Corruption indicators in Performance Assessment Frameworks for budget support

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Abstract

Corruption indicators have been used in budget support Performance Assessment Frameworks (PAFs) for a variety of purposes, including to control for misappropriation of funds, assess Government performance on fighting corruption, and in some cases act as an aid disbursement trigger. This literature- and interview-based study maps PAF corruption indicators and examines their role and effectiveness in monitoring corruption. The study finds that if corruption-related indicators are to be used in PAFs, it is important to: identify clearly budget support objectives and corruption indicator purpose; develop better outcome, rather than output, indicators; support partner country capacity to develop indicators; and work towards a comprehensive diagnostic framework for corruption. In general, the key message is to clarify the objectives of budget support and the purpose of including corruption indicators, and then select indicators that match. Where possible, exploit existing anticorruption processes and align PAFs with national anti-corruption processes, if they exist.

1. Introduction

1.1   Background: Budget support and corruption

Budget support is a modality for delivering aid by channelling it directly from donor countries to the national budget of a partner country. Proponents of budget support argue that compared to funding individual projects and programmes, budget support reduces transaction costs, strengthens country ownership, helps strengthen country systems, and increases the scope for scaling up development assistance (Koeberle, Stavreski, and Walliser 2006). There is evidence that suggests that countries that have received large amounts of budget support tend to perform better against some development goals than those who have received little or no budget support, and that this is irrespective of policy environment, income status and aid dependency of a country (Beynon and Dusu 2010).

Others highlight risks involved in providing budget support, in particular the risk that it is more vulnerable to misappropriation than other types of aid (e.g., International Development Department 2007). In view of inadequate public financial management (PFM) systems in most recipient countries it is impossible to rule out substantial misuse of funds as funds are channelled through these systems (Schmidt 2006). However, evidence is currently inconclusive; there is no clear evidence that budget support funds have been, in practice, more affected by corruption than other forms of aid (e.g., Dom 2007).

Corruption is generally addressed in General Budget Support (GBS) agreements in two different ways. The first way is as a basic criterion for providing aid through GBS, and the second way is using indicators in a PAF to measure progress on anti-corruption commitments or priorities. This implies that even if there are no corruption indicators in the PAF, donors often do a prior assessment of the corruption situation to evaluate progress.

Partly in response to such concerns, measures have been introduced to monitor the use of funds. One important measure is the use of Performance Assessment Frameworks. PAFs are agreements between donor and partner country governments made up of jointly agreed objectives, indicators, and targets. They set out areas for action and allow for assessment of the effectiveness of budget support. PAFs are used to monitor transfer of funds and some of the policy actions that the government pursues, as well as the results of these actions. In some cases, donors will withhold budget support or increase levels of budget support in response to the level of performance against indicators and targets in order to create an incentive for reform (Haider 2011). In cases where donors withhold support, the PAFs have acted as aid disbursement triggers.

Various types of Performances Assessment Frameworks have been used. Lawson, Gerster, and Hoole (2005) outline three broad types of PAFs for GBS:

- **Common PAFs,** sometimes called a Performance Assessment Matrix. This provides the basis for joint monitoring and management by GBS donors and partner countries according to a set of predefined principles.

- **World Bank Poverty Reduction Support Credit (PRSC),** used as an assessment framework, often supported by a Memorandum of Understanding (MOU) that states common principles and outlines how consultations on the PRSC should be managed.

- **IMF Poverty Reduction and Growth Facility (PRGF),** which is the primary basis for deciding on disbursements and monitoring progress of programmes and projects, often supplemented by specific conditions for certain donors.

Of these, the Common PAF seems to be the preferred choice for both recipient governments and donors. Lawson, Gerster, and Hoole (2005) argue that for recipient governments, common PAFs appear to:

- Offer the best opportunity to maximise the number of GBS donors,

- Reduce transaction costs,

- Promote predictability in GBS disbursements,

- Maximise effectiveness of GBS by focusing the policy dialogue on key reform areas, and

- Foster strong partnership.

PAFs agreed between donors and partners generally include indicators that relate in some way to corruption. These tend to have different areas of focus:

- **Macro-level indicators** that measure the level of corruption in the country (e.g., Transparency International's Corruption Perceptions Index);

- **Individual indicators** at a project or institutional level (e.g., the number of cases brought to prosecution by an anti-corruption agency); and

- **Budgeting indicators** that monitor budget management processes which may be related to corruption (e.g., the Public Expenditure and Financial Accountability or PEFA framework).

PAFs are not exclusively used to monitor corruption but also to monitor a wide range of government policy actions. As PAFs monitor a large number of activities simultaneously this has led some to argue that countries are trying to perform too many functions simultaneously through PAFs (Daima Associates Limited and Overseas Development Institute 2005). One key finding of a major study on PAFs is around the "need to avoid an unnecessary expansion in the scope and complexity of the PAF" (Lawson, Gerster, and Hoole 2005: 7). The large number of functions for which a PAF is used also seems to act counter to the "good enough governance" approach which stresses limiting and prioritising governance interventions in countries with limited resources of money, time, knowledge, and capacity (Grindle 2007).

Another criticism of PAFs is that rather than foster strong partnership, in effect they undermine partner country ownership. Most donors and partner country governments have agreed to the Paris Declaration that emphasises such ownership, along with alignment of assistance to host-country priorities. Although the increase in use of budget support can be cited as a key means to facilitate greater government ownership, it could be argued that budget support has come with more intrusion by donors in government policymaking, particularly through the PAFs' increasingly detailed matrices of policy conditions and performance indicators. Donors come together with their own "conditionality shopping list" and the result is "the sum of donors' wish lists – a jumble of different types of conditions. Despite the importance of PAFs, citizens and parliaments are generally effectively excluded from their formulation" (European Network of Debt and Development 2008: 20).

In an evaluation of the European Commission's general budget support programmes, the European Court of Auditors found (European Court of Auditors 2010: 33):

> *It was often difficult to set appropriate targets for the performance indicators. Targets that are insufficiently challenging or targets that are overly ambitious can reduce the incentive effect. Moreover, reliable statistical data to establish clear*

> *baselines and to provide information on past trends are often not available. Furthermore, the Commission's documentation did not demonstrate that there had been sufficient analysis during the target-setting process of what reforms and additional budgetary resources would be necessary and feasible in order to achieve the targets. Since proposals for targets increasingly come from the country itself, the Commission has to hold in-depth dialogue with the national authorities to ensure that targets are not set deliberately low or unrealistically high [...]. In addition, occasionally targets were not set until well into the year for which performance was being measured.*

Despite these concerns, there is some evidence that the PAFs can be useful, particularly in "locking in" political will for reform. As Haider explains: "Indicators have been seen as valuable in acting as useful 'signposts' or milestones of the reform actions and timings necessary within a process of reform agreed to by the Government: 'There is some evidence of such triggers/conditions helping to ensure a consistent and timely implementation of reforms' (expert comments)" (Haider 2011:3).

While PAFs are not solely there to focus attention on corruption, indicators may be included that are designed to address corruption issues. It is important to note, however, that not all corruption indicators are alike; though these indicators may seek to address corruption, different indicators can have quite distinct purposes relating to corruption. Common purposes include:

- **Monitoring**: To assess levels of corruption and monitor changes in these levels.

- **Diagnosis**: To determine the drivers of corruption and the blockages to reform.

- **Early warning**: To identify areas and individuals vulnerable to corruption.

- **Awareness raising**: To improve common understanding of the effect of corruption on development and promote fighting corruption as a priority of development programmes.

- **Coalition building:** To build consensus and to strengthen and sustain political will for governance reform.

- **Anti-corruption programme progress:** To evaluate progress of anti-corruption programmes and projects.

- **Research guidance:** To identify areas to focus on for research.

- **Political and policy dialogue:** To promote political/policy dialogue in relation to corruption and wider governance issues.

- **Fiduciary risk:** To assess the risk that funds are not used for the intended purposes, do not achieve value for money and/or are not properly accounted for.

- **Programme failure:** To identify whether corruption has been a contributory factor to programme failure.

The inclusion of such corruption indicators in monitoring and evaluation frameworks can help donors control for the misuse of funds. Corruption-related indicators have been included in PAFs for just this purpose; however, what is unclear is how effective the indicators used in PAFs are. Donors take levels of corruption into account before deciding whether or not to disburse aid through budget support. It could be argued that significant corruption concerns should be addressed before budget support has been agreed, not leaving these concerns to the PAF to manage. Using the PAF to address corruption

concerns could arguably come too late, when donors no longer have the level of leverage they had before budget support was agreed. Of course, including corruption indicators in the PAF, linked to disbursement, is one way to ensure that donors retain leverage; however, using PAF indicators as disbursement triggers can also increase the volatility of aid which has been shown to undermine progress in governance reform (de Renzio 2011). Choosing corruption/corruption-related indicators for the PAF is, as we can see, not just a question of "which ones," but also "when" and "why," or even perhaps "why not."

This issue paper therefore examines the role of indicators focused on corruption within PAFs for General Budget Support and their effectiveness in monitoring corruption at a macro level, monitoring anti-corruption projects or institutions, and monitoring budget expenditures. We argue that when developing or choosing corruption indicators it is paramount to match the type of indicator to the modality. There may be more appropriate places than the PAFs to address corruption issues and there are also opportunities to exploit and build on existing anti-corruption processes and align PAF indicators with these rather than seek to replicate these processes.

1.2   Approach and methodology

This study focuses on recent (i.e., 2005–2010) PAFs from six current or former GBS countries: Afghanistan, Malawi, Mozambique, Nicaragua, Tanzania, and Uganda. To broaden the geographical scope beyond Africa, Afghanistan and Nicaragua were included. The choice of countries allows the examination of conflict-afflicted states, where concern regarding corruption is particularly acute, as well as countries that are relatively more stable.

PAFs are not strictly bilateral, and in many countries, such as Mozambique, PAFs have been agreed among several donors. In other countries, PAFs have been agreed by a multilateral institution.[1]

This study reviews current and recent PAFs and key academic and policy literature to:

- Map PAF indicators to identify which indicators have been used to address issues of anti-corruption and public integrity;

- Identify how indicators may have been negotiated;

- Provide insights into the strengths and weaknesses of the indicators being used; and

- Identify evidence, anecdotal or otherwise, as to their effectiveness.

The analysis was complemented by:

Telephone interviews with interviewees in donor agencies, multilateral organisations, and consultants who work on these issues to identify how indicators were negotiated, their strengths and weaknesses, evidence of effectiveness, and suggestions for which indicators work best to address corruption-related concerns.

A review of literature and input from interviews to identify indicators that best address corruption-related concerns and provide suggestions as to how the PAFs could be improved in this respect.

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[1] Including Afghanistan in the analysis in this paper allows examination of such a PAF. Afghanistan's PAF was agreed through the World Bank and monitors the expenditure of a Multi-Donor Trust Fund.

Our research finds that the use of corruption indicators in Performance Assessment Frameworks is variable. Country PAFs tend to be negotiated and assessed annually; this makes it difficult to design indicators that are sensitive yet responsive enough to show changes in corruption levels over this time, in line with findings from the European Court of Auditors quoted previously. The difficulty in obtaining data about the PAF process has made it hard to provide clear policy recommendations. This is actually one of the most revealing aspects of this study: how little transparency there has actually been in the negotiation and production of PAF indicators.[2] As such, we have not tried to make sweeping recommendations but have instead aimed to make some suggestions for improvements.

