Report
on Governance and Transparency
in the Mediterranean region

This draft report was drawn up by the rapporteur Lütfü Savas, Mayor of Hatay, Turkey and adopted at the 10th ARLEM plenary session which took place on 27 February 2019 in Seville, Spain.

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Context

Corruption is a global problem that is coming increasingly into sharp focus. It occurs at all levels of society and its negative effects are widespread. It is commonly accepted that corruption impedes economic development, undermines democracy and damages social justice and the rule of law. Corruption is far from being non-existent in the Mediterranean region, both the EU Member states and the South Mediterranean countries.

Eurobarometer surveys demonstrate corruption's frequency by reporting that three-quarters of respondents (76%) felt that corruption is widespread in their own country[1]. According to the European Commission, corruption costs the EU economy around 120 billion euros per year in terms of lost tax revenue and investments[2]. The European Commission says that there are no corruption-free zones in the EU, as all Member States are affected by the problem, albeit to varying degrees.

Corruption remains endemic in the Middle East and North African (MENA) region, according to Transparency International. Although some efforts have been made, corruption still persists in these countries and across the region (Corruption Perceptions Index 2017).

Scope of this Report

This report identifies the main current vulnerabilities of local and regional authorities (LRAs) in the Southern Mediterranean countries regarding public procurement and public services, and provides a systematic assessment of priority avenues of intervention based on the a study commissioned for this report to the London School of Economics by ARLEM and the European Committee of the Regions. Priority has been given to the South Mediterranean, because of the existing high number of studies in the matter for Europe done by the European Union, the Council of Europe and other organisations.

The report formulates *recommendations* build upon expert suggestions and LRAs representatives' experience. An own mapping of *good practices at LRA level* learnt from South Mediterranean countries is also provided.

Defining corruption

It is difficult to isolate a single definition of corruption because the same behaviour can be considered as corruption within one specific legal framework or cultural tradition but not within another, and so has no single, comprehensive, universally accepted definition. One of the most widespread definitions is that corruption means the abuse of public office for private gain.

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[1]   Special Eurobarometer 397, Corruption and Flash Eurobarometer 374, Businesses' attitudes towards corruption in the EU

[2]   EU Anti-corruption Report, COM(2014) 38 final, European Commission, 2014.

Local authorities are responsible for a large proportion of public expenditure and in recent years regions have become increasingly involved in the co-financing and management of European funds. Both have seen their budgets and competences increase[3].

A decentralisation processes have started in some South Mediterranean countries like Morocco or Tunisia, involving transfer of powers and funds to the local level.

The responsibilities and powers given to local and regional elected authorities and the fact that local governments are the major employers and service providers in many cities and regions raises an important risk of corruption, clientelism and nepotism and misuse of public funds.

Corruption can be found in many forms, namely in conflicts of interest and clientelism, recruitment of staff, public procurement and the use of administrative resources in election campaigns.

The most prevalent forms of corruption in the Euro-Mediterranean area are favoritism in public procurement and nepotism in appointing public officials, points out the above mentioned LSE study done for the purposes of this ARLEM report. The lack of transparency is the main issue connected to public procurement procedures across the region and with regards to public service delivery.

Transparency is a key mechanism in combatting corruption and promoting public ethics[4]. If regional and local governments disclose important aspects of their organization and activities, such as information, rules, plans, budgets and results, it is difficult for corruption to occur.

Tackling corruption – international benchmarks to be pursued at subnational level

The development of national, regional or local Right to Information (RTI) legislation may stimulate the emergence of civil society portals. These civil society portals tend to provide additional guidance for end users, encourage citizens to look for existing information, collect the necessary email addresses of public officials, and provide financial and administrative backing in case of appeal processes[5]. These portals have become key instruments and supported the work and emergence of transparency advocates in countries such as Chile, Germany, New Zealand, and Uruguay. They could help develop a supporting dialogue between NGOs and governments concerning RTI, and therefore contribute to an increased transparency culture and to prevent corruption.

