

HEALTHY ORGANIZATIONS

Curing and Preventing Corruption in Local Governments

WHY THIS BROCHURE?

Target audience

Why to read this brochure

What you will find in this brochure

WHAT IS CORRUPTION

Defining corruption

Why corruption is harmful

What you believe about fighting corruption

Invalidating the excuses for not fighting corruption

TREATING AND PREVENTING CORRUPTION

The role of the context in shaping human behavior

The context that breeds corruption

Principals, Agents, Clients

Three approaches in treating corruption

CRAIOVA LOCAL GOVERNMENT CASE

The strategic participatory process

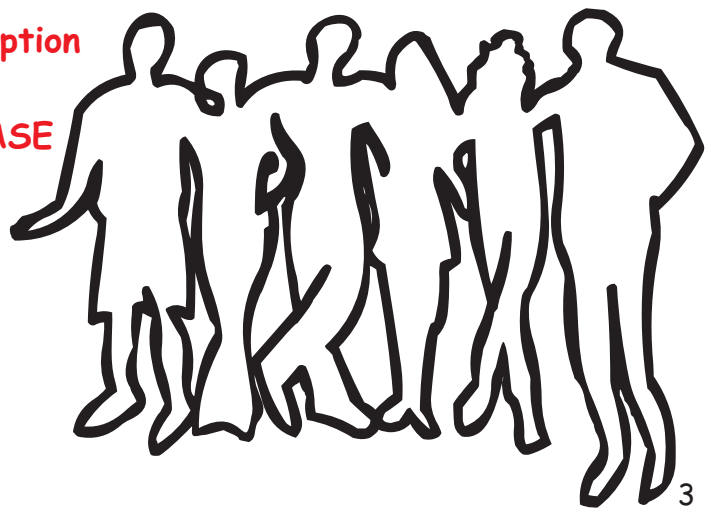
- an integrated approach

The process steps

The key actors involved

The results

IF YOU WANT TO KNOW MORE...



WHY THIS BROCHURE?

Target audience

We developed this brochure for you, leaders and managers of public institutions, who have the courage to recognize their organization vulnerability to corruption and at the same time are committed to act to address it.

We are aware that public institutions monitoring by civil society organizations and their pressure to improve public services are important means for increasing the accountability toward taxpayers. But we believe that an effective reform of public institutions should start from inside, at your initiative and with your support, leaders and managers of these institutions. It is proved that real changes, at personal or organizational level, cannot be obtained through outside pressure, but only through the willingness of those that lead and work in these organizations.

We believe also that the subject of vulnerability to corruption is not anymore 'taboo' and you can speak about it openly and with loud voice. As you know, in order to cure an illness, the patient needs to recognize that he/she is ill and together with the doctor needs to find out illness causes and decide on the most effective treatment plan. That is why we propose that your first step in addressing the vulnerability to corruption is that you discuss openly about it with your managers and staff, about its negative effects on the functioning and the image of your organization.

Why read this brochure

When treating vulnerability to corruption in your organization you will act as an institutional reformer not as a prosecutor, judge or policeman. For some of you this task may seem difficult and complex. Maybe you are willing to act but you don't know what could be the most effective way. These are the reasons why we propose you to read this brochure that was developed to make your task easier, to support and inspire you.

What you will find in this brochure

In this brochure you will find out about an innovative and practical approach to address the vulnerability to corruption of your organization, most specifically you will read about:

- The concepts that define corruption
- The strategic and participatory approach to treat and prevent corruption, a proactive approach to manage change in organizations by improving their systems and influencing their culture
- The Romanian Case - the Craiova Local Government case - that describes how its public managers, political leaders and staff identified and analyzed the vulnerability to corruption and defined solutions to increase integrity, transparency, efficiency and effectiveness of their organization.

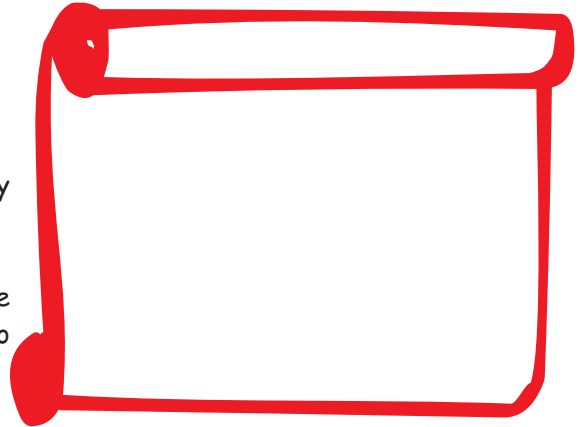
DEFINING CORRUPTION

What are you thinking about?

First, we have to agree on a common definition of this very general and complex concept of **corruption**

So, what do you think is corruption?

Because a drawing speaks more than 1000 words, we are kindly asking you to make a drawing about what comes to your mind when you hear the word Corruption.



Here are some of the drawings made by participants in our programs, when asked the same question: What do you see when you hear the word corruption?



