



Maaria Seppänen and Pekka Virtanen

# **Corruption, Poverty and Gender**

With case studies of Nicaragua and Tanzania

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With Case Studies of  
Nicaragua and Tanzania

MINISTRY FOR FOREIGN AFFAIRS

The ideas, opinions and conclusions expressed in this report are those of the authors only, and do not necessarily represent the views of the Ministry for Foreign Affairs of Finland.

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## Foreword

Following on the Finnish Presidency of the European Union in 2006, the Department for Development Policy of the Ministry for Foreign Affairs decided to commission a study on Corruption, Poverty and Gender, to include case studies of Nicaragua and Tanzania. The study was inspired by both the new EU governance agenda, and the new strategy of the World Bank on governance. These innovative steps forward in the international forum motivated the Ministry for Foreign Affairs to take a closer look at the most important theoretical and practical lessons learnt on corruption while working together with two of Finland's long term development partner countries, Nicaragua and Tanzania. The present study is the result. It concentrates on the three thematic issues of Corruption, Poverty and Gender, and has been written in close collaboration with the Department for Development Policy of the Ministry for Foreign Affairs.

Eradicating poverty is only possible if progress made in developing countries is socially sustainable. The negative impact of corruption on development is no longer questioned. Evidence from across the globe confirms that corruption undermines efforts to achieve the Millennium Development Goals (MDGs). Corruption reflects a deficiency in democracy, human rights and governance that negatively impacts poverty. Corruption exists in significant variations in form and substance. Awareness of the challenge of corruption is now widespread, and the issue is no longer a taboo topic for the international community and its main organisations. However, the high level of awareness is not enough. Institutional reforms take a relatively long time to achieve; and the widely varying degrees of political commitment to these reforms implies that the results so far are fairly modest.

Studies of corruption and gender have mainly focused on the relation between the number of women in public office and the level of corruption, while less attention has been paid to the differential impact of corruption on the well-being of men and women. The present study, *Corruption, Poverty and Gender: Case Studies of Nicaragua and Tanzania*, is motivated by two concerns. The first is related to the linkages between corruption and poverty. There is a need to go beyond the anecdotal evidence of the negative link between corruption and delivery of basic services to poor women and men. This evidence from individual cases suggests, for instance, that corruption and non-delivery of services in key sectors such as health, translates into an increase in the care burden, which falls predominantly on women. However, the evidence base for building a convincing argument for a policy response is very thin on the ground.

The second concern is to understand the extent to which anti-corruption measures serve poor people, particularly anti-corruption measures taken in key sectors which deliver basic services. While it is taken for granted that the anti-corruption agenda goes hand in hand with improving accountability to citizens in service delivery, in many developing countries anti-corruption measures have seldom been taken in response to local demands.

The Finnish Government Decision-in-Principle on Development Policy (Towards a Sustainable and Just World Community) of 2007 highlights the importance of socially sustainable development. We must achieve stable, poverty-reducing, economic development on an ecologically sustainable basis. For this to be possible, social conditions must be stable. This means having peace and security in a country with well-functioning democratic governance, respect for human rights, and inclusive social and cultural development, a country in which action is being taken to fight corruption. Finland has for many years been the least corrupt country in the world. This is not to say that Finland is free of corruption, but it indicates the importance given to anti-corruption work in the Finnish society and in the development policy of Finland.



*Marjatta Rasi*  
*Under-Secretary of State*



## Executive Summary

This study was commissioned by the Ministry for Foreign Affairs of Finland (MFA) in order to summarise the most important theoretical and practical lessons learnt on corruption in two of Finland's long-term development partner countries, Nicaragua and Tanzania. In addition to providing an overview on corruption issues, the study also analyses the linkages between corruption and poverty, and summarizes the relevant debate on gender and corruption. It is based on the literature and relevant public documents, supplemented with interviews and first-hand observations in both urban and rural areas in Nicaragua and Tanzania.

The study supports the hypothesis that corruption and non-delivery of services in key sectors such as health have gender-specific poverty consequences. Corruption drains public resources and diverts them from the development of crucial infrastructure and social services. As such, corruption supports, stabilises and deepens inequality within societies. Corruption can, therefore, be seen as a mechanism that produces and perpetuates social and economic inequality; it constitutes a regressive redistribution of resources from the poor to the non-poor.

In the case of basic public services such as healthcare and primary education, the impact of corruption is felt disproportionately by women and the poor, who are most dependent on public services, and have no alternative even when facing corrupt practices in a life threatening situation, such as complicated birth delivery. This concern was expressed in the interviews with both public servants and civil society representatives in Nicaragua and Tanzania, who emphasised the need to strengthen sectoral oversight mechanisms and transparency. The latter is crucial for making civil servants better accountable to service users.

The socio-political and historical contexts of Nicaragua and Tanzania differ substantially from each other. In Nicaragua, political corruption is manifested in the clientelistic political culture, which is reinforced by a culture of spoils in which political power is understood as a legitimate source of personal enrichment. Corruption in Nicaragua – as perceived by citizens – is not characterised by everyday corruption, but more by corruption at the level of the political system. In Tanzania, the current situation in terms of incidence of corruption is subject to debate. While everyday corruption in Tanzania seems to have declined since the worst years of economic crisis, it continues to be the form of corruption felt directly by the majority of Tanzanians, even if high level political corruption is receiving more attention in the media.

The perceived high prevalence of corruption on all levels in many developing countries is linked to what is known as the 'state crisis'. This crisis affected the state-led development model of the 1980s, and was manifested in the massive employment of unproductive civil servants and subsequent bankruptcy of the employer-state. It has contributed to the exposure of corruption in high places, and the incapacity of the state to control everyday corruption at lower levels. The expansion of corruption has produced a kind of 'corruption culture' with a tendency to permanence. Development aid has often failed to address the problems corruption is causing in partner countries, and has in some cases even strengthened it by inducing an inflow of assistantship and clientelism favourable to corruption.

In both Nicaragua and Tanzania, the main focus of donor support to anticorruption work has been on the executive, while democratic oversight institutions on both the national and local levels have been left with a marginal role. There are various examples of vociferous, but often hollow, rhetorical anti-corruption campaigns by the executive, which seem to have been set up merely to appease the donor community or to discredit and eliminate political opponents. Anticorruption strategies very often stem from a presumption that all citizens have equal access to anticorruption bodies. This is not the case in most of the developing countries. It is worth mentioning here that the new aid modalities, especially budget support, provide a real opportunity to strengthen the role of oversight institutions and to focus on the poverty reduction aspects of anticorruption activities.

The donor community has also had problems in finding a common response to the occurrence of corruption, especially in politically difficult environments. Recent initiatives, for example the EU's Governance Assessments, World Bank anti-corruption strategies, and Nepad's African Peer Mechanism, are a very welcomed effort to harmonise the approach of the donor community towards good governance. They also provide an excellent platform for a constructive dialogue to discuss the challenges corruption is causing to the partner countries and their citizens. Such initiatives are also bringing the donor community to realise that accountability in development is not only the accountability of the partner countries to the donor countries, but also the accountability of the partner countries to their own citizens.

Effective anticorruption work cannot rely on ephemeral 'champions' or the transient political rhetoric of the day, but must be anchored in permanent, democratically

elected, institutions such as the parliament and local councils. Democratic governance includes, among other things: the involvement of citizens in choosing and overseeing those who govern them, respect for the rule of law and access to an independent justice system, effective institutions, and access to information. While good governance means more than tackling corruption, corruption is a serious symptom of bad governance and the lack of a closed network of social capital on the national level. The problem of the formation of negative, bonding social capital in the practice of corruption is an important element that has so far been neglected in anticorruption strategies.

Studies of corruption and gender have mainly focused on the relation between the number of women in public office and the level of corruption, while less attention has been paid to the differential impact of corruption on the well-being of men and women, and how the gender differences are addressed in anticorruption strategies. While bringing more women into politics and public office is important for advancing gender and social equity concerns, what matters is not the simple access of women to power, but the means of their access and the nature of the institutions in which they function. Merely increasing the numerical presence of women in decision making bodies, for example through quotas as in Tanzania, does not necessarily have a tangible impact on policy making and implementation if the structures of accountability are lacking or flawed.

The study puts forward the following four recommendations:

**Recommendation 1: Support the ownership of national and local level policy making and implementation by strengthening the role of parliament and local councils as the principal institutions of oversight over the executive.**

**Recommendation 2: Promote civil society initiatives for transparency in local government. Support the development and harmonisation of the methodology of these transparency initiatives in cooperation with local actors without, however, imposing restrictive ‘blueprints’ that kill local initiative and diversity.**

**Recommendation 3: Integrate sector-specific situation analysis of corruption and gender, and gender and poverty sensitive sectoral anticorruption plans and resources for implementation in SWAps.**

**Recommendation 4: Seek to systematise donor approach and action towards corruption, and agree on coherent long-term measures, action plans and support.**

## List of Abbreviations and Acronyms

|         |   |
|---------|---|
| AECI    | Agencia Española de Cooperación Internacional                               |
| CaDD    | Community Development Departments (Tanzania)                                |
| CEDAW   | Convention for the Elimination of all Forms of Discrimination Against Women |
| CFAA    | Country Financial Accountability Assessment                                 |
| CGR     | Contraloría General de la República; Court of Auditors (Nicaragua)          |
| CPAR    | Country Procurement Assessment Review                                       |
| CPI     | Corruption Perception Index   |
| CSO     | Civil Society Organisation  |
| DAC     | OECD Development Assistance Committee                                       |
| DFID    | Department for International Development (United Kingdom)                   |
| DPG     | Development Partners' Group (Tanzania)                                      |
| DPP     | Director of Public Prosecution (Tanzania)                                   |
| DSM     | Dar es Salaam   |
| EU      | European Union  |
| EUR     | the Euro €  |
| FAC     | Fondo Anti-Corrupción/Anti-corruption Fund (Nicaragua)                      |
| GDP     | Gross Domestic Product  |
| GGCU    | Good Governance Coordination Unit (Tanzania)                                |
| GI      | Global Integrity  |
| GTZ     | Gemeinschaft für Technische Zusammenarbeit                                  |
| GWG     | Governance Working Group (Tanzania)   |
| HDI     | Human Development Index   |
| HIPC    | Highly Indebted Countries Initiative  |
| HPI     | Human Poverty Index   |
| HRGGC   | Commission for Human Rights and Good Governance (Tanzania)                  |
| IADB    | Inter-American Development Bank   |
| IFMS    | Integrated Financial Management System (Tanzania)                           |
| IMF     | International Monetary Fund   |
| INSS    | Instituto Nicaragüense de Seguridad Social                                  |
| LGA     | Local Government Authority  |
| LGCDG   | Local Government Capital Development Grant (Tanzania)                       |
| LGRP    | Local Government Reform Programme (Tanzania)                                |
| MCC     | Millennium Challenge Corporation  |
| MCDGC   | Ministry of Community Development, Gender and Children (Tanzania)           |
| MDA     | Ministries, Departments and Agencies (Tanzania)                             |
| MDG     | Millennium Development Goal   |
| MEVT    | Ministry of Education and Vocational Training (Tanzania)                    |
| MFA     | Ministry for Foreign Affairs of Finland                                     |
| MIFIC   | Ministry of Industry and Commerce (Nicaragua)                               |
| MINSA   | Ministerio de Salud (Ministry of Health, Nicaragua)                         |
| MKUKUTA | National Strategy for Growth and Poverty Reduction (Tanzania)               |
| MP      | Member of Parliament  |

|          |   |
|----------|---|
| NACSAP   | National Anti-Corruption Strategy and Action Plan (Tanzania)                            |
| NAO      | National Audit Office (Tanzania)  |
| NER      | Net Enrolment Rate  |
| NGO      | Non-Governmental Organisation   |
| O&OD     | Opportunities and Obstacles to Development  |
| OECD     | Organisation of Economic Cooperation and Development                                    |
| OECD/DAC | Organisation for Economic Co-operation and Development/Development Assistance Committee |
| OPRAS    | Open Performance Review and Appraisal System  |
| OPS      | Organización Pan-Americana de Salud (PAHO)  |
| PAF      | Performance Assessment Frameworks   |
| PAHO     | Pan-American Health Organisation (OPS)  |
| PCB      | Prevention of Corruption Bureau (Tanzania)  |
| PEDP     | Primary Education Development Programme (Tanzania)                                      |
| PETS     | Public Expenditure Tracking Survey  |
| PFMRP    | Financial Management Reform Programme (Tanzania)  |
| PGR      | Procuraduría General de la República; State Attorney's Office (Nicaragua)               |
| PMO-RALG | Prime Minister's Office, Regional Administration and Local Government (Tanzania)        |
| PPP      | Purchasing Power Parity   |
| PRS      | Poverty Reduction Strategy  |
| PSLE     | Primary School Leaving Examination (Tanzania)   |
| PSTAC    | Public Sector Technical Assistance Credit (Nicaragua)                                   |
| REPOA    | Research and Poverty Alleviation (Tanzanian NGO)  |
| RIRA     | Rural Initiatives and Relief Agency (Tanzania)  |
| SADC     | Southern African Development Community  |
| SAP      | Structural Adjustment Programme   |
| SCCC     | Strengthening Capacities to Combat Corruption programme (Tanzania)                      |
| SIDA     | Swedish International Development Agency  |
| SIGFA    | Integrated Financial and Administrative Management and Audit System (Nicaragua)         |
| SNI      | Sistema Nacional de Integridad/National Integrity System                                |
| SNV      | Netherlands Development Organisation  |
| SWAp     | Sector-Wide Approach  |
| TAWLA    | Tanzania Women Lawyers Association  |
| TC       | Town Council  |
| TGN      | Tanzania Government Noticeboard   |
| TGNP     | Tanzania Gender Networking Programme  |
| TI       | Transparency International  |
| TRA      | Tanzania Revenue Authority  |
| U4       | The Utstein Anti-Corruption Group   |
| UNDP     | United Nations' Development Programme   |
| URT      | United Republic of Tanzania   |
| USAID    | United States Agency of International Development                                       |
| USD      | United States dollar  |
| WDF      | Women's Development Fund (microcredit scheme in Tanzania)                               |

## 1. Introduction

### 1.1 Objectives of the study

The objectives set by the MFA for the study are the following:

1. Based on the review of policy documents and academic research, summarise the key theoretical and practical lessons learnt on corruption, poverty and gender.
2. From the point of view of poverty reduction and gender, analyse the anti-corruption measures and institutional responses taken by the governments in Nicaragua and Tanzania. This will be done especially in the context of public service delivery in key development sectors, such as health, education and local government.
3. Based on the theoretical and empirical findings, provide policy recommendations for key anti-corruption elements to be taken into account in the design of development policy and strategies.

### 1.2 Methods and framework

The study is based on the existing academic literature on the subject; relevant public documents produced by the governments of Nicaragua and Tanzania as well as the government of Finland and the major donor organisations; relevant documents of civil society organisations; and interviews and observations in the two countries. For the latter part of the study, field work was carried out in Nicaragua and Tanzania during the first three weeks of November 2006. The field visits, which were 15 to 20 days long, consisted of stays in the respective capital cities, and visits to provinces chosen for practical reasons from among provinces in the regions where Finland has funded relevant projects for several years. In Tanzania, the field work outside Dar es Salaam took place in the southern part of the country over a week's time. In Nicaragua, a much smaller country than Tanzania, the field visits took place in the central part of the country during four one-day trips from Managua. In Nicaragua the fieldwork took place around and immediately after the November 2006 general elections. In hindsight, the period after the elections was a better moment than immediately before the elections, even though fieldwork during a transition period is always somewhat problematic.

In Nicaragua, 37 representatives of the government, donors, national and international NGOs and research institutions were interviewed (14 male, 23 female). This figure does not include the persons who participated in different seminars and workshops where the study team carried out participatory observation.<sup>1</sup> In addition to the

<sup>1</sup> In addition to interviews they carried out personally, the study team had access to transliterations of 44 interviews with members of the Nicaraguan political elite carried out in early 2003 by Anna Perttula for her Master's thesis (Perttula 2005), the topic of which was political culture and political corruption in Nicaragua.

review of the literature, the Tanzania case study is based on semi-structured interviews carried out in Dar es Salaam and two southern provinces with 58 (19 female and 39 male) representatives of the Government of Tanzania, donors, national and international NGOs, and research institutions. In addition, two group interviews, one with members of a women's group (4; all women) and one with a school committee and teachers (5; 2 women, 3 men) were also organised. The education sector study is based on 30 semi-structured user interviews carried out in Dar es Salaam, supplemented by interviews with district level education officials, teachers and school committee members. In the health sector in Nicaragua, the different potential gateways to corruption found on the basis of interviews and literature were corroborated through informal interviews at the premises of a health oriented NGO that offers low-cost reproductive and sexual health services to women in a poor neighbourhood of Managua.

Due to the specific nature of the topic, the data used in this study reflects the respondents' perceptions of the occurrence of corrupt practices in public administration, and their wider impacts on society.<sup>2</sup> This is the case with most recent studies on corruption: a database of user surveys and corruption indices such as Transparency International's Corruption Perception Index (CPI) reflects individual perceptions of those interviewed, not proven cases of corruption. For studying the latter, the material would have to come from court records or similar legally confirmed sources, since corruption is illegal in both Nicaragua and Tanzania. No reliable quantitative data on amounts of total resources lost due to corruption is available, even though some informed estimates are quoted in the country studies in order to give an idea of the magnitude of the problem. In consequence, the study is based mainly on qualitative micro-level information about the structures of corruption and its impact on poor people, and the way this impact is gender differentiated. This means that the study deals mainly with 'petty' or 'everyday' corruption, not grand corruption proper related to big business interests and large scale economic crime at the level of public financial management.

The report comprises five sections. Following the introduction in Section 1, the Section 2 presents the methodological and theoretical insights of the study. Section 3 summarises issues related to the development of corruption in both countries, and some findings related to corruption and its impact on service delivery in health and education sector. This is followed in Section 4 with a review of government anti-corruption strategies and donor support. Based on the review and main findings of the case studies, Section 5 summarises anti-corruption oriented recommendations considered relevant in the design of development policy and strategies. The full case studies follow as annexes at the end of this report.

<sup>2</sup> The fieldwork confirmed the extremely sensitive nature of the topic: for example in the education sector, in user/parent interviews in Tanzania, the concrete cases where bribes were offered were related as third party experiences. This makes it possible to avoid the implicit question of the respondent's own moral integrity, among other things (Cf. Olivier de Sardan 1999).

## 2. Theoretical Insights into Corruption

### 2.1 Definitions and types of corruption

In the development context corruption is generally defined as “*using public office for private gain*” (OECD/DAC 2006) or “*abuse of public authority and power for private benefit*” (U4). Transparency International (TI) expands the definition to potentially cover the private sector as well, and uses the expression “*abuse of entrusted power for private gain*”. Corruption has several dimensions and can be categorised into various types. **Bribery** refers to the offering of material rewards to a person in position of power (a civil servant, for instance), or the asking for such a reward from a civilian (e.g. citizen), in order to persuade the other person to do a favour or provide a service. Passive bribery is, according to the Utstein Resource Centre (U4), the act of receiving a bribe; and active bribery is the act of handing over a bribe, although often it is the ‘passive’ side who originally asked for the bribe. Bribes always imply some form of material benefit for the person in a position of power, but these need not be monetary; instead, it could be a question of a sexual favour, reciprocal exchange of favours, or rewards in kind. For a civil servant or a municipal employee, the prerequisite to be able to demand a bribe is a certain monopoly position of power. Bribery as a category of corruption is, therefore, sometimes difficult to distinguish from extortion and illegal payment. By extortion, we mean here the unlawful demand of property or money through the use of force or threat (U4).

According to Transparency International, **illegal payments** as a category is separated from bribes in that the former may seem to be legitimate, such as charging a fee for hospital attention in circumstances when medical care in public establishments is free of charge by law. An official receipt may be provided, but the destiny of the funds thus collected is unclear. In the best of the cases they are used to compensate for inadequate resources received from the central government, but as they are seldom registered in any bookkeeping, their final destination is unclear. They thus decrease transparency in public administration. When not registered and used as unofficial income of the service facilities, illegal payments ‘behave’ as bribes from the viewpoint of service users and have the same effect of making public services more expensive for end users. In some cases these undue or illegal payments prevent the poor from acceding to those services that demand them (TI 2006).

**Theft** is a common category of petty corruption. Public servants can steal supplies ranging from heavy equipment to stationery, depending on the position of the employee in the organisational structure. Often the economic impact of each individual case of theft is marginal, and larger cases (such as theft of machinery) are easy to detect if there is the political will to do so. When all cases are combined, however, theft can



seriously impair the service delivery capacity of a local government or other service provider, and make services more expensive. Theft of paid working time is called **absenteeism**, while **embezzlement** refers to misappropriation of property or funds legally entrusted to someone in their formal position as an agent or guardian, e.g. when an employee or civil servant sells donated goods for personal profit. When this activity includes falsification of official documents, the legal term used is **fraud**.

One specific form of corruption is **state capture**, which is defined by the Utstein Resource Centre as *“the phenomenon in which outside interests (often the private sector, mafia networks, etc.) are able to bend state laws, policies and regulations to their (mainly financial) benefit through corrupt transactions with public officers and politicians.”* The notion of state capture is different from traditional concepts of corruption, in which a public servant might extort illegal payments from clients (citizens, individuals or companies), or politicians themselves steal state assets.

Political corruption is manifested in **favouritism**, including clientelism, cronyism and nepotism. Cronyism refers to favourable treatment of friends and associates (for instance, members of the same political party) in appointments regardless of their objective qualifications, while nepotism refers to favouring relatives and family members in distributing resources and employment opportunities. Clientelism (also called patron-client relationship) refers to a relationship between people of different social and economic status, for instance a politician and his followers (‘protégés’). The relationship includes a mutual but unequal exchange of favours; the ‘patron’ gives a job to his follower in exchange for political support and a guaranteed vote in elections. Favouritism in all its forms can take place at all levels of the state from low-level offices to ministerial posts, thus institutionalising political elites and political corruption. In the final instance, clientelistic relations and other forms of favouritism can lead to a ‘system of spoils’. This term is a reference to medieval armies: the winning army was allowed to loot and steal whatever they could after a battle to reward them for their services. The state with its resources becomes, as it were, ‘booty’ to be shared among the winning party members.

## 2.2 Corruption and social capital

There are various theoretical approaches towards corruption; however, this study focuses on a neglected dimension of corruption, namely the formation of social capital. Both democratic governance and corruption are based on networks of social capital in the form of trust and reciprocity.<sup>3</sup> While the concept has been criticised, for among

<sup>3</sup> While physical capital refers to the tangible, material tools and resources that can be mobilised for a certain purpose, human capital is embodied in the skills and knowledge of an individual. Social capital is less tangible than human capital for it exists in the relations among persons. Social capital facilitates productive activity, for instance, through trust and trustworthiness within a group, and can be mobilised just as physical (financial) capital can to attain an objective (Coleman 1988).

other things introducing terms from economics to social relations, we find especially James Coleman's (1988) differentiation between open and closed networks of social capital useful for the study of corrupt practices in their social context. With open networks of social capital, Coleman refers to structures where person A deals bilaterally and separately with persons B and C, but as B and C do not have relations with one another (but instead with D and E), they cannot combine forces to sanction person A in order to constrain his/her actions. When the network is closed, persons B and C communicate and can join forces to provide a collective sanction, or can reward the other for sanctioning person A.

The social theory of liberal democracy is based on the idea of a relatively homogeneous community of rational individuals (the nation-state and its citizens) constituting a closed social network characterised by transparency, accountability and effectiveness. The related norms of public service, and the legal definitions of corruption, which are currently promoted as global, are based on the European historical experience dating back to the nineteenth century. They are essentially egalitarian and individualistic, and rely on a distinction between public and private affairs (Olivier de Sardan 1999; cf. Chabal and Daloz 1999). In Europe the institutional basis therefore corresponds, or at least attempts to harmonise, with the predominant socio-cultural basis characterised by Coleman's closed network model.

In contrast to the above model, in many developing countries there is a glaring discrepancy between the institutional basis, and the predominant socio-cultural basis which tends to be syncretic. While the socio-cultural networks do not reflect the resurrection of 'traditional' or pre-colonial cultural models, they typically consist of transformed endogenous cultural elements which are recombined and amalgamated with elements inherited from the colonial period and others produced during the era of independence. The political history of particular developing countries provides, therefore, important elements for an understanding of the current status of this rationale and related institutional systems in respective countries (Olivier de Sardan 1999). Often the formal state institutions are only weakly embedded locally, while the centralist tradition prevailing up to the 1980s paid little attention to mechanisms of accountability. The failure of trust in national level institutions created a space for the resurgence of communitarian solidarity networks (Cf. Hellstén and Larbi 2006). These communitarian solidarity networks are typically closed and operate at the expense of the national political community, which has consequently failed to achieve closed network status.

The situation is perhaps most evident in the juridical domain, where superimposition of various types of law tends to be common. While the formally dominant framework of national legislation affects and sporadically invades locally operating normative systems or 'semi-autonomous social fields' (Falk Moore 1973), the latter

tend to retain their relatively independent rule-making capacity as well as the means to induce and coerce compliance. The practice of corruption benefits from this logic of institutional under-determination and the related process of bargaining, which is quite common in the context of petty corruption<sup>4</sup>. Olivier De Sardan (1999) considers, therefore, that the core of the sociological problem of corruption lies in the distance between formal juridical condemnation of certain practices and their frequency and, in some cases, their cultural legitimacy at local level.

Whereas in western capitalist society a person is generally understood as a physical individual who is the subject of his/her own interests, in many non-western cultures the self appears instead as a composite of social relationships who is closely tied to his/her community. These ties are manifested in such social institutions as gift exchange, payment of tribute, and a generalised need to redistribute, which reinforce the broad social obligation of mutual assistance and an imperative of reciprocity. One cannot refuse a service, a favour, or compliance to a kinsman or neighbour, or someone who is sent by them (Olivier de Sardan 1999; Perttula 2005). Such social institutions do not entail a price: they are above all a moral duty. According to Olivier de Sardan (1999, p. 41) *“engrained, commodified corruption is, in this perspective, a mere symptom of the lack of activable networks, a temporary deficit in ‘social capital.’”* The bribe becomes, then, a ‘price’ to pay for not having access to networks of activable social capital.

This phenomenon has an important equity implication for the delivery of public services in a socio-political context where the national level political community does not constitute a closed network, which is the case in many developing countries. Instead, the national level consists of separate networks of solidarity aiming at the common good of particular collectives rather than towards the national public good (Hellstén and Larbi 2006). The related poverty implication is that even though the necessity to pay bribes does not lie in the socio-economic status of a poor person as such, it is precisely the poor who are often excluded from the particular networks of solidarity because they have little to offer reciprocally to form a network of social capital (Ruud 2000). Recent findings from Cambodia (Nissen 2005) and Ghana (Alolo 2007) seem to support this view.

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<sup>4</sup>Ruud (2000, 290) even evokes a ‘performative aspect’ of corruption in the negotiation process of a bribe.

## 2.3 Corruption as an open network

The perceived high prevalence of corruption on all levels in many developing countries, especially in Africa, is linked to what is known as the 'state crisis'. This crisis affected the state-led development model of the 1980s, and was manifested in the massive employment of unproductive civil servants and subsequent bankruptcy of the employer-state. It has contributed to the exposure of corruption in high places, and the incapacity of the state to control everyday corruption at lower levels. The expansion of corruption has produced a kind of 'corruption culture' with a tendency to permanence. Development aid has generally failed to address the problem of corruption, and has in some cases even strengthened it by inducing an inflow of assistantship and clientelism favourable to corruption (Ellis 2006; Olivier de Sardan 1999).

Along with the failure to create a closed network of social capital at the national level, the persistent character of the corruption culture in a number of developing countries derives from the specific character of corruption networks. As Hellstén (2001) has noted, 'institutionalised' corruption creates its own internal code of ethics, which supports a reverse code of public morality, unprofessionalism and unethical leadership. Due to its open network character, corruption culture is characterised by strong but disjointed, internal reciprocal relations which are not checked by the mechanisms of transparency and accountability. It often builds on clientelism, i.e. political bargains between a leader and those whom he (more rarely she) seeks to represent, include, or appease (Ellis 2006). Therefore, while the local 'semi autonomous social fields' are not corrupt as such, they are often penetrated by corrupt networks which benefit from the prevailing code of intra-group solidarity.

The nature of the social capital formed in the practice of corruption is a factor which is mostly neglected in anticorruption strategies, even though the strength of the solidarity ties born out of complicity in illegal acts poses a special challenge to the struggle against corruption. While corruption is almost unanimously experienced as evil and condemnable, in a 'face-to-face' society the price for punishing a member of one's own primary network for failing to observe some externally imposed rule system is simply too high. In corruption, the culprit is rarely prosecuted. In general, the most severe punishment is to relieve him/her of his/her functions (Olivier de Sardan 1999). Therefore, while states in Africa, Asia and Latin America would probably benefit from a more regulated socio-legal framework, the main political and economic elites are able to use the current institutional and normative complexity as a valuable resource for individual and restricted intra-group gain (Chabal and Daloz 1999).

In many developing countries the basis of society is not the atomistic individual of neo-liberal theory, but rather a collective: a clan, family, ethnic or religious group, political party, work place or company. Consequently, it is often a collective that engages

in and profits from corrupt practices, and corruption is sometimes used to reinforce intra-group cohesion. Therefore we suggest that the definition of corruption should be *“the abuse of entrusted power for one’s own or one’s group’s private gain”*.

## 2.4 Corruption and poverty

Since the Monterrey Summit of Development Finance in 2002, there has been global consensus that corruption increases poverty, or at least weakens the impact of poverty reduction measures<sup>5</sup>. According to the World Bank Anticorruption Strategy, resources that should contribute to economic growth and create opportunities for the poor to enjoy centrally important abilities to function, often end up enriching corrupt elites (World Bank 2006). Corruption not only directly reduces the access of the poor to public services such as health and education when they cannot afford to pay bribes or illegal payments, corruption also exacerbates poverty indirectly (Ferrinho and Van Lerberghe 2002; Reinikka and Svensson 2006). Corruption skews public investment choices from service delivery toward more lucrative areas, such as construction and infrastructure projects. Embezzlement, theft and other leakages of budget allocations reduce levels of expenditure in services, and an environment of scarcity in public services creates incentives for providers to demand payment for services that should be low cost or free (USAID 2005).

According to Transparency International (2006), many public expenditure tracking surveys (PETS) carried out by the World Bank and other organisations on social sector expenditure have found leakages of up to 80% in the health and education sectors, meaning that the great majority of non-wage expenditure does not reach the level of the local public service facility. In PETS exercises carried out in three East African countries, leakages were revealed in primary education which amounted to between 57%–87% of non-wage funds. In Honduras, it was found that 5% of teachers and 8% of general medical practitioners on the payroll were ‘ghosts’ in 2000; and absenteeism was estimated at 14% in primary schools and 27% in primary health fa-

<sup>5</sup> There are a number of different definitions of poverty (see e.g. Datt et al. 1998; Myles and Picot 2000; Sala-i-Martin 2007). The MDG definition of individual level poverty threshold income is one US\$ per day (in 1985 purchasing power parity, PPP), which is used by various international organisations such as the World Bank for absolute poverty. An alternative approach is to define poverty as relative deprivation. In developing countries, most definitions of poverty rely on calculation of the cost of a basket of basic needs. A third approach is provided by the current human development index (HDI) used by UNDP, which is based on the physical life quality index developed in the 1970s. It combines information on life expectancy, infant mortality and literacy with GDP calculated per capita. The HDI measure is developed on the basis of Amartya Sen’s idea of human development as opportunities and choices to lead a long, healthy and creative life, and to enjoy a decent standard of living, freedom, dignity, self esteem and respect for others (Maxwell 1999; Sen 1992). Income-based variables are concerned with the instruments of achieving well-being. Human development, on the other hand, reflects a person’s capability to achieve ‘functionings’ (Sen’s word for the ability of a person to function in a given area) that he/she has reason to value. In developing countries, poverty assessments often focus on a relatively small number of centrally important functionings such as the ability to be well nourished or in good health, but there are other, more complex functionings such as self-respect and membership in social groups. According to Sen (1992), capability to function represents the various combinations of functionings that a person can achieve. Capability reflects, therefore, a person’s freedom to lead one type of life or another.

cilities. In Uganda, the respective figures for absenteeism were 27% and 37% in 2002 (Reinikka and Svensson 2006). In the studies on healthcare in Mozambique and Cap Verde reported by Ferrinho and Van Lerberghe (2002), thefts amounting to between 30%–40% of medicines were detected in hospitals.

Whereas political corruption affecting public expenditure has an indirect impact on the provision of basic services due to overpayment of goods, diminished investments, diversion of public projects to unproductive fields and so forth, everyday forms of ‘petty’ corruption such as bribes, extortion and illegal payments have a direct impact on poor households’ capability to achieve Sen’s ‘functionings’. Because of the high costs (both formal and informal) which result from corruption, poor households may be forced to rely on incompetent service providers or to do without that service altogether. Obligated to find money to pay for crucial services such as health care, poor women and men often resort to coping mechanisms that drive them further into poverty, such as selling critical assets, borrowing money, taking children out of school, or cutting back on food.

While a number of influential reports have identified a high level of corruption as one of the most significant obstacles to poverty reduction (see e.g. Commission of the European Communities 2006a; World Bank 2006), the specific impact of different forms of corruption depends on the socio-economic situation of the person affected. The kinds of corruption that most directly affect women and the poor are typically ‘petty’ forms of everyday corruption related to the issuing of identity cards, additional (illegal) education fees and health charges<sup>6</sup>, licence fees or arbitrary penalties for micro-enterprise or street trading, micro-credit and similar minor administrative processes or offences. Although the amounts involved are relatively small, the relative cost to the poor and women with limited cash incomes is substantial. The wide spread of the phenomenon also makes petty corruption in service delivery significant in terms of poverty alleviation (Goetz 2003b; URT 1996).

## 2.5 Corruption and gender

Gender relations influence and structure production and reproduction: gender is a major principle that organises division of labour, control over resources and decision making. Like poverty and vulnerability, corruption is a gender-specific phenomenon, as corruption affects men and women differently. Women and men are subjects and objects of different corrupt practises and behaviour, on the basis of the gender division of labour, engendered decision-making, and gender differentiated authority and command over resources to resist, challenge and benefit from corruption.

<sup>6</sup> Known in Tanzania as ‘KK’, or *Kitu Kidogo*, literally meaning paying for a service that is supposed to be given free (Ngware 2003).

Since 2001, the thesis that increasing the number of women in political office provides an efficient means for fighting corruption has been widely circulated in international media. It was supported by a cross-country regression analysis published in a World Bank Development Research Group report, which indicated that at the country level, higher rates of female participation in government are associated with lower levels of corruption. Since a review of selected social science literature suggested that women may have higher standards of ethical behaviour and be more concerned with the common good, the report concluded that bringing more women into government might have significant benefits for society in general, and for the reduction of corruption in particular (Dollar et al. 1999).

In response to the World Bank thesis, various scholars have, however, observed that accountability mechanisms within the political system are likely to be more important in fighting corruption than the number of women decision-makers. As expanded opportunities for women tend to go along with a social and political structure that is generally more open and accountable towards all social groups, including women, the observed statistical correlation between gender and corruption at cross-national level could be misleading (Goetz 2003b; Sung 2006).

Sung (2006) concludes that it is actually the presence of liberal democratic institutions which promote both gender equality and good governance that is the factor at play in reduced corruption here. When analysed in isolation from each other, both the number of women in government and the strength of democratic institutions were strongly and negatively correlated with corruption. But when both the gender and the institutional variables were inserted in the same model, the effects of gender on corruption became statistically non-significant, whereas most of the liberal democracy indicators remained powerful predictors. In another study Susanne Karstedt (2001) found a negative correlation between levels of corruption and female attainment of secondary education and a high proportion of women in government positions. However, she used women's school attainment and share in government posts as indicators of social mobility and elite exchange, and no direct conclusions about supposed gender differences concerning corruption should be drawn from her study.

On the basis of our fieldwork findings it seems evident that increasing the number of women in public office alone does not resolve the problem of corruption. The relatively high percentage of women in the parliament and the very high proportion of women in the justice system in Nicaragua do not prevent these state institutions from being considered among the most corrupt state powers of the country; and the quota system for women in the Tanzanian legislature has obviously not reduced corruption, at least not significantly. In clientelistic/nepotist political systems where downwards accountability is low, increasing the proportion of women in public office without increasing transparency and downwards accountability might even strengthen the ex-

clusionary nature of the political system by involving another social group, women, in the corrupted open networks of social capital.