1.3   Structure of the paper

Following this introduction (Section 1), the paper is structured in three parts:

Section 2: Mapping integrity and anti-corruption indicators. This section looks at the role of integrity and anti-corruption in the PAFs and which indicators are used. The section also looks at the origin of the indicators, how these indicators were negotiated, the impact of this process on their clarity and level of impact.

Section 3: Analysis. This section looks at the strengths and weaknesses of the indicators and how effective they are as a tool for improved dialogue between donors and partners. This section also looks at parallel anti-corruption processes and the relation of PAF anti-corruption processes to these.

Section 4: Recommendations. This section summarises the key findings from this study and provides some suggestions for better developing PAF anti-corruption indicators.

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[2] This is something that came through strongly in our interviews as well as through our own experience in trying to find documentary evidence of the PAF negotiation process.

2. Mapping integrity and anti-corruption indicators

This section reports the findings of a short mapping study to identify those indicators that address corruption within the PAFs of Afghanistan, Malawi, Mozambique, Nicaragua, Tanzania, and Uganda. For the purposes of this mapping exercise, "corruption indicators," effectively corruption-related indicators, were defined as those indicators whose objectives explicitly mention corruption.

2.1   Origin of indicators

The origin of corruption indicators was particularly difficult to determine. There is a general lack of transparency in relation to the development of indicators and a dearth of secondary material documenting the process. Different interviewees suggested different origins, including Poverty Reduction Strategy Papers (PRSPs), regional norms based on the African Peer Review Mechanism (APRM), and peer learning from other countries, though this was difficult to verify.

2.2   Focus of indicators

Despite the fact that PAFs are negotiated at the country level in order to ideally best reflect country context, there are some commonalities with regard to the focus of the corruption indicators within the PAFs of the six countries. As Table 1 shows, in the sample countries indicators relating to PFM (including procurement) are common across all the PAFs. Beyond this, other indicators common to more than one PAF focus on legal aspects of anti-corruption, specifically legislation and the progress of anti-corruption trials; transparency and accountability; and the role of anti-corruption agencies and the progress in establishing them.

Table 1: Overview of corruption indicators in 6 countries

Focus	Afghanistan	Malawi	Mozambique	Nicaragua	Tanzania	Uganda
Public Financial Management	X	X	X	X	X	X
Legislation and legal processes	X		X	X		X
Transparency and accountability	X		X			X
Anti-corruption agencies		X			X	
Perception assessments			X			
"Economic crimes against the state"				X		

Public Financial Management

All six PAFs include indicators that address issues of PFM. These vary somewhat, but a common theme relates to the Public Expenditure and Financial Accountability (PEFA) framework (see Box 1). Other indicators relate to building (often electronic) systems for budgeting, procurement and auditing.

Efficient use of budget support requires a good PFM system. Improvements in PFM can result in improved provision of effective services such as health, water, and education (Broadbent 2010), and countries with better performing PFM systems are perceived to be less corrupt than those countries with a poorly performing PFM system (Dorotinsky and Pradhan 2007). Though there may be some differences in the specific PFM indicators themselves, the use of PFM indicators in all six PAFs suggest that this type of indicator can, in principle, be agreed upon readily by donors and partners. This may be because of widespread use of PEFA and thus a degree of familiarity for both donors and recipients.

Box 1: PEFA Framework

The PEFA Performance Measurement Framework (known as the PEFA Framework) has been developed to assess and develop essential PFM systems.

The PEFA PFM Performance Measurement Framework incorporates:

- A set of high-level indicators that draw on international standards, and

- A PFM performance report that enables the indicators to be read and understood in context.

It forms part of an approach to supporting PFM reform, which emphasises country-led reform, donor harmonisation and alignment around the country strategy, and a focus on monitoring and results. This approach seeks to mainstream the better PFM practices that are already being applied in some countries.

Tools such as the PEFA framework allow both donors and partners to monitor the progress of PFM reforms. Such reforms lead to improved budgeting and expenditure processes, which help build the trust in government systems required for budget support to be supported by donors. At the same time, it is not clear whether inclusion of PFM indicators in PAFs have actually led to changes in the pace and quality of PFM reform and what the challenges have been to include PFM indicators in PAFs. Furthermore, as discussed in a later section, the connection between improved PEFA performance and reduced incidence of corruption has not been clearly established.

Legislation and legal processes

Four out of the six case study countries (Afghanistan, Mozambique, Nicaragua, and Uganda) had indicators related to legislation and legal processes in their PAFs. These indicators typically focus on the production of legislation to combat corruption and the progress of trials involving corruption. They also tend to include other de jure (i.e., written) provisions such as the production of monitoring reports and audits as part of their anti-corruption indicators.

Strong anti-corruption legislation is essential for providing tools for the police and judiciary with which to investigate and prosecute alleged acts of corruption. However, simply measuring the creation of anti-corruption legislation is not enough. These sorts of indicators are in effect de jure measures rather than de facto measures (see Box 2), and there may be a great difference between legislation as it is written and as it is actually practiced. Legislative indicators such as these often fail to capture the enforcement of legislation; in other words, creation of anti-corruption legislation is relatively easy, but implementation and effective enforcement are not.

Box 2: De jure and de facto indicators

The UNDP helpfully explains the difference between de jure and de facto corruption indicators in its "User's Guide to Measuring Corruption."

De jure indicators measure the "existence and quality of anti-corruption or governance institutions, rules, and procedures, i.e., the de jure rules 'on the books'."

De facto indicators measure the "impact of corruption on quality of life and public service delivery, i.e., the de facto deliverables of the governance system. These are difficult to precisely measure other than through proxy measures."

Along the same lines, monitoring the number of cases prosecuted can be an ambiguous indicator of enforcement. An increase in the number of cases prosecuted could be interpreted as progress in enforcing anti-corruption legislation but could also equally be attributed to a rise in the incidence of corruption, or even a politically motivated drive against government opponents (see Box 3).

Box 3: Malawi PAF indicators – corruption case completion

The Malawi PAF included indicators measuring the average number of months for corruption cases to be completed and the percentage of corruption cases completed within 12 months.

It is questionable how well these indicators serve to monitor progress in combating corruption. The indicators only cover those cases of corruption that are prosecuted in the courts, and there may be other reported instances of corruption where those involved are not punished through the courts. There will also, of course, be instances of corruption that are not even reported, let alone make it all the way to court.

The indicators may also create perverse incentives. It may encourage the government to reject complex cases, which could be lengthy and difficult, in favour of simple but trivial cases, particularly if it is clear that "success" in terms of the indicator is linked to a disbursement trigger.

PAF indicators, which focus on legislation and legal process, would need to monitor enforcement as well as written measures to be effective. The lack of legislation enforcement indicators in PAFs suggests that it remains difficult to develop such indicators and this is an area that needs to be addressed. This is part of a wider challenge to develop appropriate "outcome" indicators rather than purely "output" indicators. In relation to a programme or policy, output indicators measure the quantity of goods and services produced and the efficiency of production, whereas outcome indicators measure the broader results achieved through the provision of goods and services.

It continues to be a significant challenge to produce legislative outcome indicators – indicators that monitor effective enforcement of legislation – and not just for the PAF. Whereas countries can draw on international conventions such as the United Nations Convention against Corruption (UNCAC) and the UNCAC Legislative Guide when drafting appropriate legislation, there are no universally accepted measures to monitor enforcement. In many countries, such as Uganda, where Parliament has passed six different acts focused on corruption since 2000 (Chêne 2009), there is not an absence of anti-corruption legislation by any means, just an absence of clear and effective enforcement mechanisms.

It may not in fact be possible to identify a universal measure that can address all aspects of the enforcement of corruption legislation. Enforcement measures must be tailored to the specific laws passed. A potential indicator could be the production of a monitoring system that meets specific standards. Such an indicator would need to be designed in a context-specific way, informed by analysis that uncovers some of the political economy factors behind anti-corruption legislation reform, backed with increased support for de facto activities and covering a realistic timeframe.

However, donors seem to exhibit a strong preference for output indicators – not just in PAFs – because they are relatively easy to use in order to demonstrate success. This is particularly true given the short timeframe of six months to one year in general, during which enforcement and effectiveness would be difficult to measure.

Transparency and accountability

Three of the PAFs (Afghanistan, Mozambique, and Uganda) include transparency and accountability indicators. These relate to the regular dissemination of financial statements and audits, as well as scrutiny of financial processes by parliament.

Transparency can lead to lower levels of corruption, but this is contingent on other factors. Making information available will not prevent corruption if conditions for publicity as well as accountability, such as education, newspaper circulation, and free and fair elections, are weak (Lindstedt and Naurin 2006). Where the conditions allow transparency, this can lead to stronger participation of stakeholders external to government in public spending, and countries with stronger participation of external stakeholders in public spending have lower corruption perception indexes (Dorotinsky and Pradhan 2007). Transparency may not necessarily result in greater external participation but it allows the possibility of it. This in turn can lead to greater accountability and reduced corruption. In countries with an active media and civil society, transparency indicators may well be effective corruption monitoring indicators in PAFs, as they can indicate changes in levels of accountability.

Anti-Corruption Agencies

Two PAFS (Malawi and Tanzania) included indicators related to anti-corruption agencies (ACAs). In recent years independent ACAs have become popular as policy and institutional responses to corruption, often being given a range of responsibilities to investigate and prosecute allegations of corruption, run public awareness campaigns, and/or develop and oversee anti-corruption reform plans for the government.

Ultimately, anti-corruption agencies depend on a variety of factors to be successful, and the establishment of anti-corruption agencies may not, by itself, mean progress in anti-corruption reform. Likewise, ACA indicators, such as an increase in the number of cases handled by the commissions, are ambiguous in the same way an increase in the number of cases prosecuted in courts can be. The rise could be interpreted as progress in combating corruption, a rise in the incidence of corruption, a politically motivated drive against government opponents, or a combination of these.

ACAs are ultimately only one of many institutions that help maintain effective safeguards against corruption. It may well be bad practice to only include indicators for one specific organisation in a macro-level monitoring framework, such as PAF. ACAs are only one part of an anti-corruption strategy, and it is important for PAFs to include a wider range of indicators.

Perceptions

Only one country of the six – Mozambique – included a survey of perceptions of corruption. It is unclear how this survey is carried out and by whom. Neither does the PAF contain detailed information about the survey, nor is such information readily available. In general, for macro-level indicators such as those usually used in PAFs, national opinion surveys may be a useful source of information, particularly if they allow for disaggregation of citizen views either by sector or institution, in order to provide more useful information on where progress is taking place and where it is not, particularly if specific institutions or processes are prioritised in the PAF or the GBS agreement.

Transparency International's Corruption Perception Index (CPI) and the World Bank Institute's Worldwide Governance Indicators (WGI) are often used in PAFs and similar monitoring arrangements, but are not as useful as more detailed survey data. These cross-country indices based mainly on perceptions data, though the WGI can be termed a "hybrid index" as it is based on a range of sources, which might not be categorised as perceptions. Such tools have been highly effective in terms of advocacy but are less useful for monitoring corruption within a country over time (see Box 4). Perceptions of corruption can be slow to change; they can be biased by high-profile events and differ markedly depending on whether those surveyed are in the area or country in question, or external to it.

