

Building integrity in fragile contexts

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How can donors balance anti-corruption goals with the need to promote stability in fragile and conflict-affected states? What can be learned from the Performance Based Governance Fund in Afghanistan? This brief highlights the emergence of context-sensitive approaches to corruption in fragile situations as part of efforts to promote responsive statebuilding.



Key messages

- In fragile contexts, a 'zero-tolerance' approach to corruption is unrealistic and potentially destabilising.
- Instead of attacking corruption in such contexts through direct, short-term anti-corruption initiatives, donors could consider encouraging integrity through long-term, indirect strategies.
- For example, Afghanistan's Performance Based Governance Fund incentivises integrity in provincial governance by publishing regular evaluations and adjusting budget levels according to performance. It emphasises capacity building, transparency, and citizen-state engagement, promoting statebuilding processes that address corruption.

- Building integrity by promoting state-society interaction and trust (Hussmann et al, 2009; Johnston, 2010; OECD, 2011b)
- Developing the fiduciary capacity of country systems (International Dialogue on Peacebuilding and Statebuilding, 2011)
- Flexible risk management instead of (counterproductive) risk avoidance (Ibid.; OECD, 2011a).

The PBGF in Afghanistan: building integrity in provincial governance

The Performance Based Governance Fund (PBGF) in Afghanistan illustrates many of these themes. (See overleaf for a programme overview.) The PBGF increases the operational and community project funds available to provincial governors' offices (PGOs) and provincial councils. Its minimal authorisation system provides considerable spending power, but this is combined with transparency and reporting requirements, frequent (published) evaluations including scores and rankings, and performance-related funding.

Governors' performance indicators encourage consultation with citizens and responsiveness to their concerns: the programme seeks to build state-society trust and a culture of accountability in public office – among political appointees (provincial governors) as well as elected officials (provincial councils). It aims to incentivise behaviour change over the long term. However, even during the PBGF's pilot year, most of the provincial governors increased their evaluation scores (Van Belle, 2011).

The good governance agenda included a universal 'zero tolerance' stance towards corruption, but this can hinder aid effectiveness (OECD, 2011a). A more context-sensitive approach is emerging as part of the promotion of responsive statebuilding. This approach to corruption involves greater consideration of politics and seeks to build integrity over the long term. In fragile or conflict-affected states, donors may need to consider approaches that involve 'good enough integrity'.

Tensions between anti-corruption and stability goals

In fragile situations, direct attacks on corruption are unrealistic due to a lack of institutional capacity. They are also inherently destabilising: they involve transferring power and resources from one group to another – ideally to 'the public', but often in reality to another powerful group.

Fighting corruption can be particularly destabilising in transitional, divided societies where it could be interpreted in factional or ethnic terms (Johnston, 2010). It can also be a trigger for conflict in societies where corruption is endogenous to social and political life and considered useful for survival (Le Billon, 2003).

Supporting statebuilding processes that address corruption: emerging principles

Recent thinking on corruption, statebuilding and aid effectiveness in fragile situations suggests ways of promoting statebuilding processes that address corruption. Emerging principles include:

- Political economy analysis to improve understanding of the different forms and effects of corruption in particular contexts (OECD, 2011b)
- Long-term, indirect approaches to addressing corruption (Johnston, 2010)

Lessons suggested by the PBGF

- *Make expectations realistic.* The PBGF promotes gradual improvement through 'learning by doing'.
- *Address corruption 'hot spots'.* The PBGF aims to reduce 'unofficial' taxation by increasing PGOs' relatively low budgets for direct expenditure.
- *Recognise the value of reputational – and thus political – incentives.* Given the prominence of corruption as a political issue in Afghanistan, many governors sought to improve their evaluation scores in order to portray themselves as good managers. Those who considered opting out were dissuaded from doing so by the risk of reputational damage (Van Belle, 2011).
- *Build capacity in existing institutions.* The PBGF works with existing institutions to improve their effectiveness. It seeks to facilitate a gradual shift towards more reliance on formal systems and less on informal networks.
- *Plan for sustainability.* The PBGF aims to build capacity in government agencies to prepare them to take over its administration. However, staff of The Asia Foundation working in PGOs currently provide significant support (Van Belle, 2011). The timing of the transfer to government administration will need to balance channelling funds through the government as soon as possible with allowing sufficient capacity building and internal cultural change beforehand.
- *Experiment (carefully).* The PBGF seeks to enable reform in new ways while using close monitoring to help guard against doing harm.
- *Accept a level of risk* in the context of supporting small steps towards overall improved governance.

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Overview of the Performance Based Governance Fund (PBGF), Afghanistan

The one-year pilot Performance Based Governors' Fund (PBGF I, 2010-2011) provided each of the 34 provincial governor's offices (PGOs) with \$25,000 per month for operational and community outreach activities. The funds (from the US, UK and Belgian governments) were disbursed and monitored by a partner NGO, The Asia Foundation, through a member of staff based in every PGO.

Any post-pilot funding was to be increased, decreased or withheld according to each governor's performance against five criteria: (1) programming quality; (2) equity; (3) consultation; (4) accountability and transparency; and (5) improved budget practice. If performance was below average, funding was to be reduced by 25 percent, while above average performance was to generate a 25 percent increase. A handbook explained performance criteria and indicators, spending categories, budgeting and procurement rules and reporting requirements. Each PGO's budgets, evaluation scores (first quarter, mid-term, last quarter and average), and monthly financial reports were published online.

Following positive evaluations of the pilot, an expanded Performance Based Governance Fund (PBGF II, 2011-2013) is underway. Supported by USAID and DFID, it includes an additional \$5,000-\$10,000 per month for provincial councils. It also includes Afghanistan's Ministry of Finance as a partner, seeking to prepare the MoF to help administer the PBGF when its funding is channelled through central government. The PBGFs were designed in collaboration with Afghanistan's Independent Directorate of Local Governance as part of, and to support implementation of, a new sub-national governance policy (2010-2014).

Sources: PBGF website www.pbgf.gov.af and Independent Directorate of Local Governance website www.idlg.gov.af IDLG; Independent Directorate of Local Governance (2010); Van Belle (2011).



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About IDD

The University of Birmingham's multi-disciplinary International Development Department (IDD) has been providing knowledge and consultancy services to the international development sector since 1964.

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