Very symbolic pictures that speak for themselves: corruption is tempting like the sweet honey, but has dramatic impact, sometimes not so visible at the first glance, like the beautiful apple that is rotten inside by the insidious work of a worm and sometimes very visible like the person who ends up in jail. Corruption implies a coordinated network of people and can be as dangerous for those fighting it, as the octopus arms.

So, how to define Corruption? Among many definitions, we selected one definition that we like because it is simple and at the same time comprehensive, embracing its complexity¹:

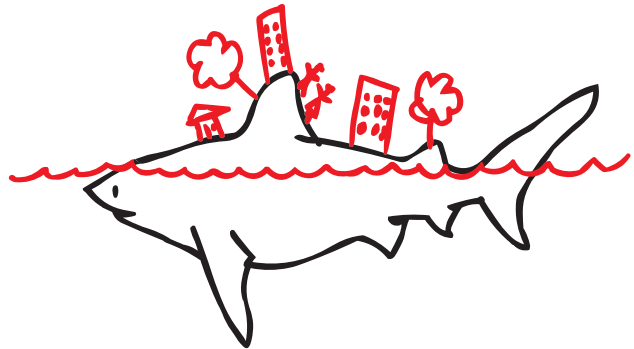
Corruption is the misuse of office for personal gain.

Where office is a position of trust, when one receives authority in order to act on behalf of an institution, be it a private, public or non-profit.

Why corruption is harmful

Corruption leads to inefficiency, injustice, and inequity. Many times corruption is killing innocent people. Think of buildings that collapse during an earthquake because those responsible to enforce the building codes did not do their job properly and 'closed their eyes' in order to receive their share of profit. Think of children who become ill by eating infected food due to the fact that those responsible to enforce the sanitary regulations 'closed their eyes' when these were not respected. Think of the many people who breath polluted air because those responsible to protect the city's green areas and parks 'closed their eyes' when issuing building permits for buildings occupying these public areas. The list can go on - try to complete it.

Living with and accepting systematic corruption is like living on an island built on a shark back: the illusion of prosperity and stability can be stopped any moment by the aggressive and hungry shark of corruption.



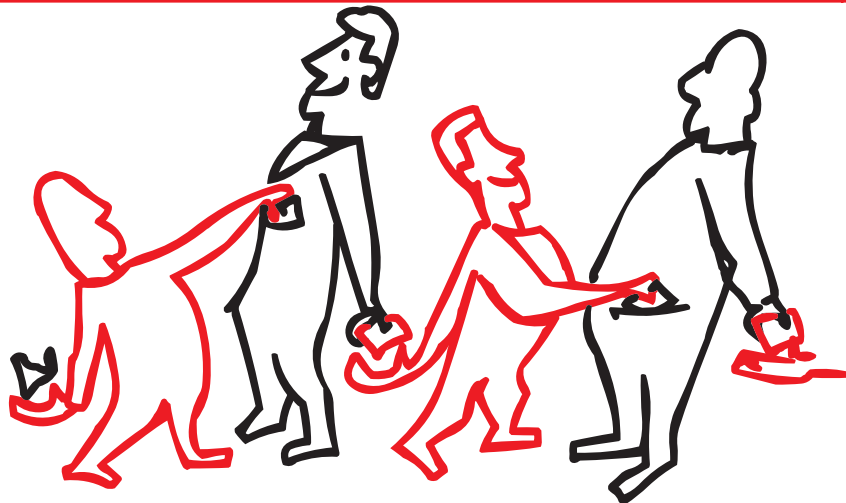
Systematic corruption generates economic costs by distorting incentives, political costs by undermining institutions, and social costs by redistributing wealth and power toward the undeserving. When corruption undermines property rights, the rule of law and incentives to invest, economic and political development, is crippled. Corruption exists in all countries, but tends to be more damaging to poor countries.

¹Corrupt Cities - a practical guide to cure and prevention, by Robert Kiltgaard, Ronald McLean Abaroa and Lindsey Parris, 2000

Believes about fighting corruption

Many people are reluctant to act because they believe that little can be done about corruption. Let's check if you are among them. Read the following statements and decide if you consider them true (yes) or not (no):

Statements	Yes	No
Corruption is everywhere. Japan has it, Holland has it, the United States has it. There's nothing you can do about something endemic.		
Corruption has always existed. Like sin, it's part of human nature. You can't do anything about it.		
The concept of corruption is vague and culturally determined. In some cultures the behavior that bothers you is not considered corrupt.		
Cleansing our society of corruption would require a total change of attitudes and values and this can only take place after c.a hundred years of education, or a revolution or a religious revival! Anything else would be useless.		
In many countries corruption is not harmful at all. It is the grease for the wheels of the economy and the glue of the political system.		
Worrying about corruption is superfluous. With free markets and multiparty democracies, corruption will gradually disappear.		
There's nothing that can be done if the man or woman on top is corrupt, or if corruption is systematic		