> **Box 4: Weaknesses of perception-based corruption surveys – Transparency International's Corruption Perceptions Index (CPI)**
>
> The Transparency International CPI was launched in 1995 and aims every year to rank almost 200 countries by their perceived levels of corruption. It is a "survey of surveys," bringing together expert assessments and opinion surveys from around the world into a composite index. As Transparency International points out, the CPI "has been widely credited with putting the issue of corruption on the international policy agenda" (Transparency International 2011).
>
> What the CPI is not, however, is a tool that measures corruption levels. It only measures perceptions, mainly of international business people, and so may be subject to significant bias. Although it can tell us an interesting story about how countries compare in term of perceived corruption levels, it tells us nothing about levels of corruption at the sub-national or sector level. It is not "hard" empirical data, and some critics argue that the data on which the index is based is often scant for some countries, making them problematic to rank (see Andersson and Heywood 2009; Sampford et al. 2006). Even if one were to see the Transparency International CPI as "hard data," it does not rigorously analyse whether the difference in ranking between countries is statistically significant.
>
> In short, the CPI is an advocacy tool par excellence, but should not be relied upon as a tool for measuring corruption, certainly not in isolation.

In the long term, perceptions of corruption can illustrate where levels of corruption are believed to have changed. This would be more so the case if the data can be broken down by government sector or function. Including data based on experiences, in addition to corruption, along the lines of tools such as Transparency International's Global Corruption Barometer, could provide more accurate and responsive assessments of corruption. PAF indicators that need to monitor changes in corruption levels over a relatively short period should therefore be based on experience data in addition to perception data.

However, the issue of timeframe still remains. Perception indicators can be effectively described as "lagging indicators," as they respond once the system has begun transformation. Perceptions of corruption/anti-corruption rarely change significantly in the six-month to one-year time period covered in a PAF, and so making disbursement decisions on this basis is problematic. Instead it may be more beneficial to identify what can be described as "leading indicators," indicators that respond before transformation in the system (e.g., PFM indicators). Due to the relatively short time period which most PAFs monitor, "leading indicators" may be more suitable than "lagging indicators" such as perception indicators.

2.3   Types of indicators

Indicators may be generally described as input (i.e., the resources used by government to produce outputs), output (i.e., the goods or services that government agencies provide), or outcome (i.e., the effects on society of outputs from governmental entities) indicators. It remains a challenge to clearly categorise PAF indicators in this manner. In general, PAF indicators assess factors that would be best defined as outputs. An exception would be an indicator that measures perceptions of corruption, which is closer to an outcome indicator.

Both a review of the PAFs and some interviewees suggest that there is a preference for output indicators as opposed to outcome indicators. Output indicators (such as number of cases prosecuted or the production of a management letter)[3] may be preferred because they are easier to develop than outcome indicators and may be more suitable for shorter timeframes. At the same time, changes in output indicators may not translate to the desired anti-corruption outcomes. Furthermore, a need to produce tangible, quantifiable outputs risks incentivising outputs that may be of questionable value. Thus output indicators may not be the most effective for promoting meaningful reform, but their appeal remains, insofar as it is easier for both donors and recipients to claim success.

2.4   Negotiation of indicators

This section looks at how indicators are developed and negotiated between donor countries, partner countries, and, in some cases, other stakeholders. Building on the principle of ownership, the process of agreeing on indicators should begin with partner countries proposing indicators to the donor countries. This is not always the case, however. Interviewees commented that partner countries often lack the capacity to provide suitable indicators, and the indicators are instead provided by the donor countries. A concern expressed by many interviewees is that indicators are based mainly on donor country concerns as opposed to being tailored to the partner country in question and its current political and social dynamics. There is little about the choice of indicators reviewed in this study that suggests otherwise.

Corruption indicators are complex and expectations around ownership by partner countries, many which face severe capacity constraints, may be unrealistic. Where there is more evidence of country ownership in the choice of indicators (economic crimes against the state in Nicaragua, for example), it is clear that corruption indicators risk being politicised and that greater ownership may not necessarily

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[3] Common examples of this are workshops undertaken and documents produced that simply show that something has been done. Uganda, for example, has an indicator within its PAF relating to the production of a "management letter." The "management letter" may be referring to a type of report produced by auditors that communicates deficiencies and weaknesses in an organization's structure. There is little identifiable information about this letter and how it has been beneficial. The process of undertaking a special audit, however, seems to have been effective in highlighting issues of corruption. A special audit carried out by the Auditor General between 1995 and 2006 implicated the National Drug Authority of defrauding the government (UGPulse 2007). There are, however, few details about what makes up these special audits.

lead to better indicators. Rather than ownership (or a lack thereof), what the research suggests is a "scramble" for indicators, not an informed negotiation between partners for useable indicators appropriate to both the purpose and the timeframe of the PAF.

Corruption indicators are often decided in addition to other wider-ranging governance indicators and indicators on other sectors, some of which are in fact designed with corruption issues in mind. One example cited in the interviews was an agriculture indicator that monitored the introduction of vouchers for fertiliser subsidies. The interviewee commented that the choice of this indicator was motivated by concerns about massive corruption in the allocation of fertiliser subsidies.

This comes back to the issue of clarity in designing and formulating indicators; if it were not for the interviewee disclosing this information, it would be impossible to tell that this is in fact an anti-corruption indicator if taken solely on its face value. Of course this is of concern for researchers, but the implications of this are not simply academic. A lack of clear understanding of the purpose of indicators can lead to them being miscategorised or overlooked when looking for anti-corruption indicators. This can lead to misguided efforts to promote anti-corruption reform or a missed opportunity to promote reform more effectively. If PAFs are to provide an effective contribution to addressing corruption issues, it is essential that the purpose and benefits of the PAF indicators be clear to all.

3. Analysis

This section examines the insights from this study and provides suggestions for better design of PAF indicators that address corruption.

3.1   Strengths and weakness of indicators

In general, interviewees were overwhelmingly negative about the corruption indicators used in PAFs, and in many cases about actually using the PAF to monitor anti-corruption efforts. Several interviewees commented that unless there is political will on the part of the partner countries, attempts to conduct anti-corruption programmes are likely to fail. In the case of PAFs, the inclusion of corruption indicators was seen as being unlikely to incentivise partner country governments to combat corruption when there is no existing political will.

As argued by an anonymous respondent in Haider: "A development worker, who worked on the budget support programme in Cambodia, finds it unlikely that indicators can act as incentives for reform: 'The best we can do is identify reformers in the government, listen to their plans, and back them up with budget support. This is how the budget-support operation in Cambodia was designed'" (2011: 3). This raises the question whether PAF indicators can drive change.

Many anti-corruption indicators in PAFs also suffer from a timing problem. PAFs are often revised annually. It can take six months to sign and agree a PAF, leaving six months to fulfil its requirements, and this may not leave enough time to meet those requirements. The length of time it takes to negotiate a PAF can make them an inappropriate instrument for annual monitoring, depending upon the indicators chosen, particularly as a trigger for disbursement. The timeframe of a year (and in some cases effectively six months) to meet the PAF indicators is very challenging, especially for developing countries with often limited capacity, though this becomes less problematic in the out-years of an agreement if an indicator is structured well with realistic milestones and targets.

Choosing indicators that in fact measure changes over time – e.g., "lagging indicators" such as perceptions or the implementation of anti-corruption legislation – is simply not appropriate for an instrument used by donors to determine disbursement of budget support funds on an annual basis. Inappropriate indicators may be unfairly punitive for countries genuinely committed to reform.

A third consideration when selecting PAF indicators is authority and responsibility for implementation. PAFs are negotiated between donor and partner country governments – each country's political executive. The PAFs monitor compliance of the executive in relation to carrying out the agreed goals. However, some PAF indicators may address issues beyond the immediate control of the executive; for example, the executive may or may not be responsible (either de jure or de facto) for the action (or inaction) of local government. There is often a separation of power between the executive and judiciary; countries may lack sufficient capacity at specific points of the policy delivery chain, and there may well be bottlenecks. To be most effective, PAF indicators must not just take into account the will and capacity of the executive, but also the will and capacity of all institutions and departments that would be involved in helping meet these PAF objectives. Progress in indicators should be achievable; otherwise the indicator will not be particularly helpful.

On the other hand, the indicators in the PAFs studied did not typically capture corruption at the sectoral or sub-national level and thus may not be able to deal well with corruption that can be multi-faceted and multi-level. Donors tend to be predominately concerned with the link between corruption and public financial management at a central level, though corruption also occurs in line ministries when specific programmes and contracts are agreed (Scanteam 2008). This form of corruption could be facilitated or aggravated through deliberate misallocations of resources from where they are most

needed towards ministries or systems that provide the greatest opportunity for corruption. However, as an interviewee noted, this would be difficult for a few indicators to capture. Furthermore, PAFs are criticised for being too complicated, taking on too many functions simultaneously (Daima Associates Limited and Overseas Development Institute 2005), and attempting to address these issues may well add a further layer of complication. In short, while sector-specific and disaggregated data may be valuable, the capacity and authority of counterparts to monitor this level of complexity must be a consideration when agreeing PAF indicators.

Wider governance reform, especially public finance management reform indicators, can give an indication of vulnerability to corruption in the public sector. However, the relationship between PFM reform and corruption is not clear. How do changes in PFM lead to a reduced perception or frequency of corruption, and which changes to PFM are most important? A stronger theory identifying the underlying process between wider corruption and PFM reform is needed. It is also unclear how PFM indicators, which are generally on a national level, would work together with other indicators, some of which may work at a sectoral or sub-national level. As it stands, current PFM indicators can tell us little about the wider corruption level.

While PFM indicators should not be used as proxies for measuring overall corruption levels, they may still be useful as a reflection of progress on specific elements of an anti-corruption reform agenda. In this context, PAFs could usefully incorporate either specific PEFA indicators or focus on a composite rating. Where there is an existing PEFA review process, it would be preferable to have a PAF indicator related to achievable progress in this PEFA process. Doing so would incorporate, rather than duplicate, the existing PEFA process and would be overall less onerous for the host government.

3.2   Donor-partner dialogue

The majority of individuals interviewed in this study criticised current PAF corruption indicators as unlikely to improve donor-partner dialogue.

One interviewee noted that there can often be "split assessments" – a disagreement between donors and partners over whether or not general PAF indicators have been achieved: partner countries may believe they have been met, whereas donor countries believe that they have not. If indicators are not clear, and if the process for agreeing them is not transparent and progress in them is open to interpretation, then this suggests the indicators have been poorly constructed. Several interviewees also commented that the PAF is seen as having become too rigid in relation to donor priorities. Donor demands are prioritised over partner country needs resulting in PAFs that are unresponsive to the partner country context.

