

Interim report on Anti-Corruption, Transparency and Accountability in Citizens' Charter¹

Accountability and Transparency as Guiding Principles of Citizens' Charter:

Accountability: The obligation of individuals, institutions, organizations, government actors, etc to account for their activities, accept responsibility for them, and to disclose the results in a transparent manner. It also includes the responsibility for money or other entrusted property or resources.

Transparency: Openness and visibility in all work, including and especially in financial and procurement management, grant utilization, subproject implementation, selection of beneficiaries, etc. This goes hand in hand with accountability.

Citizens' Charter Operations Manual

Vulnerability Diagnostic:

The comparative advantage of Community Driven Development (CDD) projects such as Citizens' Charter when it comes to controlling corruption is that they can harness social controls such as transparency, cultural norms, and feelings of local ownership to complement the more standard tools of development project oversight such as monitoring, financial supervision, and audit. This allows them to better operate in high risk environments where the effectiveness of formal government institutions is limited. However, even for CDD projects, the risk of corruption can be high unless both formal and informal control systems are carefully designed and monitored.

Citizens' Charter faces three primary corruption risks. First, as a pro-poor development program, elite capture of decision-making would undermine the project's goals. But elite capture would also increase the likelihood of corruption in more tangible ways, such as insider deals for materials supply or falsified book-keeping of how grant funds had been spent. Second comes risks related to procurement and contracting. Even if under CDD programs it is no longer government agents doing the purchasing, local suppliers can cut deals that allow them to provide lesser quantities or smaller amounts of materials. Third, within the formal system of controls there are still many opportunities for corruption. Corrupt officials can demand bribes or rebates before they release money or approvals, facilitating partners can collude with government or village authorities, and Government auditors can demand bribes as the price for unqualified audits.

With fifteen years of National Solidarity Program (NSP) experience to draw on, the Citizens' Charter adopted a "top-down/bottom-up" approach to corruption management. The strategy rested on three pillars. First, the project's design minimized opportunities for corruption by reducing or eliminating the number of financial transactions involved in getting the money to the communities and dividing accountabilities for oversight versus implementation. Thus, while government officials set the policies and operating rules for the program, actual implementation was done by competitively tendered non-governmental organizations who were paid based on objectively measurable performance benchmarks. Second, a major problem with corruption isn't that its occurrence or extent isn't known, but that nobody with authority acts on the information. This lesson was not wasted on the Afghan government's senior policy makers. From its beginning in NSP, the government built a strong management team that could respond to reports from the field and make sure that, where justified, sanctions and remedial actions would

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be systematically applied. Buttressing the strong management group was a carefully designed, top-flight management information system that tracked cases and was easily accessible to every level of program management.

The third pillar of the Citizens' Charter is its approach to strengthening bottom-up accountability. A careful review of the experiences under NSP showed that while the Community Development Councils (CDCs) were effective at meeting their goals, there was a bias towards community elites and, in several cases, elite capture of community decision-making. Previous ISE research found the Citizens' Charter changed the electoral rules to align CDC representation more closely with the overall socioeconomic profile of the communities. Complementing the reforms to the CDC's composition have been reforms intended to ensure that community members are fully aware of their entitlements and rights under the program. These changes to local disclosure are particularly important as Citizens' Charter moves away from its focus on community block grants and into the domain of service delivery.

The purpose this brief is to describe from a manager's perspective how the design of the Citizens' Charter can reduce the opportunities for corruption and provide senior managers with the information and tools they need to prevent corruption from undermining a large CDD program. Citizens' Charter is still in its early years, but it is hoped that the lessons learned from its anti-corruption design can inform a more general discussion and sharing of practical approaches to better management.

Background on Key Mechanisms to Ensure Transparency and Accountability:

Preventing Elite Capture:

A 2013 field experiment conducted in 500 Afghan villages showed that under NSP, where elected CDCs exist and manage aid distribution, aid was targeted for the poor.² However, 15 years of Community Driven Development experience in Afghanistan and across the world has shown that there is always a possibility of elite capture in community institutions. To the extent possible, Citizens' Charter is designed to mitigate risks of elite capture and socially exclusionary practices through greater involvement of ordinary people in CDC sub-committees by budgeting sufficient time to train CDCs and communities, improve training modules, disseminate more communication materials and information campaigns, and regularly monitor social inclusion indicators. In addition, the new election system whereby people from each *mohallah* (neighbourhood) have representation in the CDC can help reduce the chances of elite capture and corruption. Under this election system, blind ballot elections are also enforced to reduce social pressure from hand-raising election, which was practiced during NSP for the selection of Office Bearers. While elite capture cannot be eliminated, the project can certainly encourage more inclusive community practices.