The fact that gender differences in moral behaviour and political attitudes do exist in most societies does not necessarily mean that they are biologically based or that one sex is ethically superior to the other (Noddings 1990; Sung 2006). As gender is always a social construction, the differences between men and women in their attitudes and behaviour towards corruption are more likely to reflect their social roles, powers and positions. The notion of women behaving honestly is actually widely used in the management of aid resources. For example in humanitarian food aid, assistance is usually targeted to the female adult members of the household. Women are considered less likely to misuse aid resources provided to them, hence increasing programme efficiency and minimizing leakages. Targeting women with resources seems to be a more efficient use of aid, as assets and funds under women's control are more likely to be spent on children's and whole families' welfare, whereas men always reserve some money for their own consumption. Different studies have also confirmed that expenditure patterns of female headed households are more biased towards nutrition and education than of those of male households (Bendera 1999; Chant 1995). Even when they are poorer, female headed households enjoy more equal internal resource distribution patterns (Bradshaw 2002). These practices are based on the social construction of gender roles, such as women internalising the values and behavior considered typical for a good mother, not on essential notions of women being more altruistic than men by nature.

A similar view is supported by the findings of Alatas et al. (2006) concerning gender differences in regard to corruption. They found that in Australia, women tend to be less tolerant of and engage less in corruption than men, whereas in the three Asian countries covered by their study, no difference was found between women and men. They also suggest that there is a larger variation among women in attitudes towards corruption than among men, because there is "*larger variation in the social roles of women than the social roles of men across countries*" (Alatas et al. 2006, 5). Furthermore, in her study in Ghana, Namawu Alolo (2005; 2007) found that the differences between male and female government officials in approving corrupt practices were not significant, but there were interesting gender differences in the way corruption is rationalised and explained. Her conclusion is that corruption can also be seen as a field where gender roles are performed and gender role expectations fulfilled.

In addition, it should be noted that the opportunity structures of corruption can be engendered. In Nicaragua, for example, referral to private practice of doctors on the public payroll is an almost exclusively male domain, because most of their female colleagues combine professional activity with their roles of housewives and mothers, and cannot carry on a private practice. Naturally, gender roles also influence the way



men behave or are abused in the context of corruption. There is some interesting evidence from Nicaragua indicating that bribes are demanded from men more frequently than from women in municipal administration and in the judicial system.

There are only a few studies where the prevalence of corrupt practices in local level service provision (including micro-credit) has been studied from a gender perspective. The findings of recent studies by Alolo (2005 and 2007) based on fieldwork in Ghana, and by Vijayalakshmi from India (cited in Sung 2006), support the view that socially determined networks and opportunities for corruption are greater determinants to attitudes towards corruption than a person's sex. This view is compatible with the above notion that corruption should be understood as a field where gender roles are performed and gender role expectations fulfilled. The female gender role can thus also prevent a woman from engaging in corruption in contexts where moral integrity forms part of culturally defined female traits.

### ***3. Corruption in the Nicaraguan and Tanzanian Contexts***

#### **3.1 Development of corruption in Nicaragua**

The socio-political and historical contexts of Nicaragua and Tanzania differ substantially from each other. In Nicaragua political corruption is rooted in administrative practices introduced by the Spanish colonisers, whereby civil service positions were bought, and the reward was extracted in the form of an overhead from taxes and dues collected. Contrary to what happened in Europe, where the system also prevailed during the colonial era, in Nicaragua the practice has continued and even been strengthened over the years. Today the tradition is manifested in the clientelistic political culture, which is reinforced by a culture of spoils in which political power is understood as a legitimate source of personal enrichment. Politicians of all trends appear to be reluctant to give up the possibility of using the state apparatus for party political goals, and in some cases, for securing personal interests – economic or other (Pérez-Batodano 2003; Vargas 2000).

In Nicaragua, the open network character of the political community was reinforced by a dual social structure consisting of a closed network of strong, oligarchic families interrelated by marriage ties, and a multitude of loose and fragmented non-elite families. The clan-like elite families have had a key role in creating the current socio-economic structure and political institutions of the country, with the result that the distinction between private and public as well as the collective and the individual has become fuzzy (Vilas 1992). As a further consequence, corruption has become systemic: the initiative for corruption does not come from outside, and the purpose of corruption is not to obtain a benefit or speed up a procedure, but rather the direct appropriation of state resources by the public servant himself – a system of spoils sanctioned by the respective closed network (La corrupción en Nicaragua 2004; Vargas 2000). Those who do not enjoy access to the closed networks of social capital, who are not ‘recommended’ by a protector, have to resort to bribing a civil servant or public employee. The fact that public services in health and education are only and exclusively used by poor people might also offer an explanation to the low priority given by authorities to fund these services properly; they themselves do not use those services (interviews in Nicaragua).

While corruption is deeply ingrained in Nicaraguan society, the public perception of corruption has changed since the end of the civil war.<sup>7</sup> According to recent official

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<sup>7</sup> Corruption was an important factor in the redistribution of political and economic power in the aftermath of the civil war. In some ways it was seen as the price paid for political stability and absence of opposition to economic reforms. At the same time it created business opportunities for old and new actors (Vargas 2000). Similar observations have been made in other post-conflict situations, for example in Mozambique (see e.g. Castel-Branco et al. 2001).

reports by international organisations, the political elite and institutions are perceived to lack prestige due to corruption, abuse of power, political deals between parties, and the inefficiency of institutions (see e.g. UNDP 2000 and 2002). The surveys confirm the peculiar character of corruption in Nicaragua as perceived by the general public. According to the Global Corruption Barometer (TI 2005), only 5–10% of Nicaraguans reported having paid bribes during the preceding 12 months. The figure is relatively low when compared with other Latin American countries. The same barometer indicates, however, that corruption is perceived by 75% of citizens as a moderate or great problem in Nicaragua. The apparent discrepancy between these figures suggests that corruption in Nicaragua – as perceived by citizens – is not characterised by the everyday corruption, but rather by corruption at the level of the political system.

### 3.2 Development of corruption in Tanzania

In Tanzania, corruption was not perceived as prevalent during the colonial period or in the first years of independence. The new government's project of creating a unified and egalitarian political community at the national level suffered, however, from a failure of the restructured economy to provide for the expansion of the social services to serve all citizens. By the late 1970s, following the oil crisis and war with Uganda, a major economic crisis had set in which manifested in high inflation and negative economic growth. As a result, government salaries fell below subsistence needs, creating incentives to look for side incomes.<sup>8</sup> The decline of public social services was furthered by the World Bank supported Structural Adjustment Programme, which the government adopted under financial pressure in 1985. As the state controlled economy declined, the informal sector came to take its place while corruption became embedded in the society and the role of different social networks, both traditional and new, was reinforced as an alternative to the failing public sector. By the early 1990s Tanzania was rated as one of the most corrupt nations in the world (Fjeldstad 2002; Mutahaba 2005).

The current situation in terms of incidence of corruption in Tanzania is subject to debate. Measured with the Corruption Perception Index (CPI), corruption has decreased considerably since 1998 when Tanzania was ranked the fifth most corrupt out of the 85 countries included in the assessment (TI 2005). The World Bank's Control of Corruption Index, on the other hand, shows slight deterioration from 1996 to 2002, and an executive opinion survey carried out in 2003 listed tax rates and cor-

<sup>8</sup> In Tanzania, public servants faced a steep decline of real wages between 1975 and 1985, when average basic salaries in public service provided only one-fifth of the purchasing power of equivalent salaries in 1975. While low and declining pay is generally believed to have increased tolerance for deviant behaviour including time theft and corruption (e.g. Mutahaba 2005), experience from reform of the Tanzania Revenue Authority in the 1990s indicates that pay level is only one of several causes of corruption and even a substantial increase does not prevent corruption if implemented separately (Fjeldstad 2002).

ruption among the four most problematic factors for doing business in Tanzania. The surveys on perceptions of corruption cited above are, however, of limited relevance to most women and the poor, who are not directly affected by the kind of business-related and/or high level political corruption they reflect. Perhaps more interesting from the point of view of this study is that, while everyday corruption seems to have declined since the worst years of economic crisis (at least from the point of view of middle-class interviewees), it continues to be the form of corruption felt directly by the majority of Tanzanians, even if high level political corruption is receiving more attention in the media (Interviews in Tanzania; cf. Reinikka and Svensson 2006).

### 3.3 Decentralisation and accountability

In Nicaragua, budget support (for which a joint agreement was signed in 2005) turned out to provide sufficient leverage for persuading the government to introduce full audits of the whole budget implementation of the fiscal year for the first time in the country's history. However, while budget support can become a strong anticorruption instrument because donor contributions amount to a significant proportion of the national budget, basing the fight against corruption on donor-driven pressure for reforms may not be the most effective strategy for strengthening accountability towards the citizens.

It has been convincingly argued that many Third World governments face more organised and effective pressure for accountability and transparency from the international donor agencies than from their own citizens and parliaments (Fjeldstad 2001; Hoffman and Gibson 2005). In the anticorruption discourse the focus has been on increasing accountability from the supply side through institutional reform and strengthening the oversight role of the executive, but it can be argued that more emphasis should be placed on the demand side by strengthening the fiscal link between district government and its citizens. Findings from a recent comparative study carried out in Tanzania and Zambia, for example, indicate that local governments produce more public services as a share of total local government expenditure as local revenue increases (Hoffman and Gibson 2005).

Another study done in Tanzania before the local government reform notes, however, that taxpayers in local municipalities received few tangible benefits in return for the taxes they paid. This caused them to resist the locally organised tax collection process, which led to violent confrontations. The conclusions support the view that donor presence empowers the managerial level in local authorities at the expense of elected councillors. Through external funding, donors often exert strong influence on the behaviour, decisions and actions of local government officials and politicians. The hypothesis that the more a state authority earns its income through tax collec-

tion, the more likely it is that state-society relations are characterised by democratic accountability was, however, not supported. The reciprocal element between the state and citizens seemed to be absent in local government taxation, at least in this case (Fjeldstad 2001; Ngware 2003).

We can also look at the problem from the point of view of social capital networks. From this perspective, the failure to implement local tax collection resulted from the previous failure on the part of the government to fulfil the promise concerning provision of basic social services. For the rural population this was an essential element of their compromise towards the building of the national level political community after independence. Therefore, while dependence on local revenue collection may have a positive impact on the accountability of elected representatives toward their constituency, revenue collection does not reinforce local legitimacy of the representatives or the executive branch unless it takes place in a system that is also transparent and effective.

Decentralisation has the potential for increasing transparency of financial administration, improving accountability through proximity to citizens-cum-beneficiaries, and rationalising the allocation and use of scarce resources. While multiplying windows of access to political power, decentralisation can also open windows of opportunity for corruption if simultaneous prevention measures are not taken (Lalander 2004). In Tanzania, a number of externally funded studies have tracked government expenditure in various sectors to measure the extent to which disbursements differ from allocations as funds move from the treasury to the local government and facility level. Diversion of funds at the district council level has been reported to be a serious problem: councils have used resources intended for social services such as health and education for staff allowances, supplies for the district office, and transport expenses (Cooksey 2006).

As noted by Reinikka and Svensson (2006), capture of especially non-wage funds appears to be common in many African countries, while it occurs at a somewhat lower level in Latin America. Another interesting finding is that very large variation exists between individual facilities depending on the bargaining power of the facility level staff. The overall consequence of such systematic diversion is, however, that resources are not allocated according to budget decisions made by the parliament or other democratically elected institutions. Increasingly sophisticated computer-based financial management systems are often introduced as democratic control mechanisms to little avail, if the end users cannot access the information in a comprehensible form, or if they lack the means to control the executive. Even quite simple, locally accessible tools such as notice boards or local newspapers, can on the other hand, become an important means for democratic control through increased transparency.

### 3.4 Corruption in service delivery and the consequences for poverty

Even though both Nicaragua and Tanzania are undergoing decentralisation which increases the role of local government in service delivery, the scope and depth of the processes are different. In Nicaragua the municipalities do not have legal obligations concerning social services. Monetary transfers from the central level to local governments started only in 2004, and they have so far been mainly used for traditional municipal duties such as road and bridge construction and improvement, maintaining public premises, and buying office equipment. In this context corruption (in the form of bribing, favouritism and embezzlement) occurs mainly in procurement.

Tanzania is currently implementing an ambitious programme of political decentralisation, whereby delivery of most basic social services is devolved to districts and local delivery units (e.g. school committees). In the new system, grassroots level democratic institutions such as rural village and urban neighbourhood development committees, school committees, and so forth, under the guidance of district administrative staff, have a key role in the planning and implementation of development activities. Local initiatives are coordinated at the ward level (which has a limited capacity to fund projects) and integrated into district level plans. Most of the funding comes from central government and donors, but the districts also have some local sources of revenue (Ngwilizi 2001).

#### *Health Sector*

Despite the different administrative systems used, healthcare is perceived as one of the most corrupt sectors in both countries (Cooksey 2006; TI 2005). Due to weak or non-existent supervision, regulation, monitoring and enforcement of public health provision, in a situation where services and drugs are delivered inconsistently by the central authorities to be provided below their market value on the local level, poorly paid health workers are tempted to resort to corruption. Doctors and other staff may divert drugs and medical supplies from public health facilities to their own private clinics or to other private operators. Patients or their relatives may be required to pay bribes or make other illegal payments to health staff in order to be treated, while wealthy clients may offer bribes to short circuit formal procedures or to get extra services. Other prevalent forms of corruption include absenteeism and stealing time and resources from public health services by operating a private practice during office hours and/or using public facilities for it (Cooksey 2006, Interviews in Nicaragua).

In Tanzania the government policy in providing social services is based on cost-sharing. In the health sector this means charging user fees for services, with exemptions for maternal and other basic services, and waiver mechanisms for providing free

care to vulnerable social groups. The exemption system is, however, not systematically implemented; it therefore fails to protect the poorest groups while providing room for corruption. During field interviews in Tanzania, cases were related of government health officials denying statutory exemptions for pregnant women or others eligible for exemption, or demanding other irregular payments. As noted by CSO representatives, lack of clear criteria and policy guidelines for identifying people who are eligible for exemptions results in *ad hoc* decisions by individual staff members with no clear records to allow for follow-up by the management (Interviews in Tanzania).

According to field interviews, in Nicaragua theft of drugs and supplies and absenteeism in public healthcare account for the largest percentage of resources lost. It was also noted that the windows of opportunity for corruption are radically different in hospitals and health centres. The latter are more focused on preventive and basic curative care, and they are not supposed to handle money. Consequently both their supply inventories and the number of (legal and illegal) money transfers are smaller than in hospitals where major surgical interventions are performed and severe cases are treated. The key problem in the health sector is, however, related to insufficient provision of both material and human resources by the central government, which is further aggravated by suspected mismanagement and diversion of resources for private gain on the central level. According to local level health staff, there is currently a 60% deficit of personnel in public health care in Nicaragua (Interviews in Nicaragua). Another source puts the deficit in medical supplies at 50% (Zambrana 2006).

Because poor women make up the great majority of users of public health services, while the wealthy use mostly private clinics, the environment of scarcity in public healthcare which creates incentives to corruption affects above all women (and children). According to interviews carried out in Managua and recent surveys (Government of Nicaragua, 2006), bribes for speeding up an operation range from USD 100 to 300, and a bribe for a normal consultation is about USD 3. These expenses represent a significant financial burden for poor families and are a form of regressive re-distribution of resources from the poor to the non-poor.

### *Education Sector*

Various studies have demonstrated that female literacy is a development gain, both for the women themselves and their families, and for the society as a whole (Blackden and Canagarajah 2003). At the same time, evidence also shows that female literacy is associated with higher productivity, a lower fertility rate, and better nutritional status of children. This suggests that women's education is a vital component of successful economic development in sub-Saharan Africa (Arimah 2004; Browne and Barrett 1991). Education is also an essential element in terms of increasing women's capabil-

ity to function as full members of the society (Sen 1992). Currently large differences between countries exist in female literacy. In Nicaragua, the adult literacy rate was 77% for both men and women, while in Tanzania the rate was 78% for men and 62% for women in 2003 (UNDP 2005). As can be seen, the level of education of women in Nicaragua is relatively good and equal to men, while the gender difference is more pronounced in Tanzania.

In Tanzania, school fees were officially abolished in 2001. This has contributed to a substantial increase in primary school enrolment (URT 2006). Cost sharing in primary education was also abolished, except for improving primary education buildings where the central government, local governments and parents are expected to contribute jointly. In theory parents are only expected to contribute in terms of labour or materials for construction of school facilities, and by providing uniforms, shoes and stationary for their own children. Insufficiency of resources provided by the central government has, however, led to a situation where additional payments such as 'desk fees' are collected by head teachers. According to field interviews these are not considered as bribes or otherwise illegal, as they are in most cases paid against receipt, and the resource penury affecting schools is generally acknowledged. The problem with payments that are formally illegal – even though perceived as legitimate locally – is related to lack of clarity on what the central government contribution actually covers, and to what extent funds allocated to schools at central level reach the schools.<sup>9</sup> Additional payments also have a direct link with poverty, since many children coming from the poorest families are not attending school because their families are unable to pay for uniforms, school books, food provisioning and other related costs (Interviews in Tanzania). The recent change of government in Nicaragua illustrates this. When the new government took office in January 2007, and formally and strictly prohibited schools to charge any fees, enrolment went up by 20%, especially in rural areas (Nicaraguan newspapers, January 2007).

Even justifiable illegal payments may also facilitate proliferation of other irregular payments such as 'tuition fees' for private lessons given by teachers outside school hours. As pupils coming from poor families cannot afford the extra payments involved, the practice creates inequality. It may also be connected to outright bribery, such as enabling poorly performing pupils to pass examinations through leaking examination papers or forgery of results. Extra payments for favours are also potentially linked to sexual corruption. In Tanzania sexual relations between teacher and pupil are formally strictly punished, but according to anecdotal evidence cases that lead to

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<sup>9</sup> In Nicaragua illegal payments were mentioned in a recent survey as the phenomenon that most contributes to perception of corruption; to cut down illegal payments would have the most efficient positive impact on public impressions. According to the same survey, being informed of how money is spent in public administration lowers the probability of perceiving corruption. (Government of Nicaragua 2006).



pregnancy of the pupil are often settled through monetary payment between the girl's parents and the teacher involved. The windows of opportunity for bribery also seem to differ between urban and rural districts. For example, while bribery in the context of school registration was recorded as relatively common in Dar es Salaam, interviewees in rural districts considered it most unlikely in the rural schools (interviews in Tanzania).

Although in neither of these two countries is access to primary education strongly gender-biased, in many other countries corruption is likely to reduce above all girls' enrolment rates. If illegal school fees are an extra economic burden for a family, the girls are more likely to be left out than the boys upon whose education more emphasis is placed. This has strong negative consequences for poverty reduction.

On the local level in Tanzania, a major window of opportunity for corruption is found in procurement for construction of classrooms and other school facilities, which has been decentralised to school level. Separate cases of corrupted practices and mismanagement of funds by school committees in collaboration with staff have been disclosed. Another problem seems to be reallocation or misallocation of funds intended for particular aspects of education development, which are diverted to other uses such as covering transport costs or daily allowances paid by the school or – more typically – by the district council, to their staff (interviews in Tanzania). Capacity building in local oversight organs, combined with strengthening the transparency of financial allocations and the structure of accountability towards the local user community therefore constitute an important next step in the devolution process.

## 4. Government Strategies and Donor Support

In both Nicaragua and Tanzania a number of new statutes have been passed while new government bodies and management tools have been created with the objective of promoting good governance and fighting corruption during the last decade. Currently the problems seem to be less evident on the level of instruments than on the level of political commitment and efficient implementation.

### 4.1 Government strategies in Nicaragua

Nicaragua has signed and ratified both the Inter-American Convention against Corruption and the United Nations Convention against Corruption. It also has a legal framework that corresponds, if properly applied, to a sufficient rule of law for avoidance of corrupt practices, and sanctions for abuse of entrusted power. The concept of *habeas corpus* is integrated into the legislation, and the constitution stipulates the right of citizens to make claims and petitions, and to demand transparency from any public authority. The Law on Citizen Participation (2003) created political spaces for participation in municipalities and departments. Legislation also exists on public servants' probity, meritocratic civil service, and criminalisation of corrupt practices. Some legal vacuums do, however, remain. For example, the penal code defines money laundering only in the context of drug trafficking.

According to the Nicaragua Country Financial Accountability Assessment (CFAA), the legal framework of public financial management and accountability is generally sound in Nicaragua, and management systems, internal control and external audit have improved greatly (World Bank 2003). However, while the national integrity system in Nicaragua is adequate in theory, in practice the opaqueness of the system makes its efficient functioning suspect. According to Global Integrity (GI 2006), the index for Nicaragua is very weak in three out of six areas of governance, namely elections, government accountability, and administration and civil service; weak in oversight and regulation; and moderate in civil society, public information and media, and anticorruption and rule of law.

In Nicaragua, the main instruments for controlling leakage of public expenditure through embezzlement and fraud are the systems of public finance management, accountancy and audit, and procurement legislation. A new Procurement Law was passed in 2000, and modified in 2003 after a Country Procurement Assessment Review (CPAR) was carried out by the World Bank.<sup>10</sup> A register of official providers of

<sup>10</sup> The law applies to all government levels, including local government. For the latter, the law's requirements are too complicated, and local, small providers find it too cumbersome and costly to register on the national list of providers. A special law on municipal procurement is currently being planned.

the state has been formed, and annual investment plans are announced; since 2006 a portal of e-procurement has been functioning. The law roughly corresponds to international standards but is prone to violations, sometimes unwillingly, because of its complexity and rigidity (DFID 2005a). The fact that the most important recently reported cases of corruption (in monetary terms) have concerned flawed procurement processes such as overpayment of contracts, or bribes and fraud in tendering, support the view that the reforms have not been sufficient.

A major new instrument, a real-time on-line system of public finance management and audit (SIGFA), developed with World Bank funding, was in use in more than 30 government instances in 2002 (SNI 2003); and the coverage has expanded since then. In the same year, the national budget was formulated and executed on-line and in real-time for the first time (DFID 2005a). In order to better account for foreign aid, a single treasury account was set up and became functional in Nicaragua in 2004. It channels all grants and loans into one account; earlier only a small proportion of development aid effectively showed in the national budget. The main handicap of SIGFA (and other similar systems) in terms of anticorruption work is, however, that controlling embezzlement of funds, cases of fraud, or bribes in procurement is beyond its capabilities.

Over the last three years, the central government's transfers to municipal governments have greatly increased: these transfers are subject to strict rules stipulated in the Budget Transfers Law of 2003. The central government assigns a certain percentage (6–7% for the last two years) of its internal tax revenue to the local governments. The disbursements are made upon presentation of certain documents, such as certified closure of accounts for the previous budget year, an annual budget, an investment plan approved by the municipal council, and others.<sup>11</sup> The Ministry of Finance and Public Credit supports a national, real-time, on-line system of municipal transfers, which is accessible to authorised users. The municipalities have so far used various different accountancy systems introduced and funded by different donors, but since 2005 they are being integrated into one system that is compatible with SIGFA.

Although the administrative capacity of most small municipalities is weak, and overall fiduciary risk is medium, recent assessments indicate credible and significant progress in municipal public finance management and accountability over the past few years. This is also reflected in popular opinion: according to a recent study, the majority of the citizens believes that municipal governments (with the exception of Managua) are doing a better job than the central government in preventing and fighting corruption, in part thanks to the active participation of civil society (DFID 2005b; Government of Nicaragua 2006). Before the elections in 2006, the parliament approved a new strategy

<sup>11</sup> A multi-donor financial contribution made it possible to carry out audits in all the country's municipalities for the fiscal years 2005 and 2006.

for decentralisation and local development. The present status of its legal regulation and implementation is unclear due to the change of government.

## 4.2 Government strategies in Tanzania

At the international level, Tanzania has in recent years ratified the United Nations Convention against Corruption and the African Union Convention on Preventing and Combating Corruption (Commission of the European Communities 2006b). The Constitution of the Republic of Tanzania provides for legislative supremacy of the parliament and independence of the judiciary. It also embraces the principles of the rule of law, separation of powers, and a pluralistic political system. The republic's constitution, attendant laws, rules and regulations make it clear that any form of corruption is illegal. Anyone found guilty is subject to a penalty of a fine or jail sentence, or both. Operationally, there are various mechanisms to deter people from engaging in corruption, including the 1994 Government Standing Orders, the 2001 Procurement Act, and strict procedures on conflicts of interest, registration and disclosure of assets. However, the effectiveness of these provisions is not guaranteed through enforcement (Ngware 2003).

In Tanzania, the Public Leadership Code of Ethics Act of 1995 was enacted in order to specify the ethical standards to be adhered to by public leaders. It established a Secretariat under the Ethics Commissioner with the capacity to investigate the conduct of leaders and impose penalties for breach of code. The mandate of the Prevention of Corruption Bureau (PCB) has been extended; and its staff deconcentrated to regions and districts, while its human and financial resources have been increased substantially (UNDP 2003). The Commission for Human Rights and Good Governance plays the role of an ombudsman, focusing on human rights violations and contravention of principles of administrative justice. The key anticorruption and other supervisory bodies are all subordinated to the executive, and their operational autonomy is limited by discretionary powers of the President. It is, therefore, no surprise that opposition politicians view e.g. the PCB as an organ to protect the government and the ruling party. Public allegations of corruption against various senior governmental officials, which continue uninvestigated, tend to reinforce such allegations (Ngware 2003).

In the area of public financial management, the government has improved internal auditing by putting in place audit committees and strengthening the National Audit Office. Progress in public financial management at the local government level has included the establishment of Local Government Authority Tender Boards in compliance with the new Local Government Regulations. Another key instrument for reducing the fiduciary risk of budget support is implementation of the Public Financial Management Reform Programme. Currently the government expenditure

reports are produced using an electronic, Integrated Financial Management System (IFMS), through which reports are submitted on a quarterly basis by respective state authorities (Government of Tanzania 2004).

In recent years, the Parliament of Tanzania has passed new legislation on financial management, such as the Public Finance Act and the Public Procurement Act. These acts strengthen the financial control and auditing system in a number of ways (Ngware 2003). While the new laws address key issues in public procurement, in practice their enforcement seems to be lax, and the process and criteria applied in public tendering lack transparency (Global Integrity 2006). For example, according to DFID (2006), the level of fiduciary risk in Tanzania is medium, with a generally positive picture when viewed against established benchmarks. Major weaknesses relate to the consistency of budget implementation, corruption in procurement, and independent scrutiny of expenditure including effective sanctions and parliamentary oversight. The risk of corruption is also rated as medium. In general, the reforms designed specifically to tackle corruption are deemed less credible than other governance reforms, such as those in procurement and tax administration, which are also expected to help make progress in tackling corruption (Interviews in Tanzania).

### 4.3 Donor support to good governance

While multi- and bilateral donors, and international financial institutions, have all declared their support for work on governance and anticorruption, harmonisation and coordination among donors remains weak in many recipient countries. Differences in standards are still common, and in some cases national ownership depends on a few ‘champions’ or other reform leaders who may not survive the next elections, or may lose interest after a brief rhetorical campaign. This has arguably been the case in Nicaragua and Tanzania.

The donor support for governance in Nicaragua is coordinated by a Governance Roundtable<sup>12</sup> which organisationally comes under the highest level donor-government working group, *Mesa Global*. A group of donors, including the Nordic countries, have also created a joint fund to support civil society organisations in initiatives related to democracy, good governance and empowerment. Donor support to good governance in Nicaragua amounted to close to USD 260 million between 1990 and 2003. The support was initially directed to post-war pacification and subsequently to the justice system, public administration reforms and decentralisation.<sup>13</sup> Since the begin-

<sup>12</sup> Regular participants include Denmark, Finland, Germany, the UK, Switzerland, Sweden, Norway, the EU and the IADB.

<sup>13</sup> Towards the end of the 1990s, the Nordic countries funded a project for institutional strengthening of the Court of Auditors. The project was discontinued in the context of investigations implicating the then president. It was later continued with German support, and the Court of Auditors has gone through a significant upgrading of professional capacities, and receives citizens' complaints at its Anticorruption Office. External observers maintain, however, that the Court's decisions are tainted by political motivations (Red de Probidad 2007).

ning of 2002, the focus has been on anticorruption, and an Anticorruption Fund (see below)<sup>14</sup> was initiated as an explicit signal of political support to President Bolaños in his anticorruption efforts (CINCO 2005). By the end of 2006 several initiatives concerning good governance were in place, including a programme of transparency and accountability in procurement supported by the Inter American Development Bank (IADB), formulation of the Law on Access to Public Information supported by the Carter Center, and the Public Sector Technical Assistance Credit, a policy lending instrument whose aim is to consolidate key public sector reforms. The latter is supported by several donors including Denmark, the Netherlands, Sweden and the UK (DFID 2005b). In 2004, Nicaragua became one of the pilot countries of the G8 anticorruption compact.

Donors are key actors in anticorruption activities, for strictly speaking the Nicaraguan government does not have an anticorruption strategy that would strategically target the roots of corruption. Instead, there is a multi-donor project called the Anti-corruption Fund (FAC), which is funded by donors and administered on their behalf by the Embassy of Norway. The project document of FAC was subsequently adopted as an interim document for establishing a national anticorruption strategy. The main objective of the strategy is to create an efficient linkage between accusation, investigation, and sanction. Three focal areas are proposed, namely public administration, justice and relations between the government and the citizenry. In addition, the FAC project document identifies access to information, citizens' participation and co-responsibility, and strategic communication as areas where practical measures should be taken (*Estrategia Amplia y Plan Nacional de Transparencia y Anticorrupción* 2006).

The anticorruption strategy combines the classical menu of actions for strengthening of institutions and control, access to information, and citizen pressure from below in the form of observation and denouncements. The problem is that the whole process has been donor-driven. While the FAC is explicitly envisaged as a mechanism to support the executive, the other institutions were not consulted and therefore they are not necessarily committed to its implementation.

Donor support to anticorruption activities in Tanzania is coordinated through a Governance Working Group, which is a sub-group of the Development Partners' Group.<sup>15</sup> From 1999 until the present, a number of donors have channelled most of their support to anticorruption activities through a UNDP-coordinated programme, Strengthening Capacities to Combat Corruption (SCCC). The programme comprises four main components, namely coordination and monitoring of the National Anticorruption Strategy and Action Plan (NACSAP) action plans, assistance for the

<sup>14</sup> The present donors are Denmark, Germany, Finland, the Netherlands, Norway, Sweden, Switzerland, the UK and UNDP.

<sup>15</sup> Current membership includes European Commission, Denmark, Ireland, Norway, Canada, Sweden, Japan, Finland, the UK, the World Bank, USAID and UNDP.

implementation of strategic areas of the sectoral plans, assistance to the PCB for raising awareness of its work and for building broader coalitions, and support to civil society organisations (CSOs) and the parliament (UNDP 2003).

The NACSAP was adopted in 1999, and a Good Governance Coordination Unit (GGCU) was set up in the President's Office to oversee the implementation of the plan. Subsequently 30 ministries, departments and agencies have gone through a consultative process to develop their own anticorruption action plans, which are currently being implemented. The SCCC Programme has also supported strengthening the PCB through training of prosecutors and investigators, as well as preparation of various studies and an independent report on the state of corruption in Tanzania (Sundet 2004; UNDP 2003).

Arguably the most concrete results of the plan are the corruption prevention mechanisms devised at sectoral level, such as transparent recruitment and procurement procedures, and better controlled administrative processes. Support to the 'watchdog' function has focused on organs operating under the executive, while the support to civil society organisations and the parliament has concentrated on awareness building. A second phase of the SCCC Programme is currently under preparation, but some of the participating donors are rather sceptical about the results, maintaining that the preparation process has not been transparent and the proposal itself lacks clear objectives and concrete activities (Interviews in Tanzania).

As support to anticorruption activities is currently one of the main focus areas in international development cooperation, various donors also have their own projects, many of which often include elements falling outside of the SCCC programme, although most of them are coordinated with or incorporated in the programme. These include, for example, the US funded Millennium Challenge Corporation's Threshold Country Plan, a broad support programme proposed by the UK, and supported by the Nordic countries, the Netherlands and Canada in addition to the UK (DFID 2006; MCC 2006). Bilateral donors and international NGOs are also supporting CSOs in anticorruption work, both through the SCCC Programme and directly through national NGOs. Most of the support has been directed to information and advocacy campaigns, but recently it has become popular to support carrying out service satisfaction surveys and public expenditure tracking studies (PETS)<sup>16</sup> on both national and district levels (REPOA 2006). PETS have also been implemented on a pilot basis by local NGOs operating in the districts, but the methodology used and the quality of the results remains rather uneven.

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<sup>16</sup> A PETS tracks the flow of resources through several layers of government bureaucracy on the way to service facilities, which are charged with implementation responsibility, on a sample survey basis. The objective is to determine how much of the originally allocated resources reach each level, thus making it possible to locate and quantify political and bureaucratic capture, leakage, and problems in the deployment of human and in-kind resources (Reinikka and Svensson 2006).

## **5. Conclusion and Recommendations**

### **5.1 Conclusions**

The present study supports the hypothesis that corruption and non-delivery of services in key sectors such as health have gender-specific poverty consequences. Corruption drains public resources and diverts them from the development of crucial infrastructure and social services. As such, corruption supports, stabilises and deepens inequality within societies. Corruption can, therefore, be seen as a mechanism that produces and perpetuates social and economic inequality; it constitutes a regressive redistribution of resources from the poor to the non-poor.

In the case of basic public services such as healthcare and primary education, the impact of corruption is felt disproportionately by women and the poor, who are most dependent on them, and have no alternative even when facing corrupt practises in a life threatening situation, such as complicated birth delivery. This concern was expressed in the interviews with both public servants and civil society representatives in Nicaragua and Tanzania, who emphasised the need to strengthen sectoral oversight mechanisms and transparency. The latter is crucial for making civil servants better accountable to service users.

Corruption also exacerbates poverty indirectly, since it skews public investment choices away from service delivery toward more lucrative areas, such as construction and infrastructure projects. Embezzlement, theft and other leakages of budget allocations reduce levels of expenditure in services, resulting in an environment of scarcity in public services which creates incentives for providers to demand payment for services that should be free or low cost. Many public expenditure tracking surveys (PETS) carried out by the World Bank and other organisations on social sector expenditure have found leakages of up to 80% in the health and education sectors, which means that the great majority of non-wage expenditure does not reach the level of the local public service facility.

The socio-political and historical contexts of Nicaragua and Tanzania differ substantially from each other. In Nicaragua, political corruption is manifested in the clientelistic political culture, which is reinforced by a culture of spoils where political power is understood, as it were, as a legitimate source of personal enrichment. Corruption in Nicaragua – as perceived by citizens – is not characterised primarily by the ‘everyday’ corruption, but rather by corruption at the level of the political system. In Tanzania, the current situation in terms of incidence of corruption is subject to debate. While everyday corruption seems to have declined since the worst years of economic crisis, in Tanzania it continues to be the form of corruption felt directly by the majority of Tanzanians, even if high level political corruption is receiving more



visibility in the media. However, in both countries, corruption can be said to be linked with a crisis of the state, which has produced a culture of corruption with a tendency to permanence.

Development aid has generally failed to address the problem of corruption, and has in some cases even strengthened it by inducing an inflow of assistantship and clientelism favourable to corruption. However, many Third World governments face more organised and effective pressure for accountability and transparency from the international donor agencies than from their own citizens and parliaments. In both Nicaragua and Tanzania, the focus of donor support for anticorruption work has been on the executive, while democratic oversight institutions on both national and local level have been left with a marginal role. There are various examples of vociferous, but often hollow, rhetorical anti-corruption campaigns by the executive, which seem to have been set up merely to appease the donor community, or to discredit and eliminate political opponents. At the same time, the donors have shown little consistency in their condemnation of corruption and/or protection of corrupted individuals by some elements of the political leadership. This appears to be part of a broader policy, whereby the executive has become the sole legitimate political institution, thus displacing the parliament and other constitutionally established democratic institutions. One example of this marginalisation is the preparation and approval process of the national poverty reduction strategies, in which the role of the national parliament – and consequently the citizens – has been minimal (see Gould (ed., 2005) for case studies on three countries). As the direction of accountability thus created is from the executive towards the donor community, the contribution of donors to building a closed network type of national political community can easily become negative.

