

Corrupt schools, corrupt universities: What can be done?





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for Educational Planning**

# Corrupt schools, corrupt universities: What can be done?

Jacques Hallak and Muriel Poisson

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# Foreword

Education is an endangered resource. Planners and students of education development have been telling us this for some time now. Often quality is low, efficiency weak, relevance questionable and wastage significant, while aims and goals are frequently unclear. As early as 1968, Philip Coombs, then Director of the International Institute for Educational Planning (IIEP), made this overall diagnosis in the aptly-titled book *The world educational crisis*.

After many decades of national and international efforts to address the challenges facing education, particularly following the commitments made to reach the goal of *Education for All* at Jomtien (Thailand) and reconfirmed in Dakar 10 years later, we are still falling short of targets. Moreover, as a substantial share of national resources and aid have been directed towards education over the last few decades, questions have been asked, particularly by taxpayers in industrialized countries, as to the legitimacy of the financial support provided and the justification for the priority given to the education sector by the donor community. Indeed, candid evaluations of achievements and failures in preparing for the Dakar Forum on Education for All concluded that there are many persisting problems in education. These include, among others, lack of strong and sustained strong political commitment, and weak governance – including poor transparency, inadequate accountability and even corruption. Governance is one of the most important factors to be addressed if the goals set at Dakar and the Millennium Development Goals are to be reached.

It was against this background that the IIEP launched a research project in 2001 on ‘Ethics and Corruption in Education’, which has resulted in several reports and training seminars. This book is meant to provide a synthesis of its findings. The project was based on two main assumptions. First, that examining country experiences would result neither in fatalism nor in despair, but rather the conviction that many significant and successful strategies can be adopted to reduce corruption and improve governance in education. Second, that the challenges and difficulties are not confined to what we somewhat falsely refer to as the ‘developing world’. The same or similar forces that prevent and distort the development of millions of students

in the Third World also undermine the future qualifications and character of an increasing number of children in industrialized countries. Two obvious examples come to mind:

- (i) For many observers, academic fraud is regarded as a serious threat to the integrity and reliability of certification in higher education, leading to scepticism as to the validity of results and suspicion about real performance. This type of fraud is more prevalent in the United States than in developing countries; and
- (ii) Distorting behaviours in procurement for the education sector – including school buildings and the maintenance of schools – are not exceptional in Europe (e.g. in France and Italy) and North America (e.g. in the city of New York).

Moreover, the most effective strategies for improving governance, transparency and accountability in education are based on the same principles in rich and poor countries alike: improving regulatory systems; strengthening managerial capacities; and building social control over the use of resources. A traditional Eastern proverb summarizes this well: *an open door to the safe is an invitation to thieve*.

Agreement on the need for significant change, regardless of its rationale and its persuasiveness, is one thing, implementing it is quite another matter. Therefore, in addition to exploring, identifying and scrutinizing successful strategies to curb corruption in education, the complementary task for the IIEP project was to look into how to implement changes. As we all know, measures to counteract corruption mobilize vested interests that actively resist change, circumvent decisions and sometimes obstruct implementation. Fortunately, as this book amply demonstrates, there are vibrant parts of society – even among the poorest and the most vulnerable countries like Bangladesh and India – that will organize in support of rational democratic and progressive dismantling of existing corrupt practices. Three examples selected from this book provide illustration of successful measures:

- (i) Bogotá's (Colombia) experience in improving the management of teachers and reducing wastage in resources (10 per cent over three years). This was made possible by combining negotiations with teachers' unions, transparent regulations and modernizing management using informatics;

- (ii) Uganda's experience in reducing leakages in the transfer of funds from the Ministry of Education to the schools from 87 per cent to 15 per cent. This was the result of a strategy that combined the production and dissemination of detailed information to local communities and published penalties taken against officials guilty of distorting behaviour;
- (iii) Azerbaijan's experience in reducing fraud in entrance examinations to higher education institutions. Again, this was possible thanks to a combination of measures, including the use of informatics to eliminate any possible interference in the administering, checking or publishing of exam results.

This book summarizes the findings from an international project that could not have been carried out without the participation and support of many institutions and individuals from about 25 countries worldwide. The partners include ministries of education, universities, researchers and members of civil society organizations. The book used data collected through different means, i.e. study tours, international symposia and seminars, monographs on practices and case studies of successful counter-measures, as well as surveys carried out by partner institutions.

Among the numerous partner institutions, I would like to thank the World Bank, the Education Support Programme (Soros Foundation), and the Utstein Group (U4) for their support. I would also like to thank the agencies that sponsor the IIEP and contributed to the implementation of its programme – particularly NORAD, who provided a special grant for the initial phase of the project. Finally, I would like to thank my predecessor, Gudmund Hernes, for his continuous support and commitment to this programme. A special word of thanks also to the authors of the studies, who made the writing of this synthesis report possible.