Ensuring Correct Cost Estimates for Sub-projects:

From a manager's perspective, one of the biggest challenges is identifying early warning signals for illicit use of funds. On the one hand, in a nationwide CDD program, construction costs will naturally vary because of factors such as terrain, distance, local labour markets, and so on. On the other hand, theft of materials, "ghost workers," and other such problems are also likely to be buried within the cost of community projects.

² Beath, Andrew, Fotini Christia, and Ruben Enikolopov. 2013. *Randomized impact evaluation of Afghanistan's national solidarity program*. Washington DC: World Bank.

Building upon recent NSP cost analyses, the Citizens' Charter preparation team reviewed the unit costs and cost structure for the main types infrastructure projects chosen by communities and compared those with other similar programs in the country. For budgeting purposes, the range of actual investment costs for water points, roads, irrigation, and renewable energy were reviewed (from NSP and other similar programs) and calculated, factoring in a contingency for possible overruns.³ These costing structures have provided a benchmark for monitoring, which is regularly reviewed and updated, to flag any potential presence of corruption. The system automatically flags draft proposals outside of the allowable costing structure, and flagged plans are reviewed at headquarters by senior engineers. In addition, a regularly updated costing of basic goods and services for each province is used to compare with proposals by engineers to ensure that costs are not inflated. Due to the fact that in rural areas Citizens' Charter grants are needs based compared to the fixed grant model used in NSP, if some funds are diverted from the project, the communities would not be able to complete their sub-project. As construction work continues, the Citizens' Charter will monitor progress carefully. However, NSP experience shows that communities will protect their grants to ensure that no funds are diverted so that the designed project can be completed. As further explained below, any diversion or loss of funds would also lead to blacklisting the relevant CDCs so that they would no longer be eligible for future programs like Citizens' Charter.

Upward and Downward Accountability:

Transparency and oversight are central to the programme. Downward accountability measures include the successful Community Participatory Monitoring method used under the NSP (a group of non-CDC members who review all key milestones and report on the work of the CDC); community scorecards (infrastructure as well as health and education services); social audits (large community meetings where CDC members present their progress, expenditures, procurement, pro-poor initiatives, to community members from *mohallas*); and grievance handling mechanisms.

Upward accountability includes oversight by district and provincial governors and municipalities at the sub-national level; Ministry of Rural Rehabilitation and Development (MRRD) and facilitating partner oversight of the work of CDCs at the local level; Ministry of Finance and Presidential oversight for the national level program; and third-party monitoring by a professional firm that reports directly to the World Bank.

Annual Audits:

Internal audit for the Citizens' Charter is carried out by the Internal Audit Departments of MoF, MRRD, and the Directorate of Local Governance. The annual project audit will be carried out by SAO, with technical assistance from an independent audit agent. The project financial statements will be prepared by MoF, using the Afghan Management Information System (AFMIS), the Afghanistan Regional Trust Fund's (ARTF) core financial management control software. Annual audited project financial statements will be submitted within six months of the close of the government's fiscal year. This provides an additional top-down oversight of activities and expenditures.

Third-Party Monitoring:

³ Atos Consulting. 2014. *National Solidarity Programme: Phase III Financial and Economic Analysis Final Report*. Kabul: Atos Consulting. The benchmarks used for the comparison come from MRRD (NERAP and CARD-F projects), the World Bank's Rocks Database, the Water Project Organization, Oxfam, and UNICEF. Compared to the cost structure of other projects in Afghanistan with significant infrastructure investments, NSP's cost structure is competitive. In terms of unit costs. A 2014 assessment of key NSP sectors by expenditure (roads, power, irrigation and water, and school buildings within the rural development sector) showed that NSP was at the lower end or within benchmark norms relative to other projects

Citizens' Charter's third-party monitoring arrangements under the ARTF are through the ARTF Supervisory Agent, Management Systems International. The third-party monitors will provide critical data and a level of additional evidence from the field to complement the government monitoring systems and World Bank missions on a monthly, quarterly, and annual basis. Citizens' Charter will make use of their reviews of infrastructure quality as well as their satellite imagery data to verify infrastructure assets and gaps based upon the initial needs assessment. The third-party monitors will also review the achievement of the service standards, social inclusion dimensions, and CDC organizational maturity. Sample size for the third-party monitor reaches 10% of the total project.