Effective anticorruption work cannot rely on ephemeral ‘champions’ or transient political rhetorics of the day, but must be anchored in permanent democratically elected institutions such as the parliament and local councils. Democratic governance includes – among other things - the involvement of citizens in choosing and overseeing those who govern them, respect for the rule of law, and access to an independent justice system, effective institutions, and access to information (Commission of the European Communities 2006a). While good governance means more than tackling corruption, corruption is an important symptom of poor governance and the lack of a closed network of social capital on the national level. The presence of negative-bonding social capital formed in the practice of corruption is one very important element that has been neglected in anticorruption strategies. Systemic corruption relies on open networks of social capital, and anticorruption work must be based on an analysis of the structure of the system and the corrupted practices involved.

Studies about corruption and gender have analysed mainly the relation between the number of women in public office and the level of corruption; less attention has

been paid to analysing the differential impact of corruption on the well-being of men and women, and how the differences are addressed in anticorruption strategies. While it can be convincingly argued on the basis of our fieldwork that women and the poor, especially poor women, are the most vulnerable as victims of the negative effects of corruption, above all in healthcare and other social services, and that gender considerations are practically absent from anti-corruption strategies, bringing more women into politics and public office most probably will not alone offer a solution. Advancing women's participation in public life is important for advancing gender and social equity concerns, but what matters is not the simple access of women to power. The means of their access and the nature of the institutions in which they function might be more important than the number, relative or absolute, of women in public office. The mere numerical presence of women in decision making bodies, for example through quotas as in Tanzania, does not necessarily have a tangible impact on policy making and implementation, if the structures of accountability are lacking or flawed (Goetz 2003a).

In both countries studied, the respective models of accountability can be characterised as informal-centralised and clientelistic/nepotist. Neither system is likely to be conducive to reduction of corruption, independently of the number of women in public office. In conditions of great 'elite distance' and lack of 'elite exchange' (Karstedt 2001), the women involved in public office will most probably integrate into networks of corrupt practices and reproduce top-down accountability.

## 5.2 Recommendations

**Recommendation 1: Support the ownership of national level policy making and implementation by strengthening and supporting the role of parliament and local councils as the principal institutions of oversight over the executive. The role of civil society in awareness raising on anticorruption should be supported in parallel to the parliaments and local councils. Governance assessments and budget support related Performance Assessment Frameworks (PAFs) should be further developed to serve the needs of the citizens. Special attention should be given to the development of gender aspects in assessing governance.**

While it is often taken for granted that the anti-corruption agenda goes hand in hand with improving accountability to citizens in service delivery, in developing countries anti-corruption measures have only seldom been taken in response to local demands. Instead, the perceptions of external actors such as donors and foreign investors have carried more weight in shaping institutional responses to corruption.

In Nicaragua and Tanzania, as in many other countries, fighting corruption and enforcing public accountability have largely been left to the executive and in some

cases, to the legal institutions. Based on the findings of this study, we question this one-sided approach and recommend targeting new support, looking more to the demand side of accountability, namely civil society, media, the parliament and local representative institutions. Recent research suggests that stakeholder oversight is considerably more effective than the more traditional mechanisms of institutional oversight, such as audit and legislative reforms provided exclusively under the executive. This is especially true in many developing countries where law enforcement may be weak, or the audits not submitted to public scrutiny.

One key element to be strengthened is the parliamentary oversight of the executive, and the role of other public and judicial institutions that operate independently from the executive. Experience from other countries such as Uganda (see Tangri and Mwenda 2006) supports our findings from Nicaragua and Tanzania that relying exclusively or predominantly on special anti-corruption organs operating at the discretion of the executive tends to lead to sporadic and spectacular anticorruption activities with weak follow-up. Such strategies are also subject to changes in political leadership and can be turned into instruments of political manipulation.

**Recommendation 2: Promote civil society initiatives for transparency in local government, and support the development and harmonisation of their methodology, building in cooperation with local actors without, however, imposing restrictive ‘blueprints’ that kill local initiative and diversity.**

Decentralisation is generally considered to be a positive step towards making governments more accountable to the poor by bringing decision making down to a local level. It is also assumed that women benefit from decentralisation due to their greater involvement in decision making at community and family level. Research has shown that where resources are available, decentralisation can result in greater participation of poor and marginalised groups in decision making and in monitoring government activities (e.g. Sever 2005). On the other hand, studies also show that when resources allocated to local government are inadequate, the expected beneficial results may not materialise. For example, Tanzania has embarked on a highly ambitious decentralisation process that envisages devolution of most basic social services – among other public functions – to districts and even further to villages and local facilities such as schools. While this approach can potentially have an important role in increasing government accountability to citizens and curbing corruption, the benefits can be fully achieved only if adequate capacity for both implementation and supervision are in place.

Our findings from Nicaragua and Tanzania confirm the conclusion of Reinikka and Svensson (2006, p. 368), that *“corruption can be effectively tackled only when the reform of the political process and the restructuring of the regulatory systems are comple-*

*mented by a systematic effort to increase the citizens' ability to monitor and challenge abuses of the system, and to inform the citizens about their rights and entitlements.*" Breaking the culture of secrecy and arrogance that characterises many government services, and empowering local people to demand public accountability from civil servants, are two important components in an effort to make decentralisation a powerful means to fight corruption. Currently, access to information is highly variable on the local level, and in many places the old culture of hiding information in order to gain power and opportunity for corrupt practices is still prevalent. A number of efficient and relatively cost-effective means ranging from notice boards, local radio and newspapers to the internet are available: what is needed is the will to use them. Citizens should be encouraged to learn to know their rights and demand them, while government authorities should be obliged to make the information publicly available. Attention should also be paid to the fact that the poorest are often illiterate and are the sector of society most unaware of their rights. Sometimes specific interventions may be needed to reach them.

It was noticed in both Nicaragua and Tanzania that social audits and public expenditure tracking surveys have varied in terms of scope and quality, and sometimes suffer from unclear conceptual bases and methodologies. The gender aspect is often missing or not applied systematically. There is, however, a great demand for transparency and probity towards the political establishment from civil society actors. In some cases, this demand comes especially from female citizens, as shown by the massive participation of women in municipal social audit committees in Nicaragua; and such mechanisms provide an important tool. The downward accountability framework can be strengthened, for example, by developing effective strategies and guidelines for engaging with local CBOs for the implementation of PETS with gender focus, and by taking gender budgeting to local government level.

Social audits carried out by civil society actors and/or municipal transparency committees not only contribute to the 'closure' of social capital at the local level, they have an additional advantage. As involvement in these efforts is not bound to clientelistic or nepotist networks, at least not to the same degree as in the case of political parties, they act as 'schools' of political participation and leadership for women formerly restricted to the private sphere only, thus enabling channels of elite exchange in the long run.

**Recommendation 3: Integrate sector-specific situation analyses of corruption and gender, and of gender and poverty, into sensitive sectoral anticorruption plans, and provide resources for implementation in SWAps. Existing initiatives, such as Governance Assessment supported by the EU, should be used to the maximum and could be further developed to incorporate sector specific information.**

Current anticorruption strategies are often only weakly based on analyses of the networks of corruption and the behaviour patterns of the actors involved. There seem to be many more studies on anticorruption measures than on corruption itself. This is especially true in terms of sector-specific information about corruption, and practically no gender-sensitive analysis of corruption at the sectoral level can be found. Considering that sector wide programmes are, along with direct budget support, increasingly used as the main channel for development cooperation funding by donors, the weak integration of anticorruption analyses and action plans in sector wide programmes is lamentable.

Discussions with representatives of government health and education administrations in Nicaragua and Tanzania revealed that these sectors have elaborated concrete sector-specific initiatives focusing on identified problem areas such as procurement, human resource management and financial transfer mechanisms, which would merit support. This observation is probably valid for many other countries. While development of the normative framework and overall law enforcement mechanisms are important, slow progress despite considerable investments (mainly by donors), and lack or volatility of high level commitment, raise the question of whether the internal (executive level) oversight function should be based on creating and/or strengthening efficient and transparent oversight mechanisms within sectoral administrations, while the external control would be mainly the task of the parliament (and local representative organs), the judiciary, and independent civil society institutions – to be strengthened accordingly.

**Recommendation 4: Seek to further systematise and harmonise common donor response towards corruption.**

Attention given by donors to corruption has tended to be rather volatile on the country level. Dramatic gestures such as temporary discontinuation of aid disbursements are often linked primarily to public scandals, which do not necessarily reflect changes in the level of everyday corruption. Follow-up is often quickly relaxed after some well publicised interventions made by the political leadership, while not much is changed on the level of everyday corruption.

Diverging perceptions and conceptualisations among donors concerning probity, and the levels of corruption which a given donor will tolerate, seriously hamper externally supported anticorruption measures and keep from being effective; there is a need to increase coherence and act accordingly. However, if common policy is based on the logic of ‘the lowest common denominator’, anticorruption programmes can easily become meaningless, because some donors consider corruption to lie within the sphere of national sovereignty, thus placing it beyond the reach of external interventions or criticism. It is, therefore, important to harmonise the understanding of good

governance within a sufficiently large and influential section of the donor community on the country level, and to coordinate the support to anticorruption programmes accordingly. The European Union, expanded with interested 'like-minded' donors as appropriate, provides one such framework.<sup>17</sup>

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<sup>17</sup> This principle is included in the communication concerning a harmonised approach to development issued by the Commission of the European Communities (2006a).

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Maaria Seppänen  
with the assistance of Angel Saldomando

Corruption, Poverty and Gender:  
The Case of Nicaragua

## **1. Introduction**

The Republic of Nicaragua is one of the Central American states situated between Costa Rica to the south and Honduras and El Salvador to the north. Together with Guatemala, they declared independence from Spain in 1821 as the Central American Republic that split into five independent republics in 1838. With its 129,000 square km (of which 9,000 sq. km are lakes), Nicaragua is the largest country in Central America. The population is 5.5 million. The country is divided into 15 departments located on the Pacific side and in the Centre, and two autonomous regions on the Caribbean Coast (known as RAAN and RAAS). The largest urban centre is the capital city, Managua (population estimates vary from 1.2 to 1.5 million inhabitants). Except for the Department of Managua, which has more than two million inhabitants, the Nicaraguan departments generally have 200,000 to 300,000 inhabitants, and provincial capitals between 50,000 and 100,000 inhabitants. The two autonomous regions of the 'Coast' together comprise about half the surface area of the country, but are inhabited by only slightly over 10% of the population. The degree of urbanisation is below 60%, one of the lowest in Latin America.

The fieldwork for this study was carried out in Nicaragua during the three first weeks of November 2006, around and after the November 2006 general elections. Four one-day field trips were made to the Departments of Boaco and Chontales. In hindsight, the period after the elections was a better moment than immediately before them. The elections themselves prevented the study team from meeting some potentially important informants who were occupied with the elections and their aftermath, and obviously the change of government in January 2007 imposes limitations on some of the conclusions and recommendations made in this report.

The field work methods included semi-structured interviews with authorities and observers, donors' representatives, project staff, civil society activists, the research community and journalists, conducted by the authors, Maaria Seppänen and Angel Saldomando. In addition to interviews, the study did a review of the available literature, including academic research and other publications, press coverage and the consultancy reports of different donors. In Nicaragua, 37 experts and observers were interviewed (14 male, 23 female). Only five of the interviews concerned corruption in local government. This figure does not include the persons who participated in different seminars and workshops where the study team carried out participatory observation and informal chats. In addition to their own interviews, the study team had access to transliterations of 44 interviews with the Nicaraguan political elite (from former, present and future ministers, vice-presidents, MPs, a First Lady, influential intellectuals and political journalists): these 44 interviews were carried out in early 2003 by Anna Perttula for her M.A. thesis which was on political culture and political

corruption in Nicaragua (Perttula 2005).

The different potential or hypothetical gateways to corruption in the health system in Nicaragua were studied in some detail. The suspected gateways implied or explicitly stated in expert and observer interviews listed above were submitted to a 'reality check'. This was done through informal interviews by Ms. Seppänen at the premises of a health oriented NGO that offers low-cost reproductive and sexual health services to women in a poor neighbourhood of old central Managua. The women (12 patients in waiting rooms) were asked about their experiences of public sector health services. The comments made by the women were very much uniform and can be seen to corroborate what was found in the other interviews. In all the interviews, it was striking how openly all the interviewees spoke about the bribes they had had to pay. The explanation for this is that the environment of scarcity of public healthcare is not conceptualised in terms of corruption; there is resignation in the face of the under-resourced public health services, and the end-users (poor to working class) accept as a lamentable fact the necessity to pay fees without thinking that at least parts of them constitute corruption.

## 2. Poverty and Inequality in Nicaragua

### 2.1 Development policy and the economy

After the defeat of the Somoza dynasty by the Sandinista National Liberation Front (FSLN) in July 1979, the new government confiscated properties expropriated from their owners by the Somozas, nationalised industries, and confiscated properties left behind by those who choose to take political refuge abroad. In the 1980's the country suffered from high inflation, partially caused by an economic embargo imposed by the USA, and partially by the *contra* war. On the other hand, the Sandinista government gave high priority to education and health. Compared to 1978, by 1989 illiteracy had declined from 50 to 12%; the numbers of teachers and medical doctors had risen by 90 and 57%, respectively (Castro & Saldomando 1997). But the economic crisis after 1984 contributed to a rise in poverty: whereas in 1978 the percentage of people living in poverty was 63.7, in 1989 the figure was 78.9% (*idem.*). Due to the poverty situation, in the late 1980's, the government ceded to both internal and external pressure and started economic reforms, as well as agreeing to organise general elections in 1990. Contrary to all expectations, the anti-Sandinista liberal front UNO, lead by Violeta Barrios de Chamorro, widow of a famous anti-Somoza civil rights hero assassinated by Somoza, won the Presidency.

During the early 1990's, liberal political and economic reforms and re-privatisations took place. In order to be able to carry out these reforms, the Chamorro government had to give in to pressure from Sandinista-oriented cooperatives, students, and trade unions, and had to allow *de facto* transference of state properties to private Sandinista individuals and rural cooperatives, to an estimated total value of USD 500 million (Vargas 2000, 112-115). This came to be known as the 'piñata', the plundering of state property, mainly by leading Sandinistas. On the other hand, the official re-privatisation of state properties was done below their market value to appease those who considered that the government was giving into the pressure of 'the street' exercised by the FSLN: the losses for the Nicaraguan State amounted to USD 1.9 billion (Vargas 2000 based on UN-ECLAC and UNDP reports). Structural adjustments were also made at this time, aimed at creating a financial market, reducing public expenditure and the size of the public sector, and increasing exports. To compensate for the negative impact of these structural changes on the poor, social emergency funds were created. Inflation was controlled; but the government was not able to balance the budget, and external debt grew to a significant degree. Growth of real wages was negative in 1993 and 1996, and unemployment remained high (over 50%). (Castro & Saldomando 1997).

Since 2002 the country has made significant progress in economic growth: in that

year, economic growth was a modest 0.8%, and in 2004, 5.1%. There are, however, still many problems, of which the low level of agricultural production is among the most important. This low production in agriculture is due to low productivity of fields, inefficient techniques and lack of capital. The value of Nicaraguan exports, consisting mainly of agricultural products, was USD 800 million in 2004. This is close to the same amount that is estimated for the remittances sent home by migrants: 59% of the one million Nicaraguan households received remittances in 2005; this accounts for 74.5% of urban and 53.5% of rural households (FIDEG 2007). The expected total value of exports for 2006 is more than USD 1 billion. The increase in exports to the USA compared to 2005 is the result of the impact of the Central American Free Trade Agreement (CAFTA) with the US, ratified by Nicaragua in 2006.

For the moment, Nicaragua is the second poorest country in Latin American and the Caribbean after Haiti, all the while enjoying one of the highest external aid levels *per capita* in the world, c. USD 100. The estimated GDP of Nicaragua was USD 850 in 2005 (PAHO 2006), which is equal to USD 3.600 in terms of purchasing power parity. Poverty has declined from 50% to 45.8% in the period 1998-2001, according to national poverty definitions, and extreme poverty has decreased slightly from 19% to 15% in the same period, although the improvement is disproportionately slow compared to economic growth. The latest figures for poverty date from 2005, and are based on the household livelihoods survey carried out in that year. According to the survey, non-extreme poverty affects 23.5% of the Nicaraguan women and 25% of men at the national level (FIDEG 2007). Extreme poverty affects 6.4% of women and 7.1% of men. These figures are not comparable with those produced by and for the international financial institutions, which are based on income only. The human poverty index (HPI-1) 2004 for Nicaragua is 18 (rank 40, between Tunisia and Indonesia; HDR 2006 Country Fact Sheet).

Nicaragua reached the 'decision point' of the Highly Indebted Poor Countries (HIPC) initiative in 2000, and the 'completion point' in 2004. The external debt was reduced to USD 4 billion, the payment of which represents 9% of fiscal income (Acevedo 2006). Internal debt is a greater problem at the moment than the external debt. For its external debt, Nicaragua is also benefiting from the Multilateral Debt Initiative. Due to political arm-twisting between the executive and the legislative in 2005, Nicaragua failed to negotiate the new PRGF with the IMF upon which the HIPC debt alleviations are pending. Consequently, Nicaragua fell out of the financial arrangement with the IMF; but during the end of the first half of 2007, consensus was reached within the government to elaborate a new three-year PRGF for 2007-2010 (IMF 2007)<sup>1</sup>. The Strengthened Growth and Poverty Reduction Strategy

<sup>1</sup> The problem with the agreement concerns, among other issues, the unwillingness of the new Nicaraguan government to include the estimated USD 300 million donation of Venezuela into the national budget; Saldomando personal communication July 2007.



Paper (known as ERCERP) prepared for the HICP initiative was updated into the Operative National Development Plan (PND-O, approved as PRSP II) in 2005. It has five main areas: economic growth, human capital, infrastructure, governance and macroeconomic stability. This development plan has since been partially eclipsed by the Zero Hunger Programme (*Hambre Cero*), inspired by the Venezuelan example, and funded by the Bolivarian Republic of Venezuela.

## 2.2 Human development

According to the Human Development Report 2006, Nicaragua ranks 112 out of 177 countries, with an HDI (human development index) of 0.698 (HDR Country Fact Sheets; latest figures from 2004). This is an HDI close to that of Egypt and Uzbekistan. Life expectancy at birth is 70 years; the same as in Morocco, and Saint Kitts and Nevis; and adult literacy as a percent of persons 15 years of age and older is 76.7, with insignificant gender differences. In terms of average human development indicators, Nicaragua is situated close to countries with a considerably higher income *per capita*.

There has been progress in practically all human development indicators over the last 15 years. The HDI has risen almost one point since 1990. Undernourishment has come down from 30% in 1990-92 to 27% in 2002-2004 (FAO 2006); and under-five mortality rate is down to 45 in 2005 from 68 in 1990. Literacy in turn declined over most of the decade of the 1990's, only to start climbing again in 1998, and presently stands at 76.6%. Maternal mortality jumped by 59% between 1993 and 1998, reaching 200 deaths per 100,000 live births in that year, and has continued increasing to the present 230<sup>2</sup> (Unicef 2007; world average for developing countries: 440). Another figure commonly shown in statistics is the lifetime risk of maternal death<sup>3</sup>, which is 88 for Nicaragua, with 61 being the average for developing countries (MINSAs statistics).

One of the problems affecting public health and education is the low remuneration level of medical and school staff, and insufficient staff and supplies coverage. The average monthly salary of a nurse was about USD 70, and that of a medical doctor US 250 D, the lowest levels in Central America. The same applies to teachers. After the medical staff strike of March 2006, the government made a promise to raise the salaries of nurses and doctors to levels equivalent to those of neighbouring Central American countries. Civil society activists have urged the government to give priority to social spending. According to the newly introduced medium-term expenditure framework (MTEF), the public health budget dropped from 3.1% of GDP in 2005

<sup>2</sup> Maternal death rises statistically as healthcare coverage increases in Nicaragua. This is due to improved registering of deaths; personal communication, visit to SARED Project during fieldwork in November 2006.

<sup>3</sup> The indicator predicts the probability (1/X) that one for each X women dies from causes related to maternity.

to 3% in 2006, and will remain at this level until 2008 (Acevedo, Circular letter 1.12.2006). This represents 13.6% of total public expenditure (PAHO 2006). The corresponding percentage of public expenditure for education is 15%<sup>4</sup>. Nicaragua's social spending *per capita* in 2002-2003 was half of what Honduras spent (USD 68 and 128 respectively). Compared to Nicaragua, Kenya and Lesotho spend on education 105 and 177% *per capita*, respectively, of what Nicaragua spends, while the GDP *per capita* is 50% lower in Kenya and 13% lower in Lesotho (Acevedo 2006). The relative reduction in social spending has taken place parallel to a significant increase in internal revenue from USD 766 million in 2004 to USD 992 million in 2006.

All these average figures conceal huge regional disparities. While the national average of those living with less than two dollars a day is 76%, in rural areas the figure is 91.9%; for those living under less than one US dollar day the figure is 60.7% for rural areas. In the rural countryside of the Centre and in the autonomous regions of the Caribbean Coast the percentage of people living with less than one US dollar per day is almost 68%. (INIDE 2007). The evolution of poverty according to national standards is shown in Table 1.

**Table 1. Evolution of Poverty in Nicaragua 1993-2005**

| Geographical area | Extreme poverty |      |      |      | Change<br>2001-05 | Poverty |      |      |      | Change<br>2001-05 |
|-------------------|-----------------|------|------|------|-------------------|---------|------|------|------|-------------------|
|                   | 1993            | 1998 | 2001 | 2005 |                   | 1993    | 1998 | 2001 | 2005 |                   |
| National average  | 19.4            | 17.3 | 15.1 | 14.9 | -0.2              | 50.3    | 47.8 | 45.8 | 46.2 | +0.4              |
| Managua           | 5.1             | 3.1  | 2.5  | 3.4  | +0.9              | 29.9    | 18.5 | 20.2 | 19.5 | -0.7              |
| Pacific urban     | 6.4             | 9.8  | 5.9  | 4.8  | -1.1              | 28.1    | 39.6 | 37.2 | 35.9 | -1.3              |
| Pacific rural     | 31.6            | 24.1 | 16.3 | 17.0 | +0.7              | 70.7    | 67.1 | 56.8 | 58.2 | +1.4              |
| Centre urban      | 15.3            | 12.2 | 11.1 | 10.5 | -0.6              | 49.1    | 39.4 | 37.6 | 37.9 | +0.3              |
| Centre rural      | 47.6            | 32.7 | 38.4 | 32.9 | -5.5              | 84.7    | 74.0 | 75.1 | 74.4 | -0.7              |
| Atlantic urban    | 7.9             | 17.0 | 13.1 | 7.4  | -5.7              | 35.5    | 44.0 | 43.0 | 34.8 | -8.2              |
| Atlantic rural    | 30.3            | 41.4 | 26.9 | 31.2 | +4.3              | 83.6    | 79.3 | 76.7 | 74.9 | -1.8              |

Source: Sobrado 2007

\* Poverty defined by monthly consumption; less than NIO 600 (c. USD 35, 2005) for poverty and less than NIO 330 (c. USD 20) for extreme poverty.

As can be observed, poverty in Nicaragua is concentrated in the rural areas of the Centre, and especially in the Caribbean (Atlantic) Coast Autonomous Regions of the North and South (RAAN and RAAS) where the HDI is 0.466 and 0.454, respectively (UNDP 2005). This is below the average for Sub-Saharan Africa (0.472). On the other hand, these are the regions where the largest improvements have been achieved in recent years. These regions are also those that have only relatively recently been

<sup>4</sup> This percentage includes the compulsory, constitutionally defined 6% of the State Budget, allocated for universities.

fully integrated into the Nicaraguan nation state. In the Central part of the country, indigenous resistance and uprisings were subdued only in the second half of the 19<sup>th</sup> century; and they were the stage of the *contra* war in the 1980's. The Atlantic (Caribbean) coast was ceded by the British Crown to Nicaraguan sovereignty in 1904: its population consists of indigenous ethnic groups (Sumu-Mayangna; Miskito etc) and an Afro-Caribbean population (Garifuna; black Creole of Jamaican origin).

## 2.3 Inequality

In order to understand the linkages between poverty, corruption and gender in Nicaragua, one has to dwell briefly on a special topic, that of inequality. In this context, inequality is defined by two, partially independent 'vectors': general social inequality and gender inequality. The latter will be dealt with in Section 2. Social inequality, which translates into economic inequality and inequality in other capabilities is, in Latin America in general, and in Nicaragua in particular, "*pervasive, characterising every aspect of life, including access to education, health and public services; access to land and other assets; the functioning of credit and formal labour markets; and attainment of political voice and influence*" (de Ferranti et al. 2003). It is rooted in exclusionary institutions that have been perpetuated since colonial times, and that were formed originally in the interaction of the Iberian colonisers with the indigenous population, strongly influenced by the idea of maintenance of 'purity of race' inherited from the wars against the Moors. These institutions persist in spite of the 500 year long mixing of populations, taking different forms of social hierarchies, ranging from the most tangible (difference in living standards and income) to the most symbolic ones that anthropologists know as different variants of the pure-impure distinction.

Institutionalised inequality undermines more than just the beneficial impact that economic growth should have on reducing poverty levels. As seen above, the decline in Nicaraguan poverty has no relation to economic growth levels, a "typical situation in Latin America where income inequality reduces the poverty impact of growth" (de Ferranti et al. 2003). Hierarchical, institutionalised inequality also contributes to the relatively low levels of social spending in Nicaragua: all those who can afford it send their children to private schools, and their elderly to private third-age homes; they also use private health services instead of the public system. Decision-makers, too, are typically those who can afford not to use the very same services whose budgets they decide upon. Institutionalised inequality is also manifested in the disproportion of salaries between the higher and lower levels (e.g. about 1:100 in the nurse-minister salary ratio), the 'megasalaries' of MPs and highly ranked politicians<sup>5</sup> denounced by

<sup>5</sup> The monthly remuneration received by the Government and MPs ranges from 6 to 10 times the yearly per capita GDP.

Transparency International, and the financial priority given to higher education (universities) compared to primary and secondary education. At present, the Gini Index for Nicaragua is 60.3 for the highest quintile (CIA Factbook; 38 for the highest decile; FIDEG 2007), one of the highest in the world, higher than in South Africa and almost as high as in Brazil, and higher than it was under the Somoza dictatorship (58). Inequality is also institutionalised in the exclusionary political culture, where the direction of accountability is towards party leaders, not towards the constituency.

The linkages to corruption in this situation are clear. Inequality creates incentives for corruption at different levels, from 'entrenched' vested political interest in political corruption and clientelism, through to under-resourcing of public services which in turn encourages corruption at the lower levels of the supply chain. Furthermore, inequality severely reduces the poor people's capabilities to lead a life of their choice, in both the real world and in the symbolic sphere, because of denigration, disrespect and denial of rights. This country case study will defend the hypothesis that corruption is one of the mechanisms that perpetuates, increases and entrenches inequality, and as a consequence, also poverty.

### 3. Gender Profile

#### 3.1 Women in Nicaraguan society

Women represent 71.1% of the economically active Nicaraguan population; the economically active population as a proportion of total population is 45% (FIDEG 2007). Seventy percent of Nicaraguan households engage in agriculture, but even in farmer families, women engage in extra-farm economic activities (services, trade). One reason for this low level of female participation in agrarian activities is the important role of cattle ranching which is (still) mostly practised in a system of transhumance, and is an exclusively male domain.

Women have a considerably lower access to land than men: of the 218,735 registered agricultural landed properties (*fincas*) of Nicaragua, only 23,360 are owned by women. Access to credit is higher among male-headed households (58.3%) than in female-headed households (41%). Female participation in economic activities has been growing over the last decades, and there was a 4.5% increase in female employment between 2001 and 2005; this reflects the growing role of export processing zones (*zonas francas*) as source of employment for (young) women. In regard to levels of education, female attainment is higher than that of boys/men.

At the national level, 31% of Nicaraguan households are headed by women; in urban areas the figure can be up to 39% and is continually growing (FIDEG 2007). While the heads of male-headed households are generally under 34 years of age, women as heads of households tend to be older, and head extended families (54%, Bradshaw 2002). This means that a significant proportion of women heading a household are grandmothers taking care of their grandchildren, whose mothers have emigrated. Despite women's lower access to assets, and thus to capabilities, "*independently of type of poverty, women's share of poverty is lower than that of men*" except in rural areas where there is no difference between the two sexes (FIDEG 2007).

Well-being is higher among households headed by women at the national level, and in urban areas; whereas in rural areas, men present slightly better levels of well-being. Here we have an apparent paradox that demands an explanation: higher levels of female heads of household correlates with lower poverty and higher level of well-being in urban areas, where women represent almost 40% of heads of households. In rural areas, men and women are equally poor and men experience higher well-being. Besides denoting a certain dysfunctionality of the Nicaraguan family and gender system (see Montenegro 2000), and taking into consideration the fact that income distribution in female-headed households is more equal than in male-headed households (FIDEG 2007), the situation suggests that female income within male-headed households is fungible.

This conclusion is supported by the findings of Bradshaw (2002): “*Ingrained ideas around gender roles [mean that] women’s earnings may not actually supplement those of the male ‘head’ but may substitute for his earnings as he withholds a larger proportion of his money for personal consumption.*”

A further explanation to this ‘Nicaraguan paradox’ is the specific form of emigration practised in Nicaragua. While men are the majority in overall emigration, women constitute 53% of those who migrate to Costa Rica, the southern neighbour country (FIDEG 2007): a majority of them work as domestic maids. This arrangement allows them to send remittances back home despite their rather low salary level, due to the fact that in domestic help board and lodging come with the job. As about 75% of households in urban areas receive remittances from abroad, the stable albeit not overlarge flow of resources permits female-headed households headed by grandmothers or the migrants’ sisters to keep the households out of poverty. In the fieldwork interviews, a further explanation was offered by those taking part in participatory seminars: women are “*better in managing scarcity*” than men.

The family system is, thus, weakly institutionalised with loose family structures. This loose, flexible, and fragmented family structure among those in the non-elite population stands in stark contrast with the clan-like, strong families of the elite (Perttula 2005). The strong, oligarchic, elite families have had a key role in creating the socio-economic structure and political institutions of the country that institutionalise inequality, with the result that the distinction between the private and the public, and between the collective and the individual, is ‘weak or inchoate’ (Vilas 1992, 310; also quoted by Perttula 2005).

In spite of their importance in the share of work done and income generated, women are still the hierarchically inferior, ‘second’ sex in Nicaragua. Strong, gendered stereotypes, formed by the Catholic Church, expect women to be subservient, passive and dependent on men; and a strong emphasis is placed on men’s control over female sexuality (Montoya 1998). This is expressed in gender-based domestic violence against women. During the first 10 months of 2006, 34,000 cases of domestic violence were registered by the police (La Prensa 21.11.2006). Only 400 men had been arrested for violent behaviour against their partners, and only 60% of the women concerned submitted a formal complaint.

Although children’s upbringing may be equally authoritarian for both boys and girls (Montoya 1998, Montenegro 2000, Randall 1999), boys are allowed higher levels of transgression while girls are expected to abide by rules and obey orders. This situation is also reflected in the high incidence of teenage pregnancies; 23% of girls between 15 and 18 years of age get pregnant (MINSA, statistics). According to a medical doctor quoted by a prominent daily newspaper, 8% of pregnancies in the country occur in girls between 10 and 14 years of age (about 12,000 births yearly out

of total 150,000 births): 90% of these cases result from rape or sexual abuse within the family (El Nuevo Diario 27.10.2006).

The Gender Gap Index 2006 for Nicaragua is 0.657 with the rank of 62 (out of 115 countries).

### 3.2 Gender as a legal and policy issue

The Nicaraguan Constitution guarantees gender equality and equal political rights for both sexes, recognises the state's obligation to safeguard equality between men and women, and prohibits discrimination by sex (Articles 4 and 27). The country has signed the Convention for the Elimination of Discrimination against Women (CEDAW). Yet, it is one of the few Latin American countries that have not signed the Optional Protocol of CEDAW that allows victims to submit complaints to the CEDAW Committee. The last government report from Nicaragua to CEDAW was presented to the 37<sup>th</sup> CEDAW Committee in January-February 2007. Nicaragua has also signed the Beijing Declaration, but with reservations concerning reproductive rights.

The government agency in charge of women's issues is the Nicaraguan Institute of Women (INIM). It is institutionally located under the Ministry of Family Affairs (MIFAMILIA) as a decentralised institution. Women activists consider that this institutional location is too 'low' in the state hierarchy, since it limits the possibilities of INIM to effectively influence policies and impose mainstreaming of gender equality strategies (interviews, Managua). An additional 'handicap' of INIM is that throughout its history it has been a victim of political clientelism and favouritism, in which appointments are made due more to party allegiance than to professional capacities. The result is low institutional capacity, high turnover of personnel, and loss of the political weight of INIM.

In 2003, INIM produced a gender-aware statistical data-base (SIEG 1.0), working together with the National Institute of Statistics and Census (INEC); these statistics have recently been updated. In March 2006, INIM presented the National Programme of Gender Equality, formulated with the participation of civil society organisations (CSOs). The Programme was officially approved by a Presidential Decree in June 2006, i.e. as an initiative of the Executive without involvement of the Legislative branch of political power. The Programme, which is part of the second-generation PRSP (Operative National Development Plan, NDP-O), concentrates on the same areas as the PRSP: production and the economy, governance and social development. Gender-based violence is integrated as a cross-cutting issue in the Programme. (Ocón et al. 2006).

Despite gender equality being incorporated into legislation and public policies for more than two decades, the Nicaraguan governments have lacked real commitment to

mainstreaming gender in development policies and strategies (Ocón et al. 2006). The first PRSP from 2001 suffered – according to a feminist analysis – from the image of women as abused victims, without reference to women as economic actors and without proposing changes in policies, organisational culture and supply of public services (idem.). The second version (NDP-O) represents progress compared to the first, but does not include gender inequality among the inequalities to struggle against, and does not contemplate the costs of domestic violence in anti-poverty social spending.

The Nicaraguan Civil Code recognises only two civil statuses: married and single. The other statuses (widow, divorced) were abolished from the Code during the Sandinista regime as an achievement of Sandinista women in the fight against patriarchy, but this legal definition of the status of women has ever since been under attack (interviews, Managua). However, the Civil Code does not contemplate other forms of partnership (above all common-law marriage, not to mention same-sex couples) which represent about 50% of all couples in Nicaragua. The Code thus offers little protection to women (and children) in common-law partnerships in case of separation or abandonment. The Criminal Code treats cases of domestic violence in the category of ‘lesions’ which are punished leniently. Many observers consider domestic violence against women as the single most important violation of the rights of the women in Nicaragua.

The Nicaraguan National Police has separate police stations for women (*Comisariías de la Mujer*) attended by female officers. The purpose was to increase confidence between female citizens and the police after it was seen that male officers tended to neglect the seriousness of women’s complaints. According to the Special Ombuds(woman of Women’s Affairs of the National Ombudsman Office (interview November 2006), there are still denouncements for the neglect of women’s complaints even at the *Comisariías*, although the attention given to women overall is much better than before.

Sex education has been the field of intensive argument between the conservative religious circles (mainly the Catholic Church) and women activists since the early 1990’s. There has been strong opposition within the political establishment against providing sex education in schools, especially at the Ministry of Education, and the guidebooks for teachers emphasise abstinence and conventional marriage with its traditional values (Shadow Report 2006). The Shadow Report to CEDAW, prepared by Nicaraguan feminist NGOs, also lists the de facto limited access to contraceptive methods as being contrary to the Nicaraguan government’s commitments. The latest demonstration of control over female sexuality by the political establishment came in October 2006 when the Nicaraguan National Assembly (Parliament) abolished the legal concept of ‘therapeutic abortion’ from the Penal Code, in an abrupt fashion without proper discussion, ceding to pressure from religious circles. The interruption



of pregnancy for ‘therapeutic’ reasons had been legally permitted in Nicaragua since 1837 in cases of violation, incest, pregnancy of a minor child, and when the pregnancy put the woman’s life in danger (Clemente 2006). By the end of November 2006, about one month after the abolishment of the ‘therapeutic abortion’, dozens of cases of women who risked losing their lives if their pregnancies were not terminated had been registered in Nicaraguan hospitals, because doctors abstained from making medical interventions for fear of being prosecuted. All the medical professionals interviewed for this case study admitted that the legal abolition of the therapeutic abortion by the National Assembly was bound to increase cases of corruption in the public healthcare system. Nicaraguan feminists and human rights activists are preparing to present the case of therapeutic abortion to the Inter-American Court of Human Rights.