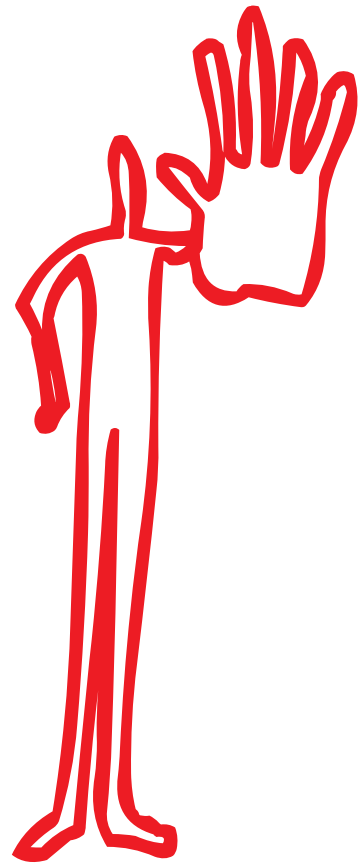
Invalidating the excuses for not fighting corruption

We hope you did not consider true the above statements, but even if you did so, we will try to persuade you, using Robert Kiltgaard's² arguments, that they are only invalid excuses that many of us use to motivate why is worthless to do something about corruption.

Excuse 1: Corruption is everywhere. Japan has it, Holland has it, the United States has it. There's nothing you can do about something endemic. But consider health. Illness is everywhere, too. And yet no one concludes that efforts to prevent and treat illness are worthless. Like illness, the levels and types of corruption vary greatly, and preventive and curative measures make a difference.

Excuse 2: Corruption has always existed. Like sin, it's part of human nature. You can't do anything about it. Again, the observation is correct, the conclusion invalid. Because sin exists does not mean it exists in each of us to the same degree, and the same holds for corruption. We can constrain opportunities for corruption, even if the tendency is perennial.

Excuse 3: The concept of corruption is vague and culturally determined. In some cultures the behavior that bothers you is not considered corrupt. But John T. Noonan's monumental history shows that anthropological studies indicate that everywhere people are perfectly capable of distinguishing a gift from a bribe, and condemn bribery.



² Adapted after *Corrupt Cities - a practical guide to cure and prevention*, by Robert Kiltgaard, Ronald McLean Abaroa and Lindsey Parris, 2000

Excuse 4: Cleansing our society of corruption would require a total change of attitudes and values and this can only take place after c.a hundred years of education, a revolution or a religious revival! Anything else would be useless. The results of the moralization campaigns are not encouraging and engineering massive social changes exceeds the scope of mayors and public managers work. But meantime they can create incentives and deterrents, augment accountability and competition, and improve the rules of the game.

Excuse 5: In many countries corruption is not harmful at all. It is the grease for the wheels of the economy, and the glue of the political system. It is demonstrated that corruption long term impact is inefficiency, injustice, inequity and that corruption is killing innocent people.

Excuse 6: Worrying about corruption is superfluous. With free markets and multiparty democracies, corruption will gradually disappear. Democracy and markets enhance competition and accountability, thereby reducing corruption. But during transition periods, corruption increases. And even in stable democracies, corruption is a chronic threat to the provision of many public goods and services, which are inherently the monopoly of the state (such as justice).

Excuse 7: There's nothing that can be done if the man or woman on top is corrupt, or if corruption is systematic. Of course, is easier to fight corruption if leaders are clean and if corruption is episodic rather than systemic. But success stories show that improved systems lead to fewer opportunities for everyone, even for the political powers and that systemic corruption can be reduced.



TREATING AND PREVENTING CORRUPTION

The role of the context in shaping human behavior

By now, we hope we were able to persuade you, by invalidating all those excuses, that corruption can be treated and prevented. Still the question remains: how to do it? How to influence people's behavior so that they act with integrity and honesty?

For answering this question we have to answer another one: are integrity and honesty inherent traits or are they influenced by the context in which we live?

An interesting experiment conducted in New York³ demonstrated that the context⁴ can influence in a radical way our behavior, many times overwhelming our inherent predispositions. The researchers that conducted the experiment did not deny that who we are is influenced by how we were raised by our parents, by the kind of school we went to, the friends we have or the country and neighborhoods we live in. Nor did they deny the role our genes play in determining our behavior. But they demonstrated convincingly that the context, in which people live, plays an important role and has a powerful effect on shaping their behavior.

In the experiment were involved 11.000 schoolchildren, between 8 and 16 years old, over the course of several months, to whom researchers administered different aptitude tests in different situations, at school and at home, under tight supervision or loose one (creating a tempting environment for cheating), under time pressure or not.

Researchers' first conclusion was, unsurprisingly, that lots of cheating went on when context allowed. In some cases, the scores on tests where cheating was possible, were 50% higher than the "honest" ones. When researchers looked for patterns in cheating, some of their findings were equally obvious: older children cheated more than younger children, smart children cheated a little less than less-intelligent children, girls cheated about as much as boys. But surprisingly, researchers did not find any consistency: they did not identify a group of cheaters and a group of honest students, everybody cheated when tempted by the context.

The main and very important conclusion was that 'integrity and honesty' were not inherent traits, acquired through birth, but traits that are formed and considerably influenced by the context. The conclusion that followed logically is that by shaping an appropriate context we should be able to influence dishonest behavior and prevent it.