Open data initiatives also have potential to create positive dialogue between civil society and government on transparency and accountability. Reliable evidence on the impact of government led open data initiatives, in particular in developing countries has been scarce. However, public availability of certain data, according to experts, can empower those civil servants that oppose

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3   https://rm.coe.int/168071a737 Report on Preventing corruption and promoting public ethics at local and regional levels, Congress of local and regional authorities to the Council of Europe

4   https://rm.coe.int/168071a737 Report on Preventing corruption and promoting public ethics at local and regional levels, Congress of local and regional authorities to the Council of Europe

5   Bailur, S. & Longley, T. (2014). *Research into mySociety's online Freedom of Information platform, Alaveteli*. mySociety Research. [online] http://research.mysociety.org/publications/mysocietys-online-freedom-of-information-platform, last accessed on 16.06.2018.

corruption, without having to turn them directly into whistle blowers. When knowing that information about their actions will be made public or accessible to other civil servants, officials are encouraged to behave better, even without the exercise of accountability mechanisms.

Open contracting and collaboration across agencies could prove very useful in halting corruption. For instance, in Bogota a collective effort between the cities' education secretariat with other government and business enabled a radical reform in the US$170 million provision of school meals. They transitioned from a highly problematic direct contracting system to an open contracting one, improving the service, reducing the ground for corruption and making savings estimated at 10-15%[6]. Even in the case that a full-fledge initiative could be difficult to implement, introducing some of the principles of open contracting[7] and developing data standards[8] and guides on what data on public procurement must be available to the public and how these data must be shared can be a positive step in corruption prevention.

In parallel the governments may want to work at different level (local, regional and national) to help civil society develop the capacity to monitor open contracts. The Spanish independent organisation Civio (*Fundación Ciudadana Civio*)[9] provides an example of how civil society can contribute to reduce opacity and detect irregularities in public procurement. In Ukraine, reformers from government and civil society joined forces to launch the open contracting platform ProZorro, through which all contracts are disclosed under open data standards, so they are searchable by the public; this has reportedly brought about fiscal savings of over $1 billion in two years, and are currently trying to implement an updated version of the platform (i.e. DoZorro) where citizens can track the implementation of contracts, report problems, and track government response[10].

Advancing in fiscal transparency can also be a way to improve how public resources are utilized at local and regional level. Some of the principles promoted by The Global Initiative for Fiscal Transparency (GIFT)[11] at national level could be implemented by municipalities and regional governments to curb corruption[12]. For instance, LRAs should clearly communicate the objectives they pursue and the outputs they are producing with the resources devoted to them, in an effort to disclose the expected social, economic and environmental outcomes of their policies. Roles and responsibilities for the management of public resources should be clearly allocated in legislation between the national and subnational levels of government. Auditors should have statutory independence from the governments which actions they are scrutinising, as well as the appropriate legal mandate and resources. Their actions should also be subject to the principles of accountability and transparency.

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[6]   Open Contracting (2018). The deals behind the meals: How open contracting helped fix Colombia's biggest school meal program' [online]: https://medium.com/open-contracting-stories/the-deals-behind-the-meals-c4592e9466a2, last accessed on 07.06.2018.

[7]   See for instance Open Contracting Partnership's Global Principles [online] https://www.open-contracting.org/implement/global-principles/ , last accessed on 07.06.2018.

[8]   The Open Contracting Data Standard (OCDS) is considered best practice for open data in this context http://standard.open-contracting.org/latest/en/ , last accessed on 07.06.2018.

[9]   https://civio.es/en/, last accessed on 07.06.2018.

[10]   idem fn. 59.

[11]   GIFT (2018) 'Detailed Explanation of High-Level Principles' http://www.fiscaltransparency.net/expanded-version/ , last accessed on 07.06.2018.

[12]   See for instance, the Argentinian experiment GastoPublicoBahiense.org which published from 2010 to 2016 public procurement data from the Bahía Blanca municipality. http://blog.jazzido.com/2010/07/18/un-experimento-sobre-tecnologia-y-transparencia-gubernamental/ , last accessed on 07.06.2018.