### 3.3 Women in public life

In terms of political participation, Nicaraguan women come to politics through clientelistic forms of weak accountability. Only a handful of female politicians have direct accountability with and towards their constituency at the national, central level. The reason for this is the power structure in political parties, where the direction of accountability is towards the party leader. Even when it is against party bye-laws, candidates are appointed according to their allegiance to the leader, the ‘strong man’ (*caudillo*), not by the vote of all party members. This is especially problematic at the local level, where elected Council Representatives and mayors are obviously physically closer to their constituency, and sometimes have to make difficult choices between accountabilities in two conflicting directions. The percentage of female MPs is 18 at the moment; the figure has ranged between 10 and 21% since 1990 (IPU 2007). There are 10 female mayors in the 153 municipalities of Nicaragua. At present (mid-2007), one-third of government Ministers are women (3 out of 9).

Following the Sandinista period, the political life of Nicaragua has been dominated by two parties, the Sandinista Front of National Liberation (FSLN) of actual President Daniel Ortega, and the Constitutional Liberal Party (PLC), of ex-President Arnoldo Alemán. These two men are the two top *caudillos* in Nicaragua<sup>6</sup>. In the case of the FSLN, the original introduction of women into politics took place through the anti-Somoza struggle, either through women actually bearing arms or through them serving as intellectual and logistic back-up. The national coalition leadership (the ‘Committee of the Dozen’), created by the Sandinistas and the Conservatives during the two first years after the fall of Somoza included among its 12 members one woman, Violeta de Chamorro, who later was to be elected President. Ever since the electoral defeat of the FSLN in 1990, prominent women have left the party, and the

<sup>6</sup> A third *caudillo* is often mentioned: Cardinal Miguel Obando y Bravo, the retired Catholic Archbishop of Nicaragua.

main feminine figure of the Front today is the wife of Ortega: there are no women in the 9-man Central Committee. The same applies to PLC: the main female figures are the wife and daughters of Alemán. The direction of accountability 'upwards', towards the party leadership, makes women (and men) vulnerable to external pressure in their functions, and thus undermines the independence of state powers. Nowhere is this more conspicuous than in the judicial system. This vulnerability is made more acute in Nicaragua by the conflict-ridden cold war history of the country; the parties largely behave as armies, and any disagreement with party leadership is interpreted as military treason, followed by expulsion, voluntary or not. The non-democratic, exclusionary political party system is not conducive to gender equality.

The electoral system is clearly unfavourable to women's participation, in the absence of gender consideration from the side of party leadership. In legislative and local elections, the ballot lists only the names and symbols of parties and the voter only marks one of the parties; the voter thus does not know to whom her/his vote goes. This prevents women from addressing their vote specifically to women should they prefer to do so. There are civil society initiatives to change the electoral system, and allow for a vote to go to a specific person, not to parties only. The dominant parties monopolise power; the Electoral Law does not contemplate the possibility of independent candidates even for municipal elections. There are no quotas for women and no legal obligations of parity for lists of candidates.

Women, are, however, strongly represented in the Nicaraguan public sector: 61% of the state's employees at the national level are women (GTZ 1999). Women are the majority (over 70%) in education, in health, and in the Attorney General's office. However, only 1–2% of the top public posts are held by women (4% in Managua). In the Justice System, 25% of the Supreme Court judges are female; and at district and local level the figure is c. 60% (La justicia en Nicaragua 2005), all of which does not prevent the Justice System from being considered as one of the most corrupt state powers in Nicaragua. Salary equality is still a distant ideal: the average salary of men is 1.5 times that of women, for higher positions this can be up to 3 to 4 times higher. The GTZ Study (1999) reveals that 52% of women employed in the public sector live alone without a male partner. This figure is significantly higher than the national average of 31% (FIDEG 2007), or the figures given by Bradshaw (2002) and Montenegro (2000), which are between 36–37%. The interpretation of this fact is that public employment is stable, and although often not well-paid, it still permits a woman to live her own life without having to depend on a male partner. According to Bradshaw (2002), many Nicaraguan women prefer to live without a male partner in order to have a more peaceful life and greater control over that life. Urban Nicaragua, therefore, represents a situation where there is a large gap between women's own consciousness about their situation and the general gender ideology.

## 4. Corruption Profile

### 4.1 Perception of corruption in Nicaragua

Corruption started to become a national issue in 1999, the year after President Alemán took office. Previously, corruption had been explained away by the low salaries of civil servants and public employees; in the 1980's the recognised problems in corruption had been rather with the privileges enjoyed by the FSLN party *nomenclatura*. Until 1998 the general impression was that corruption was a minor problem and not widely spread.

The Corruption Perception Index of Nicaragua for Nicaragua in 1999 was still 3.1 (rank 70 out of 85 countries), but in 2001 the country had fallen down the rank to 77 (out of 91) and the Corruption Perception Index was down to 2.4. In public opinion studies quoted in the 2000 and 2002 Human Development Reports for Nicaragua, almost 90% of Nicaraguans believed that there was corruption at the level of the Presidency of the Republic, with similar figures for other state powers, and there was a general lack of belief in the legitimacy of the government, and a corresponding great demand for transparency and renovation in politics. The significant rise in the perception of corruption coincided with the presidency of Arnaldo Alemán (January 1998 – January 2002) of the Constitutional Liberal Party (PLC), who institutionalised corruption on a grand scale. In 2000, the then Auditor General publicly denounced the President and his inner circle's illegal enrichment (through e.g. embezzlement, money laundering) at the expense of the public treasury, and from misappropriation of the donations in cash and in kind that flooded the country after the destruction caused by Hurricane Mitch in November 1998. With the subsequent arrest and prison detention of the Auditor General, corruption in Nicaragua became an international issue. While the donor community based in Managua, especially the Nordic countries that had been supporting the modernisation of the Court of Auditors, together with some sectors of civil society, took sides with the Auditor, the national political parties abstained from commenting on the incident.

After the next president, Enrique Bolaños, took office in January 2002, the Corruption Perception Index improved to 2.7 in 2004 (rank 97 out of 147 countries). The behaviour of the index reveals the importance of great media events in forming the perception of corruption. The lowest score, 2.4, in 2001, precisely reflects the scandal created by the imprisonment of the Auditor General in 2000. Correspondingly, the improvement in the Nicaraguan score in 2004 is a reflection not only of the anti-corruption campaign initiated by President Bolaños in 2002 but, even more, of the momentary euphoria caused by the arrest and trial of his predecessor Alemán. The latest score of 2006 is 2.6 (rank 112 out of 163 countries), which suggests only

a slight improvement. However, in the fieldwork interviews, both the State Attorney and a high officer of the Court of Auditors admitted that corruption cases were down from the levels registered prior to the change of government in 2002 (interviews in Managua). This was also confirmed by anecdotal evidence.

According to the Global Corruption Barometer 2005 of Transparency International, 5–10% of Nicaraguans had paid bribes of some sort during the preceding 12 months (Transparency International 2005). This figure stands in stark contrast with the region's other countries (31–45% in Paraguay and Mexico, 11–30% in Bolivia, Guatemala and Ecuador). The same barometer indicates that corruption is felt by citizens as a moderate or great problem by 75% of Nicaraguans, contrasting with, e.g., 52% in Guatemala and Costa Rica. A comparison between these two results would suggest that corruption at the level of the political system is a larger problem in Nicaragua than the everyday petty corruption. Nicaragua was not included in the calculations concerning the total amounts of bribes in relation to income, precisely because the number of positive respondents was too low to be representative (below 10%).

This need not be a contradictory conclusion, however. The government of Nicaragua carried out a user-perception survey on corruption in public services in April 2006 (Government of Nicaragua 2006). Among other findings, the survey discovered that 'illegal payments' are the one single factor which most contributes to the perception of corruption: to cut down illegal payments would have the most positive impact on perception of corruption. When we combine this statistical correlation between illegal payments and perception of corruption with the fieldwork interviews, it seems clear that Nicaraguans do not conceptualise the poor levels of public service and the shortage of, for instance, medical supplies and medicines, in terms of corruption (theft, absenteeism). The disadvantage of different forms of payments, whether they are by formal definition illegal or not (user fees, cost sharing), is precisely the fact that unless very transparently managed such payments tend to contribute to accountability failure and increase the perception of corruption – besides the obvious fact that they reduce access to public services by the poor and increase their vulnerability.

## 4.2 Characterisation of corruption

In historical-economic terms, the most significant feature of corruption in Nicaragua is the clientelistic political culture, i.e. systemic or structural corruption, combined with a culture of spoils in which political power is understood as a legitimate source of personal enrichment (Vargas 2000, Vargas 1999, Pérez-Baltodano 2003, Alvarez-Montalván 2000). Such a combination can lead to 'state capture' which is a form of corruption difficult to corroborate because when considered superficially it appears to be carried out legally. Such corruption is also difficult to eradicate, because it is also

easier to address and control petty corruption by policy measures than to change the political system and political culture. Politicians of all stripes are reluctant to give up the possibility of using the state apparatus for party political goals, and in some cases, for securing personal interests, economic or other.

Clientelism in Nicaragua is both *de facto* and *de jure* institutionalised in state institutions. An expression of this is the controversy about the reform of judicial careers attempted by President Bolaños, in which the Supreme Court judges refused (and still refuse) to give up their clientelistic powers in administering judicial careers in their respective departments. Another example is the non-negligible financial contribution from the State Budget to Members of Parliament that is usable at the discretion of the individual MP.

The historical roots of political corruption are long and deep. Still in the 19<sup>th</sup> century civil servants' positions were bought, and a 'salary complement' in the form of 'overhead' from taxes and duties collected was the norm. Contrary to what happened in Europe where this system also prevailed at the same time in the 19<sup>th</sup> century, but was later changed or discontinued, in Nicaragua a similar system still exists. The Somoza dynasty expropriated landed properties from the old elite (Vargas 2000, 63 and *passim.*); and after FSLN lost the elections of 1990, the Sandinista ruling elite proceeded to the '*piñata*', massive transfer of former state and private properties to their personal possession. The *piñata* had the additional disadvantage of setting an example for later governments. The administration of Arnaldo Alemán institutionalised corruption. All public employees and civil servants had to pay 10% of their salaries to his party in order to keep her/his job; this continues to this day in the municipalities where Alemán's party holds power. The more infamous cases of this type of corruption included draining the national television funds and the internal revenue service dry (embezzlement), money laundering, and 'triangulation' of treasury funds to private bank accounts abroad in order to finance the election campaigns of Alemán's party (La corrupción en Nicaragua 2004). Even the Catholic Church of Nicaragua became involved in networks of corruption, and the Church was influential enough to have State Attorney Novoa dismissed by Pres. Bolaños when he started to investigate Church involvement in corruption in 2002. (Novoa was reappointed State Attorney in 2004. See also Section 4.1 above for the similar case of the Auditor General.)

The clientelistic system that tends towards state capture was further reinforced by an agreement between the two political *caudillos*, Ortega and Alemán in 1999-2000, called the 'pact' (*pacto*); this pact is a key element for understanding the continuity of the dominant political culture. The two party leaders made a deal (pact) whereby all state powers were 'party-politicised', and a practical power duopoly was installed. Through their combined legislative majority, major legal changes were made by the two *caudillos*' parties. Among other things, ex-presidents are now automatically MPs,

thus guaranteeing them parliamentary immunity. The Court of Auditors was given a collective management board whose seats were divided among the leading parties. In addition, the appointment of Supreme Court judges and the Supreme Electoral Council leaders is done according to the two parties' mutual quotas. The electoral law of 2000 denied access to elections of all parties not having local chapters in all electoral districts of the country – and only the two dominant parties effectively had total national coverage. In short, practically the entire state apparatus was to be accountable only to the two party leaders, seriously undermining the independence of state powers and adding to the confusion between party and state.

The amount of resources lost from public funds between 1990 and 1999 due to different redistributions of national wealth into private hands has been estimated at as much as USD 4.9 billion (Vargas 2000, 113-115). This corresponds to ten times the totality of the State Budget for 1999 – and almost exactly to the total foreign debt of Nicaragua after HIPC debt alleviation. (Cf. with estimated figures for petty corruption in health in Section 7 below).

The corruption in service delivery in the sectors of health and municipal government are analysed in detail in Section 7 below.

## 5. Anti-corruption Strategies

### 5.1 Anti-corruption and governance actions at the level of the State

According to the Nicaragua Country Financial Accountability Assessment (CFAA) (World Bank 2003), the legal framework of public financial management and accountability is generally sound, and management systems and internal control and external audit have improved greatly. Design of a major instrument, a real-time on-line system of public finance management and audit (SIGFA) began in 1995 (Joint Evaluation 2006) with World Bank funding, and by 2002 it was in use in over 30 government offices (SNI 2003). Indeed, 2002 was the year in which the State Budget was formulated and executed on-line and in real-time for the first time (DFID 2005a). The coverage of SIGFA has expanded ever since. There are some limitations, however. First, the system is based on a Presidential Decree, not a law (DFID 2005a) and can be abandoned if political will changes. Furthermore, the main categories of SIGFA were defined in 1995 and have not been updated since then (*idem.*). But the main handicap of SIGFA – as that of all on-line public finance management systems – is the fact that controlling embezzlement of funds, and fraud or bribes in procurement, is beyond its capabilities.

The Law on Procurement (Law 323) was passed in 2000 and modified in 2003 following a Country Procurement Assessment Review (CPAR) carried out by the World Bank. A Register of official providers of the state has been set up, yearly investment plans announced, and a portal of e-procurement was functioning as of September 2006. The Law roughly corresponds to international standards but is prone to violations, sometimes unwillingly or inadvertently, because of its complexity and rigidity (DFID 2005a). Another problem is that the Law applies to all government levels (central and municipal). For the latter, the Law's requirements are too complicated, since local, small providers find it too cumbersome and costly to register themselves on the national list of providers. A special law on municipal procurement is planned.

The Joint Financial Arrangement on general budget support for Nicaragua was signed in May 2005. Budget support is a very strong instrument, in that donor contributions together amount to a significant proportion of the national budget. Therefore, it was only thanks to the instrument of budget support that in 2005 the Government of Nicaragua accepted the introduction of full audits of the whole of budget implementation for the entire fiscal year, for the first time in the country's history; no other instrument would have achieved the same commitment<sup>7</sup>. In order to better

<sup>7</sup> By mid-July 2007, the new Nicaraguan government was unwilling to sign the agreement for further general budget support.

account for foreign aid, a Single Treasury Account began to function in Nicaragua in 2004. It channels most grants and loans into one account, with some notable exceptions however (e.g. Millennium Challenge Account, Taiwanese and Venezuelan aid); earlier only a small proportion of development aid effectively showed in the national budget.

Nicaragua has signed the Inter-American Convention against Corruption in 1996 (ratified in 1999), and signed and ratified the United Nations Convention against Corruption (ratified in 15.2.2006; Estrategia amplia 2006). Nicaragua also has a legal framework that corresponds, if properly applied, to a sufficient rule of law and avoidance of corrupt practices and sanctions for abuse of entrusted power. The legal, political and administrative mechanisms in place, if properly applied, have the capacity to guarantee accountability and transparency despite some legal vacuums (SNI 2003). Citizens can legally sue the government; the figure of *habeas corpus* is integrated in the legislation, and the Constitution stipulates the right of citizens to make claims and petitions, and demand transparency from any public authority (*idem.*) Legislation exists on public servants' probity, meritocratic civil service and criminalisation of corrupt practices. The Penal Code defines money laundering only in the context of drug trafficking, which seriously limited the possibilities of the justice system to prosecute ex-president Arnaldo Alemán on charges of money laundering. The Law on Citizen Participation (2003) created political spaces of participation in municipalities and departments. An Access to Public Information law was approved in the second quarter of 2007, but in a rather diluted version compared to the original proposal: Members of Parliament made optional (voluntary) the publication of declarations of assets of elected authorities – including their own.

Institutionally, the main bodies responsible for prevention of corruption are the Court of Auditors<sup>8</sup> (*Contraloría General de la República*, CGR), the State Attorney's Office (*Procuraduría General de la República*), the Attorney General's Office<sup>9</sup> (*Fiscalía*), the justice system comprising all courts and the Ministry of Justice (*Ministerio Público*), and the Office of Administrative Ethics and Public Probity. Additionally, there is the Office of the Human Rights Ombudsman (*Procuraduría de los Derechos Humanos*) whose task is slightly different from the Nordic institution of ombudsman (the stress here is on human rights). The State Attorney's Office has a centre funded by USAID for appeals and complaints; it also receives anonymous denunciations of corruption.

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<sup>8</sup> The term 'Court of Auditors' is preferred here to Comptroller General's Office because the CGR is based on the continental (French) system (the institution has independent powers to interpret law and dictate sanctions) and is not accountable to the Parliament. In addition, the Supreme Electoral Council has judiciary powers; and its decisions cannot be appealed to the Supreme Court of Justice

<sup>9</sup> The State Attorney is the legal guardian of the State's interests; the Attorney General is the supreme authority in defence of citizens' interests.



While the national integrity system in Nicaragua is adequate in theory ('on paper'), in practice the opaqueness of the system of justice prevents, in the last instance, any profound improvements from taking place. The real independence of political powers is one of the main challenges of any anticorruption strategy in Nicaragua that aims to guarantee that laws are obeyed. There seems to be an 'entrenchment' of the political elite, who are very ready to defend their powers and privileges and avoid public scrutiny. According to Global Integrity (2006), the index for Nicaragua is very weak in three out of six areas (elections, government accountability, and administration and civil service), weak in one (oversight and regulation) and moderate in two areas (civil society, public information and media, and anticorruption and rule of law).

## 5.2 Donor support to anti-corruption strategies

Strictly speaking, the Nicaraguan government does not have an anticorruption strategy, especially one that would strategically target the roots of corruption (interview with State Attorney Alberto Novoa, 9.11.2006). There is no official analysis or diagnosis about what types of corruption there are in the country, their frequency, or the monies implied (*idem.*)<sup>10</sup>. Instead, there is a multi-donor project funded by donors and administered, on behalf of others, by the Embassy of Norway. Called the Anti-corruption Fund (*Fondo Anticorrupción*, FAC), the Project Document (PD) for this Fund serves in the role of an anticorruption strategy (*Estrategia amplia y plan nacional de transparencia y anticorrupción*, hereinafter referred to as the Strategy). The Anticorruption Fund was initiated in 2002 as an explicit political support to Bolaños in his anticorruption efforts. It was later amended four times. The present donors are Denmark, Germany, Finland, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and UNDP.

The anticorruption strategy set forth in the Anticorruption Fund's PD is based on the objective of establishing a fluid relation between accusation, investigation, and sanction. To this end a strengthening of public administration is required: the judicial system and the channels of communication between the government and citizens also need strengthening through institution building, inter-institutional coordination, civil society participation, educational campaigns, and corruption perception surveys (Annex IV of the Strategy). The proposed Strategy combines the classical menu of actions for strengthening of institutions with control, access to information, and citizen pressure from below in the form of observation and denouncements. The idea behind this type of strategy is to exercise double pressure from above and from below to increase control, observation, denouncement, investigation and the capacity

<sup>10</sup> The exception is the research on Arnoldo Alemán's regime and the important law suits against him and his closest allies in *La Corrupción en Nicaragua*, 2004, carried out by a university (UCA) and funded by Denmark.

to sanction. Such strategies are well in line with the recommendations and strategies of international organisations. However, there are weak points.

The Strategy was accommodated within the lines of action identified for the Anti-corruption Fund; its basic set-up is thus donor-driven. The Strategy was commissioned from a private (individual) consultant, therefore it does not have a multidisciplinary approach, and it does not have a political mandate or clear political support from the political forces of Nicaragua who took no part in drawing up the PD. Furthermore, since it was designed towards the end of an electoral term, just before elections, as an explicit support for the Executive and it was not discussed with all political forces, there are no other guarantees than donor pressure that the Strategy will have any impact under the new government.

The diagnosis of control of corruption that the Strategy takes as its point of departure is simplistic and has proved to be insufficient; i.e. the premise was that by strengthening institutions and promoting citizen participation concrete results can be achieved in controlling corruption. These actions are not wrong as such, they are just insufficient; they do not address the nucleus of the clientelistic political system which is the cause of systemic corruption. The Strategy does not elaborate a diagnosis of the corruption that exists in Nicaragua; it does not have working hypotheses, no evaluation of institutional capacities or of the political context where the Strategy is supposed to be implemented. It would have been useful to present one or two cases of corruption, along with an analysis of the behaviour and the political commitments of different actors in these cases, in order to test the relevance, feasibility and efficiency of the proposed Strategy.

Furthermore, the Strategy refers to corruption as ‘the old system’ that should be replaced over time by a new system, as if one could define definite limits between them. The concrete result of this conceptual error is that the mechanisms by which corruption reproduces itself are not identified: this is a serious handicap when dealing with systemic corruption. The same thing could be expressed in a different way: corruption has a social structure, and as well as markets, it generates interests, networks, operators, intermediates, and solidarity and collaboration (bonding social capital) among its actors – and distrust and frustration among the excluded. Even more this is valid in cases, such as Nicaragua, where corruption connects the economy and politics, i.e. where corruption is not only a question of individual transgressions.

The objectives of the Strategy and their indicators refer only to actions of institutional performance and coordination. This is because the proposed Strategy does not have a working hypothesis about corruption in Nicaragua; and therefore it does not have objectives with impact indicators in any of the proposed specific topics/sectors. The result is that the indicators that are supposed to measure effectiveness and impact are only activity indicators (e.g. a law is approved, a campaign designed, etc.). In or-

der to be successfully implemented, a strategy needs to identify concrete and specific actors for each sector. At a macro level it is correct to refer to civil society, spaces of participation and institutional relations, but this is insufficient in practical terms. The identification of concrete actors would be very important, considering that corruption expresses itself differently depending on the context where corrupt practices unfold. The lack of such identification is a weakness of the Strategy, the consequence of which is the impossibility of carrying out any specific analysis of the relation between corruption and gender, corruption in public services, or corruption and the environment, to cite only the most relevant areas.

In addition to the above mentioned Anticorruption Fund, donor support to topics related to governance amounted to USD 258.3 million between 1990 and 2003 (CINCO 2005). The support has been directed initially toward post-war pacification (1990-1993), later to public administration reforms, decentralisation, and the justice system; and after 2002 for anticorruption (idem.). Actually (as of November 2006), several initiatives concerning good governance are in place. The Inter American Development Bank (IADB) supports a programme of transparency and accountability in procurement, the Carter Center supported the formulation of the Law on Access to Public Information, and several donors (Denmark, the Netherlands, Sweden and the UK) participate in the Public Sector Technical Assistance Credit (PSTAC), a policy lending instrument (DFID 2005b) whose aim is to consolidate key public sector reforms. In 2004, Nicaragua was made one of the pilot countries of the G8 anticorruption compact.

The European Union, Spain and Sweden are important donors in access to justice, together with USAID. As of 2004, several donors (United Kingdom, Sweden, Denmark, also Finland but marginally, under the coordination of UNDP) have formed a coalition in support of the democratisation of political parties, as a joint regional initiative by UNDP and IADB. The Millennium Challenge Compact with Nicaragua (total funds USD 175 million) does not contemplate other direct governance issues except property rights (registration of land ownership titles in the North-western part of the country). Several donors supported elections observation for the elections of November 2006 (including Japan, US, EU, OAS).

Donor support in governance is coordinated by the Governance Roundtable<sup>11</sup> (*Mesa de Gobernabilidad*) under the highest level donor-government working group *Mesa Global*. There is a separate roundtable for the sector of justice. The Governance Roundtable, originally composed of several sub-roundtables (public sector reform, decentralisation, state reform) was reorganised in December 2005 after some months of inactivity due to changes in government representatives. Several donors (including

<sup>11</sup> The regular participants are: Denmark, Finland, Germany-GTZ, UK-DFID, Switzerland, Sweden, Norway, EU and IADB. Occasionally also SNV-Netherlands, USAID and AECI (Spain).

Finland and other Nordic countries) set up a joint civil society support fund in 2005 to replace or complement the previously existing, separate, embassy funds for local cooperation. The joint fund supports Nicaraguan civil society organisations in initiatives related to democracy, governance and empowerment, and transparency. The joint civil society support fund is managed by an international NGO in Managua, and funding decisions are taken by a Board consisting of representatives of donors whose contributions exceed USD 30,000.

## 6. Sectors under Study

### 6.1 Nicaraguan healthcare system

Health services in Nicaragua can be divided into three categories: public services, services provided for and paid by the social security coverage of employees, and private services. The private healthcare proper is commercial, not subsidised and mainly used by those financially well-off (from mid-middle class to upper class), although some health centres and hospitals under this category are financially supported by charity organisations (mainly religious). This private sector consists of some, although very few, commercially based hospitals, private clinics of medical doctors, pharmacies and the pharmaceutical industry. A special category within private healthcare is non-profit organisations such as NGOs that may receive funding from development cooperation for special projects but are mainly self-funded (user fees). The best known of them are openly inspired by feminist thought (or gay rights) and concentrate in reproductive and sexual health and/or HIV-AIDS.

The Nicaraguan Social Security Institute (INSS) receives monthly payments from employers and employees within the formal sector of employment. The social security insured employee can then enrol her/himself into any of the private healthcare provision centres (*centros previsionales*). These provision centres may be totally private, or run by state institutions as private companies (the largest one in the country, with 40,000 enrolled persons, is owned by the Armed Forces), or located in public hospitals as separate sections for private and INSS funded healthcare. The original idea in the 1990's of allowing the construction of provision centres within public hospitals was to tap resources from the social security insurances and thus improve the service at public hospitals. This 'privatisation' of healthcare was denounced at the time by the largest trade union of healthcare staff, FETSALUD (Sandinista dominated) and was an issue in a long strike organised by healthcare staff in early 2006, due to the arrangement's negative consequences, including increased corruption. As a result of the strike, the private healthcare provision centres were suspended at public hospitals; but they have not been officially prohibited and some hospitals may still continue their operations.

Public healthcare under the Ministry of Health (MINSAL) consists of health centres (*centros de salud* and *postas de salud*) in each of the country's municipalities. Depending on the size of the municipality, the health centre's activities are supported by several *postas* outside the urban municipal centre. The centres and *postas* are involved in the first level of medical attention, from preventive care (vaccines, information, pre and postnatal review) to basic curative medical care (at the most, very small, superficial surgery). All more severe cases are referred to the regional hospitals, and eventually from there to national specialised hospitals, located in Managua. Administratively

the municipal health centres are under MINSa, not the municipal governments. At the departmental level, the administration of healthcare is carried out by the 17 administrative centres, SILAIS, one for each department and autonomous region. All procurement is done centrally in Managua for reasons of economies of scale; and the distribution of supplies among municipalities is also done at MINSa in Managua on the basis of population statistics and regional epidemiologic specificities. While some municipal healthcare centres receive their supplies directly from MINSa, for the more remote ones the supplies are delivered through the SILAIS. Health centres and the *postas* do not (or are not supposed to) handle money.

Public healthcare in Nicaragua is strictly avoided by those who can afford private hospitals and those who have stable employment in the formal employment market (public and private). While not all persons with a formal employment contract are well paid, the probability of being poor increases in the informal sector, which is by definition not covered by any insurance. There is a large difference between the percentage of Nicaraguans with stable employment ('fully occupied in economic activity' 40% of the economically active population) and medical insurance coverage (12% of total population). This is explained by the fact that those occupied in rural activities and the self-employed do not enrol in the public insurance scheme. Even a large percentage of holders of stable jobs do not want to be enrolled in INSS because they are supposed to contribute to the insurance (the dominant rationale in Nicaragua: minimise risks in the short run at the expense of long-term risks).

Concerning the financial administration of public health, the central administration of the Ministry (MINSa), together with its de-concentrated regional administrative offices (SILAIS), is integrated in SIGFA. But as the SILAIS are not all connected on-line, the information concerning them is taken manually from the provinces to Managua and entered into the system there (SARED 2006). This constitutes a significant gap in the financial management and accountability of the health sector in Nicaragua. Since 2005, a sectoral programme in support of health (in which Finland participates as a donor) has allowed for the foundation of a unit of internal control and audit at MINSa central. The new unit, with its eight employees, is understaffed (interview, MINSa) and is only able to exercise control in follow-up of complaints; and, physically, in Managua where supplies and medicines stolen from MINSa tendering lots, clearly marked with MINSa labels, are regularly confiscated from marketplaces.

The local level healthcare centres and *postas* are understaffed, a reason why effective control of supplies is impossible (interviews, provinces). According to interviews in the field (directors of a SILAIS and a hospital), the health system provides only 40% of the staff that would be required, while the coverage of needed supplies ranges between 70% for hospitals and 85% for health centres. The reason for this is that public health facilities are not allowed to hire more personnel or fill vacancies, in order to

maintain macroeconomic discipline (limitations on public expenditure on recurrent costs) whereas investments, such as supplies, are not limited to the same degree. The estimate of the medical staff concerning supplies coverage may be optimistic; a survey carried out by Zambrana (2006) using the Community Qualification Cards placed the average coverage at 50%, with regional variation between 20 to 96%. A further problem connected with supplies is the outdated population figures handed out by the National Institute of Statistics and Census (INEC) and used by MINSA in designing the list of supplies and quantities delivered to each health centre. Especially in areas of strong internal immigration, the difference between official and real figures is demographically significant.

The study team visited a health centre in a departmental capital in Central Nicaragua and had access to data, readily provided by the administrative and medical staff. The total budget allocated to this municipal healthcare centre in the MINSA accountancy is NIO 2 million (about EUR 90,000) a year for all non-wage expenditure. The yearly number of medical visits to the health centre is about 48,000 (based on statistics of October 2006; 4,000 a month<sup>12</sup>). This means that the average running costs (excluding salaries but including supplies and medicines and all other running costs properly speaking) per attended patient is less than NIO 42, that is, less than EUR 1.9<sup>13</sup>.

The healthcare centre's staff has chosen several survival strategies to cope with scarcity, and some of them may be (mis)interpreted as corruption in some instances. When supplies of a given medical item, such as sterile gauze, or a given medicine, run out, an exchange is made with other municipalities' health centres against some supplies that still are abundant. In order to save fuel in patient transportation (in fact, there is no budget for patient transportation to hospitals), the health staff coordinates with other authorities to transport patients in police vehicles or takes advantage of the visits to remote areas or to the capital city, of other central government authorities or (donor-funded) project staff. Voluntary contributions are collected in order to purchase e.g. gel for ultrasound equipment or for cleaning products<sup>14</sup> for which there is no budget from MINSA/SILAI; and when writing a prescription for a drug, the patient is asked if she/he could afford to buy it from a pharmacy instead of receiving it for free from the health centre.

Within the compounds of the healthcare centres, there are also special attention units for chronic patients whose medications come directly from MINSA-Managua and are not included in the health centre's budget. The national association of chronic

<sup>12</sup> These figures do not include chronic patients' visits but only acute cases.

<sup>13</sup> November 2006 exchange rate EUR-NIO was EUR 1 = NIO 22.168. For comparison, a middle class home with electric appliances (TV, laundry machine, refrigerator, iron) but without air conditioning or water heater may have to pay NIO 1,000 or more for electricity monthly. In case of active use of air conditioning the cost of electricity may rise up to EUR 200-300 a month.

<sup>14</sup> The healthcare centre reported that during the previous year the regional SILAIS had supplied them with two (2) broomsticks and a total of 6 gallons of cleaning product, which were meant for use by the health centre and the seven *postas* within the municipality, together.

patients has a pharmacy within the special units. It was mentioned that people may get confused with this arrangement and think that the healthcare centre is selling drugs when, instead, it is the chronic patients association that sells the medications.

Despite what will be said below about corruption in public healthcare in Nicaragua, the general impression, based on fieldwork visits and earlier personal experience of public hospitals or health centres, also in other Latin American countries, is rather positive. Especially the very special dedication of health staff could be perceived; the attitude of care and dedication still survives from the 1980's when MINSA was known to be the best organised ministry within the Sandinista government, and one that worked with the spirit of crusaders or missionaries against disease. The efforts of prominent (Sandinista) women at the head of MINSA in the 1980's can thus still be seen and felt in the spirit of nurses and doctors at local, basic healthcare level.

## 6.2 Municipal government

According to the Law on Municipalities, the tasks of local governments are: garbage collection, maintenance of parks, cemeteries and streets; administration of municipal slaughter house, market place and cattle brand registry; civil registry, maintenance of inter-municipal roads and access roads to villages and hamlets outside the urban centre, water and sanitation (together with the national company ENACAL), promotion of culture and recreation, and promotion and conservation of the environment. The municipalities also hand out permits to commercial establishments, transport companies and other businesses, and have since 2006 had the right to give permits of natural resources exploitation. The municipal law also authorises the municipal government to take care 'of any other matter to increase the well-being of its citizens'.

The main revenue for the municipalities is the real estate tax (*impuesto a bienes inmuebles, IBI*) which taxes landed property. The tax per unit is defined by a central government agency (Institute of Territorial Studies, INETER), and varies according to the location of the property, if there is a road connection, the quantity and quality of infrastructure built on the property, and other facilities (electricity, water, sanitation). The idea is that those who have more pay more; the unit tax per square metre for a house with a mud floor and no running water is lower than for a mansion with all modern appliances and comforts. The second important source of income for municipalities is the cattle brand tax.

When a rancher registers his brand iron, he pays a tax on each branded head of cattle, and again a slaughter tax per head of cattle. Some income is had from commercial permits, especially in larger towns this is important, but in smaller municipalities informal trade produces very little for the local government. Other sources of municipal income are administrative fees for civil register (birth certificates, certificates of civil



state), use of grave yards, and registering changed ownership of landed property.

The only instrument to enforce due payment of real estate tax is the so-called Municipal Solvency Law (2004). It means that, in order to carry out any procedures at the municipality (for instance, registering land purchase or a birth), the citizen has to have a certificate of 'solvency', that is that he/she has paid their taxes and has no debts to the Town Hall. This Law is rather new (2004), and its application is so far facultative in the municipalities; not all of them are willing to implement the Law for political reasons – for fear of losing votes if they charge taxes. There has also been some reticence among municipal authorities to expand the land register, and the consequent real estate tax, to rural areas where the large landed properties are, some of which belong to the very same municipal authorities. However, the land register could be a powerful instrument of citizenship building and the formation of mutual accountability between citizens and the local government, and in municipalities where it has been properly implemented, the improvements in infrastructure, urban maintenance and citizen participation etc are visible.

The most significant external source of funds for the municipalities is the budget transfers from the Central Government to the local governments. The law concerning the transfers dates from 2003: it came into force and began to be applied in early 2004. According to this law, a certain percentage (4% in 2004, 7% in 2006) of the state's internal tax revenue is channelled to the municipalities. For calculation purposes the municipalities are divided into 8 categories (A = Managua, B = León, C = Granada etc); Managua the capital is left out of the calculations of allocation of the funds<sup>15</sup>. The calculations take into account four factors in equal proportions: total population, poverty index, municipal revenues and budget. This means there are incentives for revenue collection and efficient budget implementation, and an element of redistribution (the poverty index). In order to accede to the transfers, the municipal governments have to have a budget and an investment plan approved by the municipal council and based on the municipal development strategy drawn up in consultation with the population, and to have approved and closed the books of the previous year's accounts.

In spite of some initial difficulties in getting the budget transfers to run smoothly<sup>16</sup>, the law on budget transfers has in effect been a practical revolution for the municipalities, especially the smaller (and poorer) ones. Not only has their income multiplied, by a factor of 30 in some cases, their own revenues have increased by 18% on the average over the period from 2003 to 2004 (with variation from a negative growth in

<sup>15</sup> There is a fixed 2.5% allocation to Managua over the total percentage of transfers (that is, 2.5% out of 7% in 2006). Before the transfers started, Managua alone represented 53% of the total of all municipal budgets in the country.

<sup>16</sup> An example: many municipalities did not have bank accounts, and the government authorities had to negotiate a special deal with banks concerning the right of the municipalities to open bank accounts without initial savings, in order to be able to receive the budget transfer.

a few cases, up to a 280% increase in some municipalities; UNDP-INIFOM-GTZ 2004). The municipalities have had to learn accountancy, and to keep the Ministry of Finance informed of the municipal financial situation. A joint effort to audit all municipalities in 2005-06 was signed between certain donors (including Finland) and the Court of Auditors in 2005, in the context of FONIM, a multi-donor basket fund for direct budget support to municipalities, channelled through the mechanism of the budget transfers, but usable for investments only. The results of the audits were not yet available at the time of fieldwork.