³ Hugh Hartshorne and M.A. May, experiment conducted in 1920

⁴ The Tipping Point - How Little Things Can Make a Big Difference, Malcom Gladwell

The context that breeds corruption

The book 'Corrupt Cities - a practical guide to cure and prevention' by Robert Klitgaard, Ronald MacLean Abaroa and Lindsey Parris has a similar message: corruption is a crime determined by the context not (only) by personal inherent traits, is a crime of rational economic calculation, not a crime of irrational passion:

- People tend to engage in corrupt behavior when they think they will gain more than they will lose, because the rewards are great, the probability of being caught is low, and even if caught, the penalties are mild.
- People tend to engage in corrupt activities when they work in organizations that give them Monopoly power over a good or service delivery, Discretion to decide whether someone gets that good or service or how much it gets, and do not have Accountability and Transparency rules, so that others can see when and how they take their decisions.

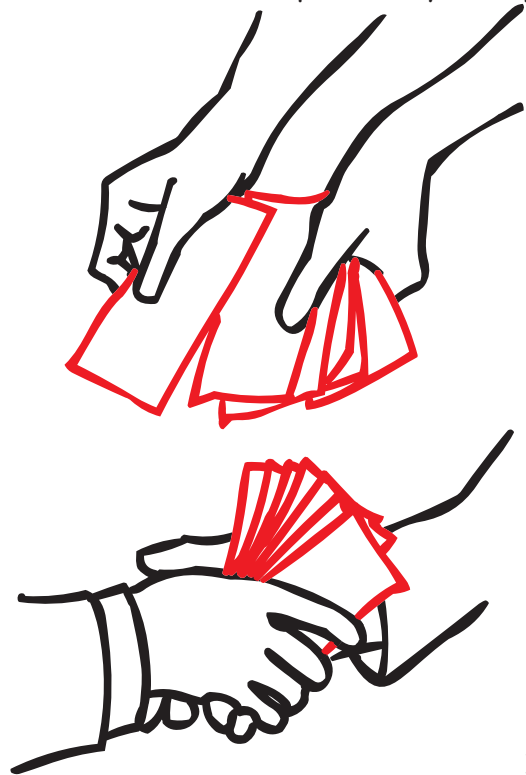
This is the Context that breeds corruption.

Robert Klitgaard proposes a metaphorical formula in order to determine the potentially corrupt areas of an organization: $C = M + D - T$.

Corruption equals Monopoly power plus Discretion by officials minus Accountability/Transparency. The formula can be applied to public, private or civil society organizations, in poor or rich countries, in Europe, Asia or Africa.

It is true that different individuals may react differently to the temptations offered by the context, and that many public or private officials do not engage in corrupt activities even if the temptations are present. But the important idea, proved also by the experiments we have described earlier, is that more temptations a context provide, higher the probability that we will encounter corrupt activities.

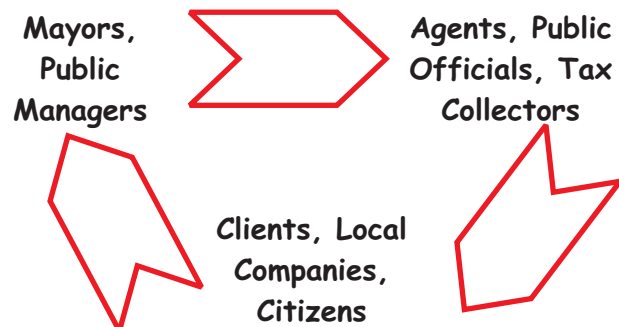
And if dark and unclear areas that lack transparency and accountability exist in the organization, the probability to find out corruption is high.



PRINCIPALS, AGENTS, CLIENTS

People can play three main roles in Local Governments organizations: the 'Principals' - mayors or public managers, are the decision-makers whose main responsibility is to deliver services/goods to their 'Clients' - citizens or companies. They cannot fulfill their responsibilities alone so they do it through their 'Agents' - public officials in different positions in the local government organizations.

Corrupt acts can take place between all these actors when the Context in which they work offers temptations: when they have Monopoly power over the provision of the services or goods, have Discretion in deciding who will receive what and are not Accountable and not Transparent, toward each other: Agents toward Clients and Principals, Principals toward Clients and Agents and even Clients toward Principals and Agents.



How can well intended Principals control and influence Agents behavior? Based on Robert Klitgaard concepts and formula, solutions would include making changes in the context by:

- Lowering the Monopoly of public services and goods delivery whenever is possible by introducing competitions and market mechanisms
- Limiting the Discretion in the decision making process
- Increasing Transparency, together with establishing mechanisms of Accountability

Three approaches to treating corruption

Through this approach the relevant authorities are establishing control mechanisms to prevent corrupt actions to happen and if they appear, they act by punishing those guilty.

The key characteristics are:

- Is past oriented
- Is focused on the law enforcement through coercive systems: control and disciplinary procedures, audit, inspections, codes of behaviors
- Assumes that people's actions are guided mainly by personal interests and that they must be thoroughly controlled to ensure the right behavior

Managerial Approach: changing the organization systems and the procedures

This approach is focused on reducing and eliminating the opportunities for corrupt actions through changing the organization systems and procedures.