Mark Bray  
Director, IIEP



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## List of abbreviations

ADB	Asian Development Bank
AUD	Australian dollar
BDT	Bangladeshi Taka
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
BNPP	(World) Bank-Netherlands Partnership Program (Indonesia)
CADEL	<i>Centro de Administración Educativa Local</i> (Colombia)
CEPAA	Council on Economic Priorities Accreditation Agency
CEPER	<i>Centre d'édition et de production pour l'enseignement et la recherche</i> (Cameroun)
CIDA	Canadian International Development Agency
CIET	Community Information, Empowerment and Transparency
CMI	Chr. Michelsen Institute
CIMU	Central Independent Monitoring Unit
CPAR	Capital Project Approval Request
CPC	Council on Professional Conduct in Education (Hong Kong SAR (China))
CPI	Corruption Perceptions Index
DANIDA	Danish Agency for Development Assistance
DFID	Department for International Development (United Kingdom)
EFA	Education for All
e-GP	Electronic Government Procurement
EI	Education International
EMIS	Education management information system
FTI	Fast Track Initiative
G7/G8	Group of Seven / Group of Eight
GDP	Gross domestic product
GNP	Gross national product
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH</i> (Germany)

*List of abbreviations*

HEI	Higher education institution
HOAP	Harmonization in Overseas Audit Practices
IAE	International Academy of Education
ICAC	Independent Commission Against Corruption
ICT	Information and communication technology
IGAC	International Group for Anti-Corruption Coordination
IIEP	International Institute for Educational Planning
ILO	International Labour Organization
IMF	International Monetary Fund
IU	Implementing Unit (Peru)
IVE	School Vulnerability Index (Chile)
JUNAEB	<i>Junta Nacional de Auxilio Escolar y Becas</i> (National Scholarship and School Aid Board, Chile)
MDB	Multilateral Development Banks
MinBuZA	Ministry of Foreign Affairs (The Netherlands)
MOE	Ministry of Education
NCLB	No Child Left Behind
NCPRI	National Campaign for People's Right to Information
NGO	Non-governmental organization
NLS	National Longitudinal Surveys
NORAD	Norwegian Agency for Development Cooperation
NST	National Scholarship Test (Kyrgyzstan)
OCT	Ontario College of Teachers
OECD	Organisation for Economic Co-operation and Development
OIG	Office of the Inspector General (New York City)
OSI	Open Society Institute
PAC	Public Affairs Centre (Bangalore, India)
PAE	<i>Programa de Alimentación Escolar</i> (school feeding programme)
PETS	Public expenditure tracking survey
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PTA	Parent-Teacher Association

QSDS	Quantitative Service Delivery Survey
R.	Indonesian rupiah
RTI	Right to information
SA8000	Social Accountability 8000
SAO	Supreme Audit Office
SCA	School Construction Authority (New York City)
SGP	Scholarships and Grants Programme (Indonesia)
SIDA	Swedish International Development Cooperation Agency
SIGP	School Improvement Grants Programme (Indonesia)
Sk	Slovak koruna
SPA	State Procurement Agency (Azerbaijan)
SWAP	Sector-wide approach
TI	Transparency International
TIB	Transparency International Bangladesh
U4	Utstein Anti-Corruption Resource Centre
UGX	Ugandan shilling
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States
US\$	United States dollar
USAID	United States Agency for International Development
ZEP	<i>Zone d'éducation prioritaire</i> (priority education zone)
£	British Pound

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# Executive summary

In a context of budget austerity and pressure on international flows of funds, there is a clear demand for more efficiency in the use of public resources. Recent surveys suggest that leakage of funds from ministries of education to schools can represent as much as 80 per cent of the total sum allocated (non-salary expenditures) in some countries. Bribes and payoffs in teacher recruitment and promotion tend to lower the quality of public school teachers; and illegal payments for school entrance and other hidden costs help explain low school enrolment and high drop-out rates. At the same time, ethical education is central in preventing corruption, by fostering attitudes that do not tolerate corruption among the new generation. However, such an education alone can hardly prove efficient, in a context of unethical management of the education sector itself.

This book presents the conclusions of the research conducted by the IIEP in the field of ethics and corruption in education. It relies on all the activities undertaken within this framework, including a preparatory workshop, study tour, international policy dialogue seminar, monographic and comparative studies, and the design of methodological tools for assessing, diagnosing and evaluating corrupt practices in education. It aims at sensitizing decision-makers, educational planners and managers to the importance of combating corruption in education; at providing them with key tools to detect and assess corruption problems; and at guiding them in the formulation of adequate strategies to curb malpractices.