The transfers also serve as cost-sharing for attracting other external projects to the municipalities. Those municipalities, on an individual basis or jointly with neighbouring municipalities, which take the real estate tax seriously have contracted tax collectors who are rewarded with a set percentage of taxes collected.

The Ministry of Finance and Public Credit (MHCP) supports a national real-time on-line system of municipal transfers and their execution, which is accessible to authorised users, TRANSMUNI. The municipalities have so far used seven different accountancy systems – each introduced and funded by different donors – that since 2005 are being integrated into one system, compatible with SIGFA.

Though the administrative capacity of most small municipalities is weak, and overall fiduciary risk is medium (DFID 2005b), there has been credible and significant progress in municipal public finance management and accountability over the recent years (idem.). The national chapter of Transparency International, Civic Group *Ética y Transparencia* (T&E) carries out every four years a survey on municipal transparency, and recognises the efforts of many local governments to improve transparency and fight corruption (interviews, T&E<sup>17</sup>). According to a study by the Central American University (UCA) in 2004, for the majority of the population, municipal governments are doing a better job than the Central Government when it comes to preventing and fighting corruption (quoted in DFID 2005b, 4), in part thanks to the active participation of civil society. The most recent survey (Government of Nicaragua 2006) confirms this tendency except for the capital city, Managua, where perceived corruption has risen significantly between 2003 and 2006.

In mid-2006 the Nicaraguan Parliament approved a new strategy for decentralisation and local development. The present status of the legal implementation of this strategy at the sectoral level (health and education) is unclear due to the change of government. As a theoretical starting point, it should not be forgotten that decentralisation implies the widening and multiplication of access points to political power; therefore it can multiply access points to corruption by opening windows of opportunity (Lalander 2004) unless other measures to control misuse of public funds are simultaneously taken.

<sup>17</sup> The 2006 version of the survey was not yet available in November.

## 7. Corruption in Public Healthcare and Local Government in Nicaragua

### 7.1 Description of corrupt practices by category

The following gateways to corruption should be taken as potential windows to corruption, not that all these gateways always materialise, or that they are found in all places; yet all of them were reported in the interviews during fieldwork, as first or second-hand information. The information is based on interviews and relevant documents, and the frequency of these practices can only be assessed on the basis of this anecdotal evidence, sometimes supported by surveys carried out on the subject of corruption in Nicaragua. The categories of corruption are taken from the Utstein Group (U4).

Bribery is the first and most visible form of corruption; and in many contexts corruption is wrongly equated with paying bribes. Bribes always imply some form of material benefits for the person in the position of power, but these need not be monetary; instead, it can be a question of a sexual favour, reciprocal exchange of favours, or rewards in kind.

In the Nicaraguan public health services, the very common practice of asking for payment for supposedly free medicine can be understood as a bribe. A nurse can, for instance, tell a hospital patient that a medicine is out of stock, but 'she can buy it' if she is given the money. No cases where a pregnant woman would have been asked for a bribe in order to get a bed or to be attended in a maternity hospital were reported; but the *post partum* treatment given after (and possibly during) delivery may be different if the relatives bring the nurse or doctor a reward, monetary or in kind. Hospital guards ask for a 'tip' (a bribe) for letting relatives in out of official visiting hours. The case of a patient's relatives bringing a gift for the nurse is active bribery and often happens before or without the nurse having asked for such a reward. The personal motivation of the relatives is to show gratitude for the care given to their family member, but they also expect better care thanks to the reward; therefore technically speaking it is active bribery, albeit well-intentioned.

In municipal governments, an employee can ask for extra money in addition to the registered official fee, in order to 'speed up' a procedure, or to make a service possible, although in the field interviews the magnitude of this practice was not deemed to be very widely spread. It appeared only once, in the context of land registering. Bribes can be asked for in the context of procurement, whereby authorities get a reward for favouring a certain bidder in the tendering process, although this is only one of the possible forms of flawed procurement. A curious method of corruption that is perhaps best classified in the category of active bribery (offering of bribes) was the fact

that mayors representing a certain political party (PLC) refrained from collecting real estate taxes during the year of national elections, in the expectation that this would thereby earn votes for their party. In addition to flawed procurement, this very specific form of active bribery is the only one that would have a significant impact on municipal finances in the localities visited, due to the formula of calculating budget transfers from the central to the local governments.

For a doctor, the prerequisite to be able to demand a bribe is a certain monopoly position of power. A bribe for a service or a medicine is possible only because the patient has no other option, usually for economic reasons, and because of the asymmetry of information between a doctor and a patient prevailing in health services. This is the reason why a bribe is sometimes difficult to distinguish from extortion and illegal payment; a bribe as such is a kind of illegal payment in plain terms. Especially in health, where the question, in the ultimate instance, is about life and death, asking for a bribe can often be interpreted as extortion: pay or perish. Here the threat is posed *a priori* not by the attitude of the medical doctor, but by the urgency of the situation. According to the interviews, it seems to be a common practice of Nicaraguan medical doctors to demand a bribe, especially in urgent situations, such as a need for an immediate operation.

No cases of embezzlement or fraud in the health sector were reported during the fieldwork, although in the case of supplies it is difficult to distinguish fraud from theft. For municipal administration, a modality of embezzlement *cum* fraud was reported, that of an employee registering a lower figure for taxes or fees paid than what she/he indicates in the client's receipt, and pocketing the difference.

In the public health services, theft seems to be a widespread, common and methodical practice, with significant economic and health consequences for patients, especially women who are the majority of patients in the public healthcare system. Medical doctors 'borrow' equipment (ultrasound, x-ray, for instance) from public hospitals for their private clinics, and supply their private medical practice with medicine and other supplies from public hospital dispensaries. Sometimes nurses are used by doctors to carry out the theft; in these cases there may be extortion implied under the threat of dismissal. Nurses may also steal medicines on their own initiative and sell them to pharmacies (normally) or individual patients (more commonly under the form of a bribe). Car drivers steal and sell fuel from official vehicles for personal profit, especially at the central level at MINSAs. A conservative enlightened guess about the losses due to theft from the yearly health budget allocation designated for procurement of supplies and medicine is 20% (at least 5% but probably not more than 50%). Uncoordinated donations may contribute to theft. A first-hand personal experience was reported by a donor representative, a medical doctor by training, where two ultrasound machines were donated simultaneously to a departmental hospital by two

different donors, after which a medical doctor took one of them to his private practice (interview, Managua).

The extent and frequency of theft suggests that the appropriation of supplies and equipment is well-organised and enjoys, if not directly at least silently, the approval and complicity of higher managerial levels who turn a blind eye and thus could be considered negligent in their attempts to control the situation. According to a survey (Government of Nicaragua 2006), the situation is worst in Managua, where the specialised hospitals dealing with the most difficult diseases, and the main private clinics are situated, and where there are ample opportunities for medical doctors working in public hospitals to carry out private practice in their spare time, in contrast to the countryside where no private clinics exist.

Another common practice of medical doctors in Nicaragua could be called indirect theft: public hospitals are used for attending and operating on private patients without paying compensation (rent) to the hospital administration. The reported cases are difficult to distinguish from illegal payments and extortion, because the doctor asks for a fee to carry out the operation right there at the public hospital, often only in emergency cases. Here also, the complicity and tolerance of colleagues and the hospital administration are needed to be able to use public establishments for private care.

Theft of paid working time is called absenteeism. According to fieldwork findings, absenteeism seems to be relatively widespread in both local government and health-care. Geographical dispersion of municipal service points (depots, different offices) makes it difficult to control absenteeism. In the public health services, absenteeism of medical doctors takes the form of early departure for private practice, or the dedication of working time to the semi-private medical provision centres operating within the premises of public hospitals instead of attending patients in the public section. In these cases, absenteeism may have fatal consequences for patients; a death of a woman in labour was reported during the interviews due to medical absenteeism (and a strict sanction – loss of licence for life – for the absent doctor).

In regard to the frequency of illegal payments, according to the above mentioned survey, based on a geographically representative sample of 6,043 persons and commissioned by the Government of Nicaragua and carried out in April 2006 (Government of Nicaragua 2006), 'undue payments' were paid by 11% of those who used the public health services in Nicaragua, down from 28% in 1998 and 17% in 2003 (regional variation from 5 to 15%; the highest rate 15% was found in the capital city). One fourth (24%) was given a receipt for the payment, which means that 76% of patients who made undue payments did not get a receipt. At municipal town halls, the percentage of clients who paid for services went up from 19% in 1998 to 33% in 2006, and of those who had paid, the percentage that did not receive a receipt for the payment went down from 25 to 17% (i.e. the great majority of them did get a receipt),

while the perception of corruption in municipal governments fell by 12 percentage points from 2003. Most probably this apparent contradiction reflects the fact that since 2004 the municipalities have to register their own revenues in order to have access to the central government's budget transfers, and that most of the payments were in fact regular fees charged for administrative procedures.

According to the fieldwork, not one anecdote suggested that favouritism (cronyism, nepotism) is practised in appointments at the public health in Nicaragua, which of course does not mean that it does not exist. What this lack of reported cases or anecdotal evidence of favouritism among healthcare staff may mean, instead, is that favouritism may be mitigated by the technical and professional requirements that must be met for appointments in healthcare. Those who are preferred through favouritism must at least have the professional qualifications for the post. However, favouritism was recorded in the access to care. For instance, the health oriented NGO visited by the research team, can call upon sympathetic (female) medical doctors working in the public health sector to give preferential treatment to patients sent by them. Here the role of networks of social capital is important; and this favouritism obviously discriminates against those who do not have access to these networks of social capital.

Whereas the public health sector seems to be relatively free from favouritism in appointments, there was abundant anecdotal and documented evidence of favouritism in the local government. Favouritism is manifest in the distribution of resources (e.g. in procurement) and in giving jobs to family members, friends and political supporters of decision makers – often as a sign of reciprocal gratitude for favours given (interviews Nicaragua, provinces). In the Nicaraguan political system, in contrast to the health system, on all levels from central government to municipalities, favouritism in the form of clientelism is institutionalised. Up until recent years (2005-2006), a new administration brought a shift in all employees and government officials from the highest level down to the janitor and guards, seriously affecting institutional memory, and therefore also the municipality's development perspectives. Only as of 2005 is there a legal obligation to maintain in their functions municipal employees whose posts are not deemed political, but this law is widely violated and technical staff positions are assigned to political sympathisers. Luckily, however, the times are over when the previous municipal authorities left only an empty town hall stripped of all mobile goods when leaving office (reported in interviews). Cases of nepotism were also recorded during fieldwork. Some municipal governments even presented cases of 'reverse' favouritism. This curious, almost folkloric, political favouritism consisted of using the municipal geodesic-cartographic service and real estate tax to financially 'punish' political opponents; only political opponents' ranches were surveyed and mapped, and fully taxed.

State capture, that is, the bending of state laws, policies and regulations by private

interests or individuals to their benefit, is not always external, and does not always take the form of bribes or other transactions falling under the definitions of corrupt practices. State capture is so destructive and intractable precisely because it can take place legally. Two suspected forms of state capture were found. In Nicaragua there is no earmarked tax on alcohol, contrary to the practice for tobacco products, while traffic accidents and machete fights, closely linked with alcohol, are the main contact points of adult males with the public healthcare system. This is interpreted by interviewees as a result of the political influence of the quasi-monopoly of production of beer and rum by a very influential person in the country as a favour in exchange for elections campaign funding. Another probable form of state capture, denounced by health worker's trade unions and pointed out by the Pan-American Health Organisation PAHO (OPS 2006), concerns the reference prices of medicines and pharmaceuticals registered by the Ministry of Industry and Commerce (MIFIC). The Ministry registers reference prices, below which drugs may not be sold, for imported drugs by their unit price without taking into account economies of scale (the real price paid to the manufacturers by the companies). The pharmaceutical companies are then allowed to charge a maximum 33% margin on top of the reference price, which makes imported medicines very expensive and negatively affects household economies and puts people's health in jeopardy.

State capture and other forms of political corruption are not necessarily connected with bureaucratic corruption. One can imagine a situation in which there is political corruption among elites in a country without significant bureaucratic corruption (as in some European countries), and *vice versa*. But in practice, political and bureaucratic corruption are closely connected in that the more there is leakage from, say, the health budget, due to political corruption (state capture), the more there are incentives for bureaucratic ('petty') corruption at the lower end of the supply chain of health services: the shortage of supplies and personnel creates incentives and windows for corruption, and officials steeped in corrupt practices at the lower administrative levels are not likely to give up being corrupt when promoted (Nissen 2005). Furthermore, corrupt practices as such operate through networks of social capital, and even a petty bribe, by definition a deal between two persons, can form part of a larger corrupt system of 'commissions' that reach higher administrative levels. For this reason, political and bureaucratic corruption should not be viewed as independent from each other: corruption at the lower ranks is the result and consequence of corruption at the higher levels (Karstedt 2001). The less medicine that can be purchased with the state budget for health, the greater is the temptation to demand bribes in exchange for access to medicines. In both sectors, healthcare and municipal government, it was found that a greater proportion of funds disappear at the higher end of supply chains, and at the local level of health centre, there is very little left to extract. Additionally,

an individual employee at the town hall has much more limited possibilities to take advantage of corrupt practices than, say, the mayor and council members.

The health sector is especially prone to corruption, primarily because of the imbalance of information that prevails between doctor and patient, and between pharmaceutical and medical companies and the persons in charge of procurement of medical supplies. Other reasons for the corruption-proneness of the health sector are the uncertainty in health markets and the complexity of healthcare systems in which the large number of parties involved and the opaque relationship between suppliers, care providers and policy-makers enable all manner of chicanery. Due to its specific nature, healthcare presents, in addition to the 'normal' categories, also special types of corruption not found in other sectors of public services. (TI 2006).

All the major types of corruption in hospital administration specific to the sector as listed by Transparency International (TI 2006, 50) were found in Nicaraguan public healthcare: insurance fraud, illegal referral arrangements and inducement of unnecessary medical procedures. In addition to the cases mentioned here, high officials of the Health Ministry in Nicaragua suspect the national pharmaceutical companies of cartel formation in the tendering process of procurement of supplies. While cartel formation may not be formally illegal in Nicaragua, it means that less supplies and medicines can be purchased by the public health budget, thus creating incentives for corruption at the level of health centres and hospitals. At the same time, this is an indication of the difficulty of applying procurement laws in non-perfect market conditions; there can be no real competition in tendering when there are only two or three pharmaceutical companies in the country.

Concerning insurance fraud, the situation seems more complicated than suggested by Transparency International. Fieldwork interviews depicted something that might be called 'reverse' insurance fraud, rather than the more common type of insurance fraud known in the industrialised countries consisting of over-billing. In Nicaragua there are negative incentives against over-billing built into the social security healthcare coverage: the way healthcare provision centres receive funds from the national social security (INSS) is constructed so that the less they bill the INSS for care given to the covered patient, the more resources per insured person they receive. The consequence is that the expenditure incurred for patients covered by social security is not billed but instead, is informally 'charged' upon public healthcare by the way of theft of supplies, time and other resources from public hospitals.

Another common practice at public hospitals, though technically not defined as corruption, is not to bill insurance companies for care given to traffic accident victims covered by the compulsory civil liability insurance. It was reported that traffic accident victims are always automatically taken to public hospitals even when a private one is closest, and when the civil liability insurance would cover the medical care received at



private hospitals. It is possible that this practice is due to the recentness of the existence of traffic insurance in the country. Due to these practices, the public healthcare system has become, as it were, 'petty cash' for private and semi-private social security and health provision, readily there for ransacking.

A third specific category found is illegal referral arrangements. When a doctor prescribes a medicine which is either not in stock or not included in the official list of medicines provided by the public health service, he can refer the patient to a certain pharmacy to purchase it. According to end-user interviews in Managua, this happens in about 50% of the cases whereby it can be suspected that there are some 'arrangements' between the doctor and the specific pharmacy. A very common practice is to refer patients from public healthcare to private clinics. A special corrupt practice difficult to classify (theft? fraud? malpractice? or all of them?) was reported in an interview with a medical doctor: practitioners steal medicines from public hospitals, sell them to private patients who can afford to pay and hand out, free of charge, falsified or diluted medicines to poor patients.

The last and most dramatic corrupt practice found during fieldwork is the inducement of unnecessary medical procedures of which one reported and confirmed case was found (false hysterectomy). Another case was recorded during user interviews: a woman reported that she had discovered that her ovary had been removed during what was supposed to be a simple appendicitis operation many years earlier. The cases in this category are sometimes difficult to distinguish from plain medical negligence or malpractice. This is the most dramatic expression of corruption, because it potentially damages a person's physical integrity, her/his most important capability *sine qua non*. Due to the anatomic specificities of women, this corruption also affects the female more than the male population. The impact of unnecessary medical procedures on poverty may be significant; above and beyond this, physical integrity does not have a price. No evidence of traffic in organs was recorded, despite the rumours which circulate in various other Latin American countries.

The fact that several of the internationally known categories of corruption, most of them sanctioned in national legislations, are not directly reflected in the concrete forms of corrupt practices poses a problem for their prosecution. The concrete reality of corruption is more complicated than supposed by the anti-corruption legislation. A detailed study on corruption in each specific country would be needed as the basis of new legislative models to enable proper prosecution.

The gateways to corruption are summarised in two tables at the end of this country case study on Nicaragua, following the List of References.

## 7.2 Impact of corruption on poverty

On the basis of the fieldwork, no overview of the total impact of corruption on Nicaragua as a country or on individual household poverty can be made. The topic would demand a complex econometric study assessing investments made possible by extracted wealth through corruption, itself very difficult to study. In the specific country case of Nicaragua, it can be supposed, however, that only a part of illegal gains from corruption is used for productive investments.

Instead corruption can inflate profits of international banks, travel agencies and airlines, and fiscal paradises, and/or be used for conspicuous luxury consumption, with a negative impact on the external balance of payments. On the other hand, the impact on poor households' economies can only be estimated on the basis of surveys and the figures such surveys provide.

For analytical purposes, an attempt will be done to divide corruption into two categories in order to better see its impact on poverty. First, some forms of corrupt practices affect public expenditure and the capacity to deliver public services; others have a direct impact on the household economy of end users of public services. The first category includes practices such as state capture, theft of supplies, absenteeism and embezzlement of public funds, creating an environment of scarcity in public services and thereby introducing incentives for the second category.

The second category consists of bribes, extortion and illegal payments that do not affect public expenditure but drain resources directly from users of public services. Bribes and illegal payments are the forms of corruption that directly affect women and the poor, although there is evidence that wealthier people may pay higher bribes than the poor because the bribe is a result of a negotiation process. In the special case of Nicaragua, these two categories cannot be empirically or conceptually separated from each other, however, because e.g. what is lost by theft, the most common category of corrupt practices in the public health system, has to be paid for in cash by patients.

On the basis of the fieldwork in Nicaragua, an effort was made to quantify the resources lost from the government's health budget due to theft in the course of the delivery chain of medicine and supplies, in spite of the fact that none of the interviewees would dare to suggest any percentage of loss due to corruption. The total annual amount for procurement is roughly USD 20 million (interview, MINSA). If a hypothetical 20% is lost due to theft of medicine, equipment and other supplies, this represents fewer supplies to deliver to patients to a value of USD 4 million.

Furthermore, the important point is that the amount of resources lost due to corruption is transferred from the poor users of public healthcare services to the pockets of the 2,000 medical doctors and 1,500 nurses in the service of the Ministry

of Health<sup>18</sup>, even without taking into account that medical staff may sell the stolen supplies at a price higher than the original purchase price paid by MINSA. The 20% used as the basis for calculation may be a very conservative estimate, indeed. According to Transparency International (2006, 25–47), many public expenditure tracking surveys (PETS) carried out by the World Bank and other organisations on social sector expenditure have found leakages of up to 70 to 80% in health and education, meaning that the great majority of non-wage expenditure does not reach the level of the individual public service facility.

It has to be underlined here that the end result of the corruption affecting public expenditure for provision of services has a similar effect on women and the poor as do cuts in budget allocations due to political decision-making. Therefore, many of the negative impacts of budget cuts in health, as listed by the EU Toolkit for Gender Mainstreaming (EC 2005, 61), as putting an increased burden on women's time, namely: queuing in clinics; decline in health status in families and communities; reduction of women's time for paid and productive work or work for communities; reduction in agricultural production; and reduction in tax revenue for the government, all these are the *same* negative impacts which result from the impact of corruption on health service delivery through theft of supplies and absenteeism. On the basis of fieldwork in the Philippines, Azfar and Gurgur (in TI 2006, 38) found that a standard deviation (10% increase) in corruption reduces the immunisation rate by 10–20%, increases waiting time in clinics by as much as 30%, decreases user satisfaction by 30% and reduces the odds of completing vaccination by a factor of four. Furthermore, a multiple regression analysis carried out in Eastern and Central Europe found a correlation between corruption perception and a bad health situation in individuals, even after controlling social variables (Rose in TI 2006, 39–43): the conclusion is that *“corruption is bad for your health”*.

For Nicaragua, it has been estimated that national assets worth USD 4.9 billion were lost between 1990 and 1999 due to grand (political) corruption, corresponding to ten times the annual State Budget of 1999 (Vargas 2000). It is useful to compare this figure with the figures for monies paid due to bribes. According to the Global Corruption Barometer 2005<sup>19</sup> of Transparency International, 5–10% of Nicaraguans had paid bribes during the 12 preceding months, a figure close to the one found in health centres by the Government's survey in 2006 (11%). In the Nicaraguan health-care sector, resources transferred annually from patients of public healthcare centres (excluding hospitals) in the form of 'undue payments' can be calculated to be (at least)

<sup>18</sup> In Latin American countries, the nurse-to-doctor ratio is skewed, which is one of the forms of institutionalised inequality. In Brazil there are 10 doctors per nurse (ratio 0.1), in El Salvador 5 doctors per nurse (0.2), in Venezuela 2 doctors (0.5) per nurse etc. Only in Cuba (1.7) and Guatemala (2.5) is the nurse-to-doctor ratio similar to established market economies (2.1). (Franko 1999, 356, based on World Bank figures).

<sup>19</sup> The latest of 2006 does not include figures for Nicaragua.

Euro 1.74 million<sup>20</sup>. If the figure given by the survey quoted previously (Government of Nicaragua 2006) is correct, we must ask if the individual bribe which amounts to c. NIO 50 is significant or not? For the poor Nicaraguans it is: a significant proportion of them have to live on less money than that each day, as the figure corresponds to one day's salary of unskilled workers, and even a slight rise of the local bus ticket from NIO 2 to 2.25 gives rise to demonstrations. The amount of NIO 50 corresponds to one-sixth of the monthly consumption margin for extreme poverty (NIO 330). Especially in the case of families with large numbers of children and frequent visits to health centres, the illegal payments represent a financial burden, even if only about 10% of these families would be affected.

The amounts paid in hospitals would be considerably higher. In the case of bribes or undue payments for an operation, the amounts paid as reported by interviewees varied from USD 100 to 300, often bargained down from the initial sum demanded. Unfortunately no information exists on the frequency of illegal payments demanded in hospitals in Nicaragua; anecdotal evidence suggests that it is a larger problem there than in healthcare centres, due to multiple windows of opportunity. If we assume for simplicity's sake that the proportion of patients paying illegal fees is 10% of the 120,800 surgical operations done annually in public hospitals (Informe de Gestión 2002-2006 of MINSA), and take the average bribe of USD 200 as the basis of calculation, we get the figure of USD 2.4 million (approx. Euro 2 million) lost from the population to the pockets of medical doctors and possibly to other auxiliary staff.

In local government, flawed procurement processes are an important source of leakage from the budget allocation for investments. Corruption in procurement takes the form of bribes to decision-makers, or illegal commissions, by peddling influence and favouritism. The result is overpayment of goods and contracted services, and infrastructures and services of poorer quality and lesser quantity. A significant monetary impact of corrupt practices in these fields was also found in the indirect bribery in Nicaraguan municipalities of not collecting real estate tax during the electoral year; this will have important repercussions for municipal finances in the coming years due to the formula of calculating central government's budget transfers.

Whereas the corruption affecting public expenditure has an indirect impact on household economies and poverty (by creating incentives for grassroots level corruption and by overpayment of goods, diminished investments, diversion of public projects to unproductive fields, etc.), petty corruption has a direct impact on the poor households. But in Nicaragua the primary importance of estimates of bribes paid, or resources lost due to theft or fraud, is that, in the final instance, both categories constitute direct or indirect monetary transfers from the poor to the non-poor, from

<sup>20</sup> When the total number of medical visits is 7.4 million (in 2005) and undue payments are paid by 11%, with the average undue payment being 2.14 euros (NIO 47) (Informe de Gestión 2006, and Government of Nicaragua 2006).

the majority to a privileged minority. Karstedt (2001) uses the ‘reverse cascade model’ of corrupt exchanges: juxtaposed against the hierarchical pyramid of power in business and state bureaucracies, corrupt exchanges and the amount of profits involved cumulate at the top, and elites profit disproportionately from corrupt transactions. Chakraborty et al. (2002, 9) also report in a study on Bolivia that the ratio of official to unofficial income of public healthcare officials is higher at the central level than at the local level.

There is a strong, positive, statistical correlation between corruption and levels of inequality, suggesting that corruption is a source of inequality. On the basis of a sample of 35 countries, all structural dimensions of inequality (income distribution, elite stability and lack of social mobility) are strongly related to the Corruption Perception Index and the Bribery Propensity Index (Karstedt s.d.): non-egalitarian societies have higher levels of corruption as well as a higher propensity to pay bribes. While low-paid nurses and public employees at local level may use corrupt exchanges as a coping strategy (‘salary complement’), a ‘necessary means of trying to meet their survival needs’ (Ferrinho and Van Lerberghe 2002), it should not be forgotten that despite being badly paid, even low ranking government officials and employees are always in a privileged position – just because they can use corrupt practices to their advantage. Corruption can, therefore, be seen as a mechanism that produces and perpetuates social and economic inequality; it constitutes, as it were, a regressive redistribution of resources from the poor to the non-poor. Corruption “*supports, stabilises and deepens inequality within societies*”; it is a system that “*keeps the poor in their condition of poverty by defining relations of dependency, accentuating high social distance and the distinctiveness of powerful groups while setting them apart from lower ranks, and give rise to high levels of uncertainty and mistrust*” (Karstedt 2001).

Corruption, together with the low priority given to public healthcare, can therefore be seen as one of the mechanisms which support and contribute to the maintenance of the dominant social and economic inequality in Nicaragua by transferring resources from the poor to the non-poor, and which reduce the poor people’s capabilities to lead a decent life and to fight their way out of poverty. This is valid not only in the economic sphere but also in the symbolic spheres of social and gender hierarchy. In the interviews, end users emphatically denounced ‘humiliating’ and ‘disrespectful’ treatment from medical staff towards patients (although one end user also had observed improvements in recent years). The explanation most commonly given for such treatment was ‘because we [the patients] are women and poor’<sup>21</sup>.

<sup>21</sup> An anecdote narrated by an end user illustrates this. When she had protested against the demanded bribe and claimed her rights, the doctor had retorted: ‘Who do you think you are; have you gone to the university or what?’

### 7.3 Gender and corruption

When analysing the possible gendered dimension of corruption, the object of study will have to be divided into two: on the one hand, women and men as ‘corruptors’ on the demand side; and on the other hand, women and men as victims of corruption on the supply side. To start with the latter, in the case of the Nicaraguan public health system, there is hard evidence to claim that statistically women are overall directly more affected by corruption than men, while in situations involving local government the reverse is true.

To start with, clients (patients) of public healthcare are in the large majority women, or women with children. The Ministry of Health (MINSa) does not publish healthcare data by sex (Informe de Gestión 2002-2006), but reliable information can be had from other sources. In a study from 1995<sup>22</sup> (MINSa 1996), 7.5% of the total female population had been hospitalised (3.5% of male) during that year, 21.6% of the female population had consulted a medical professional (19.6% of men), and the average number of medical consults per year was 2.1 for women and 1.7 for men. When we consider the fact that male formal employment is superior to that for females in terms of salary and conditions, and thus men are better covered by the INSS insurance and can use private services, these figures suggest that about two-thirds of all patients in the public healthcare system are female (female attendance is double that of male).

According to the October 2006 statistics of the healthcare centre visited by the study team, of the total number of patients (3,973, roughly 4,000), 1,417 were male and 2,556 were female. Counting by age and supposing that among patients under the age of 9 (1,608 in total), male and female children are represented in equal proportions<sup>23</sup> (about 800 each sex), male patients over 10 years of age would total slightly over 600 – compared to over 1,600 women in their reproductive years<sup>24</sup> and older. Therefore, we can claim with some evidence that at least two-thirds of the patients over 10 years of age attending public sector healthcare are female. According to the staff of the same healthcare centre, the proportion of women and/or women with children is 95%; men under 60 often only come into contact with medical care in the context of accidents (or fights, both related to alcohol) (interviews in Managua).

Therefore, from a purely statistical analysis it can be concluded that in Nicaragua corruption in public healthcare affects the female population (and children) more than the male population. By the same token, as only 12.2% of the population has

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<sup>22</sup> The study was not limited to public healthcare services only but included public, private and mixed services.

<sup>23</sup> It is here supposed that the most common children’s illnesses (diarrhoeas and respiratory infections) are not gender-specific and that up to the age of 9 there is no gender bias in getting sick. The month, October, is a representative, average month in healthcare in Nicaragua.

<sup>24</sup> It has to be remembered that the reproductive age of girls in Nicaragua really starts at 10-12 years of age, especially in rural areas.

medical insurance (FIDEG 2007)<sup>25</sup> that comes with formal employment, corruption in public health services affects above all poor women with their children. Women are more frequent users of healthcare services than men, and the female reproductive cycle predisposes women to more frequent and potentially more dangerous interventions than the male reproductive system, increasing the odds for women of the negative impact of corruption and medical negligence. Women are also the ones to take sick children (and elderly relatives) to healthcare centres; women thus are a potential target for extracting bribes and illegal payments in both their gender roles, as caretakers of children and the elderly, and due to their biological sex, as birth givers.

There is evidence from Nicaragua that in municipal administration and in the judicial system bribes are demanded from men more frequently than from women, and that the bribes paid are significantly larger in these systems than in the health system (up to tens of thousands of USD in the justice system). A high perception of corruption in these services was closely correlated with being male (Government of Nicaragua 2006), probably because men as cattle and land owners are the majority of municipal tax payers and engage more often in legal disputes over land ownership in a country with a long history of both legal and illegal land expropriations.

The opportunity structure of corruption is also gendered on the demand side. In public healthcare, especially in hospitals, male doctors are the authors of corrupt practices in five out of six cases sanctioned<sup>26</sup> in 2006 (interview, MINSa), and private practice of doctors on the public payroll is an almost exclusively male domain (interviews, NGO). Their female colleagues combine professional activity with their role as housewives and cannot carry on a private practice in which they could use supplies and equipment 'borrowed' or stolen from the public health system (interview, NGO). This is a clear example of a gendered opportunity structure, and how in some situations the female gender role 'protects' women from engaging in corrupt exchanges.

There is also anecdotal evidence to support the view that corruption, too, is a field where gender roles are performed and gender expectations fulfilled. The general experience of the Nicaraguan women reported in the interviews claimed that women drivers have a lower probability of being asked a bribe by male police officers in cases of traffic infraction, thereby allowing the male officer the opportunity to show his gender superiority through generous gallantry. Further anecdotal evidence, widely shared among all persons met, was that female police officers in Nicaragua are less prone to demanding bribes than their male colleagues; instead, they sign the fine tick-

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<sup>25</sup> According to the draft analysis made by FIDEG (2007) of the Household Livelihoods Survey of 2005, only 1.8% of those who are covered by medical insurance pay for a private medical insurance policy.

<sup>26</sup> These figures may conceal the fact that men in supervisory positions are punished for not imposing sufficient controls in cases where their female inferiors (nurses) carry out the thefts.

et. This may be because of their Catholic gender role of ‘Immaculate Virgin Mary’<sup>27</sup>. For a woman in Nicaragua, demanding a bribe implies a much higher transgression of supposed good behaviour than for a man, and in general girls’ transgressions are suppressed in the gendered socialisation process. Hard evidence from Nicaragua shows that women are a large majority in social audit committees at the municipal and provincial level (interviews and field visits); here the ethic of care is extended from the level of the household to the community level.

The integration of women in the social audit or municipal transparency committees should also be seen from the point of view of networks of social capital. Contrary to what is the case with political parties, the access to these committees is not bound by clientelistic networks but is open to all citizens. In the networks of corrupt exchanges, women as the hierarchically inferior sex in Nicaragua have less social capital, less negotiation power, because the networks are male dominated and require ‘upwards’ accountability. Women have access to these networks mainly by clientelistic relations, such as in the Justice system, and with them, to opportunities in engaging in corruption (and most probably, to obligation to join in corrupt practices in order to retain their job). Another possibility for women is to form all-woman networks such as those created by the health oriented NGO mentioned above which can take advantage of female doctors’ favourable treatment to their patients in the public health sector.

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<sup>27</sup> The idea that female police officers could not be bribed was intentionally launched by the institution in the context of opening the career to women (after the Sandinista defeat in 1990, during the conservative-Catholic presidency of Violeta Chamorro), originally in order to protect women officers from abuse when exercising their functions (interviews, Managua); a similar tactic as that described by Goetz (2003) concerning Peruvian and Mexican traffic police forces. In hospitals, a nurse having stolen a drug may offer to ‘buy’ the medicine for a patient if handed the money, naturally without giving receipt of the purchase; this conceals the transgression against her gender role.



## **8. Conclusions and Recommendations**

### **8.1 Limitations to the anti-corruption strategy**

The Nicaraguan Penal Code is basically outdated; it is based on the Spanish Penal Code from 1870 (Etica y Transparencia 2006) and lacks many contemporary legal concepts necessary to control infractions. Some important modifications, however, have been made. In 2002, a Law on Penal Code Reform (Law No. 419/2002) was approved by the National Assembly. The modification integrated the concepts of international anti-corruption conventions into the Penal Code (bribe, embezzlement, diversion of public funds) (*idem.*). A new Penal Code, entirely reformed, has been on the legislative agenda for 'a long time' but for lack of political will there is no progress in its approval (*idem.*). The Nicaraguan Penal Code does not typify corruption as a category of crime. A further limitation to prosecution is the Constitution, which does not contemplate the possibility of extraditing Nicaraguan nationals to be prosecuted in other countries. Both Panama and the United States have initiated judicial processes against Nicaraguan ex-authorities of the Alemán administration and/or Alemán himself, but as Nicaragua does not extradite its nationals, the processes have remained mainly symbolic although the US repatriated funds of corrupt ex-officials to the Nicaraguan government in 2005.

In 2002 a new Code of Penal Process was approved, which began to be implemented as of 2003 in some courts on an experimental basis. Through the reform, the functions of Attorney General and State Attorney were separated, and State Attorney (representing the interests of the State) was divested of independent prosecuting powers. The State Attorney's Office now has to submit the cases it investigates to the Attorney General, who most often has chosen to use political discretion in selecting which cases to prosecute and which not. The result is that very few persons have been convicted on the basis of corruption charges, and even in convicted cases the convictions have often been overturned in higher judicial courts. The centrality of the figure of Arnaldo Alemán, both before and after being convicted, is emblematic of Nicaragua's problems: the personalisation and excessive centralisation of political parties, the absence of independent prosecutors, the influence of the dominant political parties on the judiciary, and the weakness of sanctions, exacerbated by the pact between PLC and FSLN (Durán 2007). In addition, this situation is unlikely to change in the near future: Arnaldo Alemán was among the honorary guests assisting at the inaugural ceremony of President Daniel Ortega in January 2007.

Even in other state bodies than the executive and judiciary, the grip of the pact is strong. The Court of Auditors is headed by a collegium of five persons appointed by the Parliament. While the independence of political powers is institutionalised in

laws, in practical terms Court judges, the Auditors-General and the Attorney General accept orders from high-ranking politicians. When Pres. Bolaños started his anticorruption campaign in early 2002 against his predecessor Arnaldo Alemán, his party declared itself in opposition to the President, and an institutional 'war' started between the legislative and the executive, seriously compromising efforts to control corruption. The Court of Auditors declared illegal the foundation of the President's Office of Administrative Ethics and Public Probity, and the Attorney General did not prosecute ex-politicians of the Alemán administration, some of whom were elected by the Parliament as members of the regional Central American Parliament, PARLACEN, thus shielding them from prosecution through parliamentary immunity. Prior to the elections of November 2006, there were also suspicions about the use of legal prosecution against possible political opponents, thus preventing them from presenting themselves as candidates (especially the case of Henry Ruiz, ex-Sandinista *comandante* opposed to the pact).