The key characteristics are:

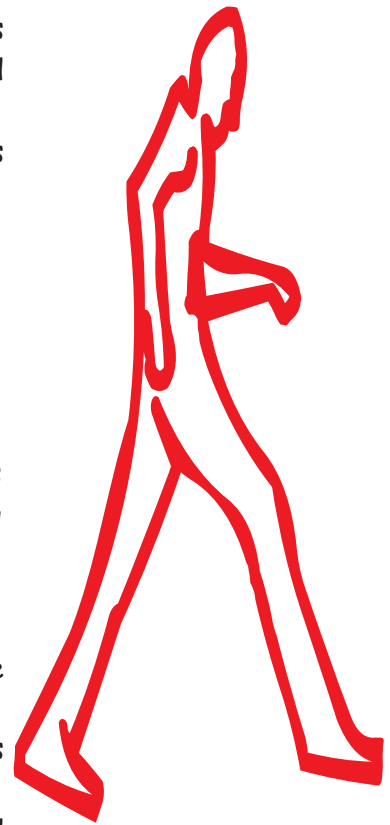
- Is future and prevention oriented
- Is focused on changing the organization context and on building a favorable environment through incentives that increase people's motivation. It uses tools such as training, team work and collaboration among departments and offices
- Assumes that overlapping personal and organizational interests guide people in their actions.

Integrated approach: building and consolidating organizational integrity

This approach integrates the changes in the organization systems with establishing more effective control mechanisms and building ethical standards in the organization culture.

The key characteristics are:

- Combines the advantages of the repressive approach with those of the managerial approach, of the stick and the carrot
- Is using tools that enhance the organization integrity, such as visioning, defining the organization's values and principles
- Assumes that people are guided by both personal and organizational interests, as well as by ethical principles and values



CRAIOVA LOCAL GOVERNMENT CASE

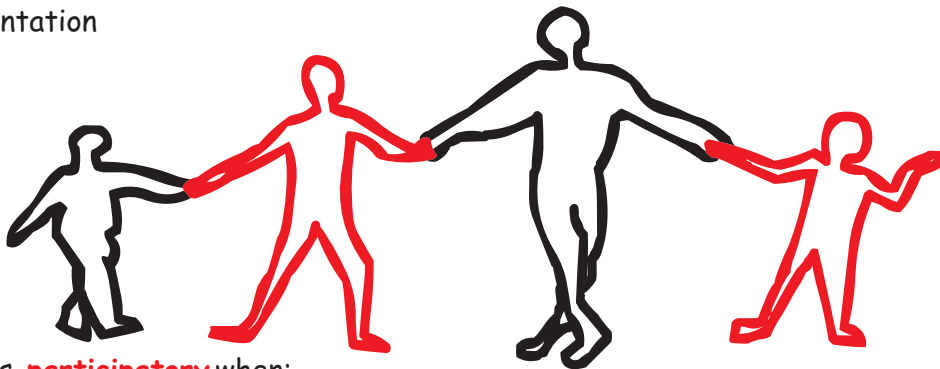
An integrated approach - a strategic and participatory process

We propose that you apply the concepts described in this brochure through a strategic and participatory process - an integrated approach, which includes the diagnosis stage to define the vulnerable to corruption areas and the solutions elaboration and implementation stages through which your organization will become a healthy organization.

In order to inspire you, we want to present you the Craiova Local Government case that in collaboration with FPDL experts, and through a participatory process has developed a strategic plan to treat and prevent its vulnerability to corruption, consolidating its integrity, effectiveness and efficiency, transparency and accountability. In the moment we developed this brochure, the strategic plan was in the stage of implementation. First we want to be clearer about what does it mean a strategic and participatory process:

A process is **strategic** when:

- It is focused on changing corrupt organizational systems not (only) corrupt individuals
- It identifies, treats and prevents with priority the most dangerous forms of corruption
- It follows the logic of all strategic planning processes: diagnosis, solutions elaboration and implementation



A process is **participatory** when:

- It involves in analyzing the organization vulnerability to corruption, its managers and staff and, even if surprising, this is possible as long as the assumption is that corruption is not (just) a problem of bad people but of bad systems
- It involves in the solutions elaboration outside stakeholders also, citizens, businesses, NGOs and other public institutions.