The authors argue that creating and maintaining transparent regulatory systems, strengthening management capacities for greater accountability and enhancing ownership of the management process can help build a virtuous triangle that is favourable to educational systems free from corruption. More specifically, they conclude with a list of recommendations, including the following:

- to combat corruption, there is a need for clear norms and regulations, transparent procedures and an explicit policy framework specifying, for each of the steps involved, the distribution of responsibilities

between different stakeholders in the allocation, distribution and use of educational resources;

- improving skills in management, accounting, monitoring and audit are basic requirements for reducing corruption in education. Better training of not only administrative staff at the different levels involved, but also of other stakeholders in the system, such as Parent-Teacher Associations, unions and other relevant civil society organizations, should be considered accordingly;
- access to information for the public at large is indispensable for building participation, ownership and social control. As a result, those closest to the point of delivery – the school – must be sufficiently well informed not only to be able to detect fraud, but also to claim what they are entitled to receive.

# Introduction

In all societies, the education sector is among the largest components of the public sector. It consumes between 20 per cent and 30 per cent of the total budget (central and local), employs by far the highest proportion of educated human resources (administrators, inspectors, teachers and professors), and concerns between 20 per cent and 25 per cent of the population (pupils and students, parents and other stakeholders). At the same time, however, in most societies – rich and poor – the education sector is facing severe difficulties and crisis: financial constraints; weak management; low efficiency; wastage of resources; low quality of service delivery; and lack of relevance as illustrated by high unemployment of graduates, among others.

This situation is well-known and widely shared among educational planners and policy-makers. Sustained since the mid-1960s despite several attempts to address it, this state of affairs has led progressively to questions being raised and changes to traditional ways of looking at education. Three examples illustrate this: *first* the growing scepticism and lack of confidence towards political actors and the public sector (as shown by declines in electoral votes and the shared views that endemic corruption prevail in public offices); *second* the pressing demand for massive use of evaluation of education both to monitor the operation of the sector and to generate data to build accountability to the citizens and the users of the system; *third*, the less confident attitude and positive sentiments of the taxpayers of rich countries towards international financial aid to education.

Put differently, needs were expressed for less distorted behaviours in the management of funds, for more transparency and accountability in the use of education resources, and for urgent action to combat corruption. *Achieving good governance* has become a major target for policy-makers, planners and other actors, especially in international co-operation agencies. Indeed, in evaluating the causes of the low achievements of the 1990s in reaching the targets adopted at Jomtien, and in preparing the conclusion of the Dakar Conference in 2000, the Drafting Committee of the World Education Forum did not hesitate to declare in April 2000: “Corruption is a major drain on the effective use of resources for education and should be drastically curbed”.

It is against this background that the IIEP launched its project on ‘Ethics and corruption in education’ with a few initial assumptions and caveats:

- corruption is a worldwide phenomenon. The work done by Transparency International (TI) during the 1990s documents this fact;
- the central focus of the project is not to undertake investigations on individuals with a view to taking them to court (this is not the *raison d’être* of the IIEP). Rather, as a capacity-building institution, the IIEP is concerned with mechanisms, procedures, and managerial and organizational processes to reduce opportunities for corrupt practices;
- the challenge of addressing corruption in education cannot be met in isolation. Indeed, corruption is a matter of concern in various sectors, although to different extents. For example, in some countries, it is far more serious in its scope and consequences on tax and custom administration or on health than on education. Therefore, when dealing with corruption in education, a broad framework should be used that takes into account both the general aspects affecting different areas of the public sector (including management of the public service, procurement of goods and services, disbursement, transfer and use of public funds); but also the more specific aspects of the education sector (for example academic fraud).

At the same time, education is a unique sector, as it is central in preventing corruption. The most rigorous laws and regulations and effectively-run institutions will not be enough to prevent corruption unless citizens actively demand accountability from government and public institutions. Thus, citizens’ attitudes are essential in building a responsive public administration. Fostering attitudes that do not tolerate corruption should therefore be one of the priority tasks of education. Indeed, ethics education for pupils and young people can help break the cycle of corruption, as today’s youth are the potential leaders of tomorrow. This concern should not be overlooked and cannot be avoided in the design of comprehensive strategies to combat corruption.

Moreover, anti-corruption education cannot work in isolation. The environment in which children study and grow up has a decisive effect in shaping their attitudes. Ethics education must therefore be part of a broader effort to change the attitudes and behaviour of the education profession (in particular of teachers), improve governance and build social control of the

managers of the education sector. As will be obvious in this book, it is crucial that a virtuous triangle be built if any attempt to combat corruption in education is to be successful. This triangle should include a learning environment that values integrity, well-designed governance with effective, transparent and accountable management, and a proper system of social control of the way the sector operates and consumes resources.