PAFs were criticised for being surprisingly difficult to get hold of and rarely published. One interviewee commented that greater transparency would lead to a healthier discussion between donors, governments and civil society about government reform commitments, and may also be helpful for donors to be able to show greater accountability towards domestic taxpayers. Lack of transparency makes external review of PAFs and budget support in general extremely difficult, with neither governments nor donors able to be held to account. The trust required for budget support to be successful is not just trust between recipient and donor; it is also important for the public in donor countries to believe that aid money is being well-directed and well-spent. If academics, civil society, advocacy groups, and so on cannot examine the PAFs, their effectiveness as a tool may be questionable.

This finding is supported by a study on the GBS process in Tanzania. Claussen and Martinsen find that the dialogue was "characterised by a process in which Development Partners have been 'auditing' and 'assessing' Government performance based on limited information and empirical evidence leading to a situation of mistrust on what is the real agenda for the 'dialogue'" (2011: 34). The authors

therefore recommend establishing independent review panels to conduct the monitoring, where representatives from government, civil society, private sector, and academia are included, and that assessments are openly published. Where possible this process should be based on existing mechanisms, such as those already established in connection with compliance for international conventions.

Interviewees commented that when certain PAF indicators have not been met, tranches of funding have been withheld or disbursements have been delayed. They also suggested that this did not affect underlying government behaviour in relation to corruption. In other cases, even where PAF goals have been met in relation to corruption indicators, funding may still be cut off following a well-publicised incident. The case of Uganda was cited by one interviewee, where the British government cut over £7.5 million in direct aid to Uganda, citing slow progress in punishing ministers and other public officials accused of misappropriating funds in relation to the 2007 Commonwealth Summit (Mugerwa 2010).

One interviewee criticised the proliferation of governmental working groups relating to PAFs. Mozambique is reported to have 71 working groups working on the Mozambique PAF. Following suggestions that this should be streamlined, two further working groups were created to look at the streamlining process. This suggests that the production of PAFs and PAF indicators can become a bureaucratic and resource-intensive process. This could help explain why, as one interviewee commented, PAFs often take six months to develop, leaving only six months to demonstrate results.

Another comment was that useful dialogue about corruption often takes place in private and that the real issues that drive corruption are not and cannot be assessed at the PAF level. The interviewee commented that a better understanding of the political economy is critical when working on addressing corruption.[4] Donor countries cannot generate sustained political will and an environment amenable to reform in partner countries where none exists initially. Effective anti-corruption reform efforts will have to take political economy dynamics into account. In the same manner, anti-corruption monitoring within PAFs must "work with the grain" of the partner country and be aligned with its political economy dynamics to be effective.

3.3 Parallel anti-corruption processes

In most countries, a number of anti-corruption processes occur in parallel to those included in the PAF monitoring process. Many countries have national anti-corruption strategies, some of which are also linked to PRSPs. Regional initiatives may also call for anti-corruption reforms. In Africa, for example, the New Partnership for Africa's Development's (NEPAD) African Peer Review Mechanism includes monitoring of government anti-corruption activities.[5] These processes may reinforce each other, or they may have significantly different aims. Consequently, the indicators used may have markedly different purposes (e.g., monitoring, diagnosis, fiduciary risk, political dialogue).

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[4] A U4 Issue Paper, based on a study of India, Bangladesh, and Kenya, also emphasises the primacy of political economy when attempting to institute anti-corruption reform (Hechler et al. 2011). In the three countries examined in the study, gap analyses showed that there were comparatively solid institutional and legal anti-corruption frameworks in all three countries but generally poor enforcement of this legislation. The authors find that this lack of enforcement is attributable to political economy factors – the structure or shifts in political dynamics. Such factors include the weakening of political leadership, the lack of political commitment, constraints relating to coalition governments, and the effect of other competing policy agendas.

[5] The APRM is a voluntary mechanism that encourages participating states to ensure that their policies and practices conform to agreed values including democracy and political governance values, and economic governance and management values.

The United Nations Convention against Corruption is a global instrument that requires a wide range of anti-corruption actions and reforms of signatory governments.[6] As a broadly accepted framework, it has attracted the attention of many donor and aid-recipient countries as an attractive basis for agreeing on anti-corruption priorities. A self-assessment checklist, developed to help States Parties and signatories gather information and report on progress[7] has been seen by many in the anti-corruption field as a promising tool for monitoring, but it is important to recognise the limitations of this framework.

The UNCAC and its implementation review tools, as global frameworks, are not context-specific. It directs states to assess their own compliance with the wide range of standards set out in the Convention, but the Convention sets no priorities across its many provisions, nor does it provide tools for evaluating the feasibility and timeliness of different reforms for any given country. PAFs, on the other hand, must be context-specific, setting objectives and reforms, which are feasible for the partner country over a given period of time. Consequently, it may not be feasible to develop PAF indicators directly from the UNCAC, though a country may use the UNCAC as the basis to undertake a gap analysis or priority-setting initiative that might take local conditions and priorities into account more effectively.[8]

Similarly, some national anti-corruption strategies, which are more context-specific, could lend themselves to be used as a source of indicators. The implementation of an anti-corruption strategy usually is assessed via many different indicators, more than can be included in a PAF. Therefore, the best strategy may be to develop some sort of composite indicator for the PAF that could be used to monitor progress in implementing anti-corruption strategies outlined in parallel processes such as in UNCAC, the APRM or national strategies. As Lawson, Gerster, and Hoole (2005: 7) argue: "The need to recognise that the PAF should be only one component within a coordinated sequence of processes for performance reviews and policy dialogue represents [a key] challenge."

3.4   Understanding the pitfalls of corruption indicators

It is important to note the limitations of PAF indicators in measuring corruption. The PAFs themselves have been criticised for trying to undertake too many functions and consequently having too many indicators. A PAF is essentially a macro-level tool that is more often used to measure outputs and de jure changes, as opposed to outcomes and de facto changes. Corruption indicators are one type of governance indicator, which themselves have limitations. When used inappropriately, governance indicators can obscure more than they reveal, promote false assumptions about what drives progress in governance and development, and at worst lead to the wrong policy or investment choices (Williams 2011).

Finally, it is important to emphasise that corruption is, by virtue of its "illicit" or "clandestine" nature, difficult to measure. Participants do not want it reported, and these people could include civil servants who have the power to distort numbers. Measuring corruption is likely to be a challenge, and significantly more difficult than monitoring other things that are included in the PAF, where there is less incentive for distorting the facts.

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[6] To date, the convention has been ratified, accepted, approved, or acceded to by 154 countries, which includes nearly all donor countries and partner countries.

[7] See the documents at http://www.unodc.org/unodc/en/treaties/CAC/IRG.html.

[8] See the discussions of UNCAC gap analyses in Hechler et al. 2011.

4. Recommendations

Corruption in an important development concern, and thus it is not surprising that donors wish to address the issue in PAF frameworks. They question is how to do so. This study has examined the ways in which anti-corruption objectives have been addressed through PAF indicators. Corruption-related indicators across the six countries varied in focus, and with the exception of those indicators that addressed issues already covered by public financial management tools such as PEFA, there was no common focus. Interviewees who had experience with the PAFs expressed the general view that the indicators were weak and not fit for macro-level monitoring.

There is no robust evidence to suggest that PAFs provide sufficient incentive or leverage to reduce corruption in partner countries (Haider 2011). However, once a decision has been made to use budget support in a partner country, this signals an existing degree of confidence in a partner country's systems and political commitment to implement reforms. At this stage PAFs can be used to monitor whether some aspects of corruption or the conditions that contribute to corruption, are getting better or worse, though this is most likely to work best in conjunction with other wider anti-corruption strategies.

Keeping in mind the overall challenges in measuring corruption or anti-corruption progress, if corruption and corruption-related indicators are to be used in PAFs, some fairly simple steps can help improve on current practice. In terms of developing indicators for PAFs some suggestions include:

- **Identify the objectives of budget support and the purpose of corruption indicators**

  There is no clear, universally accepted statement of the objectives of budget support. PAF indicators reflect this ambiguity and can be poorly targeted as a consequence. Lawson, Gerster, and Hoole (2005) outline six possible objectives for budget support more generally: i) to provide predictable increases in budget funding for partner governments; ii) to promote ownership by partner governments; iii) to accelerate national development and reform processes in partner governments; iv) to improve the effectiveness of partner governments in achieving positive service delivery outcomes; v) to strengthen national systems of planning, budgeting, control, and oversight; and vi) to reduce the transaction costs associated with external finance. While some of these objectives may not require corruption indicators at all, others would influence the choice of indicators significantly. For example, a GBS agreement focused on improving service delivery might prompt a corruption indicator focused on measuring leakage from a service sector budget. Alternatively, a focus on accelerating national reform processes might call for use of a series of qualitative milestones toward achieving an agreed reform.

  At the same time, donors may have different objectives specifically related to monitoring corruption in a PAF. If the purpose of a corruption-related indicator were to monitor overall corruption levels, for example, then victimisation or experience-based indicators would be preferable. However, if the purpose is to monitor progress on specific anti-corruption activities or initiatives, then qualitative milestones might be better indicators. The distinction between threshold or corruption-level monitoring on the one hand, and progress monitoring on the other, is important to have in mind.

- **Develop better outcome, rather than output, indicators**

  Many corruption indicators – not just the ones found in the PAFs under study here – are output-focused, such as the number of prosecutions for corruption or the establishment of anti-corruption bodies. Such indicators may be easier to measure than outcome indicators, and may

be more appropriate for the timeframe covered by the PAF, but cannot clearly reflect changes in levels of corruption. One country (Mozambique) did have an outcome-focused indicator – a survey of corruption perceptions of citizens. This is arguably a stronger indicator than output-focused indicators but is not appropriate for use in a PAF, especially not as a disbursement trigger, as it can take several years for perceptions to show meaningful change. A better indicator would focus on measures which are within the government's sphere of influence, and where measurement is not dependent on long-term societal changes. An example could be whether public officials are less prone to demand bribes (measured by sector-specific public opinion polls, such as Transparency International's Global Corruption Barometer), or whether service delivery is not undermined by corruption (measured by for example the World Bank's Quantitative Service Delivery Surveys).

- **Support partner country capacity to develop indicators**

  The interviews about the negotiation process for PAFs suggest that in many cases, partner country input was limited. This may be due, at least in part, to partner country capacity constraints. Donor countries often take the lead in providing indicators even though they themselves may have very limited capacity to identify and produce appropriate indicators. It may be better for donor countries to first provide partner countries with greater capacity to develop context-specific indicators than to take on the role themselves. The indicators that would be developed would be ideally part of a wider partner country anti-corruption strategy, rather than an ad hoc process to support the PAFs alone.

  At the same time, the partner country may not always be best placed to develop the most appropriate indicators and this would depend on the partner country in question. Neither donor countries nor partner countries are uniquely able (or unable) to identify meaningful indicators and the issues considered priorities by either donor or partner countries may not be true priorities on an objective basis. The decision on whether donor countries, partner countries, or a third party leads on developing indicators would be best made on a case-by-case basis.