Towards the end of the 1990's, the Nordic countries funded a project for the institutional strengthening of the Court of Auditors. The project was stopped sharply when the Auditor General was arrested and put in jail by President Arnaldo Alemán after he had initiated an investigation implicating the then President. After the Auditor General was released, only one donor, Germany (GTZ), remained in the project at the Court of Auditors. The Court of Auditors has gone through a significant upgrading of professional capacities, and receives citizen complaints at its Anticorruption Office. Between January and October 2006, 127 complaints on corruption charges had been received, of which only a small percentage gave rise to follow-up. The important function of the Court of Auditors in sanctioning committed abuses, not in prevention of corruption in the first place, is overshadowed by many decisions considered 'political' by observers (Red de Probidad 2007, 11).

Nicaragua has a Law on Civil Servants' Probity (Law 438/2002) which imposes a declaration of assets at entrance to public service. However, most civil servants and public employees do not present a declaration of assets at the end their service, and they are not sanctioned for the failure (Etica y Transparencia 2006). In 2007, the new Access to Public Information Act was modified by the Parliament from its original version, and the publication of declarations of assets was made optional. The Nicaraguan Parliament is not an effective check to the use of power; on the contrary, it contributes to the power duopoly of the two dominant political parties. However, as of January 2007, for the first time there is a significant anti-pact minority at the National Assembly.

The almost 'blocked' political system (CINCO 2005) obviously allows plenty of space for other actors to act against corruption. The Nicaraguan press with national coverage has done more than its share in denouncing illegal acts, and civil society

organisations such as *Etica & Transparencia (EyT)*, the national chapter of Transparency International, and others, play an important role in putting forward topics, including corruption, for national debate. A large anti-‘pact’ demonstration in May 2005 was also the first anti-corruption demonstration in the Nicaraguan history. If any merit can be given to the Alemán administration, it was its capacity to increase public consciousness about corruption.

Donor support to anti-corruption strategies is ‘on hold’ for the moment (mid-2007). The Anticorruption Fund is in a bridging phase until December 2007, and the donors are waiting for the Government to present an anti-corruption strategy before assessing the possibility to continue funding the Fund. According to informal personal communications from Nicaragua, the present picture is mixed. On the one hand, the Government has dismissed corrupt civil servants (especially mayors), but on the other, some of them have been appointed ambassadors or consuls in the Nicaraguan diplomatic service abroad. As was shown by the presence of convicted ex-President Arnoldo Alemán in the Presidential Inauguration of Ortega in January 2007, the ‘pact’ continues to be the guiding principle of Nicaraguan politics. As long as it exists, the ‘pact’ is able to prevent further anticorruption measures from being taken, if and when considered tactically beneficial for the dominant political parties to do so.

## 8.2 Recommendations for Finnish support

The recommendations for Nicaragua will necessarily be limited to basic, underlying causes of corruption because after the new government took office on January 10, 2007, new laws are being passed and the institutional scenery is unsettled. Before the presentation of an anti-corruption strategy by the new government, it will be impossible to have the total picture of new policy positions and the new institutional architecture of the Nicaraguan State; consequently, little can be said concerning what approach to take. Some important changes can be envisaged. The new government (Ministry of Education), for instance, immediately (Jan 11, 2007) cancelled the financial decentralisation called ‘school autonomy’ which had given schools the right (or obligation) to find self-funding. School autonomy had been imposed as part of structural adjustments by the international financial institutions, and was felt by the population to promote corruption in the form of undue fees. The same initiative included the training of 1,500 school ‘ombudsmen’ to control the effective gratuity of primary school enrolment<sup>28</sup>. According to the latest reports in the Nicaraguan press, this measure has locally increased enrolment by up to 20% compared to the previous

<sup>28</sup> According to *El Nuevo Diario* of February 8, 2007, teachers’ trade unions protest against the school ombudsmen. In the present political situation in Nicaragua, the post may also be used for purposes other than controlling corruption.

year. This detail, by the way, gives an idea about the extent of the impact of corruption (various illegal fees) on school enrolment (20%), and the potential for poverty reduction in the long run.

In the health sector, the internal control unit of the Ministry (MINSAs) should be provided with sufficient resources to carry out its functions. Similar ‘ombudsmen’ to those introduced by the Ministry of Education could be used to provide for control at the grassroots level and to receive and process complaints, with earmarked funding from donors at the level of health centres and hospitals. Civil society organisations should be actively involved in controlling theft of medicine and supplies. Consciousness raising campaigns should be promoted to inform users of their rights, and health personnel about professional ethics; this could be carried out at the national level by NGOs and the health authorities. A clear separation between public healthcare and private clinics should be made. All SILAIS and hospitals with on-line capacities should be directly connected on-line in SIGFA.

Recommendations may be divided into two: the desirable, and the feasible, within the framework set by the instruments of development cooperation. The former in Nicaragua would make up a long list, starting from party-political capture of state institutions, lack of independence of the judiciary and of other instances in charge of preventing corruption, and ending in an intentionally upheld mistaken conceptualisation of (parliamentary) immunity where the *person* enjoys immunity against prosecution, not his/her actions as elected representative of the people. This has led to immunity being equal to impunity. A law on political parties should be passed in order to oblige political parties to democratise internally, instead of the present system in which representatives are hand-picked by the party leader. The Access to Public Information Act will hopefully bring about improvements, and training and information campaigns about the implications of this Act could be organised. In order for the new decentralisation strategy to bring about democratisation in Nicaragua, the law on elections should be modified to allow for independent candidates (‘suscripción popular’). (For more points still pending in anticorruption, see *Etica & Transparencia 2006*).

Concerning what donors can do, in Nicaragua as well as in Tanzania, it is probably more efficient to direct efforts to the demand side of accountability in the hope that citizen’s demand for accountability and transparency will ‘trickle up’ to the political establishment. A special Nicaraguan feature, perhaps now strengthened by the Sandinista victory in the elections of November 2006, is the ‘mentality’ of cold war and the consequent absolute obedience paid to party leaders, as if one was still on either side of the guerrilla war of the 1980’s. From this perspective, any effort to strengthen people’s individual capacity to decide – and to disobey – will lead to increased openness and transparency and, in the long run, to a reduction of corruption.

Based on the findings of the study, the following areas for concrete action are suggested:

- Concentrate on the demand side of accountability and transparency, namely civil society and the media, at all levels of oversight. The municipal and departmental social audit committees, established following the coming into force of the Law on Citizen Participation, can be effective instruments of stakeholder oversight and can also help improve mechanisms of accountability of elected authorities towards their citizens;
- Develop a more solid methodological basis for social audit. It was noticed during the fieldwork that the social audit methodology used in local contexts may omit some important aspects of accountability. The methodology could be consolidated as a joint effort by civil society organisations: it should integrate a gender focus, for instance in public expenditure tracking surveys;
- In order to promote the ‘closure’ of open networks of social capital, donors could advocate for and support the establishment of end user complaint centres in the context of the sectoral multi-donor programme for health and/or local cooperation funds for civil society organisations (CSOs). Donors and CSOs working together could contribute to further the general awareness of citizens’ rights, and collect information on the quality of service provision;
- The gender aspect should be integrated in all corruption surveys, and in governance indicators used in all instruments of development cooperation;
- All user fees should be visibly posted outside service facilities: it was found that legal and illegal fees get confused in the minds of users of public services, which reduces legitimacy and confidence in service provision and may lead to accountability failure;
- In the absence of real commitment to attack the underlying causes and structures of corruption at the national level, donors can concentrate on the civil society oversight process and on strengthening the anti-corruption institutions developed within government sectoral administration in health and local government; basically this is already being done by Finland in Nicaragua;
- Last but not least, supporting quality public service delivery to everybody reduces the economic and social weight of corrupt networks of social capital controlling access to those services. Reducing corruption in public healthcare services is one means of defending women’s rights in Nicaragua.

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**Table 1. Gateways to corruption in the public health sector in Nicaragua**

| Gateway to corruption  | Who is the beneficiary?   | Sex: majority of beneficiaries (male/female)                   | Benefit for the benefiting part?  | Poverty impact  |
|--|---|--|---|---|
| Cartel of pharmaceutical industries in public tendering  | Pharmaceutical industries at national level   | n/a (in practice, majority of managers may be male)            | Larger margins for pharmaceutical firms   | Increased poverty of the poor because less supplies available   |
| MIFIC registers reference prices for imported medicine and supplies by unitary price, not by economies of scale  | Pharmaceutical industries and import companies  | n/a  | Larger margins for pharmaceutical firms. The companies can sell medicines at the reference price plus a 33% margin although the real price they paid was significantly lower.                   | Less medicines and pharmaceuticals and supplies purchased with the yearly budget; very expensive medicines for everybody, the poor most affected      |
| State capture: Private economic interests have impact on public policy formulation: no earmarked tax for health on alcohol   | The (quasi)monopoly brewing company and distillery  | Affects almost exclusively men                                 | Larger margins for investments  | Public sector pays the expenses of traffic and other accidents and machete fights; investments depleted   |
| Traffic insurance companies not fully charged for care given to traffic accident victims who are automatically taken to public hospitals                                     | Insurance companies, owned by banks   | n/a  | Larger margins for insurance companies  | Public sector health investment depleted, the poor most affected  |
| Unclear and opaque payment structure between public sector/private provider and INSS (social security fund "Medicare"); INSS not charged to full extent of hospital expenses | Social security fund (health and pensions fund)   | n/a  | Public health budget used indirectly to support pensions and 'medicare' fund  | Public sector health investment depleted, the poor most affected  |
| Departments for private attention in public hospitals suspended but not prohibited (after March 2006); under the category of embezzlement of user-fees                       | No conclusive information; may benefit the public sector as well as private medical providers | n/a  | Possibly (as is officially expected) the public sector may benefit (depending on the hospital manager's personal ethics); public resources may be diverted to the benefit of private physicians | Resources drained from the poor to the non-poor, or injected to the public health sector – but inconclusive. No conclusion on the basis of this study |
| Theft of supplies and equipment (moved to private practices)   | Medical doctors   | Majority probably male but female doctors may be involved, too | Larger margins for private clinics  | Increased poverty of the poor in general; because less supplies available   |

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THE CASE OF NICARAGUA

|  |   |  |  |   |
|--|---|--|--|---|
| Theft (indirect): use of public sector supplies and equipment for private medical care in public hospitals<br>-subcategory: extortion in emergency or severe cases ('pay or perish') | Medical doctors   | No major difference between the sexes.   | Private gain for medical doctors   | Increased poverty of the poor in general; because less supplies available   |
| Theft of medical supplies and<br><br>-fuel sold out of official vehicles   | Nurses<br><br>-Car drivers  | Female<br><br>-Male  | -private clinics: Larger margins<br>-nurses: job security when theft is done on the orders of (male) doctors<br>-sold personally for "salary complement"                   | Small but significant impact on the poor<br><br>-reduced poverty of the poorest of public sector employees  |
| Absenteeism  | Medical doctors (to much lesser extent, nurses) leave the public sector early in the day (to work at private Centros Previsionales in same buildings or their own private business) | Majority male (female doctors have family obligations and have to take care of children and household therefore cannot have private medical business as much as men) | -Better attention in private health clinics; economic gain to physicians<br>-Male doctors economically benefited; lesser income for a female of the same educational level | -In some cases, such as maternal (and other) deaths due to absenteeism, a value cannot be set on the impact. Important poverty impacts for maternal death and other permanent injuries resulting from medical neglect |
| Informal payments  | Extorting payments for medical supplies that are supposed to be free of charge  | Equally men (mostly male doctors) and women (nurses)   | "Salary complement"  | Household economy of the poor affected; statistically more negative impact on women than on men   |
| Illegal referral to private clinics  | Private medical practitioners   | Majority male  | Increased income   | Statistically women more affected than men  |
| Referral to specific pharmacies for purchasing supplies that are supposed to be free of charge at hospitals and health care centres  | Relatives and/or friends of the practitioners   | n/a  | Increased income of pharmacies related to the practitioners  | Statistically women more affected than men  |
| Inducement of unnecessary medical procedures   | Medical practitioners   | Perception: more male practitioners involved   | Increased income   | Statistically women more affected than men ; greatly affects the quality of life of victims   |
| Extortion: asking for "entrance fees" (bribes) to see relatives/family members in hospitals outside of normal visiting hours   | Guardians of hospital   | Male   | "Salary complement"  | No gender difference; extra spending for hospitalised patients' relatives; small impact on poverty (NIO 50 = EUR 2.2)   |
| Informal payments (bribes) to medical staff (mostly nurses)  | Patients  | n/a, though mostly women (because women are the majority of hospitalised patients)   | Better care  | Extra spending for hospitalised patients and their relatives; small negative impact on poverty  |

Source: Interviews in Managua and provinces

**Table 2. Gateways to corruption in the municipal government in Nicaragua**

| Gateway to corruption   | Who is the beneficiary (by sex)?   | Fiduciary risk assessment; frequency   | Benefit for the benefiting part?  | Poverty impact and gender consideration  |
|---|--|--|---|--|
| Procurement (bribes, illegal commissions, inner circle information used illegally; formulation of ToR to limit the number of tenderers etc)                 | Mayors and/or procurement committee members and/or their relatives; mostly men   | High, difficult to detect<br>Very common practice  | Economic benefits (monetary)  | Overpayment of goods, infrastructure and contracted services; less public goods and of poorer quality available to citizens; no significant differential gendered impact                               |
| State capture: especially road construction favours decision-makers' properties   | Mayors, council members; mostly men  | Technically legal procedures; easy to detect but hard to sanction<br>Frequent practice   | Increased real estate value, vehicles remain in better state due to better access roads   | Depends on the location of the road; eventual higher transaction costs due to lack of access roads affect more men's productive activities than those of women   |
| Favouritism, clientelism and cronyism in distribution of positions  | Family members and political supporters of decision-makers; men and women probably in equal proportions but men in better paid positions | No intrinsic fiduciary impact<br>The rule rather than the exception; a decreasing tendency   | Remunerated jobs for political supporters (followers); women statistically in lower paid positions and men in upper hierarchical levels                     | No gender difference in impact on end users; municipal services of lesser quality, and lower local development levels due to ruptures in institutional memory and capacity building                    |
| Favouritism, special case: geodesic service and land register that define landed property tax are used to favour political allies and to "punish" opponents | Negligible difference  | Strong negative impact on municipal revenue and central government budget transfers to municipal governments<br>Very common practice | Less landed property tax for allies resulting in larger margins of productive activities (cattle ranching and agriculture); favours mostly men              | Less money available for investments; for the moment no significant gendered poverty impact but this may change; very strong negative impact on budget transfers from central to municipal governments |
| Embezzlement: diverting budget revenue or user fees for personal advantage (may include falsification of documents, receipts)                               | Municipal employees  | Low or moderate, easy to detect<br>Frequency low; improving situation  | Monetary gain; "salary complement"  | Negligible impact  |
| Theft of supplies   | Negligible difference  | Moderate or low; easy to detect; in most cases insignificant fiduciary impact  | No difference; in economically significant cases only male employees favoured (construction equipment and supplies) (female employees may steal stationary) | In most cases insignificant impact; no gendered poverty impact on population   |

CORRUPTION, POVERTY AND GENDER:  
THE CASE OF TANZANIA

|   |   |  |  |  |
|---|---|--|--|--|
| Absenteeism   | Negligible difference                           | Moderate ("surmountable") but not easy to control (decentralised premises)<br><br>Relatively frequent practice | In many cases, women practice absenteeism because of family duties (sick children, etc.)     | No significant poverty impact for the population   |
| Bribes (demanding of) for "speeding up the procedure"   | Negligible difference                           | Possibly frequent practice but probably less frequent than what is commonly believed                           | "Salary complement" for municipal civil servants and employees                               | No gendered poverty impact; insignificant poverty impact on population (very small bribes) |
| Bribes (receiving of) in the context of commercial permits, exploitation of natural resources, etc. | Municipal employees; Council members and mayors | Possibly a frequent practice   | No gender difference; in bigger cases mayors and council members, mostly men                 | Potentially a great negative impact on municipal revenue                                   |
| Bribes (offering of); certificate of "municipal solvency" (resulting in tax evasion)                | Private citizens                                | Cases may happen but probably not a regular practice   | Wealthy ranchers "buy" their right to buy and sell land and have civil register data updated | Negligible impact  |

Source: Interviews in Managua and visits to provinces; Municipal Fiduciary Risk Assessment (DFID 2005b)

Pekka Virtanen with the assistance  
of Nandera Ernest Mhando

Corruption, Poverty and Gender:  
The Case of Tanzania

## 1. *Introduction*

The United Republic of Tanzania (URT) is the result of a Union between Tanganyika (known as Mainland Tanzania) and the islands of Zanzibar in 1964. It is situated on the eastern shores of Africa between Kenya and Mozambique. Tanzania's total land area is 883,349 km<sup>2</sup>, of which Mainland Tanzania occupies 881,289 km<sup>2</sup> and Zanzibar 2,060 km<sup>2</sup>. According to the population census carried out in 2002, the total population of Tanzania is 34,443,603, of which 981,754 live in Zanzibar. About 65% of the inhabitants are below 25 years of age (URT 2006b). Mainland Tanzania is divided into 21 regions and 116 districts. The average population of each district is about 290,000, varying from 40,000 in Mafia to more than one million in Kinondoni, one of the three town councils of Dar es Salaam. Lindi Region consists of one town council (Lindi) and five district councils, whereas Mtwara Region consists of one town council (Mtwara) and four district councils. The districts in these regions are relatively small: population figures range from 41,500 in Lindi Urban District to 442,500 in Masasi District (URT 2005a). Interviews for the Tanzania case study were carried out in Mtwara Region (Mtwara Urban, Masasi and Newala Districts), Lindi Region (Lindi Urban and Nachingwea Districts) and Dar es Salaam Region (Kinondoni Urban District).

In addition to a review of the literature, the Tanzania case study is based on semi-structured interviews with 58 (19 female and 39 male) representatives of the Government of Tanzania (GoT), donors, national and international NGOs, and research institutions in Dar es Salaam, Mtwara Region and Lindi Region. In addition, two group interviews, one with members of a women's group (4; all women) and one with a school committee and teachers (5; 2 women, 3 men) were organised. The interviews were carried out by Dr. Pekka Virtanen in English, or interpreted from Kiswahili by Mr. Ajali Mustafa. In the education sector, the study also draws on semi-structured interviews with 30 parents (20 female, 10 male) of primary school pupils, conducted by Ms. Nandera Ernest Mhando. Ms. Mhando's study on residents in Kinondoni District, Dar es Salaam Region was complemented by interviews with district level education officials, teachers and school committee members in Mtwara and Lindi Regions (10; 3 female, 7 male), and central MEVT staff (7; 3 female, 4 male) in Dar es Salaam, conducted by Dr. Virtanen. In the local government sector, Dr. Virtanen interviewed district council officials and elected officials in Mtwara and Lindi Regions (10; all male), as well as one representative from the Prime Minister's Office of Regional Administration and Local Government (PMO-RALG) in Dar es Salaam (male).

This report consists of eight chapters: 1. Introduction; profiles of the situation in Tanzania in regard to 2. Poverty, 3. Gender, and 4. Corruption; chapters on 5. Anti-Corruption Strategies 6. Corruption in Primary Education Services, and 7. Corruption in the Local Government sector; and finally 8. Conclusions and Recommendations.

## 2. *Poverty Profile*

### 2.1 Development policy and the economy

Following the Arusha Declaration in 1967, Tanzania under President Nyerere adopted a socialist development model guided by an 'African Socialist' philosophy and characterised by extensive state control of the economy. During the early 1970s Tanzania made impressive gains in the provision of social services to the majority of the population. Gross primary enrolment increased from 33% of boys and 16% of girls in 1960 to 69% for boys and 67% for girls in 1986. Access to health services improved, resulting in increased life expectancy and reduced infant mortality (Bendera 1999; Kiwara 2003). Initially economic growth rates were also encouraging: average annual growth rate of real GDP was 5.7% between 1965 and 1970, and 5.1% during the following five-year period. During the late 1970s and early 1980s, however, economic performance weakened substantially, leading to a deep economic crisis. Small-scale agriculture was neglected while inefficient public enterprises made large losses and drained government revenue needed to sustain the expanding public administration and other services. The quality of the services deteriorated while basic household commodities became scarce or non-existent. After failed local adjustment attempts in the early 1980s, the government was forced in 1986 to undertake major economic reforms under the Structural Adjustment Programme (SAP) framework supported by the International Monetary Fund (IMF) and the World Bank (Mshana 2003; Temu and Due 2000).

Structural Adjustment Programmes aim to create a conducive environment for investment and economic growth by increasing efficiency in allocation of resources, which is expected to result in higher productivity and output destined especially for external markets. In addition to economic measures to improve global competitiveness of exports, the SAPs typically include various measures that affect the poorest strata of the population directly, such as withdrawal of subsidies from producers and consumers, reduction of the role of the state in provision of social services (e.g. by introducing user-fees), and sale of parastatals to private capital. In the case of Tanzania, the SAPs have had variable impacts in different geographical regions and economic sectors. The general macro-economic situation has improved – albeit at the cost of increasing inequality – while the coverage of social services has decreased radically as a result of decreasing quality of services combined with access problems due to user fees and reduced human resources. The problems were aggravated by the absence of functioning social security mechanisms to support the poorest sections. These contradictory results have been recognised by both supporters and critics of the neo-liberal policies (e.g. Temu and Due 2000; Mbilinyi 2003).



The government health budget as a percentage of total budget fell from 7% in 1977/78 to 3% in 1984/85. The share of education fell from 13% in 1982/83 to 5% in 1988/89 (Kiwara 2003). In 1995/96 the Ministry of Education's share in the budget was only 2.5%. The introduction of cost-sharing (that is, user fees and other direct contributions by users) for social services placed a heavy burden on women attempting to ensure the provision of health and education services for their families and themselves. An increasing number of pregnant women were forced to resort to home delivery in very poor environments and at the risk of their lives, since they were not able to pay the costs of hospital delivery. Another result of 'cost-sharing' was the resurgence of illnesses such as malaria, upper respiratory infections and tuberculosis, as well as the non-compliance of patients with treatment regimes because they could not afford medicines and medical care (Bendera 1999; Mchomvu et al. 2002).

The negative consequences of the SAPs were reinforced by a lack of social safety networks. In the late 1990s, formal security schemes covered only 6% of the population in Tanzania. In terms of gender, the majority of the population covered were men, since men constitute most of those employed in the formal sector. The poor and women rely mainly on informal social security systems such as traditional social security practices. These have, however, been weakened by the erosion of the extended family and traditional common property institutions (Mchomvu et al. 2002).

In 2000 the GoT signed the enhanced Highly Indebted Countries Initiative (HIPC), which introduced the concept of poverty reduction strategies. The HIPC funds were utilised mainly to increase funding for social sectors such as health, education, water supply and rural roads, to counteract the steep reduction in budget allocations to these sectors following the adoption of SAPs in the late 1980s. The first Poverty Reduction Strategy (PRS) 2000/01-2003/04 focused on a limited number of priority areas, targeting especially equality in primary and secondary education, and reduction of maternal mortality (Mascarenhas). Subsequently a new National Strategy for Growth and Reduction of Poverty (known as MKUKUTA), which places more emphasis on poverty-reducing growth, was prepared. MKUKUTA is based on three clusters: growth and reduction of income poverty, the quality of life and social well-being, and governance and accountability (URT 2005a).

Average annual growth rates of GDP have improved from 2.5% during 1990-1994 to 5.8% during 2000-2004, and the rates have increased since 2003. Agricultural production – which provides a livelihood for the majority of the population – continues, however, to fluctuate at lower levels. Productivity and the quality of export crops have remained low due to low levels of education and literacy among smallholder farmers, exposure to variable weather conditions, price shocks, limited investment, and weak institutional arrangements (URT 2005a).

## 2.2 Human development

Human development reflects a person's capability to achieve 'functionings' (capability to function in a given area, these capabilities define a person's state of being) that he/she has reason to value. In developing countries, assessment of human development often focuses on a relatively small number of centrally important functionings such as the ability to be well-nourished or in good health, but we should not forget other, more complex functionings such as membership in social groups. According to Amartya Sen (1992), capability to function represents the various combinations that a person can achieve. Capability ('functionings') reflects, therefore, a person's freedom to lead one type of life or another.

There have been some tangible improvements in Tanzania in key social services such as education and health, which have a direct effect on people's capabilities. In recent years the Primary Education Development Programme (PEDP, supported by Finland among others) has raised the net enrolment ratio in primary schools from 55% in 1995 to 96% in 2006 (URT 2006a). Some critical inputs to ensure sustained quality of education, such as the ratio of teachers to pupils have not, however, kept pace with increased enrolment. In the health sector there have been substantial reductions in infant and under-five mortality, probably the result of more effective prevention and treatment of malaria (Table 5.1.1). The maternal mortality rate, however, remains unchanged and continues to be very high. Lack of qualified human resources for health care has been identified as the major limiting factor in implementing health sector reforms (URT 2005a).

The government continues to emphasise its reliance on user fees, combined with exemptions and waivers for the poor, children, pregnant women and others. Health and gender activists have been urging the government to abolish user fees for basic health and lifesaving services because they have blocked access to health care for large numbers of the poor. They also argue that more of the national health budget needs to be allocated to the wages and salaries of health workers, and to drugs and equipment that reach the health unit, and less to administrative overheads. Between 2001 and 2004, there was actually a decline in the proportional share of national budget allocations to social services: their share declined from 42% in 2001 to 38% in 2004 (TGNP). Despite absolute growth, the budget share of health will be lower in 2006/07 than in the previous year (Health Equity Group 2006).

In spite of relatively high growth rates, Tanzania remains a poor country: with a GDP per capita of 674 US\$ (PPP), it was the third poorest country in the world in 2004. In terms of human development the situation was slightly better: even though its human development index (HDI) value was at 0.430 below the average for sub-Saharan Africa (0.472), in terms of the human poverty index (HPI) Tanzania ranked

in the middle (36.3% ), while inequity (measured by the Gini index) was relatively low at 34.6 (UNDP 2006).<sup>1</sup>

There are enormous differences between regions in terms of percentage of the population below the basic needs poverty line. The average of 36% in 2000/01 hides variation ranging from 11% in Bukoba Urban District, Kagera Region, to 68% in Bunda Rural District, Mara Region. For example, analysis of infant mortality in the 1990s suggests a widening gap between the poorest and less poor. In regional terms, districts in the Southeast (Mtwara and Lindi Regions) have the worst adult literacy rates, under-five mortality rates, and the lowest numbers of people with access to improved water (URT 2005a). Table 5.1.2 presents selected indicators of poverty and human welfare in districts covered by the study, including three urban areas (Dar es Salaam, Mtwara and Lindi), and three rural areas (Newala and Masasi in Mtwara Region, and Nachingwea in Lindi Region).

**Table 5.1.1. Key health indicators, Tanzania Mainland, 1996 and 2004**

| Indicator                                       | 1996 | 2004 |
|---|------|------|
| Infant mortality rate per 1000 live births      | 88   | 68   |
| Under-five mortality rate per 1000 live births  | 137  | 127  |
| Maternal mortality rate per 100,000 live births | 529  | 578  |

Source: URT 2005a

According to official household budget survey data, the incidence of poverty in Tanzania has decreased from 39% in 1991/92 to 36% in 200/01. Poverty tends to be more prevalent in rural areas, where 39% of the population lived below the poverty line, than in Dar es Salaam (18% ) and other urban areas on average (26% ). In general, economic growth has had a greater impact on poverty reduction in relatively more developed areas such as Dar es Salaam than in rural areas, which has aggravated urban-rural and regional inequality. On the other hand, higher levels of inequality have adversely affected poverty reduction in urban areas (URT 2005a).

<sup>1</sup> While these indices provide some quantified information about the availability of resources, primary goods and incomes, things that are instrumental for achieving well-being, they tell us relatively little about the functionings and capabilities which Sen (1992) says are constitutive of a person's well-being.

**Table 5.1.2. Selected indicators of poverty and human welfare**

| Indicator               | Dar     | Mtwara | Newala | Masasi | Lindi | Nachingw. | Nat. Avg. |
|-------------------------|---------|--------|--------|--------|-------|-----------|-----------|
| Poor (%) <sup>1</sup>   | 14-29   | 38     | 43     | 37     | 18    | 41        | 36        |
| Gini <sup>2</sup>       | 35-36   | 32     | 30     | 31     | 29    | 28        | 35        |
| Educ. <sup>3</sup>      | 88-98   | 97     | 100    | 90     | 100   | 88        | 91        |
| Pup/teach. <sup>4</sup> | 47-56   | 41     | 43     | 54     | 40    | 50        | 59        |
| Inf.mort. <sup>5</sup>  | 82-86   | 90     | 117    | 134    | 98    | 118       | 95        |
| <5 mort. <sup>6</sup>   | 130-138 | 146    | 197    | 225    | 159   | 198       | 162       |
| Water <sup>7</sup>      | 81-92   | 96     | 60*    | 26*    | 71    | 25*       | 85/42*    |

<sup>1</sup> % of population below poverty line (2000/01); Source: URT 2005a

<sup>2</sup> Gini coefficient (2000/01);

<sup>3</sup> Primary education net enrolment rate (2004);

<sup>4</sup> Primary education pupil-teacher ratio (2004);

<sup>5</sup> Infant mortality rate (per 1000 live births, 2002);

<sup>6</sup> Under-five mortality rate (per 1000 live births, 2002);

<sup>7</sup> % of households using piped or protected water source (2002, \* = rural).

### 3. *Gender Profile*

#### 3.1 Women in Tanzanian society

There are systemic disparities in the capabilities that men and women have in different societies, and they are often not reducible to differences in incomes or assets. While different levels of income constitute an important part of gender inequality, there are other important areas contributing to inequality in terms of capabilities, such as division of labour within the household, the extent of care and education received, and civil liberties that a person can enjoy. The issue of gender inequality is, therefore, ultimately one of disparate capabilities (Sen 1992).

In Tanzania, as in most African countries, agriculture still provides livelihoods for about 80% of the population. According to recent studies, in Africa women perform about 90% of the work of processing food crops and providing household water and firewood, 80% of the work of food storage and transport from farm to village, 90% of the work of hoeing and weeding, and 60% of the work of harvesting and marketing. Village transport surveys in Tanzania show that women spend nearly three times as much time in transport activities compared with men, and they transport about four times as much in volume (Blackden and Canagarajah 2003).

In Tanzania women and girls carry out most of the planting, weeding, application of fertiliser and pesticides, and preparation of the harvested crop prior to storage or sale. Men are mainly involved in preparation of the fields and the sale of cash crops, while both men and women participate in harvesting. Livestock rearing is mainly carried out by men and boys in the case of open grazing, but women care for the young and take care of milking and milk processing. Except in female-headed households, women generally have little control over the family's products and assets. Land and animals are owned and controlled by men, and the main decision-maker in regard to the area cultivated, the amount stored for home consumption, and the amount sold is the male head of household (Mascarenhas; Mchomvu et al. 2002).

In Tanzania, women are involved in almost all activities on the farm as well as doing the housework, in which men hardly participate. Women are typically the caretakers of the entire (extended) family, especially of children and family members who are ill. Women also have the additional responsibility of taking care of HIV/AIDS victims and orphans. Consequently women and girls spend most of their time in unpaid productive and reproductive tasks, e.g. fetching water and firewood, cooking, cleaning, washing, and caring for children, the elderly and the sick (RIRA 2004; Schanke and Mallya 2006).

The informal sector is a particularly important source of employment for women. Estimates based on national surveys indicate that women account for 35% of total

informal sector employment in Tanzania's mainland, as against only 3% of all those employed in the formal sector. In rural areas, about 90% of women are involved in micro-enterprises, mainly in groups or as individual entrepreneurs. This reflects a change in traditional gender roles: in the early 1980s only one-third of women had a cash income, whereas in the 1990s more than two-thirds of adult women had a cash income. Women have, therefore, taken a more active part in paying school fees for their children and paying for health services. They are also becoming more knowledgeable about resource mobilisation, allocation and control (Bendera 1999; Blackden and Canagarajah 2003).

Livelihood insecurity, poor social service provision, and gender inequality are widely recognised as factors that contribute significantly to poverty: in Tanzania women perceive themselves to be poorer than men owing to their lack of asset ownership. While local variations are substantial, the gendered character of land rights is still predominant in practice. Women access land through men, even though in different ways at different stages in life: as daughters, wives, mothers, dependent widows and divorcees. In marriage, men are in control of the land and produce, and the most critical deprivation of land to women occurs at the end of marriage by divorce. This is also recognised by the state as one of the main legal problems facing women. Men dominate existing dispute settlement institutions, and discriminatory practices continue to prevail in inheritance matters (Ik Dahl et al. 2005; Kamata 2003).

### 3.2 Gender as a legal and policy issue

GoT has signed and ratified the main international conventions on gender, such as the Convention for the Elimination of all Forms of Discrimination Against Women (CEDAW), the Beijing Declaration, and the Gender and Development Declaration by Heads of State or Government of SADC.<sup>2</sup> GoT's commitment to the empowerment of women is documented in the National Women and Gender Policy (2000), and the National Strategy for Gender and Development (2005), which identify the major constraints and interventions to achieving gender equity for sustainable human development in the country (EC 2006). The Constitution proclaims equity between men and women, and forbids discrimination based on sex (Kijo-Bisimba).

The National Strategy for Growth and Reduction of Poverty (MKUKUTA) is considered to be more cognisant of the gender specific issues related to poverty than previous government strategies. Gender as a cross-cutting issue was included throughout the consultative and formulation processes. As a result, gender is identified as a critical issue in each of the three clusters, and several of the cluster strategies include

<sup>2</sup> Tanzania is required to provide a report to the monitoring bodies of the UN Conventions every four years, but no report has been received since 1998.

gender goals and strategies to achieve them (Mascarenhas).

Historically, national budgets have been 'gender blind', failing to take into account the differential impacts of programmes and expenditures on women and men. While current official planning guidelines make it mandatory to mainstream gender in the budget, in most cases the sector ministries have still not adopted gender budgeting (Mascarenhas; Rusimbi 2005). The Gender Unit in the President's Office collects and publishes gender disaggregated data to monitor progress on women in decision-making positions in the public sector at the national, regional and local level. Administrative data disaggregated by sex are, however, still not available on a consistent basis. Various surveys carried out since 2000 have provided gender disaggregated data and analysis which has enhanced awareness of gender specific issues and provided data to assess the extent to which the goals of gender policy have been achieved (Mascarenhas).

In order to assist the national government to promote the development of women, a special ministry was created in 1986. In 2000 it was renamed the Ministry of Community Development, Gender and Children (MCDGC), while a new policy that made gender a cross-cutting issue was adopted. Gender thus became the responsibility of all ministries, departments and agencies (MDAs) while the mandate of MCDGC is to mainstream it in all sectors of government through gender focal points at national, district and ward level. In 2005 MCDGC produced a National Strategy for Gender Development, which is linked to Tanzania's Vision 2025 Strategy on Poverty Eradication (EC 2006; Mascarenhas). In practice the Community Development Departments (CDDs) in the districts have little resources. In contrast to some other ministries, their activities are funded by the councils while the only contribution from MCDGC is for salaries and micro-credit. This puts the CDDs in a marginalised position and makes it difficult to fulfil their responsibilities to disadvantaged groups and the poor. In practice the care for these groups, i.e. people living with HIV/AIDS, the disabled, sick, elderly and orphans, relies on home-based care, meaning unpaid care by girls and women at home (Schanke and Mallya 2006).

In Tanzania, greater participation of girls in secondary schools has been facilitated by affirmative action. The entry qualification for girls into secondary schools is lower than for boys, and a number of schemes have also been put in place to provide scholarships to girls from poorer households. The Ministry of Health has also instituted a policy of exemptions from cost sharing for special categories of persons such as pregnant mothers. There is, however, increasing evidence that access to health services is declining, while the exemption policy is not consistently followed or additional payments are demanded by health staff. In 2004 less than half of all births took place in a health facility or were attended by trained personnel. The poor are especially affected, since the highest number of births at home is among poorer women who also have less opportunity for pre-natal care and timely diagnosis of possible delivery complica-

tions (Mascarenhas; Schanke and Mallya 2006). This problem was also highlighted in field interviews carried out for this study in Mtwara and Lindi Regions.