To collect data and document its findings, the IIEP project has included a variety of complementary approaches:

- *a preparatory workshop* with participants from the education sector and other relevant sectors, in particular experts in governance;
- *a study tour* to a country, Lithuania, to review and learn from a decade of experience in addressing issues of corruption in different sectors including education, in particular with regard to both ethics education, institution building, reform of laws and regulations, managerial changes, and training and capacity building of administrators;
- *an international policy dialogue seminar* involving ministers of education, actors of the education profession, and researchers and authors of studies to assess, monitor and evaluate educational systems from the perspective of corruption;
- a selected number of *monographic studies* to learn from ‘success stories’ in combating corruption in education in some critical areas, such as management of teachers, financing and monitoring of school management at local level;
- a set of *comparative studies* at regional or international level to review and contrast policies for addressing corruption in such important fields as supplementary private tutoring, academic fraud and the reform of textbook production and distribution;
- finally, particular attention was paid to the need to produce and develop *methodological tools* for assessing, diagnosing and evaluating corrupt practices in education. These include tracking techniques, participatory diagnosis and the identification of ‘red flags’ to help planners and education managers address corruption concerns.

Although the target audience of this book comprises primarily education policy planners and managers, it is hoped that a broader group will find answers to the following concrete questions raised by education stakeholders:

- What is corruption?
- Is corruption relevant for education?
- What is the cost of corruption?
- Does corruption affect the international agenda?
- Where to start to address corruption?
- Can corruption be addressed as a technical issue?

*Chapter 1* provides some basic definitions of what is intended by corruption, transparency, accountability and ethics in the education sector. It then presents some major features of the international environment, such as the adoption in 2003 of the United Nations (UN) Convention against Corruption, which makes it possible to talk about the issue of corruption today and, furthermore, to address it. The chapter refers to key tools now used worldwide to assess the magnitude of corruption problems, such as the Corruption Perceptions Index (CPI) developed by Transparency International, which has contributed to putting corruption high on the international agenda. Finally, it makes a brief review of the literature dealing with the complex relationships between governance, growth, poverty and corruption.

*Chapter 2* presents a conceptual framework of the issue of corruption in education, taking into account major internal and external factors of development of corruption in this sector. More specifically, it systematically maps out opportunities for corruption in the following fields: finance; allocation of specific allowances; school building construction, maintenance and repairs; distribution of equipment, furniture and materials; writing of textbooks; teacher appointment, management, payment and training; teacher behaviour; information systems; examinations and diplomas; access to universities; and accreditation of institutions. Finally, it identifies some ‘red flags’ that can help educational managers to detect risks of corruption.

*Chapter 3* presents basic methodological requirements in diagnosing corruption phenomena. A distinction is made between two categories of approaches: perceptions surveys aimed at collecting ‘subjective data’ from various stakeholders, in particular teachers, students and their parents; and fact-finding surveys aimed at collecting ‘objective data’ directly from the Ministry of Education or various educational institutions. Three specific approaches are then further described on the basis of their distinct contributions, namely: participatory assessment (including report card surveys and social audits); financial, functional and personnel audits; and public expenditure

tracking surveys (PETS). The experience of various countries where these methodological approaches have been experimented is presented in detail.

The following chapters identify, for a given area of educational policy and planning or management, several factors that help to explain the development of corrupt practices in the area concerned, major opportunities for the corrupt practices observed, strategies to improve transparency and accountability accordingly, and key recommendations for decision-makers and educational managers and planners. More specifically:

- *Chapter 4* deals with financing, drawing lessons from a successful experience of designing a capitation grant (Indonesia) and a comparative study of different formulae for allocating funds to schools in Australia (State of Victoria), Brazil (State of Rio Grande do Sul), Poland and the United Kingdom (UK);
- *Chapter 5* deals with two separate yet interrelated issues, namely teacher management and teacher behaviour. The recent reform of teacher management carried out successfully by the city of Bogotá (Colombia) is a focus of this chapter, given the reform's comprehensiveness and the availability of a systematic evaluation of its implementation from the perspective of efficiency and transparency;
- *Chapter 6* deals with public procurement in school construction, textbook production and distribution, and school meals. Most of the problems raised are common to those encountered in the general public sector. The example of Chile, which has reviewed its whole strategy of distribution of school meals in order to reduce corrupt practices, is presented. A list of red flags that can help at each step of the procurement process to detect fraud is provided;
- *Chapter 7* deals with academic fraud. It lists strategies to better detect fraud, to address it and to sanction it. Beyond the organization of exams, it refers to cases of research fraud, false credentials, paper and diploma mills, as well as wrongdoing in the process of admission to universities or of accreditation of educational institutions. It takes a variety of examples as illustrations, including from former Soviet countries;
- *Chapter 8* deals with private tutoring. It insists on the adverse effects of private tutoring on mainstream education, in particular when teachers give private lessons to their own students. Three main approaches are

presented to curb bad practices in this area, based on the experience of countries mainly in South and South-East Asia, namely banning private tutoring, better regulating it or, beyond these, reducing the need for private tutoring.