Tools such as those developed by the initiative OpenBudgets.eu[13] or The World Bank[14] may facilitate the work of those public administrations and NGOs willing to pursue the fiscal transparency agenda as a means to reduce corruption.

LRAs could test their more ambitious transparency and accountability initiatives first in a particularly problematic sector, such as licensing of extractive industries (e.g. EITI standard), publicly funded construction or garbage collection. Similarly, since public procurement is usually the government activity most vulnerable to corruption[15], LRAs may want to concentrate their anti-corruption capacity building efforts in it. There are abundant integrity risks in each of the stages of the public procurement cycle, pre-tendering, tendering and post award phases. The anti-corruption strategy for public procurement in these countries should set organisational procedures, integrate anti-corruption measures in workday life, work on raising awareness of officials at all levels in prevention and on its consequences, as well as follow an active process of re-assessment for a continuous improvement[16].

Benchmarks and lessons learned from the Southern Periphery region
Good practice examples:

- ✓ **The legislative reform** (i.e. Municipalities Law, Decentralisation Law) **coupled with community-centered projects** (e.g. SDDP) can yield gains in the quality of governance and service provision at local level, but as Jordan shows this is a long-term process that is reliant on changes in mentality as much as it is on political will.
- ✓ **The capacity to counter corruption requires both institutional and legislative instruments.** Both the institutional setting (i.e. INLUCC, INAI) and the anticorruption legislation (i.e. National Anticorruption Strategy, RTI Law) have checked boxes for good practices in Tunisia. The strength of its dedicated Anticorruption Agency as opposed to others in the region is that the goals and objectives states in the National Strategy are backed up by a specific action plan for the short term (i.e. 2017-2018) which makes activities as well as results much more easily traceable by third parties.
- ✓ **Transparency and public trust increase simultaneously as access to public information is granted freely to citizens.** Morocco recently adopted a new law regulating access to public information, after joining the Open Government Partnership (OGP). Similarly, as part of the commitments taken within the OGP, Jordan has been implementing a series of reforms aimed at increasing e-governance, public participation and enhancing the quality of public service delivery[17]. As part of its OGP commitments, Tunisia too implemented a series of reforms in local governance in collaboration with citizens and civil society[18]. A series of governmental online portals in Egypt also further the accessibility of public services, while limiting the opportunities for graft or preferential treatment.

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13 http://openbudgets.eu/tools/ , last accessed on 07.06.2018.

14 http://boost.worldbank.org/tools-resources/topics/promoting-open-budgets/fiscal-transparency , last accessed on 07.06.2018.

15 OECD (2016) .Preventing Corruption in Public Procurement. OECD Better Policies For Better Lives Report. Available at: http://www.oecd.org/gov/ethics/Corruption-Public-Procurement-Brochure.pdf last accessed on 07.06.2018.

16 See for instance the Anti-Corruption Strategy of the Austrian Federal Procurement Agency https://www.bbg.gv.at/english/about-the-fpa/. last accessed on 07.06.2018.

17 https://www.opengovpartnership.org/countries/jordan, last accessed on 07.06.2018.

18 https://www.opengovpartnership.org/documents/tunisia-second-national-action-plan-2016-2018, last accessed on 07.06.2018.

- ✓ **A way to scale up benchmark examples is by creating the environment for exchanges of good practices.** Professional associations such as the Municipalities Union of Marmara in Turkey allow for this to happen. Dedicated training sessions for public officials from different LRAs are another example from Turkey that can further communication and knowledge transfers (e.g. Local Government Academy (*Yerel Yönetim Akademisi* (YYA). Initiatives that are led by the Central Government can be effective as well, as shown in Egypt by the case of the Participatory Development Programme in Urban Areas (PDP) (http://egypt-urban.net). There are also other relevant bodies that promote the exchange of knowledge at international level, such as the Arab Administrative Development Organization (ARADO) (www.arado.org), or Open Government Partnership (OGP) (www.opengovpartnership.org). International donors such as OECD, EU, UN, or the World Bank are frequently supporting such initiatives.