If we want to use this approach, two main pre-conditions have to be fulfilled:

- The initiative should start from inside the organization, based on leaders willingness and capacity to recognize with courage the danger of corruption as well as the advantages of starting a change process to address it
- Public managers, elected officials and staff, as well as outside stakeholders, beneficiaries/clients should be involved in the whole process, from diagnosis and strategies elaboration, till strategies implementation

Out of such a strategic and participatory process will emerge:

- A deeper, shared understanding of the vulnerable to corruption systems in place
- A treatment plan for curing and prevention, including remedial measures that no outside experts could better develop
- A commitment to implement the planned changes from all the key stakeholders



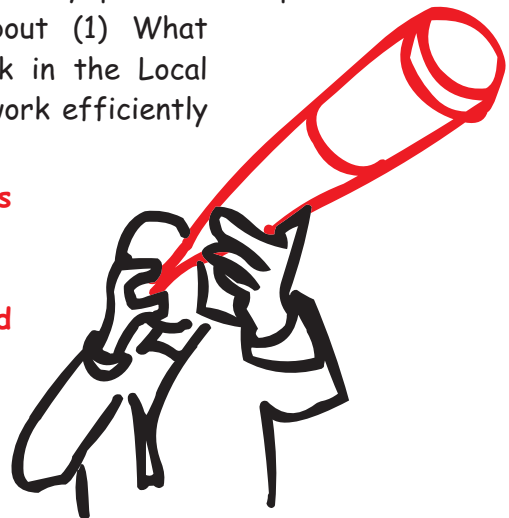
Process steps

Craiova is a Romanian municipality situated in the south-east region, having more than 300,000 inhabitants. The Local Government has more than 500 employees, and the Local Council 27 elected councilors. Craiova has a rich history, documented since 1475.

Craiova is a highly industrialized city and educational centre, the administrative capital of Dolj County and Oltenia Region.

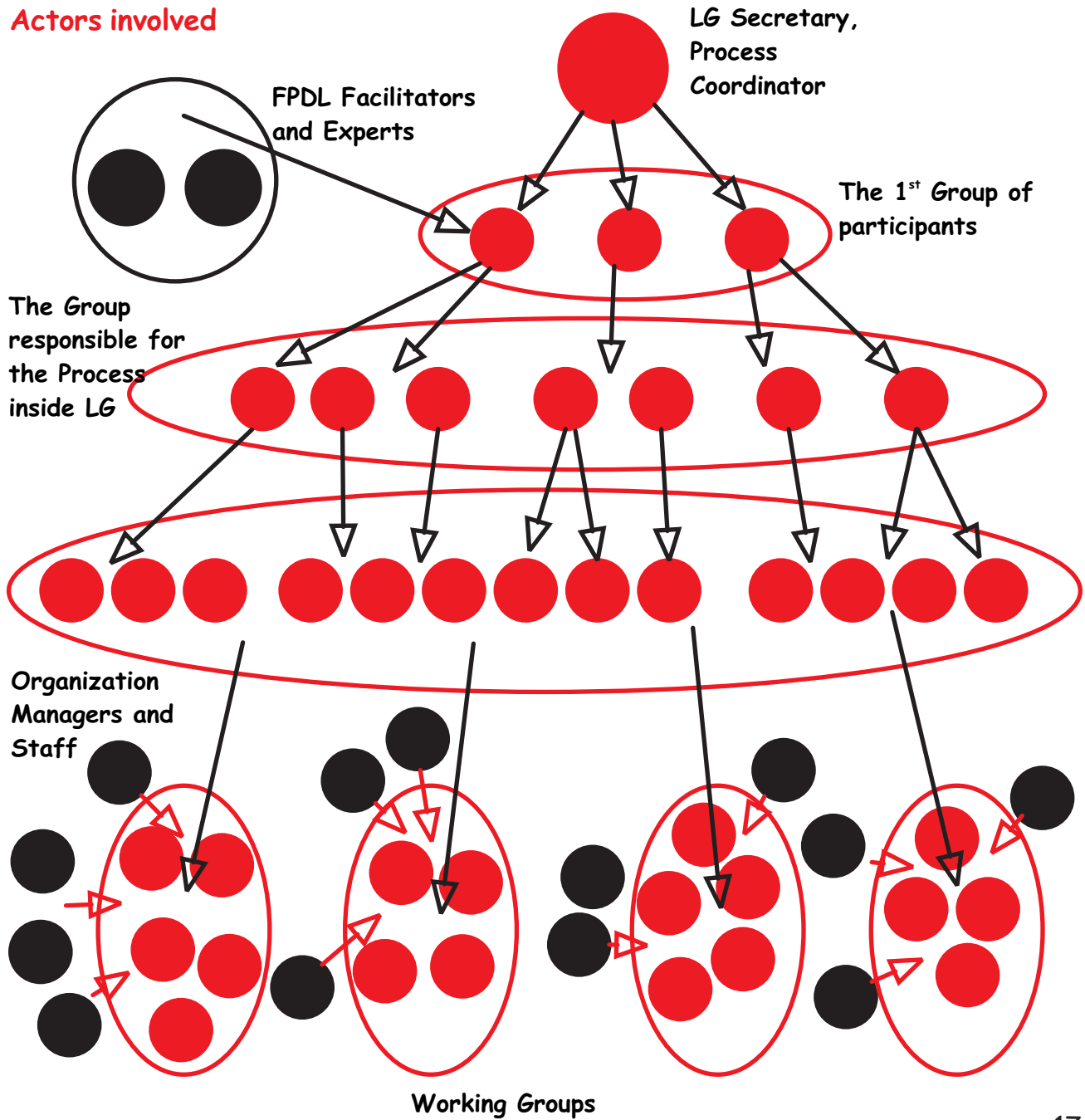
The participatory strategic planning process aimed at curing and preventing corruption in Craiova Local Government in Craiova Local Government through increasing organization integrity, efficiency and accountability/transparency, included the following main steps:

- **Signing an Agreement** between FPDL and Craiova Local Government in order to clarify responsibilities and agree on the process steps and expected results
- **Diagnosis elaboration**
 - **General Diagnosis** done by executive and staff, to identify Local Government activities most vulnerable to corruption
 - **Selection of the vulnerable to corruption activities** included in the strategic plan focus
 - **In-depth Diagnosis of vulnerable to corruption activities**, to (1) identify and analyze the causes that created the vulnerability to corruption (2) organize causes by level of complexity highlighting the 'cause-effect' relationship between them
 - **Asking outside stakeholders**, beneficiaries/clients of the vulnerable to corruption activities/services about what they perceive as problems in the
 - **Asking inside stakeholders** opinions about (1) What motivates and demotivates them to work in the Local Government (2) How their motivation to work efficiently and with integrity can be increased
- **Vision, Objectives, Strategies and Action Plans elaboration**
- **Strategic Plan approval by the Local Council**
- **Strategies and actions implementation, monitoring and evaluation**



Training was embedded in the whole process, to improve participants knowledge and skills in fields such as the organization culture, staff development by managers/leaders, strategic planning and change management, action planning, indicators of success identification, monitoring and evaluation.

Actors involved



Results

General Diagnosis

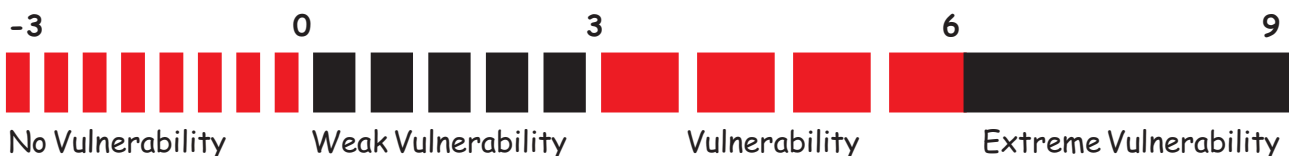
Two aspects of 33 Local Government services/activities have been evaluated, individually, by completing a questionnaire:

- The level of vulnerability to corruption
- The level of impact on citizens' lives, city future and image, in case corruption is present

The vulnerability to corruption was identified based on an indicator calculated using Robert Klitgaard formula⁵: $\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Transparency}$. The respondents were asked to assess each activity/service from 1 to 5 (1=very low level to 5=very high level).

The value of the 'vulnerability to corruption' indicator can vary from -3 (in this case there is no vulnerability: minimum Monopoly=1+minimum Discretion=1 - maximum Transparency or Accountability=5) to 9 (in this case there is maximum vulnerability: maximum Monopoly=5+maximum Discretion=5 - minimum Transparency or Accountability=1).

Between -3 and 9 we have established 4 intervals for this indicator:



The level of negative impact in case corruption is present was assessed for each activity/service also from 1 to 5 (1=very low level of the negative impact to 5= very high level of the negative impact). We established two intervals for the impact indicator, between 1 (minimum) and 5 (maximum):



Insignificant negative impact

Significant negative impact

⁵ Corrupt Cities - a practical guide to cure and prevent, by Robert Klitgaard, Ronald Maclean Abaroa and Lindsey Parris, Ed. Hubmanitas, 2006, translated and printed into Romanian by FPDL with LGI support

15 activities and services out of the 33 (45%) have been identified as vulnerable to corruption.

Selection of vulnerable to corruption activities

6 main activities were selected to be the focus of the Strategic Plan:

- A1. Issuing Urban Certificates and Building Permits
- A2. Control of Discipline in Construction Works
- A3. Public Assets Management
- A4. Public Procurement, including monitoring of public investments construction
- A5. Properties Registration - Agricultural Register
- A6. Human Resource Management

In-depth Diagnosis of vulnerable to corruption activities

The in-depth diagnosis was done individually by completing a questionnaire, including the following questions, for each vulnerable to corruption activity:

- What corrupt activities could take place (because of the identified vulnerability to corruption)
- Who would gain from these activities, what
- Who would be affected by these activities, how
- What could be the causes that would generate/allow these corrupt activities

Causes were analyzed, structured and organized based on the 'cause-effect' relationship and the level of their complexity. In that way the causes that can be addressed through different strategies and that seem to be the roots of the vulnerability to corruption, were highlighted.

Causes were also structured in two main categories:

- 1. Causes existing in the field of organizational systems, for example: the lack of cadastre or clear registration of properties, controlling the discipline in constructions only based on reclamations not on own initiative, too many requests returned too many times before issuing building permits, lack of an effective internal audit, lack of responsibilities delegation in certain areas, etc
- 2. Causes existing in the organizational culture, for example: lack of trust among employees, lack of willingness to assume responsibilities or learn new things, lack of interest to work efficiently, fear to oppose managers decisions, resistance to change, etc

The elaboration of strategies to address the causes belonging to 1st category was easier to do. For the 2nd category of causes training on organizational culture, change management and human resources management was embedded to support executive, staff and elected officials understand and analyze them, generate strategies that address them.