In the legal arena, the passage of the Law of Marriage Act of 1971, which standardised marriage legislation throughout the country, was a key achievement in Tanzanian gender relations. This Law requires that all marriages be registered, that wives in polygamous marriages be notified of the taking of additional wives, that custody be determined according to the best interests of the child, that all divorces be formally concluded and registered, and that property be distributed according to a uniform equitable standard. Ten years later the contribution of women's domestic and child-care services to matrimonial assets was recognised through a new interpretation of the 1971 Marriage Act, but this has not been made binding through a formal amendment (Bendera 1999; Mtengeti-Migiyo 1990). It appears that many people in rural areas still apply some elements of customary law and rules, even when they are in contradiction with national law. In the case of land tenure, for example, preference for customary law is based on the view that when a wife lives on her husband's family land, the land is considered as something the husband has brought to the marriage (Ikdahl et al. 2005).

In terms of women's access to land, two Land Acts that entered into force in 2001<sup>3</sup> after a lengthy preparation phase are of crucial importance. Women's access to land was also a question considered during preparation of the Land Commission Report (1992), which was based on extensive consultations throughout the country, and resulted in the passing of a Land Policy Act in 1995. During the process of debate and discussions, women's organisations achieved significant changes related to what they perceived as the needs and interests of women. The key result is inscribed in section 3(2) in both of the Land Acts, which states that "*the right of every woman to acquire, hold, use, and deal with, land shall be to the same extent and subject to the same restrictions as the right of any man.*" As the traditional institutions that are given an important role for implementing land legislation are male-dominated, the Village Land Act establishes quotas for women's participation. The Village Land Council, which serves as the land manager of the village's communal area and as the first instance of dispute settlement, is required to have at least three female members out of a total of seven persons. However, by 2004 the two Land Acts were to a large extent still not being implemented or enforced, and there seems to be a general lack of knowledge about these laws (Interviews with NGOs; Ikdahl et al. 2005; Kitunga 2003).

The Sexual Offences (Special Provisions) Act of 1998 is the first act to comprehensively look at and protect the dignity and rights of women and children against sexual abuse, defilement, rape and female genital mutilation in Tanzania. It amends several

<sup>3</sup> The Land Act of 1999, and the Village Land Act of 1999; in addition, we should mention the Land Dispute Courts Act of 2002, which provides a mechanism for resolving land disputes (Nghwello 2006).



laws already on the books, and makes special provisions in those laws, elaborating on sexual offences against women and children and lengthening sentences and making them more severe (Kijo-Bisimba). Despite the 1998 Act, and the many advocacy campaigns of CSOs and GoT, sexual and gender-based violence and harassment remains a serious problem. Sexual corruption is perceived as a problem in work places, and even in training institutions and schools. A new Labour and Employment Bill outlawing sexual corruption at work places and setting procedures for punishing violations is currently being formulated, but cases of sexual harassment are not always reported and are often very difficult to prove (EC 2006; Mascarenhas; Interviews with senior staff in MCDGC).

### 3.3 Women in politics

In terms of political participation, it is useful to distinguish between access through consultation or dialogue, presence through representation, and influence. Influence is based on accountability: female participation can be based on equal participation with formal accountability or clientelistic forms with weak accountability. Opportunities for consultation, or to be present in political fora, are likely to lead to policy influence and power only when they are based on the former type of accountability. In terms of institutional rules, the existence and clarity of rules about the selection of candidates for political office and identification of policy priorities is crucial (Goetz 2003a).

Representation of women in Tanzania's elected government institutions has been guaranteed by special arrangements since Independence. Special parliamentary seats for women were first introduced during the one-party era. Then the thrust was, however, not to bring about gender balance, but to incorporate the voices of different sub-groups of the society. Following the change to a multi-party system, the quotas for women (through special seats) were increased to 15% in Parliament and 25% in local councils in 1997. Three years later the quotas were again increased to 20% in Parliament and 33% in local councils. From 1995 to 2000, 95% of female MPs entered the legislative via the special seats (Meena 2003). In the latest (2005) elections, the share of women MPs entering Parliament through the quota system decreased to 76% of all female MPs.<sup>4</sup>

In Tanzania women are, therefore, entering politics mainly through special measures organised and managed by political parties. Parties are assigned a percentage of seats in proportion to the number of votes each party wins in parliamentary elections. Each political party has instituted its own internal (and in most cases informal)

<sup>4</sup> The Tanzanian Parliament is a unicameral national assembly. It has 324 members composed of 232 elected constituency members (182 from the Mainland and 50 from Zanzibar); 75 seats are women's special seats, five of which are held by women elected by the Zanzibar House of Representatives, and 10 of which are filled by women appointed by the President, the Speaker and Attorney General (Mørck 2006).

mechanism of selecting female representatives for these special seats. This situation obviously complicates the accountability of women MPs to the female constituency, as their principal loyalty is to the party. The screening mechanisms used by the parties for choosing female representatives lack transparency and introduce potential for corruption, including sexual corruption, thus undermining the integrity of female candidates (Meena 2003, Mørck 2006). The prevalent model is consequently 'informal-centralised', i.e. one relying on patronage systems and a dominant (male) leader instead of transparent rules (Goetz 2003a).

In Tanzania the posts of MP and related positions of power (speakers, heads of standing committees, etc.) are predominantly held by men. Political parties are also headed and dominated by men (Nkya 2005). Simultaneously there are very few active female party members. According to some women who are active in civil society, the reasons for this include the way parties are organised (old boy networks, military-type command systems, etc.), and the lack of a gender agenda in current political parties. Other reasons include lack of political support for female candidates from party leadership, financial constraints, lack of political network connections, gender-biased social and cultural norms, and lack of political experience (Shayo 2005).

The subordinate position of women in parties and the way women are elected to leadership positions or selected as candidates, makes them more vulnerable to external pressure than men are. None of the existing parties has a gender quota for leadership positions, and typically very few women contest the elections. The special seats system has, therefore, eroded the competitive power of women in the basic democratic system (Meena 2003; Sabuni 2003). In the field interviews, this issue was reflected in the negative image some women's group activists had of female politicians, who were considered to be out of touch with their constituency and unable to represent women's issues (Interviews in Mtwara and Lindi Regions; cf. Goetz 2003a).

It should, however, be noted that in the present Cabinet 27% of ministers (6) and deputy ministers (10) are women. The female Ministers include those of Finance, Foreign Affairs, Legal and Constitutional Affairs, Education, Community Development, and the portfolio of Public Services in the President's Office, i.e. some of the key positions in the government. In public service, women continue to be under-represented in decision-making positions at all levels of government, even though some change has taken place recently. For example, the share of women among regional and district commissioners and administrative secretaries (252 in all) has increased from 17% in 2003 to 21% in 2006 (Mascarenhas). In most cases, however, women occupy the lower echelons of public service even in female dominated sectors such as health. In the health sector only 7–15% of doctors, dentists and pharmacists were female, whereas 79–99% of nurses, health attendants and maternal aides were female in 1995 (TGNP 1999): the situation has changed little since then.

## 4. *Corruption Profile*

### 4.1 Corruption in Tanzania

In the first years following Tanzania's Independence, corruption was perceived as a minor problem of the lower administrative levels in the delivery of services. However, in subsequent decades, public institutions gradually decayed, entailing the rise of bureaucratic malfunctioning and increasing corruption. The phenomenon was no longer the domain of only the lower and middle grades of public service, but increasingly engulfed politicians and chief executive officers in the government and parastatals (URT 1996).

To address and control the trend of increasing corruption, the Nyerere government enacted the Leadership Code as part of the 1967 Arusha Declaration. However, a major economic crisis, characterised by rampant inflation, major fiscal deficits and negative economic growth, arose following the oil crisis and the war with Uganda. Official salaries, even at management and executive levels, fell below subsistence needs, creating incentives to look for side incomes. As the state controlled economy declined, the informal sector came to take its place, while corruption and smuggling became embedded in the Tanzanian society. In this period, corruption also became a problem among local authorities due to the presence of various adverse circumstances that favour corruption, such as unregulated discretionary power which provides opportunity for its abuse, inadequate pay and poor working conditions (Fjeldstad 2002; Muthaba 2005).

It was assumed that the World Bank economic liberalisation policies, which were adopted by President Mwinyi after Nyerere's retirement in 1985, would reduce corruption as state institutions gave way to the private sector and to civil society institutions. The liberalisation process was, however, carried out without an adequate regulatory framework to supervise, in the public interest, newly liberalised markets and private sector activity. This lack of supervision fuelled unethical practices at high levels, boosting the rate of grand corruption in the country. Subsequently, for much of the early 1990s Tanzania was ranked by Transparency International as one of the most corrupt nations in the world. In 1994 revelations of widespread corruption, especially in the revenue authority, led to an aid freeze as several major donors, including Norway and Sweden, decided to withhold aid while awaiting the results of an investigation ordered by GoT (Fjeldstad 2002; Muthaba 2005; cf. Aron 2003).

By the time President Mkapa assumed power in 1995, local and international perception was that corruption had become endemic in Tanzanian society. Recognising the severity of the problem, the new President appointed a special commission (known as the Warioba Commission) to investigate the causes of corruption in Tanzania. The

Commission confirmed in public the existence of extensive corruption in the country; and during President Mkapa's first years of tenure, war against corruption was a prominent theme (Ngware 2003; URT 1996). While opinions differ on the impact of actions taken by the Mkapa regime to fight corruption, it is generally perceived that little conclusive action was taken to discipline corrupt leaders. For example, between 2000 and 2004 there were, on average, less than nine corruption convictions per year. This figure is not only small compared to levels of corruption reported in surveys; it is also small in relation to the number of ongoing cases. And it does not include any top-level suspects, since none were either charged or convicted. This has probably contributed to undermining citizens' belief that the authorities are seriously tackling corruption (Fjeldstad 2002; URT 2005b; but see Mutahaba 2005).

During the last few years a number of surveys and studies have been carried out to assess the incidence of corruption in Tanzania. The results are, however, inconclusive. Measured with Transparency International's Corruption Perception Index (CPI), corruption has decreased considerably in Tanzania since the late 1990s. With a CPI value of 1.9, Tanzania was ranked the fifth most corrupt out of the 85 countries included in the assessment in 1998. By 2005 it was given a CPI score of 2.9, which placed it 88<sup>th</sup> out of 158 countries, ahead of all its neighbours (Table 5.3.1).

**Table 5.3.1. CPI in selected East African countries, 2001-2005**

| Country    | 2001 | 2002 | 2003 | 2004 | 2005 | Position |
|------------|------|------|------|------|------|----------|
| Tanzania   | 2.2  | 2.7  | 2.5  | 2.8  | 2.9  | 88.      |
| Malawi     | 3.2  | 2.9  | 2.8  | 2.8  | 2.8  | 97.      |
| Mozambique | -    | -    | 2.7  | 2.8  | 2.8  | 97.      |
| Zambia     | 2.6  | 2.6  | 2.5  | 2.6  | 2.6  | 107.     |
| Uganda     | 1.9  | 2.1  | 2.2  | 2.6  | 2.5  | 117.     |
| Kenya      | 2.0  | 1.9  | 1.9  | 2.1  | 2.1  | 144.     |

Source: Transparency International Annual Reports, 2001-2005.

When compared with other SADC countries, Tanzania's CPI ranking is, however, less impressive. Its score is below the average (3.3), which places it 7<sup>th</sup> out of 14 countries (TI 2005). The World Bank's Control of Corruption Index shows a slight deterioration from 1996 to 2002, and an executive opinion survey carried out in 2003 listed tax rates and corruption as the third and fourth most problematic factors (after inadequate infrastructure and access to finance) for doing business in Tanzania (the World Bank). Out of over 400 investors surveyed in another study, 70% had a negative perception of corruption in Tanzania in 2000 (Bank of Tanzania 2001). It may be concluded that, while progress has been made in terms of business environment (at least from the perspective of international investors), the record is less encouraging in other areas of governance.

The surveys on perceptions of corruption cited above are of limited relevance to most women and the poor, who are not directly affected by the kind of business-related corruption the surveys reflect. The kinds of corruption that most affect women and the poor are typically 'petty' forms of everyday corruption related to the issuing of identity cards, the charging of (illegal) fees for education and health services<sup>5</sup>, licence fees or arbitrary fines for micro-enterprise or street trading, micro-credit and similar minor administrative processes or offences (Interviews in Dar es Salaam; URT 1996). Although the amounts involved are relatively small, the relative cost to the poor and to women with limited cash incomes is substantial (Corner; Goetz 2003b; cf. Nissen 2005). The spread of the phenomenon also makes 'petty' corruption in service delivery significant in terms of poverty alleviation (URT 1996). One estimate of bribes paid annually in the context of public service delivery on the local level in Tanzania puts the figure at Euro 120 million. In any case, the total amounts involved are substantial (Ngware 2003; URT 2004).

## 4.2 Corruption as accountability failure

Corruption is closely associated with accountability, which is basically a reciprocal relationship. In recent studies fiscal accountability has been highlighted as a crucial though neglected source of political accountability, and which it is claimed is independent of formal political institutions. The key proposition is that the increase in the share of incomes earned through tax collection in total state revenues creates pressure for the state to enter into reciprocal arrangements with citizens about the provision of services and representation. In Africa, where most states have significant 'unearned' incomes from foreign aid, aid dependency may thwart these processes. In this context it has been argued that many African governments face more organised and effective pressures for accountability and transparency from the international donor agencies than from their own citizens and parliaments (Fjeldstad 2001; Hoffman and Gibson 2005).

Findings from a recent comparative study carried out in Tanzania and Zambia (Hoffman and Gibson, 2005) indicate that, the more total local revenue increases, the more public services the local governments will produce, when that production is calculated as a share of total local government expenditure. Alternatively, as central government transfers and foreign aid increase, public services as a share of the total government budget falls. On this basis, the authors criticise the recent tax reform in Tanzania, in which the largest source of local government revenue (local taxes) was replaced with a central government transfer. At the same time, donors spend substantial amounts through the Local Government Reform Programme (LGRP) to increase the

<sup>5</sup> Known as "KK", or *Kitu Kidogo*, literally meaning paying for a service that is supposed to be given free (Ngware 2003).

accountability of local governments. While the focus has been on increasing accountability from the supply side through institutional reform, Hoffman and Gibson suggest that more emphasis should be placed on the demand side by strengthening the fiscal link between district government and its citizens. (Hoffman and Gibson 2005)

Another study observes, however, that taxpayers in local authorities in pre-reform Tanzania received few tangible benefits in return for the taxes they paid. The deterioration of public services had raised taxpayers' perceptions of exploitation from an unequal contract with the government. Over 80% of the respondents in the district councils studied believed that taxes were 'only partly' or 'not at all' used to produce public services. Widespread tax resistance was observed in the study areas; and road-blocks, manned by the local militia or police were frequently used as tools for tax enforcement. Taxpayers reciprocated, sometimes violently, against collectors and tax offices. In this case the reciprocal relationship between citizens and the local government seems to be completely absent, leading to coercive methods of tax enforcement. This coercion undermined still further the legitimacy of local government institutions and increased tax resistance (Fjeldstad 2001; cf. Ngware 2003).

The results of the studies presented above support the view that donor presence empowers the managerial level in local authorities at the expense of elected councillors. Through external funding, donors often exert strong influence on the behaviour, decisions and actions of local government officials and politicians. This intervention increases the influence and power of the bureaucracy at the expense of political institutions. The proposition that the more a state authority earns its income through tax collection, the more likely state-society relations will be characterised by democratic accountability was, however, not supported. The reciprocal element between the state and citizens seemed to be absent in connection with local government taxation in Tanzania (Fjeldstad 2001).

Another aspect of accountability concerns the perceived fairness of the contractual relationship between employer and employee. Where an employee perceives that the level of compensation given by employer cannot meet basic living costs, and he/she is in no position to exit from the organisation, he/she is likely to adopt strategies such as corruption to supplement his/her income. The increased economic deprivation that many public servants in developing countries face, and their perception that their employer (the state) has failed to meet its obligations, would thus explain the high incidence of corruption in those countries.

In Tanzania, public servants faced a steep decline of real wages between 1975 and 1985, when average basic salaries in public service provided only one-fifth of the purchasing power of equivalent salaries in 1975. While various reform measures have since been implemented, by 1994 the real average pay in the civil service was still only about one-half of its 1969 level. Low and declining pay is generally believed to have

increased tolerance for deviant behaviour, up to and including time theft (absenteeism) and corruption (Mutahaba 2005).

According to a recent survey, bribery was believed to be very prevalent in service delivery in Tanzania. Overall, 19% of all service users reported that they were requested to pay a bribe, while 13% admitted that they actually paid a bribe. This implies that 68% of those requested to pay a bribe were willing to do so. A calculation based on the survey results indicates that, on average, bribes received make up approximately 45% of the annual total remuneration paid to public servants (URT 2004). According to a number of government authorities, the most important cause for the spread of corruption in Tanzania is the high cost of living and the lack of working tools. The recommendation put forward is, therefore, that salaries should be raised and the budgets for working tools increased (Interviews with government officials; URT 1996).

Experience from pay reform in crucial sectors such as revenue collection does not, however, support the above view. For example, Tanzania introduced a major institutional reform in 1996 with the formation of a new Tanzania Revenue Authority (TRA). Authorities believed that the low wage levels in tax administration, compared to the private sector, invited corruption. The average public employee's salary (including allowances) in the early 1990s was sufficient to cover only about 40% of normal household expenditures. Substantial increases in pay rates were subsequently introduced – for some categories of staff, the increase led to a salary up to ten times higher than corresponding positions in ordinary civil service. Working conditions were also improved by rehabilitating offices, expanding computer services and purchasing new service vehicles (Fjeldstad 2002).

The reform appeared to be a success in TRA's first years of existence (1996-97). Reported revenue increased sharply and corruption seemed to be declining. Since then, however, the reform has failed to meet its targets and tax revenue has dropped when counted as a percentage of GDP. There are also clear indications that corruption has become a prevalent problem within the new institution. It appears that the dramatic increase in pay rates was not enough to compensate for the potential gains from corruption. This has been explained by the existence of reasonably well-organised networks, where 'social capital' in the form of trust and reciprocity is found among network members. While the reforms, which also included changes in staff and introduction of new control mechanisms, were able to break some of the existing networks, they were not able to hinder new networks from emerging (Fjeldstad 2002). The study confirms the view that pay level is only one of several factors in the emergence of corruption. In an environment where the demand for corrupt services is extensive and monitoring is ineffective, wage increases may end up functioning as an extra bonus on top of the bribes taken by corrupt officers. A similar conclusion

was also drawn in various other studies, including the Warioba Commission Report (Fjeldstad 2002; cf. Mutahaba 2005; URT 1996).

### 4.3 Corruption in service delivery

The Participatory Poverty Assessment (PPA), conducted under the PRS process, identified 'governance problems', including a persistently high level of corruption, as one of the most significant obstacles to poverty reduction (Sundet 2004). A recent service delivery survey conducted by GoT shows corruption to be decreasing, but only slightly. While 34% of respondents believed there had been an improvement in the situation, 26% believed matters had become worse. Overall, 28% of all respondents believed that services were not delivered in a fair or equitable fashion, and that public servants were dishonest or very dishonest (URT 2004). Another study, conducted by REPOA, found levels of corruption to be worsening: 52% of respondents believed that corruption was increasing, while only 30% believed that corruption was decreasing (URT 2005b).

Healthcare is, arguably, one service sector that is inherently prone to perverse incentives and corruption, particularly in poor countries where supervision, regulation, monitoring and enforcement of public and private health provision are weak or non-existent (Cooksey 2006). Where services and drugs are provided below their market value but delivered inconsistently by the central authorities, poorly paid health workers are tempted to resort to corruption. Doctors and other staff may divert drugs and medical supplies from government health facilities to their own private clinics or to other private operators. Patients or their relatives may be required to give bribes to attendants, nurses and doctors in order to receive attention and care. Wealthy clients may offer bribes to short-circuit formal procedures for getting access to doctors, to be allocated beds in health facilities, to be given medicine, treatment and laboratory services, to be listed for surgical operations, or to be given permission to be treated overseas (Interviews in Mtwara, Lindi and Dar es Salaam Regions; Cooksey 2006; URT 1996).<sup>6</sup>

Tanzanian government policy in providing social services is based on cost-sharing. In the health sector this means charging user fees for services, with exemptions for maternal and other basic services, and waiver mechanisms to provide free care to vulnerable social groups. The exemption system is, however, not systematically implemented and therefore fails to protect the poorest groups while providing room for corruption (Cooksey 2006; RIRA 2004). Anecdotal evidence suggests that waivers are often granted more easily to the wealthy than to the poor. Four out of ten respondents of a government survey reported that they knew people who have been refused treatment

<sup>6</sup> Privatisation has created a new 'grey area' of corrupt/unethical behaviour. According to some studies, rent seeking within public health services has been replaced or supplemented by a practice of referring wealthier patients out of public facilities to a (own) private clinic (Harrington 1999).



for inability to pay. Unofficial payments to health workers were also reported, especially in Dar es Salaam (Cooksey 2006). During field interviews in Mtwara and Lindi Regions, members of women's groups mentioned cases of government health officials denying statutory exemptions to pregnant women, or others eligible for one of the waivers, or demanding irregular payments. As noted by the CSOs, lack of clear criteria and policy guidelines for identifying people who are eligible for exemptions results in *ad hoc* decisions by individual staff members, with no clear records for management to use in follow-up (Interviews with female NGO members; cf. RIRA 2004).

Interestingly, 'sharing' is also used as an euphemism for various corrupt practices adopted by civil servants. These include 'work sharing' or informal agreement to cover for or tolerate absenteeism, 'cost sharing' by soliciting bribes/payments directly from clients for providing nominally free services, 'revenue sharing' through misappropriating user charges, and 'resource sharing' by pilfering or mismanaging public resources for individual gain. Employing such income strategies has obvious negative implications for service delivery, quality and accessibility, as well as on the government's fiscal situation and on capacity building in the public service, in addition to increasing the cost of providing public goods and services while reducing their quality (Mutahaba 2005). As a result of the cumulative costs (both formal and informal) 'shared' by users, many poor people – especially women – seek care from informal practitioners or forgo medical aid altogether. Forced to find money for treatment, poor women and men often resort to coping mechanisms that may drive them further into poverty, such as selling critical assets, borrowing money, taking children out of school, or cutting back on food (RIRA 2004; cf. Kiwara 2003).

By reducing possibilities to obtain better social services such as clean water, quality education and medical care, by making access to fair justice difficult, or denying access to productive assets such as micro-credit and rural roads, corruption seriously reduces especially poor women's and men's capabilities to achieve functionings that are crucial for their own well-being and that of their families (Ngware 2003 ; cf. Sen 1992).

## 5. *Anti-Corruption Strategies*

### 5.1 Government anti-corruption strategies in Tanzania

During the tenure of President Mkapa, a number of legal and institutional initiatives were taken by GoT to fight corruption. The Public Leadership Code of Ethics Act of 1995 (amended 2001) was specifically enacted in order to set the ethical standards to be adhered to by public leaders. This Act established a Secretariat under the Ethics Commissioner, with the capacity to investigate the conduct of leaders and impose penalties for a breach of the Code. In 2001 GoT also created an independent Human Rights and Good Governance Commission, which plays the role of an ombudsman. Based on the recommendations of the Warioba Commission, which submitted its report in November 1996, the Prevention of Corruption Act was amended and the Anti-Corruption Squad was transformed into the Prevention of Corruption Bureau (PCB), with a more comprehensive mandate including investigation, prevention and public education. In 2002 the PCB was strengthened by moving command posts from zones to regions and districts, increasing manpower from 185 to 572, and increasing the budget substantially. It should be noted, however, that all three organs are responsible to the executive (the President), who also nominates their top leadership (Ngware 2003; UNDP 2003; URT 1996).

A National Anti-Corruption Strategy and Action Plan (NACSAP) was adopted in 1999, and a Good Governance Coordination Unit (GGCU) was set up in the Office of the President, under the Minister of State responsible for Good Governance, to oversee the implementation of the Plan. Subsequently 30 ministries, departments and agencies (MDAs) have gone through a consultative process to develop their own anti-corruption action plans, with implementation starting in 2001. Another output of the NACSAP are the quarterly monitoring reports issued by the GGCU. The reports provide data from MDAs on the number of complaints of corruption received, on administrative and legal action taken, and on the status of implementation of the action plans (Sundet 2004; UNDP 2003). Arguably the most concrete results of the Plan are the anti-corruption mechanisms devised at MDA level, such as transparent recruitment and procurement procedures, and better controlled administrative processes (Interviews in Dar es Salaam).

As part of the Public Service Reform Programme, GoT passed the Human Resource Management and Employment Policy in 1999, and three years later the Public Service Act of 2002. The Programme, together with the Act and its subsidiary regulations, are intended to reinstate meritocracy in the management of human resources in public service, something which had deteriorated over the last two decades due to corruption, nepotism and mismanagement. The problem is also being tackled

through preventive means such as the Open Performance Review and Appraisal System (OPRAS), which is expected to improve transparency and thus reduce corruption (Mutahaba 2005; URT 2005b).

Central GoT financial control systems have been reformed during recent years, therefore reducing the extent of fiscal risk, at least in theory. New legislation, including the Public Finance Act of 2001 and the Public Procurement Act of 2001 (amended in 2004), has been passed, and MDAs are beginning to carry out their procurement in line with the new acts. These acts also strengthen the Office of the Auditor-General in several ways. In theory, at least, the Public Audits Committee of the Parliament provides continuous oversight and monitoring on the use of government funds. An electronic, Integrated Financial Management System (IFMS) to provide improved financial controls was introduced in 2005 (EC 2006; Ngware 2003).<sup>7</sup>

## 5.2 Donor support to anti-corruption strategies

Donor support to anti-corruption activities in Tanzania is coordinated through a Governance Working Group (GWG), which is a sub-group of the Development Partners' Group (DPG). While the objective of the DPG is to increase the effectiveness of development assistance in support of the national goals, the sub-group focuses on governance issues.<sup>8</sup> There is also a separate Legal Sector Working Group. A number of donors (including Finland) have up to now channelled most of their support to anti-corruption activities through a UNDP coordinated programme, Strengthening Capacities to Combat Corruption (SCCC). The SCCC Programme comprises four main components, namely coordination and monitoring of the NACSAP action plans, assistance for the implementation of strategic areas of the sectoral plans, assistance to the PCB for raising awareness of its work and for building broader coalitions, and support to civil society organisations (CSOs) and the Parliament (UNDP 2003).

In more concrete terms, the SCCC Programme has provided support for the establishment of the GGCU, design and operationalisation of a strategic monitoring system for NACSAP, and training of key government officials under the first component. The second component includes financial support to the sectoral action plans for organising workshops, financing publications and radio civic education programmes, and training of prosecutors and investigators of the PCB. Under component three, the SCCC Programme has supported publication of a newsletter, press briefings, strategic studies, and case studies on e.g. corruption in the judiciary, the land administra-

<sup>7</sup> On the international level, Tanzania has recently (in 2005) ratified the United Nations Convention against Corruption (2003) and the African Union Convention on Preventing and Combating Corruption (2003) (EC 2006).

<sup>8</sup> Current membership in the GWG includes the European Commission (EC), Denmark, Ireland, Norway, Canada, Sweden, Japan, Finland, the UK, the World Bank, USAID and UNDP.

tion and the health sector, and an independent report on the state of corruption in Tanzania. The CSO component has focused on coalition building among NGOs, and public awareness raising, as well as providing direct support to NGOs, the media, the private sector and the Parliament (UNDP 2003).

Various donor representatives expressed reservations about the way the SCCC Programme was coordinated, especially with respect to the ongoing preparation of a new programme phase. They felt that they were not being adequately informed about the preparation process, and some even considered the recently shared draft document as a 'non-programme', i.e. it seemed to them to lack clear objectives and descriptions of concrete activities (Interviews with donor representatives in Dar es Salaam).

As support to anti-corruption activities is currently one of the main focus areas in international development cooperation, various donors also have their own projects, although most of them are coordinated with or incorporated in the SCCC Programme. For example, the US funded Millennium Challenge Corporation's Threshold Country Plan (2 years) has four activity areas: building the monitoring capacity of the non-governmental sector, strengthening the rule of law for good governance, establishing a Financial Intelligence Unit; and curbing corruption in public procurement (MCC 2006). Another major donor in this area is the United Kingdom (UK), which provides support to, i.a., reforms of public financial management systems, improving procurement, strengthening the National Audit Office, design of the NACSAP Phase 2, management of expenditures, and improvement of the allocation of funds in line with MKUKUTA to improve the provision of public services. The UK also contributes to a civil society fund used to support CSOs doing advocacy work, and takes part in government processes such as public expenditure reviews (DFID 2006).

Finland has, together with the other Nordic countries, the Netherlands and Canada, supported the SCCC Programme in coordination and implementation of selected sectoral plans, and in strengthening the reform programme in the legal sector. Finland has also supported the PCB, NGOs and the media, and continues financing the Local Government Reform Programme (LGRP) via a basket fund mechanism (MFA 2006).

Bilateral donors and international NGOs are supporting CSOs in anti-corruption work both through the SCCC Programme and directly through national NGOs. Most of the support has been directed to information and advocacy campaigns, but recently Public Expenditure Tracking Studies (PETS) have become very popular among donors. Research and Poverty Alleviation (REPOA), a national NGO, has been active in carrying out service satisfaction surveys and PETS in e.g. the education sector, some of the results of which were quoted above. REPOA also maintains the Tanzania Government Noticeboard (TGN), supported by the USAID. TGN is a web-based database which allows citizens to share public expenditure information.

In addition, REPOA supports an established network of NGOs undertaking district-level PETS (REPOA 2006). For example, Tanzania Gender Networking Programme (TGNP), a leading women's umbrella NGO, is planning to implement a PETS in collaboration with REPOA and SNV (Interview with TGNP staff). PETS have also been implemented on a pilot basis by other local NGOs, such as the Rural Initiatives and Relief Agency (RIRA), which carried out a pilot study in Mwanza Region with funding from the UK-based Partnership for Transparency Fund (RIRA 2004).

## 6. *Corruption in Primary Education Services*

### 6.1 The education system in Tanzania

The structure of the formal education system in Tanzania consists of two years of pre-primary education, seven years of primary education, four years of ordinary level secondary education, and two years of advanced level secondary education (URT 2006b). Under the current local government system, primary schools are administered by School Committees who are in charge of school level management, including finance. Funds come mainly through various channels from the central government, and are used according to a plan prepared by the School Committee following criteria established by the Ministry of Education and Vocational Training (MEVT). The School Committee (or Head Teacher in the role of Secretary to the Committee) handles procurement of recurrent material such as textbooks, while salaries go through District Council. There is still some confusion over some aspects of decentralisation in education, such as who is responsible for the recruitment of teachers (Interviews in Dar es Salaam).

As part of the African socialist orientation adopted after Independence, private primary schools were nationalised and school fees were eliminated a few years after Independence. At the same time, regions and districts were given control over primary education. While primary school enrolment nearly quintupled between 1965 and 1981, provision of secondary education by the government increased only slightly. This led to a rapid increase in private secondary education. The total number of secondary level students doubled between 1969 and 1984, mainly through enrolment in private schools, which increased their share of students from about 20% in 1969 to 45% in 1984 (Samoff 1987).

During the general economic decline, the quality of education services deteriorated rapidly. Restrictions on private schools were dropped in 1984, but on the primary level their importance remains marginal: currently only 1% of the primary level pupils attend private schools. At secondary level, the share of pupils attending private schools has gradually decreased from the high point of 60% in 1991 to 48% in 1997, 42% in 2002, and only 27% in 2006. The decline in private schools has resulted mainly from a considerable increase in the number of government secondary schools (URT 2006b).

Economic liberalisation also brought the reintroduction of school fees and cost-sharing measures at all levels of education in 1993. Consequently, primary school enrolment rates dropped drastically, while drop-out rates at schools increased. Performance – particularly of girls – also decreased significantly. Results from studies show that, in the context of ‘cost-sharing’, high drop-out rates are closely linked to the economic status of parents. As well as not being able to afford school expenses, poor

parents need their children's labour to complement the family's meagre income (Bendera 1999; URT 2005a). School fees were again officially abolished in 2001 when the Primary Education Development Plan (PEDP) was introduced. This contributed to a substantial increase in primary school enrolment between 2000 and 2003 (URT 2006a). Cost sharing in primary education was also abolished, except for improving primary education buildings where the central government, local governments and parents are expected to contribute jointly. In theory, parents are only expected to contribute in terms of labour or materials for construction of school facilities, and by providing uniforms, shoes and stationary for their own children. Officially, any other monetary contributions can be requested from parents only with special permission from the district's chief education officer (Interviews in Dar es Salaam).

On primary level the gross enrolment rate has increased from 99% in 2002 to 113% in 2006<sup>9</sup>. On secondary level, the gross enrolment rate has increased from 10% at O-level and 1.8% at A-level in 2002 to 20 and 3.2% respectively in 2006. Performance has also improved: the numbers of those passing the Primary School Leaving Examination (PSLE) has increased from 21% in 1998 to 62% in 2005 (URT 2006b). The improvements were also reflected in people's perceptions of the government's record in the education sector. Close to 85% said educational needs were well handled by the government in 2005, while only 59% felt so in 2001 (Chaligha 2006).

## 6.2 Gender equality in the education sector

International studies show that female literacy is strongly correlated with other indicators of human development, such as infant and under-5 mortality and immunisation coverage rates. While this does not imply causality, it does support the argument that female literacy is a development gain, both for women themselves and for their families. At the same time, evidence suggests that female literacy is associated with higher agricultural productivity. This suggests that women's education is a vital component of successful economic development in sub-Saharan Africa (Bendera 1999; Browne and Barrett 1991). Education is also an essential element in terms of increasing women's capability to function (Sen 1992). Currently, large differences exist in female literacy between regions. For example, only 35% to 65% of women were literate in the five districts of Mtwara Region, and 41 to 66% in the six districts of Lindi Region, while the respective figure ranged between 83% and 90% in the three districts of Dar es Salaam (URT 2005a).

A study of Tanzanian household data showed that, if income and parental schooling are controlled for, male-headed households spend 66% less on a child in primary

<sup>9</sup> Gross enrolment figures include 'over aged' students, and the percentage figures can thus be above 100 per cent. Their relatively large prevalence reflects the drop in enrolment numbers during the 1980s and 1990s, but the situation is likely to even out gradually.

schooling than female-headed households. An educated mother is also likely to improve her bargaining power within the household, and her preference for educated children will pay a larger role in the decision to send children to school (Bendera 1999).

In Tanzania, there is currently no major difference in enrolment figures on primary level in terms of gender. On secondary level, the gross enrolment rate at O-level for girls is only slightly under that of boys. At A-level, the difference in the enrolment rate is more pronounced, being 2.4% for girls compared to 4.1% for boys (URT 2006b). Drop-out rates for girls are, however, much more elevated. Currently only 25% of pupils who go past Form 5 are girls (URT 2005a). According to official statistics, pregnancy is one of the major reasons for girls to drop out of both primary (6.2% of those dropping out) and secondary school (6.9 %), and the problem seems to have increased slightly since 2002/03.<sup>10</sup> Aside from gender, the economic status of parents seems to have an impact on school attendance. Many children coming from the poorest families are not attending school due to inability to pay for uniforms, school books, food provisioning and other school related costs (Interviews in Mtwara and Lindi regions; RIRA 2004; Schanke and Mallya 2006; URT 2006b).

While differences in terms of gender still persist between regions, the general increase in enrolment rates has been more pronounced in peripheral regions such as Lindi and Mtwara.<sup>11</sup> Differences in terms of performance do, however, persist. For example, the PSLE passing rates for boys were higher in Mtwara (72%) and Lindi (70%) Regions than for Dar es Salaam (69%) or the national average (also 69%) in 2005. The respective figure for girls in Lindi was, however, only 51%, compared with 53% in Dar es Salaam, while the national average for girls passing PSLE was 56%, and Mtwara scored high with 62% (URT 2006a).