- **Work towards a comprehensive diagnostic framework for corruption**

  All of the countries studied in this paper had PAFs that included indicators relating to public financial management. Diagnostic tools, such as PEFA, have helped countries to improve their public financial management system. Similar frameworks could be developed, say for legislation and measures relating to the judiciary, and for transparency and public reporting, which were identified as other common focuses of corruption indicators. For example, Repucci (2009) suggests the Due Process of Law Foundation's (DPLF) "A Guide to Rapid Assessment and Policymaking for the Control of Corruption in Latin American Justice Systems" as a tool for measures relating to the judiciary, and the UNDP's "A Guide to Measuring the Impact of Right to Information Programmes" or CRINIS (Political party finance) as a tool for public reporting.

  It is important not to duplicate existing work, particularly where there are already existing tools. PAF indicators should be aligned to a national or regional (e.g., APRM) anti-corruption strategy. A wider anti-corruption process could allow the development of better indicators without the time restrictions and the political challenges of addressing corruption through PAFs.

  When developing corruption indicators, the starting point must be to match the type of indicator to the specific goal of including corruption in a PAF. Due to its broad scope, PAFs typically rely on a few indicators. If the purpose is to measure broad macro-level change then indicators need to reflect this high-level, broad focus. As discussed above, a danger is that, in

practice, narrower, institution-level or sector-level indicators are sometimes used as proxies for high-level changes that they cannot actually measure. If the goal of including corruption indicators in a PAF is indeed to monitor broad change, the ideal scenario is that the few indicators would be aggregates drawn from broader diagnostic frameworks. On the other hand, if the purpose is to monitor the progress of specific activities, such as a reform agenda or institution, narrower indicators can be used. It is up to the individual donor whether such individual initiatives should be singled out. However, rather than "cherry picking" one individual indicator to function as a proxy for the progress of a reform or institution, it is advisable to base a macro-level PAF indicator on either qualitative milestones and targets or, if possible, a composite indicator able to capture overall progress. For example, it is not advisable to use the number of prosecutions as a proxy for the work of an anti-corruption agency at the PAF level. That indicator would normally be one of many indicators relevant for the agency's strategic plan and M&E framework. It is better to monitor whether the agency achieves the objectives set out in its strategic plan. In short, it is recommendable to exploit and build on existing anti-corruption processes and align PAF indicators with these processes rather than seek to replicate the processes. In terms of influencing long-term change, corruption indicators developed from and/or aligned to an existing national anti-corruption process are likely to be more effective.

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Annex A: Country case studies – Overview of corruption indicators

The following are the "corruption" indicators identified from the six case study countries: Afghanistan, Malawi, Mozambique, Nicaragua, Tanzania, and Uganda. These indicators are those whose objectives explicitly mention corruption, as well as those that involve activities similar to those outlined in the United Nations Convention against Corruption (UNCAC). Any translations, when necessary, were carried out by the authors.

Table 1 Examples of objectives and indicators relating to corruption

Objective	Indicator
Afghanistan	
Revenue mobilisation: Revenues cover operating costs	Revenue to GDP ratio; Revenue to operating expenditure ratio.
Medium-Term Fiscal Framework: Progress toward fiscal sustainability on expenditure	Operating expenditures to GDP ratio.
Spending mix for service delivery: Appropriate share of non-salary spending	% of non-salary in total civilian recurrent expenditure; % of non-salary spent in provinces.
Linkage between budget & strategy: Budget reflects Afghanistan National Development Strategy (ANDS) priorities	No. of costed sector strategies, business plans.
Budget formulation: Timely and effective budget process	New budget schedule adhered to; Participation in programme budgeting.
Budget execution: Performance in relation to annual budget targets	Execution ratio (operating); Execution ratio (development).
Procurement: Implement new Procurement Law	Number of ministries that prepare procurement plans within a month of budget.
Control framework: Improving fiduciary standards	Afghanistan Reconstruction Trust Fund (ARTF) eligibility ratio (salary); ARTF eligibility ratio (non-salary); % of staff with individual salary payment.
Legal framework against corruption: Establish an effective legal framework against corruption	The existence of relevant legislation and reports from monitoring mechanisms.
External accountability, audit, scrutiny: Timely availability of audited financial statements and review by Parliament	Monthly financial statement & audit for previous year's review by Parliament.
Ministry of Finance (MoF) reform strategy: Implement MoF reform strategy, including at	No. of *mustofiats* (Ministry of Finance at provincial level) reformed.

provincial level	
Public financial management (PFM) reform & capacity in line ministries: Effective financial management capacity in line ministries	Number of ministries with effective financial management / budget units.
Government's PFM system: Improve/maintain PFM performance	Public Expenditure and Financial Accountability (PEFA) PFM performance ratings.
Malawi	
Macroeconomic programme	Second review of the Exogenous Shock Facility successfully completed and a new programme agreed with the IMF by December 2009.
Credibility of the budget	In-year expenditure reallocation between votes for last financial year amounting to less than 10% of the total approved budget.
Expenditure on essential public services	Budgeted other recurrent transactions for last financial year no lower as a proportion of primary expenditure than the previous financial year level.
Improved budget process	National budget structure comprising programmes and sub-programmes, which are GFS 2001 compliant by March this year.
Improved payroll management	Production of at least 5 monthly audit trail records by last December.
	Production of a report on actions taken in ministries where ghost workers were identified.
	Development and implementation of an electronic payroll data transfer between Human Resource Management Information System and Integrated Financial Information Management Systems (IFMIS).
Timeliness of annual financial statements	Roll out of IFMIS to 5 pilot local assemblies completed and another 12 district assemblies computerised and online with IFMIS.
Improved timeliness of external audit and follow-up	Submission of last two years' audit reports to Parliament by last December.
Resource mobilisation: Domestic revenue	Introduction of electronic banking for all large taxpayers.

Public procurement: Improved capacity	Procurement plans for 50% of the largest spending procuring entities linked to their annual budget by December 2009.
	Improved procurement specifications and evaluation reports submitted by 80% of the largest spending procuring entities by December last year.
	A drug level availability above that of June 2008 maintained by government by last December.
	Drug availability increased by at least 2% on all drugs less than 100% by last December.
Corruption	Anti-Corruption Bureau (ACB) performance: Number of cases taken to court; number of cases concluded.
	Broad progress: Number of Institutional Integrity Committees with functional anti-corruption action plans established; production and implementation of Governance and Corruption Survey Report.
Mozambique	
Promoting transparency in management and finances, as well as the integrity of public administration systems, increasing the accountability of individual employees and agents of the state with regard to the provision of quality services to citizens	Increased number of public institutions that in the perception of citizens are considered of integrity.
Continued development of actions for prevention and combating crime, with particular emphasis on corruption and the diversion of material resources of the state	Fighting corruption reinforced by the justice sector: Number of corruption cases: (I) concluded; (II) under investigation; (III) a. charged, b. awaiting stronger evidence before being charged, c. archived; and (IV) in court.
(Objective not defined but under Public Financial Management Sector)	Broad basis tax system, equitable and sustainable: Increased tax revenue as % of GDP and modernisation of tax management system for external foreign trade facilitation.

	Improved quality and efficiency of the expenditure and of the credibility of the state budget: % deviation of expenditure carried out by sector (agriculture, education, health) and regional level (province, district, municipality) over the approved budget.
	Increased transparency in government accounts: Improvement of the State General Account.
	Increased integrity in public financial management: Increased operationalization and integrity in the procurement system.
	Increased efficiency and effectiveness of internal control system: Improved coverage, quality and monitoring of OCIs' (Organs of Internal Control) work.
	Increased efficiency and effectiveness of external audit.
Nicaragua	
Ethics and transparency in public management: Raise ethical standards, improve transparency of public service, and reduce corruption	Number of cases of economic crimes against the state handled by the Attorney General's Office and transferred to the Public Ministry.
Improving public finance: Develop a plan for modernisation of public finance; prepare a system of performance indicators for each result	Audit to the Attorney General's Office.
	Entities implementing Medium Term Expenditure Framework Budget.
	Number of public authorities using e-recruitment and disseminating their online recruitment processes.

Tanzania	
Accountable governance: Anti-corruption	Percentage of cases investigated or completed by Prevention and Combating of Corruption Bureau (PCCB) that are successfully closed or passed for prosecution.
Public Financial Management: Implementation of public financial management reform programme action plan based on agreed assessment criteria; Adherence to Annual Audit Cycle	Government of Tanzania's follow up of Controller and Auditor General's annual reports outstanding matters within the annual audit cycle.
	Average level of compliance of procuring entities with the Procurement Act 2004 to reach 80% by 2011.
	Approved budget broadly in line with policy objectives.
	Expenditure outturn deviation compared to original approved budget.
Uganda	
Formal policy and institutional framework to fight corruption is in place and is effectively being implemented	Ensure continuous updating and improvement in quality of anti-corruption legislation.
	Enforce legislation, in particular sanctioning and recovery of funds by administrative and judicial means in grand corruption cases.
	Audit reports and Parliamentary Accounts Committee's reviews of the same completed within specified timeframes, with timely and effective follow up on findings by the executive.
Action on corruption through effective follow up on audit report findings	Follow up and action on special audits of grand corruption cases.

Preparation and implementation of the budget, internal budget accountability and external budgetary control satisfy the basic conditions for good PFM including transparency, accountability, and effectiveness of use of resources A credible and relevant programme to improve PFM and procurement systems is in place and some progress in performance has been recorded over the period under review	Progress is recorded on PEFA dimensions of PFM and procurement, including: - Credibility of the budget; - Comprehensiveness and transparency; - Policy-based budgeting; - Predictability and control in budget execution; - Procurement – competition, value for money, and controls in procurement; - Accounting, recording, and reporting; - External scrutiny and audit; - Progress in implementing the PFM and procurement reform agendas are monitored annually; - Public sector actions to improve PFM and procurement systems are refined annually to improve impact.
	Key assessment documentation includes PEFA reports, annual independent review reports, Auditor General's reports and other available analysis/documentation including Public Expenditure Reviews, national budget, budget speech, etc.
Credibility of the budget	% budget variance between allocations and releases of Joint Budget Support (JBS) sectors.
	% budget variance between releases and actuals of JBS sectors.
	Timing of releases of JBS sectors where work plans (including procurement and recruitment plans) are received on time and conform to quality standard.
	% aligned work plans in JBS sectors (including procurement and recruitment plans) received in a timely manner and approved by Ministry of Finance Planning and Economic Development.
	Arrears as % of total expenditures.

Reporting on budget at service level	% of quarterly central government actual expenditures reported on time.
	% of quarterly local government actual expenditures reported on time.
	% of quarterly domestic revenue reported on time.
	% of local government publishing financial transfers and budgets at local level.
Compliance	% clean audit reports (central, local and statutory bodies).
Procurement practices	Measuring value for money and compliance in procurement.

Annex B: Country case studies – Focus, background and types of indicators

Focus of indicators

Public Financial Management or PFM (including procurement)

- **Afghanistan**: Indicators include assessing the number of ministries with effective financial management or budget units, monitoring revenue, sector planning, budget scheduling, procurement planning, and financial auditing. One indicator specifically relates to the Public Expenditure and Financial Accountability (PEFA) PFM performance rating.

- **Malawi**: An even larger number of PFM and procurement indicators are included in this framework. These include progress relating to an Exogenous Shock Facility (an IMF loan which is designed to mitigate the impact of adverse economic conditions beyond a country's control); several indicators relating to budgeting process; auditing; reporting on actions of identifying ghost workers; progress on payroll, human resources, and financial data systems; and electronic banking for all large taxpayers. Procurement indicators focus on linking spending to the annual budget and notably the availability of drugs.