Asking outside stakeholders - qualitative research

Through a sociological research clients/beneficiaries of the vulnerable to corruption services/activities were asked to identify the problems they perceive with their delivery, as well as to propose solutions for improvement. In the research were involved employees and executive, local councilors, representatives of investors, of architectural design and construction companies, of NGOs

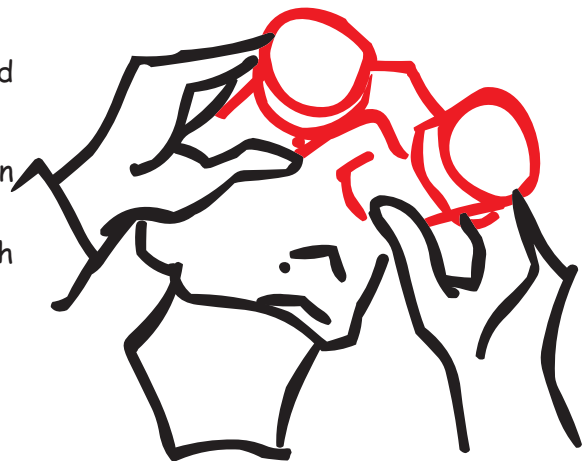
Weak and strong points were identified for each activity/service, vulnerabilities created by the weak points highlighted and solutions proposed. In the opinion of many respondents the solution of many identified problems includes two main actions:

- Finalize the municipal cadaster
- Professionalize civil servants, executive and staff

Asking inside stakeholders- quantitative research

60% of the Local Government personnel were asked opinions about:

- What motivates and demotivates them to work in the Local Government
- How their motivation to work efficiently and with integrity can be increased



Conclusions illustrated that:

- The Local Government personnel is highly qualified, having a professional potential that should be put in value
- The majority are satisfied with the way they work in the organization, the main motivation factor being the work environment and colleagues
- The main demotivating factor is by far the level of salary considered very low (the questionnaires were distributed after a reduction with 25 % of the salary was implemented)
- Relations among departments and relation with public were considered most challenging areas of work

We can conclude that

- Results of both researches were balanced, showing weak as well as strong points of the LG activities
- All the problems identified during the self diagnosis process by executive and staff were validated by the external stakeholders
- Through the participatory self-diagnosis process even more problems have been identified that through the research, proving that insiders know better what they are confronted with



Vision and Strategic Objectives

For Treating and Preventing Corruption through Increasing Local Government Integrity, Efficiency and Accountability, 2010-2012

Vision

Craiova Local Government is a model of integrity and efficiency in the public life, acting transparently and responsibly for the citizens' interests and municipality's future

Objectives to achieve the Vision:

O1. Improve the responsible management of public funds and public assets

O2. Consolidate the quality management system in place

O3. Increase LG activities transparency

O4. Implement a modern system for Human Resource Management

O5. Develop mechanisms to prevent/limit the possibilities to misuse the official position for personal gains

For each objective, strategies were elaborated to achieve them and for each strategy, action plans to implement them, including who is responsible, with whom he/she will work, the period of implementation and indicators that would measure if the action was finalized successfully.

Beside Craiova, other City Halls from Poland, Croatia, Georgia, Republic of Moldova, Bulgaria, Slovakia and Macedonia applied the same methodology to diagnose the vulnerability to corruption and to elaborate change strategies through participatory processes. All those strategies were developed with the support of anticorruption practitioners that built their capacity through a complex training program designed and conducted by FPDL in collaboration with Ronald MacLean Abaroa / World Bank Institute⁶.

⁶Regional Program "Working Together" financed by LGI- Local Government Initiative of the Open Society Institute

IF YOU WANT TO KNOW MORE ABOUT...

If you would like to know more about the Strategic Plan content, you may contact Craiova Local Government at the e-mail relatiicupublicul@craiova.ro and Craiova City Hall web page www.primariacraiova.ro

If you would like to know more about the process of the Strategic Plan elaboration that was designed and conducted by professional facilitators and experts in public administration, you may contact FPDL- Partners Foundation for Local Development at fpdl@fpdl.ro or go on www.fpd.ro

If you would like to know more about how this strategic and participatory approach was applied in other CEE/SEE countries by anticorruption practitioners trained by FPDL go on www.fpd.ro site blog and facebook: [Corrupt Cities a Network to Cure and Prevent](#)

We really hope that you find this brochure interesting and we succeed to persuade you that in order to gain the citizens trust and respect, among the first step you could be analyze and limit vulnerability to corruptin in your organization.

If you decided to do this step and you need our help, don't hesited to contact us.

FPDL- Foundation Partners for Local Development, Str. Piata Amzei 7-9, Sc. D, Et 6 Ap. 34, Sector 1 Bucharest, o100342, Romania

Tel/Fax: (+4)0213135664, 0213135668, 0213141966

fpdl@fpdl.ro

www.fpd.ro