- Finally, *Chapter 9* is a memo to decision-makers, administrators and managers. It argues that it is crucial to build a virtuous triangle if any attempt to combat corruption in education is to be successful. This includes developing a learning environment that values integrity, designing transparent and accountable management systems, and promoting a proper system of social control over the way in which the sector operates and consumes resources.

# Chapter 1

## Setting the stage: What is corruption and why is it harmful?

This chapter will provide some basic definitions of the term ‘corruption’. It will then present some major features of the international environment that make it possible to talk about the issue of corruption today and, furthermore, to address it.

### 1. What are corruption, transparency and accountability?

#### *Corruption*

Corruption in the education sector can be defined as “the systematic use of public office for private benefit, whose impact is significant on the availability and quality of educational goods and services, and, as a consequence on access, quality or equity in education” (Hallak and Poisson, 2002). This definition combines three elements: (i) It is based on the usual definition of corruption in the public sector, that is ‘the use of public office for private gains’; (ii) it limits the scope of behaviours under scrutiny to those observed regularly, resulting directly from dysfunctions in the system – thus excluding individual behaviours observed only episodically and resulting primarily from the attitude of a given person; (iii) it establishes a link between these behaviours and their effects on the system, i.e. a reduction in the resources available, decrease in their quality, and their unequal distribution.

*Corruption can be defined as “the systematic use of public office for private benefit”.*

A distinction can be made between political, legislative, administrative and bureaucratic corruption. Political corruption occurs when affiliation to a political party (or a trade union) is required to obtain a position in the public administration or to acquire an undue favour. Legislative corruption happens when politicians sell their votes to pressure groups. Administrative corruption arises when public officials accept pay-offs to allow a person to secure a procurement contract or to evade taxes. Bureaucratic corruption occurs when

a bureaucrat is paid to speed up normal procedures to clear files or slow down investigations undertaken to document files for court. In each case, corruption involves a transaction between private and public sector actors through which collective goods are illegitimately converted into private benefit. In addition to money, these benefits can take the form of protection, special treatment, commendation, promotion or sometimes the favours of women or men. In most cases, transactions are characterized by secrecy.

Corruption covers a wide range of activities, such as: favouritism; nepotism; clientelism; soliciting or extortion of bribes; and embezzlement of public goods, among others (see the glossary of terms in *Box 1*). Further definitions will be provided in *Chapter 2*. Some of these activities are carried out **according to** the rule. This is the case, for instance, when a person gives a bribe to ensure that an administrative decision is taken, or taken on time (particularly in a context of cumbersome bureaucracies that are poorly staffed and equipped, and characterized by incompetence, inefficiency and long administrative delays). Others are carried out **against** the rule. This is the case when a person gives a bribe to ensure that an administrative decision contradicting the rule is taken. Corruption can involve the theft of public resources, as in the example of leakage of funds or materials, or of ghost teachers. But this is not necessarily the case, as in the example of the bypassing of criteria for fund allocation or school mapping.

**Box 1. A short glossary of terms**

Bribe, pay-off	<i>Undue payment made to obtain a favour</i>
Bypass of criteria	<i>Non-use of legal criteria</i>
Capture, leakage	<i>Illegal use of public resources</i>
Diversion of funds	<i>Illegal use of public resources</i>
Embezzlement	<i>Theft of public resources</i>
Misappropriation	<i>Illegal use of public resources</i>
Favouritism	<i>Illegal preference given to a person</i>
Fraud	<i>Any kind of corrupt practice</i>
Ghost worker	<i>Draws salary but does not work</i>
Nepotism	<i>Illegal preference given to a relative</i>
Influence peddling	<i>Influencing a public decision for a bribe</i>

More specific definitions of corruption can be used to characterize particular types of illicit behaviour in a given area. In the field of procurement, for instance, the World Bank defines corrupt practice as ‘the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution’. Similarly, the Asian Development Bank includes in its definition of corruption procurement fraud, the sale of official posts, or illegal payments to foster or sustain monopolistic access to markets (see *Box 2* below).

**Box 2. Corruption as defined by the Asian Development Bank**

Areas of ‘improper and unlawful enrichment’ typically include the design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage, or procurement fraud, including collusion, overcharging, or the selection of contractors and suppliers on criteria other than the lowest evaluated substantially responsive bidder. It also includes illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in areas concerning public safety, law enforcement, or revenue collection. It incorporates payments to government officials to foster or sustain monopolistic or oligopolistic access to markets in the absence of a compelling economic rationale for such restrictions. The theft or embezzlement of public property and monies, the sale of official posts, positions, or promotions, nepotism or any other actions that undermine the creation of a professional, meritocratic civil service also fall under this category.

