recent findings supporting the positive impact of decentralisation on corruption couldn't be accessed within the allocated time frame.

transparent and accountable manner. Decentralisation may also generate a new set of corruption vulnerabilities, including the risk of state capture by the local elite or a lack of fiscal discipline and financial management. In his paper for example, Remy Prud'homme argues that decentralisation may result in increased corruption, as there are more opportunities for indulging in corrupt practices at the local level. (Please see <http://www.u4.no/document/literature.cfm?id=38&key=23>). Such opportunities include:

Closer relationships between the various stakeholders at the local level create more opportunities to develop corrupt networks, favouritism, nepotism, patronage and other forms of unethical relations. Citizens and public officials come more often in close and direct contact. Local politicians are also likely to be more vulnerable to pressures exerted by influential individuals or interest groups whose money or vote count. Local bureaucrats have less independence from politicians at the local level, resulting in a greater risk of both groups to collude to pursue vested interests. In addition, in some countries, complex local politics, networking and patronage at the local level are also part of a set of socially accepted behaviours based on reciprocity that may fuel the development of unethical networks.

Central monitoring and auditing mechanisms are also usually better developed and implemented than the local ones. Administrative decentralisation may result in **reduced control of higher levels of government over lower level administrations**, with an impact on the monitoring and detection of corrupt practices. In addition, the risk of being detected or sanctioned is easier to manage at the local level as the local elite shares a complex network of social and economic connections and interests.

Local public officials tend to have more discretionary powers than at the central level.

Longer tenure of office at the local level may also have an impact on corruption levels. The regular rotation of national public officials makes it more difficult to establish corrupt networks or unethical relationships with the local elite or interested groups.

The capacity of local administrations to manage increased responsibilities and powers has an impact on local government's vulnerability to corruption. As more powers are shifted to untrained local officials and weak administrations with limited financial management capacity, there is an increased risk of misuse of public funds as well as a lower probability of corrupt practices to be detected and adequately sanctioned.

At the local level, anecdotal evidence points to **a number of vulnerability areas** and indicates that corruption is especially prevalent in public procurements, revenue collection and financial management, human resource management as well as land allocation and control.

The effectiveness of local bottom-up versus top-down accountability mechanisms is also questioned by the findings of a 2004 study that compares the impact on corruption of community participation initiatives with more direct interventions such as the threat of auditing in Indonesia. In this study, audits proved to be more effective at reducing corruption while greater participation tended to shift public expenditures to areas where corruption could not be so easily detected.

(Please see: <http://www.povertyactionlab.com/papers/corruptionexperiments.pdf>).

A local corruption study carried out in Indonesia in 2006 further reported a wave of corruption cases following the coming into force of regional autonomy in 2001. (Please see: http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/corruption_exec_sum_en.pdf). In addition to transforming power relations between central and local governments, decentralisation brought a shift in power at the local level, with public officials competing to gain and maintain support from the legislature, while the legislature exploited its newly acquired powers over local budgets to secure the funding for their political parties. An

interesting finding of this study is that corruption cases were reported by ordinary villagers, community leaders or affected parties through community groups or NGOs rather than through audits, oversight bodies or justice sector institutions.

Emerging Conclusions

Decentralisation as a stand alone measure is not likely to be an effective anti-corruption strategy. As a result of the above, a few recommendations emerge from the various studies in this area:

The **country political, institutional and social context** is a key factor to consider while assessing whether decentralisation is an option to reduce corruption and increase the efficiency and responsiveness of government to local needs. Decentralisation is more likely to bring the expected results in a well functioning political, institutional and legal environment and when adequate human and material resources are allocated to fight against corruption. Informal local networks of patronage and local social patterns must also be acknowledged and addressed for anti-corruption reforms at the local level to succeed.

Decentralisation requires a **strong central entity to provide the overall framework** to manage the reallocation of responsibilities and resources as well as build the local capacity to perform new duties in a transparent and effective manner. Reforms should take into account the efficiency of the system of transfers between the various levels of government and how decentralisation is likely to have an impact on it.

For decentralisation to bring the expected results, it needs to be accompanied by measures that guarantee **increased local democracy mechanisms as well as effective community control and participation** in policy making, through local elections or an independent media for example. Citizens must be empowered to detect, report and ultimately hold public officials accountable for their actions and decisions through the existence of an appropriate legal framework, access to information and documentation, effective complaints mechanisms and a well functioning judicial system.