In terms of government staff, education is one of the most gender-balanced sectors. In 2006 about 47% of the teaching staff (including vocational education but excluding higher education) and 42% of inspectors in Tanzania were female (URT 2006b). In administration in the education sector, some 56% of the staff was female, including the present Minister (Interviews in Dar es Salaam). In the case of teachers, there has been a slight increase in the percentage of women teachers, up from 42% in 1996. In the rural councils visited (Newala, Masasi and Nachingwea) 33% of the education sector personnel (teachers and administrative staff) were female, while in the two urban councils (Mtwara and Lindi) the respective figure was 66% (Interviews, Mtwara and Lindi regions). In this respect women seem to be in a more favourable position, as urban postings are much more coveted.

<sup>10</sup> Lack of funds for paying school fees and buying uniforms was also the most often cited reason for dropping out, found in a study in Malawi on grades 1-2; but by grade 8 pregnancy and early marriage had become the most often cited reasons for girls dropping out (Davison 1993).

<sup>11</sup> Between 2002 and 2006, net enrolment rates (NER) increased from 68% in Lindi and 76% in Mtwara to 96% and 98%, respectively. At the same time NER grew from 88% to 98% in Dar es Salaam (URT 2006a).



### 6.3 Corruption in the education sector

District education officials, teachers and school committee members interviewed in Mtwara and Lindi regions were generally pleased with the decentralisation of school management to local level, and with access to PEDP support for construction of classrooms and other school facilities, such as latrines. (The standard allocation per classroom from PEDP is about Euro 1,850). The new policy that abolished school fees was also supported. The main complaints related to insufficiency of resources provided by the central government, and the fact that in some cases the transfers were considerably delayed (e.g. funds for text books). As schools are currently not allowed (at least officially) to demand monetary contributions from parents, the formal representatives tended to deny existence of such practices in their school. According to them, cost-sharing by parents entails only contributions in labour or materials in construction work, or buying exercise books and stationary for their own children (in addition to school uniforms).

Members of CSOs, however, mentioned various additional payments such as 'desk fees', which are currently collected by head teachers. In Mtwara and Lindi Regions these were not considered as bribes or otherwise illegal, as they were in most cases paid against receipt, and it was generally acknowledged that resources coming from the central government are not enough to cover even basic expenses. The situation is exacerbated by the system of standardised government contributions, which does not take into account the existing, substantial, price variation in different localities (Interviews in Mtwara and Lindi Regions).

The problem is related to lack of clarity on what the central government contribution is actually supposed to cover, and to what extent funds allocated to schools at central level actually reach the schools. Recent attempts to track education sector expenditures have revealed the complexity of the system, as well as the existence of considerable leaks (Interviews in Dar es Salaam). While the three schools visited by the team in Lindi and Mtwara Regions did not appear to have problems with financial management, they were probably not representative of the general situation. Other sources indicate that accountability and transparency of school finances is a problem in many schools. In some cases, school committees are not meeting regularly, as stipulated, or do not actually know what their concrete responsibilities are. District level officials were also somewhat sceptical about the capacity of school committees to fulfil their administrative role, and acknowledged that planning is often still done or at least 'strongly assisted' by them (Interviews in Mtwara and Lindi regions; RIRA 2004).

Aside from the above discrepancy between official and local views about monetary contributions to schools by parents, the main area of financial mismanagement seems to occur in construction of new classrooms and other school facilities (latrines, offices,

housing for teachers). One previous evaluation from another region (Mwanza) indicates that classrooms built with PEDP funding were constructed below standard due to mismanagement of funds by school committees in collaboration with staff (RIRA 2004). Separate cases of corrupted practices in construction of classrooms have also been disclosed in Mtwara and Lindi Regions, but the problem was not considered to be widespread. More often the problems in financial management were perceived to be due to weak administrative capacity, for example, in cases where funds were left unused by school committees due to administrative incompetence. Another problem mentioned by NGO representatives was reallocation or misallocation of funds intended for particular aspects of education development to other uses by the school or – more typically – by the district council (Interviews in Mtwara and Lindi regions; RIRA 2004). Incentives for teaching staff appear to be an area where corruption or unethical behaviour occurs more or less frequently in both urban and rural schools. The living conditions of teachers, especially in rural schools, tend to be rather basic, even though generally better than the local average. Very few schools can provide housing or other incentives for teachers, and salary levels are relatively low. Postings in rural schools are unpopular – unless they are close to the teacher's home district. As noted above, women tend to be over-represented in urban areas, at least in Mtwara and Lindi. In various interviews this was explained by referring to the female teachers in question as being the wives of government officials posted in respective regional offices, i.e. through influential family connections (Interviews in Mtwara, Lindi and Dar es Salaam Regions).

Absenteeism, which was allegedly common, especially among teachers in peripheral rural schools, was also explained by lack of incentive and necessary equipment. Getting qualified teachers (especially for mathematics and English) was considered a major problem in both regions (Interviews in Mtwara and Lindi Regions). Other studies report that corruption inside the sector or district administration is often involved in promotion and transfer of staff to more attractive locations (URT 1996).

Another problem related to low motivation among teaching staff is the alleged prevalence of opportunities for side payments such as 'tuition fees' for private lessons given by teachers outside school hours. While formal representatives again claimed that such practice did not exist in their school, civil society representatives confirmed the practice (at least in some schools), especially when preparing for crucial examinations such as Standard IV and PSLE. As pupils coming from poor families cannot afford the extra payments involved, this can obviously lead to unequal treatment. It may also be connected to outright bribery, such as enabling poorly performing pupils to pass examination through leaking examination papers, forgery of results or other illegal means (Interviews in Lindi, Mtwara and Dar es Salaam regions). In contrast to interviews in Mtwara and Lindi Regions, where registration did not appear as an oc-

casation for bribery, interviews of parents of primary school children in Dar es Salaam Region revealed a number of cases of bribery in the context of registering a child in a school. Of the thirty interviewees, six reported that they were asked to give money in exchange for their children being registered. In most cases the parents were told that registration had already closed, but other reasons were also mentioned. For example, one of the parents said that her child did not have a birth certificate (which is required for registration) so the situation forced her to bribe the head teacher. In some cases the bribe was camouflaged as an additional expense, such as transport fare to the Ministry for follow-up on the unusual registration process. Five of the reported bribe-takers were male and one was female; most of them were head teachers (Interviews in Kinondoni District). The difference in respect to Mtwara and Lindi probably reflects the higher value given to education in the capital region.

In addition to personal experience, twelve parents interviewed in Kinondoni District reported knowing a friend who had given a bribe in relation to his/her child's attendance in public primary school. Interestingly, most of these cases involved influencing a teacher to take a bribe in exchange of a favour or service. For example, one male friend reportedly bribed the headmaster so as to allow his daughter to leave school to get married. Another (female) friend wanted her child to be moved to a higher standard because the child was scoring very high. A number of indirectly reported cases referred to bribing the teachers so that their children would get good supervision and extra teaching at school. Other favours mentioned include transfer to another school and better access to books (Interviews in Kinondoni District).

Extra payments for favours are also potentially linked to sexual corruption. While this may seem far-fetched in the context of primary education, it should be noted that many of the pupils in primary schools are older than the official age-range (7–13 years for primary school), while pregnancies (and even marriages) at the age of 12–13 are not uncommon (especially in Lindi Region) even though the official minimum age for marriage for girls is 15 years.

Sexual relations between teacher and pupil are officially strictly punished; but according to anecdotal evidence, cases that lead to pregnancy of the pupil are often settled through monetary payment between the girl's parents and the teacher involved (Interviews in Mtwara, Lindi and Dar es Salaam). Cases of sexual abuse against a teacher are also difficult to prove, even though in recent years women's organisations have made the problem public and have brought more pressure on the political level (Bendera 1999; TGNP 2006).<sup>12</sup> Sexual corruption is potentially dangerous due to,

<sup>12</sup> One case of sexual corruption, whereby a teacher had demanded sexual services from a female student in a training institute as a condition for passing an examination, was mentioned during the interviews. While the case had been confirmed by review of the examination papers by an independent person, which showed that the student had been failed unjustly, the case went unpunished as the accused 'disappeared' before he was apprehended. It appears that he was caught anew in similar sexual extortion in another institute, but was even then merely dismissed. The case reinforces the common view that while punishment for sexual abuse by teachers is officially strictly condemned, in practice the punishments tend to be rather lenient if not totally absent.

among other things, the HIV/AIDS risk involved. According to some interviewees the prevalence of HIV/AIDS is very high in secondary boarding schools among both male teaching staff and female students (Interviews in Dar es Salaam).

**Table 5.5.1 Gateways to corruption in education sector at district/school level**

| Gateway to corruption  | Who is the beneficiary (by sex)?  | Fiduciary risk assessment; frequency  | Benefits for the benefiting party?  | Poverty impact and gender consideration   |
|--|---|---|---|---|
| Procurement of construction material and services in the context of classroom etc. school facilities (bribes, illegal commissions) | Head teacher and school committee members and/or the entrepreneurs; mostly men but also women | Relatively high risk, several cases disclosed   | Economic benefits (monetary gains through extra payments and/or increased profit)     | Overpayment of goods and contracted services; poorer quality facilities available to citizens |
| Favouritism in allocation of vacancies in urban schools  | Family members of senior staff, mainly women  | Clear rules not available/not enforced, common  | Posting in favoured location close to family, may involve bribes                      | Marginal impact in most cases   |
| Diverting central government transfers to other uses or personal advantage   | District employees and members of various committees, men and women                           | Common, often done 'legally' through reallocation of funds intended for schools to teachers' allowances, etc. | Monetary gain as extra benefits often make up a large part of income                  | Less resources available for education services   |
| Theft of supplies  | Municipal and school employees, men and women   | Possibly relatively common  | Monetary gain; "salary complement"  | Impact variable, but generally marginal   |
| Absenteeism  | Teachers, especially in peripheral village schools, more often men                            | Relatively frequent practice, but not easy to control (decentralised services)                                | Opportunity for side income; protest against low salaries and poor working conditions | Indirect impact on reducing poverty; lowers the quality of education                          |
| 'Tuition fees' for extra lessons, possibly linked to favouritism   | Teachers, both male and female  | No clear rules, possibly frequent practice  | "Salary complement" for teachers  | Creates inequality, no major gender difference  |
| Bribes (offering/demanding); to gain unjust advantage in examinations  | Teachers, parents, students, both male and female   | Not known   | Teachers gain extra income and benefits, may include sexual services                  | Decreases motivation and quality of education   |
| Bribes (offering/demanding) to get promotion or transfer   | District director and higher level officials, men and women, teachers                         | Possibly a frequent practice  | Monetary gain for higher level officials  | Decreases motivation and quality of staff, encourages sexual corruption                       |
| Bribes (offering/demanding) to get special (or invented) services  | Head teacher and other teachers, both male and female   | Common at least in the capital region   | Monetary gain for teaching staff  | Creates inequality, no major gender difference  |
| Demanding unauthorised payments/fees   | Head teachers, school committees  | Frequent practice, legal status unclear   | Compensates for inadequate resources from central government                          | Contradiction between rules and practice, decreases transparency                              |

Source: Interviews in Mtwara, Lindi and Dar es Salaam Regions, URT 1996.

## 7. *Corruption in Local Government*

### 7.1 Local government system in Tanzania

In Tanzania, local authorities known as District Development Councils, Ward Development Committees, and Regional Development Committees were created in 1972. The process was consolidated by the Villages and Ujamaa Villages Act of 1975, which established Village Councils. It is now recognised, however, that actual participation by the population was not realised through these structures, as the process entailed deconcentration rather than devolution of power (Ngwilizi 2001). The financial crisis of the late 1970s drastically reduced resource transfers from the central government, while only some 25%–45% of estimated tax potential was actually collected at local level. This led to a rapid decline in the standard of services provided by local authorities (Fjeldstad 2001; Junge 2002).

The Local Government Reform Agenda 1996-2000, the Government Policy Paper on Local Government Reform (October 1998), and the subsequent Local Government Reform Programme (LGRP) represent an entirely different approach, that of decentralisation by devolution. This means decentralisation of both authority and responsibilities, including fiscal decentralisation. The LGRP has six main components: 1) governance, 2) local government restructuring to improve effectiveness of service delivery, 3) financial reform to increase resources available and improve efficiency of their use, 4) human resource development to improve accountability and efficiency, 5) reform of institutional and legal framework, and 6) support to efficient and effective programme management. The LGRP seeks to increase resources available to local government authorities (LGAs) by improving viable revenue sources and enhancing grant finance from central government. Clarifying the framework for delivery of services on behalf of the government, and a clear set of national minimum standards for service delivery are also included (EC 2006; Ngwilizi 2001).

The Local Government (District Authorities) Act of 1982, which reintroduced elected district authorities, was amended in 1999 to allow for smooth implementation of LGRP.<sup>13</sup> It makes the councils better accountable to local people, and provides for decentralised management of staff and finances by local government authorities. It was, however, observed that some incompatibility exists between the current Local Government Act and sectoral legislation, for example in the education sector. The chief executive of the district council is the Technical Director, while the mayor (in urban) and chairman (in rural councils) carry political responsibility over the LGAs. The district councils have advisory standing committees on welfare, planning, and de-

<sup>13</sup> In addition, the Regional Administration Act of 1997 establishes small regional secretariats to take the place of former regional development directorates.

livery of finance and services, but the decisions are made by the full council. LGAs are required to prepare council level service delivery plans, using a participatory approach and following national minimum standards of service delivery, as well as taking into consideration the priorities and expressed needs of their constituency (Interviews in Dar es Salaam; Ngware 2003; Ngwilizi 2001).

Resource mobilisation and management of human resources pose serious challenges to the local government reform, which is highly dependent on external aid. Currently the relationship between central and local levels is somewhat uneasy, as policy initiatives and obligations are formulated on the central level while implementation is on the local level (Interviews; EC 2006).

GoT has developed a Local Government Capital Development Grant (LGCDG) system which, over time, will become the mechanism through which all development funds will be transferred to LGAs. The system can finance infrastructure within water supply, sanitation, education, health, roads, and administration at district and village level (Schanke and Mallya 2006). A transition phase is currently underway, and e.g. the 2006/07 budget for the health sector introduces a substantial increase in allocations to LGAs (49%) and regions (65%), supplemented with a more modest increase in district health and PMO-RALG components (Health Equity Group 2006).

While women should make up at least one-third of local council members, a recent study found that the percentage of women in the lower level representative institutions visited was below 30%, and the number of women in decision-making positions was low. The Opportunities and Obstacles to Development (O&OD) planning methodology based on the participatory approach is generally used by the LGAs. However, although the planning process provides opportunities to identify key gender issues, the budget guidelines do not prioritise gender as a central element in resource allocation. The mainstreaming approach is not adequately understood; and gender analysis is not fully carried out unless supported by an outside agency such as a project or NGO. On the district level, the main responsibility is left with the Community Development Department, which usually has the lowest level of resources to implement activities, identify discriminatory practices against women or promote gender mainstreaming. While the importance of gender issues is recognised at a general/rhetorical level, its operationalisation and systematic integration in different activity areas remains weak (Mascarenhas; Schanke and Mallya 2006).

## **7.2 Corruption and mismanagement in local government**

Proponents of decentralisation argue that it should increase accountability, because local governments are closer to their constituencies and thus more accountable than distant central governments. Opponents of decentralisation, on the other hand, argue

that decentralisation is likely to reduce local provision of public services because local elites can divert public funds more easily through a decentralised system than a centralised one. Generally the studies have found that local factors, such as level of development, inequality, and the ability of citizens to participate in local politics, are important intervening factors that determine how decentralisation affects the delivery of public services (Hoffman and Gibson 2005). For example, in Tanzania some officials working in central government maintain that the corruption that admittedly existed in the Central Tender Board has now multiplied since the institution was divided into 132 district level boards (Interviews in Dar es Salaam).<sup>14</sup> Corruption is allegedly common in procurement and revenue collection.<sup>15</sup> Respondents to one study by Transparency International even charged that inadequate social service delivery and limited resources induce corruption at all levels, leading to the loss of billions of Tanzanian shillings every year (Ngware 2003).

In Tanzania, capacity problems at local level are usually mentioned as the main cause for problems in fiscal accountability in rural district councils and at lower levels.<sup>16</sup> Those interviewed on the district level were, however, eager to point out that there have been considerable improvements in administrative capacity as competent accountants, auditors and even some lawyers have been contracted by LGAs (Interviews with government representatives in Mtwara and Lindi Regions). Recent audit statistics seem to support this view at least partly. Among the three councils visited in Mtwara region, Newala and Masasi were both rated adversely by the auditors in the two previous audit reports but received clean papers in the latest report. The Mtwara TC has received the ratings of 'adverse' and 'qualified' in all three audits. In Lindi Region, Nachingwea has improved steadily from 'adverse' through 'qualified' to 'clean', while Lindi has moved from 'adverse' to 'qualified' in the latest audit report available. Interestingly, development seems to have gone in the opposite direction in Dar es Salaam, where all four districts degraded from 'clean' to 'qualified' in the latest audit (REPOA 2006).

Surveys and studies indicate relatively large variation between LGAs and MDAs in terms of perceived incidence of corruption. For example, according to a government service delivery survey carried out in 2003/04, corruption was perceived to be more

<sup>14</sup> A World Bank study estimated that at the national level about 20% of GoT expenditure on procurement was lost through corruption, mainly through kickbacks and bogus investments that have to be written off. As public procurement accounts for about 70% of the government budget, this translates to a loss of about Euro 230 million per year, enough to finance the combined annual recurrent budgets of the Ministries of Health and Education (World Bank 2003).

<sup>15</sup> A common practice of petty corruption is the so-called 'carbon slip' fraud, whereby a correct original revenue receipt is given to the taxpayer while the copy registered for official accounts shows a lower amount, leaving the difference to be pocketed by the official (Ngware 2003).

<sup>16</sup> Out of 115 district and town councils with data available, those in Mtwara Region ranked well below the average (72-110) in terms of volume of questioned expenditure in the latest government audit reports (2004/05), while Lindi Region fared only slightly better (ranking 63-89) except for Lindi Town Council (TC), which ranked 22. In Dar es Salaam Region there is considerable variation in the rankings (18-91) of the four councils (REPOA 2006).

prevalent in Dar es Salaam than, for example, Mtwara Region, and more common in the Ministry of Health than in PMO-RALG, while the Ministry of Education was perceived as relatively less corrupt. The survey did not reveal any notable difference in perceptions by gender (URT 2005c). Comparison of interview data from Dar es Salaam, Mtwara and Lindi regions tends to support this view of no differences in perceptions by gender.

Central government has recently taken action to redress perceived injustice in some administrative areas falling under local government authority, such as land allocation, which is reputed to suffer from corrupt practices. A Presidential Committee was established with a mandate to clear the sizable backlog of land conflict cases in the country. While a report was submitted by the Committee in 2006, the case reports by district were not available in any of the rural councils visited. In Mtwara Town Council, the case reports were posted at the public notice board, while in Lindi they were only accessible in a loose-leaf file which was found after considerable effort. In both councils, about 20% of the appellants were female (10 out of 41 in Mtwara, 18 out of 80 in Lindi), out of which all except one in Mtwara won their cases (i.e. regained the land or received compensation). In the case of Lindi it was, however, not possible to verify if the decisions were actually implemented as they were not made public (Interviews and observations in Mtwara and Lindi Regions).



**Table 5.6.1 Gateways to corruption in local government**

| <b>Gateway to corruption</b>  | <b>Who is the beneficiary (by sex)?</b>   | <b>Fiduciary risk assessment; frequency</b>   | <b>Benefit for the benefiting party?</b>  | <b>Poverty impact and gender consideration</b>  |
|---|---|---|---|---|
| Procurement (bribes, illegal commissions, inner circle information; use of own or family owned service providers) | High level district and regional officers and/or procurement committee members and/or the entrepreneurs; mostly men                 | High, difficult to detect, even though some cases are blatant                                       | Economic benefits (monetary gains through extra payments and/or increased profit)                                     | Overpayment of goods, infrastructure and contracted services; less public goods and of poorer quality available to citizens |
| Favouritism, clientelism (system of spoils) in distribution of resources  | Family members, friends, and political supporters of decision makers; both men and women, but men are generally in higher positions | Clear rules not available/not enforced, e.g. allocation of micro-credit                             | Political support, maintenance of 'social capital'  | Resources diverted to relatively well-off instead of the poor   |
| Diverting central government transfers, local revenue or user fees for personal advantage                         | Municipal employees and members of various committees   | Common, often done 'legally' through reallocation of e.g. health or school funds to allowances etc. | Monetary gain; "salary complement"  | Less resources available for services, women suffer more in some sectors (e.g. health)                                      |
| Theft of supplies   | Municipal employees   | Possibly relatively common  | Monetary gain; "salary complement"; possibly men gain more (e.g. construction materials) than women (e.g. stationary) | Impact variable, in case of medicine and medical supplies impact more adverse on women                                      |
| Absenteeism   | Municipal employees, e.g. teachers and health attendants in peripheral village schools and dispensaries                             | Relatively frequent practice, but not easy to control (decentralised services)                      | Opportunity to run own business; protest against low salaries and poor working conditions                             | Indirect impact on poverty ; lowers the quality of service and forces the use of private services, or requires travel       |
| Bribes (demanding of) for accelerated or unusual service  | Municipal employees   | Possibly frequent practice  | "Salary complement" for municipal civil servants and employees  | No gendered poverty impact; relatively low impact on poverty in general population  |
| Bribes in the context of commercial permits, exploitation of natural resources, etc.                              | Municipal employees; council members and mayors   | Possibly a frequent practice  | Municipal employees and in bigger cases mayors and council members; mostly men  | Potentially a great negative impact on municipal revenue and equitable use of resources                                     |

|   |  |                              |   |   |
|---|--|------------------------------|---|---|
| Bribes (offering of); to gain exemption from certain taxes or fees  | Municipal employees and private citizens   | Possibly a frequent practice | Entrepreneurs reduce costs, employees gain extra income | Reduced revenue and thus service level; more often men                  |
| Bribes (demanding of) for employing new staff, promoting and transferring staff, and assigning responsibilities | District director and higher level officials, men and women but more men among decision-makers | Possibly a frequent practice | Monetary gain for higher level officials                | Decreases motivation and quality of staff, encourages sexual corruption |
| Extortion (demanding bribes) through misuse of official position  | Inspectors in different sectors (e.g. food hygiene)  | Possibly a frequent practice | Monetary gain for inspectors                            | Decrease in income, potential for sexual corruption                     |

Source: Interviews in Dar es Salaam, Mtwara and Lindi Regions; URT 1996.

In addition to outright corruption and fraud, expenditure reallocations and leakages occur as funds move from the treasury to the local government and facility level, and diversion of funds at the district council level has been reported as being a serious problem. A number of recent studies have tracked government expenditure in various sectors to measure the extent to which disbursements differ from allocations. The results show that councils have tended to use resources intended for social services such as health and education for staff allowances, supplies for the district office, and fuel and maintenance for district vehicles. This kind of misallocation is facilitated by lack of comprehensive records of transactions, weak internal control systems and accounting mechanisms, and inadequate monitoring and auditing by central authorities (Cooksey 2006; RIRA 2004).

In many districts and villages, information about revenues and expenditure is not readily available, and officials may bluntly refuse to answer when asked. In one survey, only 2% of those interviewed had seen audited statements of council/village expenditures, 6% had seen statements on taxes and fees collected, and 10% had seen a local government budget posted in a public place (RIRA 2004). Great variation was observed in terms of information locally available in the five districts visited by the authors in Mtwara and Lindi Regions. The latest audit documents were in most (3 out of 5) cases posted on public notice boards, but there was considerable variation in terms of presentation of key information such as budgets. While some authorities had posted budgets, data on collection and utilisation of fees, criteria for exemptions, etc. in an easily readable format on the notice board, others seemed to use the board to conceal information and confuse the public. Some school committees even post school budgets on village notice board, while others hide them in the offices (Interviews and observations, Mtwara and Lindi regions).

While public meetings, in which information from LGA accounts on revenue and expenditure are presented and discussed, seem to be a more efficient channel of information, in many places public meetings are not held as stipulated in the LGRP or are used for top-down communication only. The relationship between CSOs and local government is perceived to be antagonistic in some districts, especially where transparency is lacking (Interviews with NGOs in Mtwara and Lindi Regions; RIRA 2004).

## 8. *Conclusions and Recommendations*

### 8.1 Achievements of Government anti-corruption strategy

The Constitution of Tanzania, as well as various attendant laws, rules and regulations, make any form of corruption clearly illegal. Anyone found guilty is subject to stiff penalties, of large fines or a jail sentence, or both. There are various operational mechanisms to deter people from engaging in corruption, such as the 1994 Government Standing Orders, Presidential and Ministerial Circulars and Directives, as well as the strict procedures on conflict of interest, registration, and disclosure of assets found in the 2001 Procurement Act, among other statutes (Ngware 2003).

Still, corruption continues to be widely reported, ranging from petty corruption involving all levels of public administration from traffic police to the revenue authorities, to grand corruption in central ministries and other MDAs. A recent State of Public Services Report indicated that 47% of all public servants had witnessed unethical practices in their institutions, while 59% said they knew of persons who practiced corruption by either giving or receiving 'gifts'. Despite this awareness, and despite the widespread occurrence of unethical practices, these practices were not reported in 73% of the cases. Therefore, public servants are aware of unethical practices amongst their peers but frequently do not take action against it. In terms of misuse of power, 52% of the public servants interviewed encountered some form of misuse of power, mainly for personal financial gain. Nepotism and sexual harassment were also observed, but were considered to constitute a less severe problem compared to other forms of corruption. Altogether 86% of respondents believed there was only weak political will to tackle corruption (URT 2005b).

Given the high incidence of corruption reported in service delivery surveys, the frequency of disciplinary action against public servants remains low. From 2000 to 2004 there were, on average, fewer than nine corruption convictions per year. Various high-level political leaders have been accused of corruption, but no-one has been convicted. This figure is not only small compared to levels of corruption reported in surveys, but is small in relation to the number of ongoing cases (Ngware 2003; URT 2005b). The role of democratic institutions not directly controlled by the Executive Branch is also weak. For example, the last five reports of the Auditor General up to 2006 were not presented for public debate in the Parliament (Interviews in Dar es Salaam).<sup>17</sup>

As described above, the NACSAP, supported by a complex high-level institutional framework, was implemented from 2000 to 2005, and currently a second phase is being formulated. Most donor representatives interviewed were not overly impressed by the

<sup>17</sup> In 2007 the Auditor General's Reports for the financial year 2005/06 were discussed in the Parliament, a fact which received relatively high publicity.

results of the first phase. Amendment of the anti-corruption legislation continues pending in the Ministry of Justice (where it has been for the past three years), and in 2006 reading of this legislation in the Parliament was again postponed until February 2007, even though the Government had committed to presenting it in the June 2006 Parliamentary Session. The current legal framework is weak, and is blamed for the PCB's perceived poor performance in terms of concrete results such as conviction rates. There are few examples of so-called grand corruption cases being taken to court and the role of the PCB is basically limited to research and community education activities. It is, however, widely perceived that much more could have been done even within the current legal framework (Interviews with donor representatives; EC 2006; cf. URT 2005b).

The Warioba Commission observed, i.a., that state organs responsible for fighting against corruption, such as the Anti-Corruption Bureau, were part of the problem (URT 1996). That institution has since changed its name from 'Anti-Corruption Bureau' to 'PCB', and has been restructured twice, but it remains highly dependent on the President (Executive Branch), who personally nominates the Director and Assistant Directors of the PCB and can also remove them. Various independent observers have entertained the belief that the revised Anti-Corruption Act will give the PCB stronger powers to prosecute corruption cases without going through the Director of Public Prosecution, but this seems not to be the case. In its current form, the Anti-Corruption Act is vulnerable to charges of being an organ to protect the government and the ruling party from the opposition. In a similar manner, the top leadership of both the Ethics Commission, and the Human Rights and Good Governance Commission, are also appointed by the President. The latter Commission is barred from investigating the President, who can also direct the Commission to discontinue an investigation if he/she feels it might prejudice matters of national security (Ngware 2003; Interviews with government staff and donor representatives). Experience from other countries supports the view that, in order to create effective checks and balances to avoid the monopoly of power, specialised anti-corruption agencies should rather be held accountable to the Parliament, which has the supervisory role over the Executive Branch (Fombad 1999; Ngware 2003; Tangri and Mwenda 2006).

Another example that invites observers to question the existence of political will is the declaration-of-assets controversy. The Warioba Commission recommended that all leaders should be obliged to publicly declare their assets, and arrangements should be made to verify the accuracy of the declarations. While President Mkapa and Vice-President Juma subsequently declared their assets publicly, the Attorney General later stated that public declaration was not necessary (URT 1996).<sup>18</sup> While leaders are cur-

<sup>18</sup> In a similar manner, the Political Parties Act No. 5 of 1992 requires each party to disclose any funds, or other resources obtained by the party, to the Registrar of Political Parties, who can publish the information. Neither the Registrar nor political parties have, however, published such information while the mass media is also prevented from publishing such information (Ngware 2003).

rently required to declare their assets to the President, the information is not made public. In a recent survey, 55% of public servants and 61% of politicians believed that the current system for declaration of assets by politicians was ineffective in curbing unethical behaviour. Some 68% believed the practice should be continued, and they supported the Commission's view that the declaration should be public and consistently monitored (URT 2005b). The situation is familiar from other African countries, such as Uganda (Tangri and Mwenda 2006).

There seems to be great resistance on the part of central and local government bureaucrats to increase public access to information and to translate official commitments of transparency into practice (Interviews with NGO and donor representatives; Cooksey 2006). Lack of information hinders citizens' monitoring of civil rights on all levels, in regard to activities ranging from the scrutiny of district budgets to investigations of the payment of user fees. For example, people feel that they are not informed about criteria for exemptions from health care fees and are therefore not in a position to demand that available mechanisms to protect vulnerable groups are set in motion (Interviews in Mtwara and Lindi Regions; RIRA 2004). The situation is complicated further by multiple lines of authority and resource allocation even within a single government sector. For example, the total health budget is made up of several elements, including the Ministry of Health and Social Welfare (57% of the total), LGAs (28%), National Health Insurance Fund (Attorney General's Office, 6%), PMO-RALG (4%), and regions (5%). Under such a complex administrative set-up, it is difficult to see where some sources of revenue (e.g. user fees or community health funds) are included in the health budget, or what the total amount of resources allocated for each health unit is (Health Equity Group 2006).

In general terms, anti-corruption strategies in Tanzania are 'gender-blind', a problem that is not unique to Tanzania. Aside from the general rhetoric of gender mainstreaming, neither GGCU nor PCB has a gender strategy or were able to present a coherent view on how gender is or should be integrated in the fight against corruption (Interviews in Dar es Salaam).

## 8.2 Donor policies and GoT commitment

Some observers have remarked that there is a perception gap between the donors and the Government of Tanzania (GoT) on the latter's record on governance, which contrasts with overall agreement on other issues concerning development policy. Donors have expressed some doubt about GoT's commitment to fighting corruption, which may be perceived as a rhetorical device to appease an important source of external funding; *"para inglês ver"* to use a Brazilian expression. The Government, on the other hand, maintains that it has done plenty while donors have been slow to come forth with the required fi-

nancing (Interviews in Dar es Salaam; Sundet 2004; cf. URT 2005b; EC 2006).

Corruption tends to be a recurrent but rather sporadically addressed theme in international development discourse. In Tanzania, for example, evidence published in the early 1990s indicated that the amount of taxes and duties lost to the treasury due to widespread corruption and mismanagement was extensive. The donor community did not react, however, until 1994 when lost tax revenues in the form of unpaid customs duties were estimated to reach US\$ 135 million per year, i.e. more than twice the recorded customs revenues collected that year. The public scandal led to an aid freeze at the end of the year, and in 1995 the then Minister of Finance was forced to resign from the Government while several members of senior staff in the Ministry were dismissed (Fjeldstad 2002).

During his campaign, President Mkapa explicitly stated that he would give top priority to the problem of corruption. After publishing the celebrated Warioba Commission Report and creating a few new institutions, it appears that – aside from rhetorical exhortations – the problem was of no further concern to the leadership. As perceptively foreseen by the authors of the Warioba Report, it was not the first report on corruption prepared in Tanzania, the recommendations of their predecessors having mostly ended on the shelves of Government Offices. The authors thus perceived the danger that their report would end the same way (URT 1996). To a large extent this has proved to be true. There are very few signs indicating that the previous Government actually prioritised the implementation of NACSA, which suffered from various delays and ‘lack of teeth’. For donors, by 2002 corruption had disappeared from the list of major issues in the donors’ joint statements, which reflected general satisfaction with the progress of the Poverty Reduction Strategy and various sectoral reform packages (Cooksey 2006; EC 2006; Sundet 2004).

The present regime has also expressed its commitment to fight corruption, but it is not hard to understand the existence of sceptical views among donors and CSO representatives – at least until (hopefully) proven wrong by resolute concrete action. As one donor representative put it, in terms of fighting corruption the regime seems to be “*committed to those things which don’t disturb too much*” the existing power structures (Interviews in Dar es Salaam).

### 8.3 Recommendations for Finnish support

Based on the findings of the present case study of corruption in Tanzania, the following priority areas are suggested for Finnish support to Tanzania:

- Targeting support to the demand side of accountability, namely civil society, media and the Parliament. Recent research suggests that stakeholder oversight is considerably more effective than the more traditional mechanisms of institutional oversight

provided within the formal framework of central government. A fuller integration of civil society in the oversight process, particularly at district, ward and village level, would thus significantly improve mechanisms of accountability;

- Improving the downward accountability framework should include gender accountability, for example by developing effective strategies and guidelines (including a common conceptual framework) for engaging with CSOs including gender organisations (e.g. TGNP, TAWLA) for PETS with gender focus;
- Access to information and freedom of association are crucial for anti-corruption work. Currently access to information is highly variable in different districts and villages, and in many places the old culture of hiding information in order to gain power and opportunity for corrupt practices is still prevalent. Citizens should be encouraged to learn to know their rights and demand them, while government authorities should be obliged to make all information public unless there is explicit special reason to keep it confidential;
- Governance indicators (e.g. MDG) should reflect the different experiences of governance mechanisms and processes by women and men in general and poor women and men in particular, and should also reveal any systematic differences in the extent to which the different genders benefit from the impacts of governance. Indicators are instruments that facilitate transparency and enable citizens to hold institutions and decision-makers accountable and should, therefore, be meaningful to all citizens, including rural people. Questions on corruption most relevant to women, e.g. illegal charges for free education or health services, could be incorporated into existing population-based surveys on corruption (cf. Corner);
- Anti-corruption activities within government sectors have, with the exception of support to preparation of sectoral action plans and civic education programmes under NACSAP through SCCC, been somewhat generic. There are, however, concrete, sector-specific initiatives focusing on identified problem areas such as procurement, human resource management and financial transfer mechanisms, which would merit support;
- Most donors are currently supporting macro-level activities in anti-corruption work, such as reform of anti-corruption and related financial and administrative legislation and elaboration of national level anti-corruption organisations accountable to the executive (PCB, GGCU), while support to lower levels and civil society actors has been somewhat sporadic and weakly coordinated. While development of the normative framework and overall law enforcement mechanisms are important, slow progress and (arguably) lack of high level commitment leads one to ask if it would make more sense to concentrate instead on the civil society oversight process and on strengthening the anti-corruption institutions developed within government sectoral administration (e.g. education, forestry, local government)?



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Over the current decade, it has become commonplace to consider women intrinsically less prone to corruption than men, and design development interventions and poverty reduction strategies accordingly. This study analyses the linkages between corruption and poverty, and summarizes the relevant debate on gender and corruption. It is based on academic literature and relevant public documents, supplemented with interviews and first-hand observations in both urban and rural areas in Nicaragua and Tanzania.

The study supports the hypothesis that corruption and non-delivery of services have gender-specific poverty consequences. Corruption can be seen as a mechanism that produces and perpetuates social and economic inequality; it constitutes a regressive redistribution of resources from the poor to the non-poor. In the case of basic public services such as healthcare and primary education, the impact of corruption is felt disproportionately by women and the poor, who are most dependent on public services. Corruption is a serious symptom of the lack of a closed network of social capital on the national level. The problem of the formation of negative, bonding social capital in the practice of corruption is an important element that has so far been neglected in anticorruption strategies.

There is a gendered opportunity structure to be able to use corrupt practice for one's own benefit, and corruption can also be seen as a social activity field where gender roles are performed and gender role expectations fulfilled. While bringing more women into politics and public office is important for advancing gender and social equity concerns, what matters is not the simple access of women to power, but the means of their access and the nature of the institutions in which they function.



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