- **Mozambique**: PFM indicators include increasing tax revenue as percentage of GDP, modernising the tax management system for foreign trade, improving budgeting, and increasing transparency in government accounts. Procurement indicators include increased operationalization and integrity in procurement.

- **Nicaragua:** Relevant indicators include audit of the Attorney General's Office, the number of entities implementing the Medium Term Expenditure Framework (a planning and budget formulation process), and the number of public authorities using e-recruitment and disseminating their online recruitment processes.

- **Tanzania:** The PAF includes indicators on follow up of the Controller and Auditor General's annual reports within the annual audit cycle, the level of compliance of procuring entities with the Procurement Act 2004, the approved budget being broadly in line with policy objectives, and expenditure outturn deviation compared to original approved budget.

- **Uganda**: The PAF contains a large number of indicators relating to public financial management. These are aligned to several dimensions of the PEFA framework, including credibility of the budget; policy-based budgeting; predictability and control in budget execution; competition, value for money, and controls in procurement; accounting, recording, and reporting; and external scrutiny and audit. Other indicators include budget variance (the difference between a budgeted amount and the actual amount incurred), timing of releases, and work plan alignment in relation to Joint Budget Support sectors, as well as an indicator measuring "value for money."

Legislation and legal processes

- **Afghanistan:** Afghanistan has a recent history of anti-corruption legislation. It ratified the UNCAC in 2007, and subsequently adapted national legislation to include anti-corruption

components. There has been a presidential decree that established the High Office for Oversight for Anti-Corruption and Monitoring and Evaluation Committee. These have been part of the indicators focused on the existence of relevant legislation.

- **Malawi:** There are no indicators that focus on legislation. However, other indicators do include written measures. These are the establishment of anti-corruption action plans and the production and implementation of the Governance and Corruption Survey Report.

- **Mozambique:** Mozambique's indicators include combating corruption through the justice sector. They specifically monitor the number of corruption cases, namely, cases which are concluded, under investigation, charged, awaiting stronger evidence before being charged, archived, and in court.

- **Nicaragua**: Nicaragua's PAF indicators monitored the number of cases of "economic crimes" against the state handled by the Attorney General's Office and transferred to the Public Ministry. Whereas other countries focus on corruption-related crimes the term "economic crimes" would denote a broader range of activity, which is opposed by the state and not necessarily corruption as such.

- **Uganda:** Uganda has a well-established anti-corruption legal framework. Major anti-corruption legislation includes the Penal Code Act (PCA), the Prevention of Corruption Act, the Inspectorate of Government Act 2002 (IGG Act), the Public Finance and Accountability Act 2003 (PFAA), the Leadership Code Act 2002 (LCA), and the Public Prosecution and Disposal of Public Assets Act 2003. Uganda's PAF indicators focus on ensuring continuous updating and improvement in quality of anti-corruption legislation as well as enforcement of legislation, in particular sanctioning and recovery of funds.

Transparency and accountability

- **Afghanistan:** Afghanistan's PAF corruption indicators include regular monthly production of financial and annual audits (for the previous year) that can be reviewed by Parliament. These serve the objective of external accountability, audit, and scrutiny. Another indicator is the number of ministries that prepare procurement plans within a month of budget.

- **Mozambique:** The PAF has several poorly defined indicators focusing on transparency and accountability. These are the improvement of State General Account; the increased operationalization and integrity in the procurement system; improved coverage, quality and monitoring of internal control systems; and increased efficiency and effectiveness of external audit. How these improvements and progress will be measured is not actually detailed within the PAF.

- **Uganda:** Uganda's PAF corruption indicators include assessing levels of actual expenditures reported on time by local and central government, domestic revenue reported on time, and publishing of financial transfers and budgets at a local level.

Anti-Corruption Agencies

- **Malawi:** Malawi has set up an anti-corruption agency whose performance is monitored through PAF indicators. In particular the indicators monitor the progress of the Anti-Corruption Bureau on the number of cases taken to court and the number of cases concluded.

It also looks at the number of institutional integrity committees with functional anti-corruption plans.

- **Tanzania:** Tanzania's PAF includes an indicator related to its anti-corruption agency – the Prevention and Combating of Corruption Bureau (PCCB). The indicator is the percentage of cases investigated or completed by PCCB that are successfully closed or passed for prosecution.

Perceptions

- **Mozambique:** Mozambique is the only one of the six countries reviewed in this study that includes assessments of perceptions of institutions. In particular it monitors perceptions of public institutions by citizens and gives the number of those institutions judged to be of integrity as an indicator.

"Economic crimes against the state"

- **Nicaragua:** Nicaragua has an arguably unique indicator of the number of cases of economic crimes against the state handled by the Attorney General and the Public Ministry.

Indicator background

- **Afghanistan:** Corruption is acknowledged as a major impediment to the development of the country in the Afghanistan Compact of 2006 and the Afghanistan National Development Strategy (ANDS) (UNODC n.d.). The ANDS serves as the Afghan Poverty Reduction Strategy document. Afghanistan is also a signatory to and has ratified the United Nations Convention against Corruption (UNCAC). However, the indicators within the Performance Assistance Framework (PAF) do not seem to have been derived directly from the ANDS. Instead there is a much wider anti-corruption initiative including the establishment of the High Office of Oversight and Anti-Corruption (High Office or HOO), and law reforms and anticorruption efforts by the High Office, the Attorney General's Office, and the Supreme Court. The PAF corruption indicators act as one part of this wider anti-corruption effort. Public Financial Management (PFM) reform began in Afghanistan in 2002, shortly after the ruling Taliban government was removed from power and a transitional government was established by the Bonn Agreement (FreeBalance 2011). Afghanistan has since conducted two PFM system performance assessments, in June 2005 and December 2007, using the Public Expenditure and Financial Accountability (PEFA) methodology.

- **Malawi:** Malawi's PAF includes indicators which monitor the progress of the Anti-Corruption Bureau (ACB) on the number of cases taken to court and the number of cases concluded. The establishment of the ACB follows on from the constitution and subsequent legislation. In 1995, Malawi adopted a new constitution, which emphasised the need to introduce measures to "guarantee accountability, transparency, personal integrity and financial probity and which by virtue of their effectiveness and transparency will strengthen confidence in public institutions" (Malawi Anti-Corruption Bureau n.d.). As a result of this, Parliament passed the Corrupt Practices Act of 1995, which under Section 4(1) established the ACB. The ACB began its full operations in 1998 and was given increased powers in 2004 in an amendment to the act. The role of the Institutional Integrity Committees and the National Governance and Corruption Surveys are part of the work of the prevention division of the ACB and outlined within the ACB Strategic Plan 2007–2011 Norwegian Agency for

Development Cooperation 2010). In relation to PFM reform, a Public Financial and Economic Management (PFEM) Action Plan was established in November 2006, building on the 2003 Malawi Financial Accountability Action Plan (MFAAP) and the PEFA reports from 2005 and 2006 (Oduro, Quist, and Steen 2008). The reforms have been supported by donors through the Common Approach to Budget Support (CABS) Group since 1997. Prior to this Malawi had implemented a series of structural adjustment programmes since the beginning of the 1980s (Durevall and Erlandsson 2005).

- **Mozambique:** Mozambique's PAF corruption indicators monitor perceptions of public institutions by citizens and the number of those judged to be of integrity. This is linked to both the government's five-year plan and the Plano de Acção para a Redução da Pobreza Absoluta (PARPA) – a PRSP. There are also several, not very clearly defined, indicators that are not linked to either of the strategy plans. These are transparency of government accounts; integrity of the procurement system; efficient and effective internal control mechanisms; and external audit. In relation to PFM reform the first structural adjustment programme was in 1987 but since the late 1990s Mozambique has embarked on a comprehensive public sector reform programme. These reforms were the results of two key pieces of legislation: the Budget Law of 1997 and the SISTAFE (Sistema de Administração Financeira do Estado or State Financial Management System) Law of 2003 (de Renzio 2007).

- **Nicaragua:** In the case of Nicaragua, the first PAF was based on the PRSP of 2001. The PRSP was modified in 2005 with a revised PAF. The 2006 elections brought in a new government that was less accepting of the strategies embedded in the PRSPs (Hinds 2010). The new government failed to comply with the deadlines that would have made budgetary support possible in 2008. The government then presented a new PAF, but this lacked strategic objectives and the required detail to link it to the budget. The government eventually went to prepare a new PRSP to support the goals established in the 2007 PAF. Nicaragua is unique in having a PRSP based on a PAF. The indicator that appears in the 2007 PAF is the most questionable corruption indicator of the six countries surveyed. It is not clear how a change in the number of cases of "economic crimes against the state" handled by the Attorney General's Office and transferred to the Public Ministry would meet the given objectives of raising ethical standards, improving transparency of public service, and reducing corruption. Nicaragua has continued since 2005 to roll out wide-ranging PFM reforms (Yaker 2009). There has been a commitment to carry on with these reforms in the preparation of a medium-term plan (2008–2012) for strengthening PFM called the Plan of Modernization of the Financial Administration System (in Spanish Plan de Modernizacion del Sistema de Administracion Financiera – PMSAF). Of note is that adopting such a plan was part of the IMF's Poverty Reduction and Growth Facility (PRGF) conditionality.

- **Tanzania:** In Tanzania, the legislation that established the Anti-Corruption Bureau precedes the PRSP process by several years. The 1971 Prevention of Corruption Act resulted in the establishment of the Anti-Corruption Squad (ACS) which eventually became the Prevention and Combating of Corruption Bureau under the Prevention and Combating of Corruption Act of 2007 (Prevention and Combating of Corruption Bureau n.d.). The corruption indicators in the Tanzania PAF relate to the number of cases investigated and prosecuted by the PCCB. In relation to PFM, the World Bank initiated the Medium Term Expenditure Framework (MTEF), a planning and budget formulation process, in 1997 during its annual Public Expenditure Review exercise. Its development was made a condition of the structural adjustment programme (Wynne 2005). Tanzania also undertook PEFA assessments in 2006 and 2009.

- **Uganda:** Uganda has a strong anti-corruption legal framework. Major anti-corruption legislation includes the PCA, the Prevention of Corruption Act, the IGG Act, the PFAA, the

LCA, and the Public Prosecution and Disposal of Public Assets Act 2003. Historically it seems that though the Poverty Reduction Strategy (PRS) has provided a forum for government-donor dialogue, it has not been used specifically as a vehicle for anti-corruption measures. In this case, the indicators may well be linked to the National Development Programme but this is not clear. In relation to PFM, following a lapse in fiscal discipline, which resulted in high inflation in the early 1990s, Uganda's priority became establishing macroeconomic stability. As a result the Government of Uganda introduced an MTEF largely on its own initiative. Uganda also undertook PEFA assessments in 2006 and 2009.

Types of indicators

- **Afghanistan:** The main corruption indicators in Afghanistan focus on outputs – the passing of legislation and production of audits and financial reports.

- **Malawi:** Malawi PAF corruption indicators also focus on outputs by monitoring the number of cases taken to court or concluded, the number of functional anti-corruption committees, and the production of reports.