Bringing the government closer to the people is not enough. Local governments need to have the **capacity to manage public funds, a functioning and transparent system of accounting and reporting as well as clear government structures** that allow tracking responsibilities within the governance chain.

Part 2: Anti-Corruption Measures in the Context of Decentralisation

Ways to contain corruption risks may be explored and the capacity of local authorities to enforce the rules may be built or strengthened. Addressing corruption in a context of decentralising services and responsibilities can be done by strengthening the legal and administrative framework in place in order to increase the system capacity to prevent, detect and sanction corrupt practices, while promoting citizens' participation in the management of public affairs to empower civil society to hold public officials accountable for their actions and decisions. However, in the absence of well functioning institutions and judicial system, fiscal and political decentralisation is unlikely to lead to increased accountability in Afghanistan without the concomitant restoration of the rule of law in the country.

Strengthening the Legal Framework to Prevent and Fight Corruption

Commonly used preventive as well as punitive legal measures that can be put in place to contain the corruption risks in a context of decentralisation are outlined in the U4 Expert Answer on Anti-Corruption Legal Provisions in the Context of Decentralisation (Please see : <http://www.u4.no/helpdesk/helpdesk/queries/query14.cfm>). They aim at providing a legal framework that allows corrupt practices to come to light as well as increasing the risk of indulging in corrupt transactions. They include:

- The development and enforcement of appropriate codes of conduct setting enforceable standards for public officials in the area of conflict of interest, whistle blowing or accountability ;
- The monitoring of lifestyle and introduction of assets and incomes declaration for public officials ;
- The development of transparent public procurement processes ;
- The introduction of transparent procedures for hiring and firing staff. Rotation of public officials at the local level is also a measure aimed at preventing the development of corrupt networks.
- The adoption and enforcement of access to information laws ;
- The definition and enforcement of appropriate sanctions for corrupt behaviours. In this regard, the reform of the Judiciary with a special emphasis on the local level legal and judicial reform is of special importance, especially in the Afghan context. (Please see U4 Expert Answer on Tackling Judicial Corruption in Afghanistan <http://www.u4.no/pdf/?file=/helpdesk/helpdesk/queries/query146.pdf>).

Reinforcing Participation and Voice Mechanisms

Many decentralising countries have weak mechanisms for the public to control and monitor decentralised services in areas such as public finance or service delivery targeting. As a result, decentralisation should also be accompanied by increased participation mechanisms to empower citizens to participate and influence local government processes and guarantee community control and oversight. Prerequisites for this is that citizens are informed about what their government is doing, have the technical capacity to assess the quality of local governance as well channels of influence to ensure that their concerns are heard and acted upon. Ultimately, local elections provide an opportunity for citizens to express themselves by voting elected officials out of office but there is a need to open alternative avenues to enforce accountability in a more discriminating manner. Various tools and techniques are available to reinforce participation and voice mechanisms as well as enhance civic influence over government processes including:

- Strengthening local players or structures such as citizens committees, community based management committees, etc ;
- Organising regular public meetings or hearings that can encourage citizens to express their views, concerns or discontentment on specific issues or services ;
- Strengthening local level anti-corruption initiatives by building coalitions of CSOs, community groups, private sector representatives that can articulate their protests and lobby the local government ;
- Strengthening the local media or identifying targeted channels of communication at the local level that provide opportunities to citizens to be better informed and discuss local issues. (To hold public officials accountable, the public needs to be informed of what the government is doing.)

- Introducing effective complaints and redress mechanisms (Please see U4 Expert Answer on Complaints Mechanisms:
<http://www.u4.no/pdf/?file=/helpdesk/helpdesk/queries/query132.pdf>)
- Using report cards or conducting public opinion surveys to assess the quality and efficiency of service delivery at the local level.