*Source:* Asian Development Bank (ADB), 2000.

A distinction can be made between ‘grand’ and ‘petty’ corruption: Grand corruption involves high-level officials and politicians and large amounts of money; it usually has a high economic impact. Fraud in public tendering for school construction or textbook production constitutes a case in point. Petty corruption involves public officers at all levels (from central to local and school levels) and many small amounts of money; even though it usually has a limited economic impact, it can have a severe social impact, especially for the poor. Illegal fees paid by parents to teachers or head teachers to get their children admitted to schools, to be promoted or to pass their exams are examples of petty corruption. However, there is no strict distinction between grand and petty corruption; in fact, there is a continuum between the two. Fraud in the appointment of teachers at the highest level can thus encourage

the development of misbehaviour down to the schools, such as the payment of illegal fees. Moreover, actors at the local level tend to justify petty corruption by the existence of grand corruption.

### ***Ethics and corruption***

The line between what can be considered ‘corrupt’ and ‘non-corrupt’ behaviour is not always obvious – especially in the absence of clear rules and regulations. An example frequently mentioned in this context is that of gifts: In some societies, people are used to giving gifts, including to public officials and teachers; this is regarded as part of socio-cultural relations and has nothing to do with corruption. In other societies, it is strictly forbidden for public officials to accept gifts: This would be regarded as corruption and is punished by law. This example is often quoted to argue that corruption is a cultural concept which has no universal significance, and it is even regarded by some people as a ‘Western’ concept that is not applicable to some societies. But these views are contradicted by reality: Experience shows that, in all cultures, people have a clear perception of what should be tolerated and what should not, even when the system of rules and regulations is weak or non-existent. To return to the example of gifts, most people make a difference between a gift of low monetary value, which is given as part of a social exchange with nothing expected in return, and a gift of higher monetary value given in the hope of obtaining some favour in return. However, as the value of a gift can be assessed differently according to the context, and as the intentions of the author and beneficiary of a gift are sometimes difficult to decipher, there is indeed an ill-defined border between corrupt and non-corrupt behaviour.

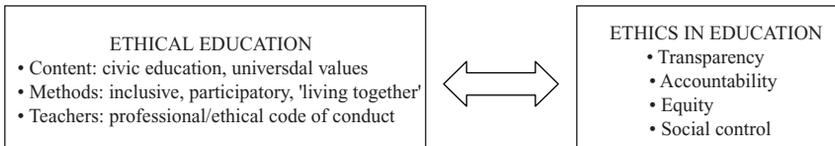
Within these grey lines, which may be found in different areas (such as teacher absenteeism or private tutoring), it may prove more appropriate to talk of ethical and non-ethical behaviour rather than of corrupt and non-corrupt behaviour. One way to draw the line between ethical and non-ethical behaviour involves evaluating the impact of the behaviour concerned on the system. Private tutoring, for instance, does not necessarily have a negative impact on the system; it may be justified on grounds of educational quality and equity when it compensates for weak public education.

*In different areas it may prove more appropriate to talk of ethical and non-ethical behaviour rather than of corrupt and non-corrupt behaviour.*

Private tutoring is thus not necessarily an unethical practice when, for example, universities support its implementation (free use of facilities and/or financing of additional sessions) to improve the level of students admitted below required standards. But when private tutoring is imposed by teachers as a requirement for access to all the topics included in the curriculum, it can undermine both secondary and higher schooling, as will be discussed in the relevant chapter. In other terms, private tutoring is not an unethical practice in its own right; what makes private tutoring unethical is the condition of its operation and its impact on mainstream education.

A distinction can be introduced here between ethics in the management of the education sector and education as a means to improve ethics (curriculum, methods used and mobilization of actors). There is a relationship between ethics in education and ethical education: Indeed, in a corrupt environment education cannot successfully promote ethical values and behaviours. In other words, to create a favourable environment for the teaching of ethics and values, it is critical to ensure integrity and limit unethical behaviour within the educational sector, as is illustrated in *Figure 1.1*.

**Figure 1.1 Ethical education/ethics in education**



### ***Transparency***

Transparency is the extent to which stakeholders (school principals, school councils, parents, pupils and the local community) can understand the basis on which educational resources (financial, material and human resources) are allocated to their individual establishment and how they are used. In other words, transparency in education can be evaluated on the basis of the

*Stakeholders rarely master the way in which resource flows operate in their countries.*

visibility, predictability and understandability of flows of resources within the system (see the definition of 'transparency' given by the U4 Utstein Anti-Corruption Resource Centre in *Box 3*). Transparency thus requires clear information that is easy to understand and

simple to access by all stakeholders on all flows of educational resources, from the central authorities down to spending entities. This includes not only schools, but also units in charge of school buildings, the purchase of equipment and materials, textbook management, school nutrition, fellowships and management of examinations, among others. Unfortunately, experience shows that stakeholders rarely master the way in which resource flows operate in their countries. Public officials themselves do not always have a clear idea of how they work – in particular in large countries, where there are many administrative levels. It can also be the case in countries where the involvement of some stakeholders (in particular local communities and the private sector) is not well defined.