- **Mozambique:** By including perception of public institutions, Mozambique monitors the outcome of past anti-corruption reforms of public institutions and efforts to portray institutions in a more favourable manner. There are also output indicators looking at progress in corruption cases as well as less defined indicators relating to transparency, integrity, and effectiveness of control systems and audits.

- **Nicaragua:** Nicaragua's PAF output-focused corruption indicator is the number of cases of economic crimes against the state handled by the Attorney General's Office and transferred to the Public Ministry. It is unclear how this is measured and assessed.

- **Tanzania:** Tanzania's output-focused indicators look at the percentage of court cases outstanding for two years or more, and the percentage of cases investigated or completed by the PCCB that are successfully closed or passed for prosecution.

- **Uganda:** Uganda also focuses on outputs, in particular improvement in anti-corruption legislation and enforcement of said legislation. There are no baseline and targets designed for most of the indicators. The last indicator – follow up and action on special audits of grand corruption cases – is more defined. The baseline is a Commonwealth Heads of Government Meeting and a production of a special audit and a management letter. Subsequent annual targets are the production of special audits and management letters.

Annex C: UNCAC and Performance Assessment Framework (PAF) indicators

The following is a breakdown of Chapters II–V of the United Nations Convention against Corruption (UNCAC). The articles below are those that have suggestions for activities to help fulfil the listed objectives.

The articles listed below have suggested activities to fulfil the objectives set out in the UNCAC. These are derived from the Legislative Guide (United Nations Office on Drugs and Crime 2006) and the Technical Guide (United Nations Office on Drugs and Crime 2009) that were produced to support implementation of the UNCAC. These activities have the potential to be used as indicators though neither the UNCAC nor the accompanying guides indicate how these activities should be prioritised. Also included in the table below are the PAF indicators from six countries, which are aligned to the objective of the article. The six countries are: Afghanistan, Malawi, Mozambique, Nicaragua, Tanzania, and Uganda.

Table 1: Existing PAF indicators and potential PAF indicators for UNCAC Chapter II – Preventive measures

Article	Existing indicators	Potential indicators/activities
Article 5: Preventive anti-corruption policies and practices	**Uganda.** Ensure continuous updating and improvement in quality of anti-corruption legislation.	Develop effective anti-corruption and coherent policies which: Emphasise prevention Is comprehensive and coherent Include societal participation Reflect all parts of the UNCAC Identify, obtain, analyse, disseminate, and adapt good practices at all levels
Article 6: Preventive anti-corruption body or bodies	**Malawi.** Anti-corruption bureau performance: Number of cases taken to court; number of cases concluded. **Malawi.** Broad progress: Number of Institutional Integrity Committees with functional anti-corruption action plans established; production and implementation of Governance and Corruption Survey Report. **Tanzania.** Percentage of cases investigated or completed by Prevention and Combating of Corruption Bureau (PCCB) that are successfully closed or passed for prosecution.	Establish or reform bodies to be independent, accountable, appropriately staffed, and resourced able to perform the following functions: Require public sector institutions to produce anti-corruption action plans; Undertake evaluations or inspections of institutions; Receive and review complaints from the public, receiving audit, investigative or parliamentary reports from those bodies responsible for anti-corruption investigations; Undertake research into legislation and administrative procedures; Undertake public opinion surveys, and develop other sources of information; Take evidence on and conduct hearings for periodic reviews of progress on the anti-corruption plans Enter into agreements to facilitate collaboration on anti-corruption with other agencies and with relevant international and regional organisations

Article	Existing indicators	Potential indicators/activities
Article 7: Public sector		Efficient, transparent, and objective systems for recruitment, hiring, retention, promotion, and retirement of public officials
		Procedures for the selection and training for positions vulnerable to corruption
		Adequate remuneration and pay scales
		Training public officials in ethics
		Candidature for and election to public office criteria
		Transparency in campaign and political party financing
		Transparency in and the prevention of conflicts of interest
Article 8: Codes of conduct for public officials		Promotion of integrity, honesty, and responsibility among public officials
		Standards of behaviour and codes of conduct
		Applicability and compliance
		Reporting by public officials of acts of corruption
		Disclosure systems
		Disciplinary measures

Article	Existing indicators	Potential indicators/activities
Article 9: Public procurement and the management of public finances	**Afghanistan.** Number of ministries that prepare procurement plans within a month of budget. **Afghanistan. Afghanistan** Reconstruction Trust Fund (ARTF) eligibility ratio (salary); ARTF eligibility ratio (non-salary); % of staff with Individual Salary Payment **Afghanistan.** Number of ministries with effective Financial Management / Budget Units **Mozambique.** Improved quality and efficiency of the expenditure and of the credibility of the State Budget **Mozambique.** Increased integrity in public financial management – Increased operationalization and integrity in the procurement system **Mozambique.** Increased efficiency and effectiveness of internal control system: Improved coverage, quality and monitoring of OCIs' (Organs of Internal Control) work **Tanzania.** Government of Tanzania's follow up of Controller and Auditor General's annual reports outstanding matters within the annual audit cycle **Tanzania.** Average level of compliance of procuring entities with the Procurement Act 2004 to reach 80% by 2011 **Tanzania.** Approved budget broadly in line with policy objectives	Set out procurement systems to include: Principles Measures to enhance transparency Rules of the tender and review process Personnel responsible for procurement Set out public finance systems to include: Transparent, comprehensive, and credible management of public finances Procedures for the adoption of the national budget Timely reporting on revenue and expenditure Accounting, auditing, and oversight Risk management and internal control systems Measures to preserve the integrity of relevant documentation

Article	Existing indicators	Potential indicators/activities
	Tanzania. Expenditure outturn deviation compared to original approved budget	
	Uganda. Progress is recorded on Public Expenditure and Financial Accountability (PEFA) dimensions of public financial management (PFM) and procurement	
	Uganda. % budget variance between allocations and releases of Joint Budget Support (JBS) sectors	
	Uganda. % budget variance between releases and actuals of JBS sectors	
	Uganda. Timing of releases of JBS sectors where work plans (including procurement and recruitment plans) are received on time and conforming to quality standard	
	Uganda. % aligned work plans in JBS sectors (including procurement and recruitment plans) received in a timely manner and approved by Ministry of Finance, Planning and Economic Development	
	Uganda: Arrears as % of total expenditures	
	Uganda: Measuring Value For Money and compliance in procurement	

Article	Existing indicators	Potential indicators/activities
Article 10: Public reporting	**Malawi.** Monthly financial statement and audit for previous year's review by Parliament **Mozambique.** Increased transparency in government accounts – Improvement of the State General Account **Mozambique.** Increased efficiency and effectiveness of external audit **Uganda.** Audit reports and Parliamentary Accounts Committees reviews of the audit reports completed within specified timeframes, with timely and effective follow up on findings by the executive **Uganda.** Key assessment documentation includes PEFA reports, annual independent review reports, Auditor General's reports, and other available analysis/documentation including Public Expenditure Reviews, national budget, and budget speech. **Uganda.** % of quarterly central government actual expenditures reported on time **Uganda.** % of quarterly local government actual expenditures reported on time **Uganda.** % of quarterly domestic revenue reported on time **Uganda.** % of local government publishing financial transfers and budgets at local level **Uganda.** % clean audit reports (central, local and statutory bodies)	Measures to enhance transparency in public administration Access to information concerning public administration Access to decision-making authorities through simplified administrative procedures Periodic public reporting, including risks of corruption

Article	Existing indicators	Potential indicators/activities
Article 11: Measures relating to the judiciary and prosecution services	**Mozambique.** Fighting corruption reinforced by the justice sector – number of corruption cases: (I) concluded; (II) under investigation; (III) a. charged, b. awaiting stronger evidence before being charged, c. archived; and (IV) in court **Nicaragua.** Number of cases of economic crimes against the state handled by the Attorney General's Office and transferred to the Public Ministry.	Measures to strengthen integrity of judges Measures to prevent opportunities for corruption in the judiciary Codes and standards Measures to strengthen the integrity of prosecutors Measures to prevent the opportunities for corruption in the prosecution service Codes and standards of conduct for prosecutors
Article 12: Private sector		Measures to prevent corruption involving the private sector Measures to enhance accounting and auditing standards Civil, administrative, or criminal penalties for the private sector Measures to promote cooperation between law enforcement and the private sector Standards and procedures to safeguard the integrity of the private sector Transparency in the establishment and management of corporate entities Preventing the misuse of procedures regulating private entities Post-employment restrictions for public officials in the private sector Internal auditing and certification procedures Maintenance of books, records, financial statement disclosure, and accounting and auditing standards Prohibition of tax-deductibility of bribes and related expenses

Article	Existing indicators	Potential indicators/activities
Article 13: Participation of society	**Mozambique.** Increased number of public institutions that in the perception of citizens are considered of integrity	Promote the participation of society in the prevention of corruption Raise public awareness on corruption Promote the contribution of the public to decision-making processes Public information and education Freedom to seek, receive, publish, and disseminate information concerning corruption and its restrictions Raise public awareness on anti-corruption bodies Public access to information (Anonymous) reporting of corruption
Article 14: Measures to prevent money-laundering		Choose a relevant institutional anti-money-laundering framework Identify who should be subject to preventive obligations Identify what the minimum requirements for regulated institutions or activities are Promote reporting Exchange financial information Cross-border movement of cash and negotiable instruments Money transfers Implement through regional, interregional and/or multilateral organisations

**Table 2: Existing PAF indicators and potential PAF indicators for UNCAC Chapter III –
Criminalisation and law enforcement**

Article	Existing Indicators	Potential indicators/activities
Article 30: Prosecution, adjudication, and sanctions	**Uganda.** Enforce legislation, in particular sanctioning and recovery of funds by administrative and judicial means in grand corruption cases. **(Also Article 31)**	- Sanctions that take into account the gravity of that offence - Immunities or jurisdictional privileges for senior public officials and members of the legislature to safeguard state functions - Discretionary legal powers - Decisions on release pending trial or appeal - Early release or parole of persons - Removal, suspension or reassignment of office - Disqualification from holding public office or holding office in an enterprise - Reintegration into society
Article 31: Freezing, seizure, and confiscation	**Uganda.** Enforce legislation, in particular sanctioning and recovery of funds by administrative and judicial means in grand corruption cases. **(Also Article 30)**	- Differentiate between types of confiscation - Identify models of confiscation - Identify what to consider as proceeds of crime for purposes of confiscation - Outline preliminary measures for eventual confiscations - Consider shifting the burden of proof in regard to the origin of the alleged proceeds of crime - Protect bona fide third parties
Article 32: Protection of witnesses, experts, and victims		- Protection of witnesses, experts, relatives, and other persons close to them - Implementing comprehensive witness protection programmes - Agreements or arrangements with other States to support cross-border witness protection - Enabling the views and concerns of victims to be presented and considered at appropriate stages of criminal proceedings
Article 33: Protection of reporting persons		- Design the policy framework - Engage public officials - Engage the public - Identify the competent authority or authorities to receive the reports - Specify criteria for reporting - Protect reporting persons