In implementing such measures, attention should be given to involve people in an empowering manner. For example, average citizens, especially poor or marginalized groups, may not have the capacity to monitor highly technical processes. There is also a danger that this kind of mechanisms may be manipulated by dominant local interest groups or individuals using this channel to exert their influence. In poor areas, voices are often ignored or captured by the local elite, depriving the poor the opportunity to participate in decision making. As a result, issues like how to involve people, who should be involved and what impact their voice is likely/meant to have on local governance should be looked at when designing participation mechanisms. Experience shows that reform yielding broad and influential participation and ensuring a wide access to the voice mechanism has a strong positive accountability effect. Please see the excellent World Bank article "Voice Mechanisms and Local Government Fiscal Outcome: How Does Civic Pressure and Participation Influence Public Accountability?" (2003) <http://www.u4.no/pdf/?file=/document/literature/andrews-2003-voice-mechanisms.pdf>

Part 3: Specific Challenges of Decentralisation in Afghanistan

Context of Decentralisation in Afghanistan

The Bonn process has emphasised centralisation as a state building strategy to maintain peace and stability through the building of a strong central state in Afghanistan. This has resulted in extremely vertical and centralised government structures. As a matter of example, the budget is determined centrally and sectorally in Kabul and distributed downwards through ministerial silos while provincial level authorities have very few discretionary funds available to them. (<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN024220.pdf>).

In practice, however, this highly centralised state structure coexist with a tradition of strong decentralised local administration in the form of tribalism or warlordism. The authority of the state is fragmentary and most regions in Afghanistan are under the de facto rule of warlords, commanders or illegal armed groups who substitute for the central authority. In addition, due to financial and logistical constraints, the central government has had a limited capacity to deliver basic services.

In this context, for pragmatic as well as political reasons, subnational governance attracts more and more interest on the part of the various stakeholders in Afghanistan. Within the framework of the Afghanistan Compact agreed upon between the Government of Afghanistan and the international community in 2006, the Afghanistan National Development Strategy (I-ANDS) acknowledges the problem of excessive centralisation and very cautiously commits to a degree of decentralisation and/or deconcentration of some policy making and budget responsibilities (<http://www.ands.gov.af/>). A number of subnational institutions has been established, such as elected provincial councils in 2005 which are meant to advise and oversee provincial administration. An assessment on subnational administration in Afghanistan conclude that, despite many political challenges, there are basic bureaucratic structures at the local level that could be made to function. (Please see : <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN021666.pdf>.)

Corruption Risk Factors associated with Decentralisation in Afghanistan

However, given the weak state of the legal and institutional environment combined with the lack of human, material and financial resources, decentralisation in Afghanistan faces considerable challenges of efficiency, responsiveness and accountability. In the absence of national level accountability mechanisms that can act against corruption and enforce integrity, many of the corruption risks associated with decentralisation are increased in post conflict countries like Afghanistan.

Widespread corruption and lack of good governance. Levels of corruption at the local level are likely to be correlated to the administrative environment as a whole, with increased corruption risks in a public sector with low standards of integrity. The CPI 2007 ranks Afghanistan among the countries whose public sectors are perceived as the most vulnerable to corruption. The pervasive illegal opium production combined with the lack of security and stability in part of the country and the weakness of the state institutions creates an environment likely to fuel corruption and further forms of illicit activities, both at the central and local levels. In such a context, decentralisation may lead to public office abuse and rent-seeking activities by local warlords and powerful influential individuals in order to feed the illegal armed groups that control the illicit opium economy at the local level. For a more complete overview of the state of corruption in Afghanistan, please see the U4 Expert Answer on Tackling Judicial Corruption in Afghanistan <http://www.u4.no/pdf/?file=/helpdesk/helpdesk/queries/query146.pdf>.

Lack of capacity of state institutions, including the judiciary. Non functioning institutions, limited capacity of government as well as reported corruption in the justice sector itself seriously compromise the detection, prosecution and punishment of corrupt practices. Key issues cutting across the public sector include the shortage of skilled people, very low capacity levels, lack of basic facilities and infrastructure as well as low level of financial resources available for government salaries. Decentralisation is also challenged by logistical constraints such as communication and transport difficulties. In such a context, central institutions may lack the capacity to manage and monitor the reallocation of responsibilities and resources as well as build the local capacity to handle newly acquired powers and responsibilities in an accountable way.

Weakness of sub national structures. Very weak local institutions also pose major challenges to address corruption risks in a context of decentralisation. In addition to insufficient financial and material resources, local institutions lack staff, training and knowledge of procedures to manage public funds as well as increased powers and responsibilities in an accountable, transparent and effective manner. For further reference on the state of local institutions, please see the report on the assessment of sub national governance in Afghanistan that was published in April 2007 by the Asia foundation. (<http://www.asiafoundation.org/pdf/AG-subnationalgovernance.pdf>).