**Box 3. Transparency as defined by U4**

Transparency means clearness, honesty, and openness. Transparency is the principle that those affected by administrative decisions should be informed, and the duty of civil servants, managers and trustees to act visibly, predictably and understandably. Transparency thus encompasses access, relevance, quality and reliability, and describes the increased flow of timely and reliable economic, social, and political information (for example about private investors' use of loans and the creditworthiness of borrowers, about government service provision, monetary and fiscal policy, and about the activities of international institutions). Transparency enables institutions – and the public – to make informed political decisions, it improves the accountability of governments, and reduces the scope for corruption. Transparency is also essential to the economy: It improves resource allocation, enhances efficiency and increases growth prospects.

*Source:* Corruption glossary, <http://www.u4.no>.

This reveals, perhaps not surprisingly, that improving transparency in education entails a massive need for training at all levels in the education system, in particular in the production, analysis, dissemination and understanding of information. Indeed, public officers at regional and local levels are often insufficiently equipped and trained to cope with the new competencies that they have received in a context of decentralization. Leaders of schools and universities, traditionally trained through the route of academic progression and pedagogic practice, now find themselves intimately engaged in financial procedures that are not within their previous experience or, possibly, temperament. The same is true of PTAs, which tend to play a much

more active role in the allocation and management of school resources, but without any basic knowledge of financing and accounting procedures in most cases. It is also the case for journalists and centres of mass media, as well as members of parliament and holders of responsibilities at other levels.

### ***Accountability***

Clearly defining the rules and access to information by the public is not enough to ensure that public resources are properly allocated and used. Accountability systems are required to check that the rules have been properly complied with and to investigate and sanction potential misbehaviour. In the education sector, schools are traditionally responsible for observing regulations and norms that are supposed to ensure good quality education; and more generally speaking, educational systems are held responsible for the quality of their products, namely: students' knowledge, skills, behaviour and performance. As highlighted by Anderson (see *Box 4*), accountability in education should be provided "regardless of the advantages or disadvantages students bring to schools".

#### **Box 4. Accountability in education**

First the system defines educators' responsibility for all students regardless of the advantages or disadvantages they bring to schools. Second the system must be built upon aligned components – objectives, assessments, instructions, resources, and rewards and sanctions. Third, the technical aspects of the system must meet high standards. Fourth, the system must be the vehicle for positive change.

*Source: Anderson, 2004: 2.*

Following Anderson, four accountability models can be considered in this regard:

- *a bureaucratic accountability model*, i.e. compliance with statutes and regulations. A bureaucratic model may, for instance, ask the districts and the schools to display the amounts of the funds that they have received on their door, for all to see;
- *a professional accountability model*, i.e. adherence to professional norms. A professional model may favour the elaboration and proper enforcement of professional standards by teacher organizations;

- a *performance-based accountability model*, defined in terms of students' learning. A performance-based model may administer student testing to measure the quality of education and publish the results for the general public; and
- a *market accountability model*, i.e. regulating quality assurance through the market. A market model may require all schools (both public and private ones) to provide reliable information on their main characteristics and results to parents.

**Table 1.1 Overview of key features of educational accountability**

Models of accountability	Who is held accountable?	To whom are they held accountable?	For what are they accountable?	What are the consequences of failing to meet goals?
Bureaucratic accountability	School/district teachers	State	Compliance with rules and regulations	Sanctions such as loss of accreditation, firing of principals/teachers
Professional accountability	Teachers	Professional peers/professional organizations	Following recognized professional practices	Professional sanctions; loss of certification
Performance (or test)-based accountability	School/district	State/federal government	Raising student proficiency (in No Child Left Behind/NCLB, it is measured by standardized tests)	Increasingly severe sanctions (e.g. student transfer, supplementary services, reconstitution); budget cuts
Market accountability	School	Parents	Academic standards, philosophical/religious norms, student discipline, other features	Loss of students, leading to loss of revenue, economic failure

Source: Kirby and Stecher, 2004.

Most countries combine at least two of these accountability models. However, professional and market accountability models exist only in countries with special features: Professional accountability requires teachers with high-level expertise, while market accountability assumes that there are subsidies enabling parents to choose between competing schools in a given

area and is incompatible with state monopoly in the delivery of education services and/or delivery services being in the hands of a single supplier, public or private (as is the case in rural areas in many least developed countries).