- ✓ **Bottom-up initiatives are often more easily adopted and legitimised by local communities.** A good example in Egypt is the one-stop shops for business start-ups: The Egyptian Center for Public Policy Studies seeks to empower entrepreneurs through the telephone application 'Mashro3y' launched by the Egyptian Center in cooperation with the Embassy of Germany in Cairo. The main objective of this application is to provide information about financial and non-financial service providers to individuals wishing to establish an economic activity and already existing entrepreneurs. The Center sought to spread this application in the Egyptian governorates through several conferences and seminars, which raised the number of 'Mashro3y' users to 25 thousand users in 27 Egyptian governorates[19].

Recommendations

1. The capacity of local and regional authorities in the Euro-Mediterranean region should be increased. This will involve a simultaneous process of (1) strengthening their ties to local communities-by increasing both their functioning attributions (i.e. obligation to distribute goods and services), as well as their financial base (i.e. ability to distribute goods and services), while (2) constructing checks and balances to promote ethical behaviour.

2. Decentralisation is important in the region because it can address the issue of large-scale distrust in the government. Transparency at local level is easier and projects are more visible for the local community. With local level empowerment, citizens can become involved in the deliberative processes, while public officials can be held accountable for the end results and benefits of their actions.

3. Anti-corruption authorities should be partners to local and regional authorities in ensuring good governance, especially in terms of putting in place preventive measures that can help promote good practices (e.g. transparency, digitalisation), rather than punish unethical behaviour. It is important to have distinctive authorities in charge of prevention, to ensure their independence and impartial conduct, but also to develop new collaborations across governmental levels. It is important to have distinctive authorities in charge of prevention, to ensure their independence and impartial conduct, but also to develop new collaborations across governmental levels.

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[19]   Egyptian Center for Public Policy Studies (ECPPS) (2017) Policy Paper Series: Reforming the Business Climate and micro, small and medium sized enterprises in Egypt, [online] http://ecpps.org/attachments/article/1328/Information%20centers%20and%20the%20digital.pdf last accessed on 07.06.2018.

4.   Digitalisation strategies in LRAs should focus as much on transparency, and accessibility, as on ensuring participatory interactions with users. This "co-design" or "co-production" of public services and policies would increase citizens' ownership over community issues, the legitimacy of the state, and consolidate their trust in LRAs.

5.   In order for local authorities to be able to make a meaningful difference, local budgets should be increased, encouraging the development of fiscal collection capacity from investments and development projects, and asserting ownership over the quality of goods and services provided.

6.   Education is very important for young people and information on disadvantages of corruption should be introduced in scholar system. Educating young people in school and family can be the most important preventive measure helping to overcome culture and change the mentality.

7.   At national level it is important to improve the transparency and speed of the judicial systems because they are the final punitive power.

Suggestions based on identified country-specific problems:

✓ Use electronic systems for the selection of beneficiaries of certain public services that are more prone to being exchanged preferentially (suggestion from Egypt, Morocco and Tunisia)

✓ Independent control system for Local and Regional authorities or certain key functions they perform in public procurement and service delivery (suggestion from Turkey)

✓ Surveillance cameras on administrative offices that engage with the public on a day-to-day basis so as to diminish petty corruption (suggestion from Morocco)

✓ Public employees training on ethical conduct and countering measures for corruption (e.g. whistle blowing) (suggestion from Tunisia and Egypt)

✓ Participatory budgeting at local level (suggestion from Tunisia and Turkey)

✓ Open council and other deliberative meetings at LRA level (suggestion from Israel)

✓ Raise awareness amongst citizens and local NGOs about the causes, forms and effects of corruption through dedicated campaigns (suggestion from Israel)

✓ Third party (e.g. NGO) monitoring of tenders and public spending at local level (suggestion from Turkey)

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