Contradicting and confusing institutional structures. The various above mentioned reports agree that the lack of coherent policy and strategy for developing sub national governance has resulted in a very weak and uncoordinated implementation of decentralisation measures. Provincial Councils were elected in 2005 without a clear mandate, and the overall decentralisation efforts to date suffer from uncertain split of responsibilities, confusing legislation and rivalries between multiple players. For example, at the provincial level, direct budget authority for key services is held by highly centralised line ministries. This system coexists with provisions that give provincial governors a range of interventionist powers in key areas, creating significant accountability and operational difficulties. (Please see: <http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1185293547967/4024814-1185293572457/report.pdf>). The absence of clear guidelines on

how the various government structures fit together creates confusion and overlaps which makes it difficult to track responsibilities and enforce effective control and oversight mechanisms.

Insufficient oversight and control at the local level. In Afghanistan, direct administrative control of the government is largely limited to the capital city and its environs and there is no effective system of checks and balances in place to ensure that public goods are used efficiently at the local level. In the absence of internal and external controls functioning at the national level, there is a serious risk of decentralisation leading to decreased accountability and increased corruption at the local level, with warlords and de facto local “authorities” taking control over human and economic resources, abusing public office or engaging in rent-seeking activities that benefit them or their own communities.

Specific risk of state capture. Many of the governors in the provinces have gained their position not because they have been legitimately appointed but because they command armed groups and militia, de facto controlling their area of influence. Although in most cases they may have received letters of engagement from the President and sworn allegiance to the central government authority, they combine military and administrative functions in their provinces and develop independent patronage and social domination patterns, which ultimately increase the risk of state capture at the local level.

Specific Recommendations

- It might be advisable to conduct a comprehensive corruption risk assessment to map the issues at stake and address specific challenges and risks associated with decentralisation in Afghanistan. This would provide a solid evidence base to promote the public debate on the issue and inform further anti-corruption initiatives.
- In the current context of Afghanistan, a possible entry point for anti-corruption reforms in the context of decentralisation could target the delivery of services such as health and education. An important finding of the Assessment of Sub-National Governance in Afghanistan (http://www.asiafoundation.org/Locations/afghanistan_publications.html) is that service delivery improvements had a greater impact on sub national governance and people’s attitudes towards government than any other factors, suggesting that the legitimacy of the government could be improved by effective and responsive delivery of services. Given the current trend of rolling out the delivery of health, education, tax, justice, etc to the provinces in Afghanistan, a promising (and pragmatic) approach could consist in increasing accountability and preventing corruption in the provision of state services.
- Local institution capacity building could also be an option to reinforce accountability mechanisms already in place. This could consist in strengthening the existing provincial councils and providing them with the skills and resources to effectively advise and monitor provincial administration. Their roles, responsibilities and mandate including one of monitoring and evaluating local government performances should be clearly defined and established.

Part 4: Further Reading

“The Politics of Centre – Periphery Relations in Afghanistan”

In this paper, Barnett R. Rubin and Helena Malikyar provide an in-depth analysis of the complex Centre-Periphery relationships in Afghanistan both from an historical and contemporary perspectives and how they may have an impact on the current situation in the country. (<http://www.cic.nyu.edu/archive/pdf/WBCPAfgh.pdf>)

[“Fighting Corruption in Afghanistan: A Road Map for Strategy and Action”](#)

This paper providing a complete overview of the state of corruption in Afghanistan and recommendations for action was jointly prepared and presented to the Government of Afghanistan by the ADB, DIFD, UNDP, UNODC and the World Bank.
http://www.unodc.org/pdf/afg/anti_corruption_roadmap.pdf

[“Fiscal Decentralisation and Corruption: A Brief Overview of the Issues”](#)

This U4 issue paper summarises available evidence on fiscal decentralisation and corruption, starting with a discussion of issues and looking at policy implications.
<http://www.cmi.no/publications/publication/?2562=fiscal-decentralisation-and-corruption-a-brief>

[“Decentralisation Briefing Notes” \(World Bank Institute\)](#)

These notes highlight a broad range of issues that need to be considered with regards to decentralisation. They provide brief overviews of the key issues that need to be considered by practitioners. (<http://siteresources.worldbank.org/WBI/Resources/wbi37142.pdf>)