Article	Existing Indicators	Potential indicators/activities
Article 34: Consequences of acts of corruption	**Uganda.** Follow up and action on special audits of grand corruption cases	- Specify types of measures - Focus on prevention - Ensure that the measures fit with domestic law
Article 35: Compensation for damage		- Take measures to ensure that entities or persons who have suffered damage as a result of an act of corruption have the right to initiate legal proceedings against those responsible to obtain compensation
Article 36: Specialised authorities		- Define the type of specialised authority - Identify the added value and role of specialised authorities - Ensure authority independence and sufficient resources
Article 37: Cooperation with law enforcement authorities		During the investigation and prosecution: - Ensure information submitted is useful and relevant - Consider the mitigation of punishment - Consider immunity to those who provide substantial cooperation - Take into account the possibility that an offender in one State Party may be able to provide information useful in a case under investigation in another State Party
Article 38: Cooperation between national authorities		- Establish the requirement that senior management of public authorities and public officials understand the purpose of the article and their role in implementing it.
Article 39: Cooperation between national authorities and the private sector		- Ensure that private sector entities understand the purpose of the article and their role in supporting the Convention

Article	Existing Indicators	Potential indicators/activities
Article 40: Bank secrecy		- Identify who has authority to overcome bank secrecy, under what circumstances, and for what purposes - Identify what is procedurally required to lift bank secrecy - Facilitate automatic disclosure of the information, or upon request - Employ use of centralised databases - Outline the content of a request - Implement the preventive principles of "know your customer and know your beneficial owner" - Ensure bank secrecy provisions do not impede the access of authorised agencies to banking information
Article 41: Criminal record		- Adopt measures to take into consideration any previous conviction in another State in criminal proceedings
Article 42: Jurisdiction		- Ensure jurisdiction over an offence committed in its territory irrespective of the nationality of the offender - Consider establishing jurisdiction for offences committed against their nationals irrespective of the place where the crime has taken place - Establish jurisdiction over preparatory money-laundering offences - Implement the provision on the protection principle - Establish criminal jurisdiction on the basis of the principle *aut dedere aut judicare* – extradite or prosecute

Table 3: Existing PAF indicators and potential PAF indicators for UNCAC Chapter IV – International cooperation

Article	Existing Indicators	Potential indicators/activities
Article 43: International cooperation		- Address the specific issue of determining dual criminality - Clearly define the role of a central (or other competent) authority - Create domestic legal and institutional frameworks for fostering international cooperation - Ensure resources and address practical problems in the field of international cooperation in criminal matters
Article 44: Extradition		- Create mutual awareness of national/international extradition law and practice - Set up the legal framework for extradition - Adopt measures to enable the simplification and improvement of the extradition process
Article 45: Transfer of sentenced persons		- Enter into agreements on the transfer to their territory of persons sentenced to imprisonment - Create appropriate procedures to ensure protection of rights of persons involved
Article 46: Mutual legal assistance		- Create a legal basis and procedures, formal or informal, to provide mutual legal assistance with respect to investigations, prosecutions, and judicial proceedings - Ensure that states cannot refuse mutual legal assistance on the ground of bank secrecy
Article 47: Transfer of criminal proceedings		- Outline procedures for transferring to one another proceedings for the prosecution of an offence when considered to be in the interests of the proper administration of justice

Article 48: Law enforcement cooperation		- Conclude agreements to facilitate effective coordination among law enforcement authorities - Designate a specific agency or agencies to deal with requests relating to law enforcement cooperation - Authorise agency to undertake investigative activities on behalf of a foreign State Party - Authorise agency to share information, take lead responsibility in coordination and cooperation arrangements with other agencies in foreign States Parties
Article 49: Joint investigations		- Create procedures to involve other State Party authorities in joint investigations or joint investigative task forces to deal with multijurisdictional cases - Ensure that such procedures are based on an established framework rather than ad hoc
Article 50: Special investigative techniques		- Ensure authorities have the power to undertake technical forms of surveillance and other special investigative techniques - Produce clear guidelines on the use of such techniques - Ensure evidence derived from the use of special investigative techniques is admissible in national courts - Conclude agreements for promoting international cooperation in using special investigative techniques

Table 4: Existing PAF indicators and potential PAF indicators for UNCAC Chapter V – Asset recovery

Article	Existing Indicators	Potential indicators/activities
Article 51: General		- Promote the return of assets as a fundamental principle
Article 52: Prevention and detection of transfers of proceeds of crime		- Issue advisories regarding the persons whose accounts will require enhanced scrutiny - Issue advisories regarding the types of accounts and transactions to which to pay particular attention - Ensure appropriate account-opening, maintenance and record-keeping measures - Notify financial institutions the identity of persons whose accounts require enhanced scrutiny - Implement measures to ensure that its financial institutions maintain adequate records - Implement appropriate and effective measures to prevent the establishment of banks that have no physical presence and that are not affiliated with a regulated financial group (shell banks) - Require financial institutions to refuse to enter into or continue a correspondent banking relationship with such institutions - Establish effective financial disclosure systems for appropriate public officials - Permit authorities to share information with the authorities in other States Parties when necessary to investigate, claim, and recover proceeds of offences - Require appropriate public officials to report having a financial account in a foreign country to report that relationship to appropriate authorities and to maintain appropriate records related to such accounts - Provide for appropriate sanctions for non-compliance

Article	Existing Indicators	Potential indicators/activities
Article 53: Measures for direct recovery of property		- Take measures to permit another State Party to initiate civil action to establish ownership of property acquired following an offence - Take measures to permit its courts to order those who have committed offences to pay compensation or damages to another State Party that has been harmed by such offences - When having to decide on confiscation take measures to permit its courts to recognise another State Party's claim as a legitimate owner of property acquired following an offence
Article 54: Mechanisms for recovery of property through international cooperation in confiscation		- Take measures to permit authorities to give effect to an order of confiscation issued by a court of another State Party - Take measures to permit authorities to order the confiscation of such property of foreign origin by adjudication of an offence of money-laundering - Take measures to allow confiscation of property without a criminal conviction in cases in which the offender cannot be prosecuted by reason of death, flight, or absence or in other appropriate cases - Take measures to permit authorities to seize property following an order issued by a reasonable authority of a requesting State Party - Take measures to permit authorities to freeze or seize property upon a reasonable request by a State Party - Take measures to permit authorities to preserve property for confiscation where necessary
Article 55: International cooperation for purposes of confiscation		Create systems which are able to: - Receive requests from other State Parties for confiscation of proceeds of crime, property, equipment etc. - Submit such requests to its own authorities for the purpose of obtaining an order of confiscation and give effect to it - Take measures to identify, trace, and freeze or seize proceeds of crime, property, equipment - Provide adequate notification to bona fide third parties - Ensure due process and a statement that the confiscation order is final

Article	Existing Indicators	Potential indicators/activities
Article 56: Special cooperation		- Take measures to permit it to forward information on proceeds of offences when such information might assist another State Party in initiating or carrying out investigations, prosecutions, or judicial proceedings
Article 57: Return and disposal of assets		- Conclude mutually acceptable arrangements for the final disposal of confiscated property - Ensure that property confiscated by a State Party shall be disposed of, including by return to its prior legitimate owners - Enable authorities to return confiscated property taking into account the rights of bona fide third parties - Enable the return of embezzled public funds or property to the requesting State Party - Enable compensating the victims of the crime - Where necessary ensure systems to deduct reasonable expenses incurred in investigations, prosecutions ,or judicial proceedings leading to the return or disposition of confiscated property
Article 58: Financial intelligence unit (FIU)		- Establish an FIU to be responsible for receiving, analysing, and disseminating to authorities reports of suspicious financial transactions - Ensure cooperation with one another for the purpose of preventing and combating the transfer of proceeds of offences
Article 59: Bilateral and multilateral agreements and arrangements		- Conclude bilateral or multilateral agreements or arrangements to enhance the effectiveness of international cooperation

Table 5: Overlap of PAF indicator focus in 6 case studies and UNCAC compatible activities.

Chapter	Are there PAF indicators in 6 case studies?
I General provisions – Articles 1–4	n/a
II Preventive measures – Articles 5–14	Yes
III Criminalisation and law enforcement – Articles 15–42	Yes
IV International cooperation – Articles 43–50	No
V Asset recovery – Articles 51–59	No
VI Technical assistance and information exchange – Articles 60–62	n/a
VII Mechanisms for implementation – Articles 63–64	n/a
VIII Final provisions – Articles 65–71	n/a

Table 5: Overlap of PAF indicator focus in 6 case studies and UNCAC Chapter II – Preventive measures

Article	Countries with UNCAC compliant PAF indicators					
	Afghanistan	Malawi	Mozambique	Nicaragua	Tanzania	Uganda
Article 5: Preventive anti-corruption policies and practices						X
Article 6: Preventive anti-corruption body or bodies		X			X	
Article 7: Public sector						
Article 8: Codes of conduct for public officials						
Article 9: Public procurement and the management of public finances	X	X	X		X	X
Article 10: Public reporting		X	X			X
Article 11: Measures relating to the judiciary and prosecution services			X	X		
Article 12: Private sector						
Article 13: Participation of society			X			
Article 14: Measures to prevent money-laundering						

Table 6: Overlap of PAF indicator focus in 6 case studies and UNCAC Chapter III – Criminalisation and law enforcement

Article	Countries with UNCAC compliant PAF indicators					
	Afghanistan	Malawi	Mozambique	Nicaragua	Tanzania	Uganda
Article 30: Prosecution, adjudication, and sanctions						X
Article 31: Freezing, seizure, and confiscation						X
Article 32: Protection of witnesses, experts, and victims						
Article 33: Protection of reporting persons						
Article 34: Consequences of acts of corruption						X
Article 35: Compensation for damage						
Article 36: Specialised authorities						
Article 37: Cooperation with law enforcement authorities						
Article 38: Cooperation between national authorities						
Article 39: Cooperation between national authorities and the private sector						
Article 40: Bank secrecy						
Article 41: Criminal record						
Article 42: Jurisdiction						

Table 7: Overview of corruption indicators in 6 countries and overlap with UNCAC

Focus	Afghanistan	Malawi	Mozambique	Nicaragua	Tanzania	Uganda	Most relevant UNCAC Articles
Public Financial Management	X	X	X	X	X	X	9
Legislation and legal processes	X		X	X		X	5
Transparency and accountability	X		X			X	10
Anti-corruption agencies		X			X		6
Perception assessments			X				13
"Economic crimes against the state"				X			11

Corruption indicators have been used in budget support Performance Assessment Frameworks (PAFs) for a variety of purposes, including to control for misappropriation of funds, assess Government performance on fighting corruption, and in some cases act as an aid disbursement trigger. This literature- and interview-based study maps PAF corruption indicators and examines their role and effectiveness in monitoring corruption. The study finds that if corruption-related indicators are to be used in PAFs, it is important to: identify clearly budget support objectives and corruption indicator purpose; develop better outcome, rather than output, indicators; support partner country capacity to develop indicators; and work towards a comprehensive diagnostic framework for corruption. In general, the key message is to clarify the objectives of budget support and the purpose of including corruption indicators, and then select indicators that match. Where possible, exploit existing anticorruption processes and align PAFs with national anti-corruption processes, if they exist.

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