Managing Theft of Grants:

In cases of theft of Charter grants by external parties beyond the possible control of the CDC and the community members, a multi-stakeholder adjudication team that involves the district governor, and tribal and religious leaders may investigate, mediate, and advise on the situation. Anecdotal evidence from NSP shows that in numerous cases, funds were recovered through mediation. In cases where the community was responsible for the theft, all future transfers under the Charter and related programmes to the community will be blocked until the funds are recovered. The national secretariat maintains an auditable database that tracks all cases of corruption and the status of their resolution.

Corruption Issues to Date and Actions Taken:

Based on lessons learned from NSP, there are three major types of corruption that the program has the ability to manage and reduce. . The first is village-level corruption, which is handled first through local arbitration, downward accountability mechanisms, investigation by MRRD, and finally through referral to the Attorney General's Office. In total, twenty cases were referred to the AGO during the course of NSP. The second is provincial level corruption, which in the case of NSP was often linked to Facilitating partners who would find ways to push their areas of interest over that of the community. This has been managed in Citizens' Charter through removing the role of facilitating partners in construction and positioning engineers directly under the Ministry. Finally, there is national level corruption, which is then referred to and overseen through the AGO. Further, under Citizens' Charter, the overall program is under the oversight of the Ministry of Finance, which can provide an additional level of checks.

There are also some risks which are outside the scope of the program to manage. These are particularly related to working in High Risk Areas, which pose great challenges to teams working on the ground. There are agreements with the local communities to ensure safety of staff and prevent capture and corruption. In such cases, even with anecdotal information about bribes or other forms of corruption, the program has made a clear policy and notified communities in advance that work will be stopped, and in extreme cases the community will be blacklisted from receiving further grants. Having district-level offices under the Citizens' Charter will help increase the likelihood of any potential cases of corruption being flagged in such areas – compared to NSP where government offices were located at the provincial level and teams were forced to travel to insecure areas by road, which in some cases was not possible.

Based on lessons learned from NSP, two specific areas have been further addressed in the Citizens' Charter design:

Changing Designs: Electricity is one of the most important services for communities, which helps to improve the social and economic welfare of citizens. While micro hydro projects have been a major success under NSP, solar panel projects faced with major challenges. Some

facilitating partners and engineers found ways to circumvent or fake certification requirements. Under Citizens' Charter, the designs of solar energy projects were changed to make community grids, focusing on the provision of public goods rather than private goods. Further, all engineers are required to enter the serial number of individual solar panels to ensure their quality. This is registered in the Management Information System and verified through HQ. This new model is now being piloted and tested across 34 provinces.

Tranche withdrawal of funds from bank accounts in high risk areas: During NSP 1 and 2, there were some incidents of robbery in high risk areas as community members were withdrawing large amounts of cash and carrying it back to their village. There were incidents in high risk areas where the money was stolen during transportation, including the abduction and injury of CDC members. This system risked both the grant funds for the community and the lives of CDC members. There were also a select few cases where the house of CDC members was attacked by armed men and funds were taken. These cases were all sent to the Attorney Generals Office for review at the time. Under NSP 3, a new control mechanism was introduced for these areas, based on progress of construction and cash requirements. Rather than a large lump sum, communities were asked to withdraw only the funds needed for each specific payment. They were to be accompanied by a staff member from MRRD or the facilitating partner during travel. While this process increased the administrative cost to some extent, it proved an effective policy to mitigate security concerns in high-risk areas. This tranche model of withdrawal with oversight requirement remains in effect under Citizens' Charter to reduce the risk of funds being stolen in high risk areas.

Conclusions

Citizens' Charter operates on a zero tolerance corruption policy. The first principle of good anti-corruption practice is to minimize the opportunities for diverting funds. By benchmarking and standardizing unit costs, reducing discretion, and promoting community oversight, Citizens' Charter narrows the range of opportunities to divert funds away from their intended purposes. Citizen's Charter combines preventive measures with a strong program of internal external monitoring, reporting, audit, and sanctions.