A workable, defensible accountability system requires the involvement of different stakeholders and a clear specification of who is accountable, to whom, for what and with what consequences, as shown in *Table 1.1*.

*Accountability requires a clear specification of who is accountable, to whom, for what and with what consequences.*

*Table 1.1* suggests that the consequences of failing to be accountable may be an incentive for some stakeholders to challenge the question of ‘accountability for what’ – as illustrated in *Box 5*, in the case of a performance-based accountability model.

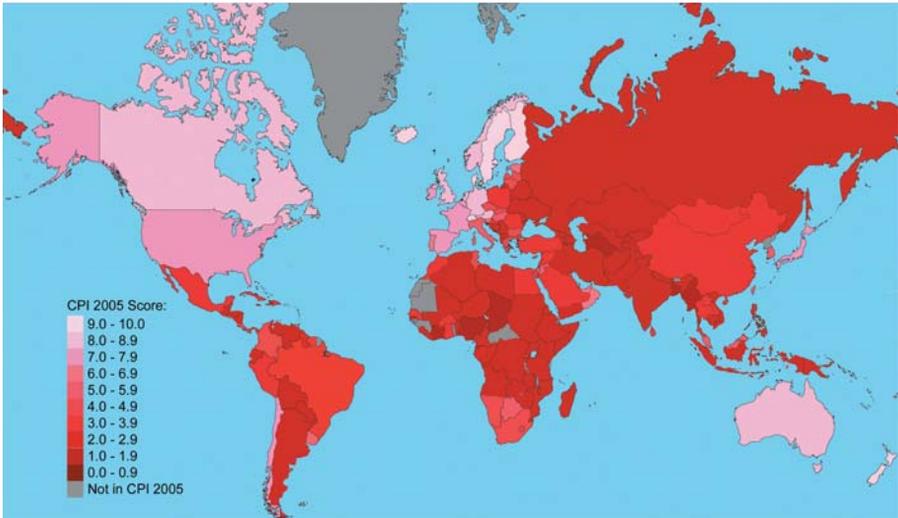
#### **Box 5. Challenging performance-based accountability**

In the US, it’s no secret that some states and districts have threatened to decline federal Title I funding to avoid the accountability provisions of No Child Left Behind (NCLB). That is, of course, their choice to make. The state of Nebraska, however, has taken a more underhanded route, working hard since the passage of the law to have it both ways by doing just enough to keep its federal funds while skirting the spirit of the accountability provisions. Education commissioner Douglas Christensen has been instrumental in this effort by helping to convince the feds to approve what Tracy Dell’ Angela of the *Chicago Tribune* calls “the nation’s most unorthodox assessment system, which allows school districts to use portfolios to measure student progress”.

Under Nebraska’s approved plan, the state’s 517 districts will “design their own assessment systems: a portfolio of teachers’ classroom assessments, district tests that measure how well children are meeting locally developed learning standards, a state writing test and at least one nationally standardized test included as a reality check”. According to Dell’ Angela, federal officials approved this system because Nebraska’s state constitution “guarantees local control over school accountability and the state was able to demonstrate that the assessments were valid and reliable”. Unfortunately, not only is such an assessment regimen expensive and time-consuming, it also consists predominantly of subjective measures of student achievement and makes comparisons among districts all but impossible – meaning that a student who passes the reading assessment in one district might not be able to meet standards in another.

*Source: The Education Gadfly, 2004.*

## **Map 1. Corruption Perceptions Index 2005**



Source: TI, 2005. Available at: [www.transparency.org](http://www.transparency.org).

## **2. What is the magnitude of corruption?**

The magnitude of corruption is usually estimated by the way in which it is perceived. The Corruption Perceptions Index (CPI) published annually since 1995 by Transparency International thus measures the degree to which corruption is perceived to exist among public officials and politicians; it reflects the perception of business people, academics and risk analysts (both residents and non-residents). It is a composite index, drawing on 16 different polls from 10 independent institutions. The countries close to 10 are considered 'highly clean' and those close to zero 'highly corrupt'. According to the CPI 2005, which includes 159 countries versus 146 in 2004, more than two thirds of the nations surveyed score less than five (see *Map 1*). Nearly half of the countries score less than three, indicating a severe corruption problem. Corruption is perceived as most rampant in Chad, Bangladesh, Turkmenistan, Myanmar and Haiti. Oil-rich countries also score poorly. Some countries have deteriorated since 1995, some of which have a very high income: Poland; Argentina; the Philippines; Zimbabwe; Canada; Indonesia; Ireland; Malaysia; Israel; Slovenia; Czech Republic; the United Kingdom; and Venezuela (in

descending order of significance). One of the strongest improvements since 1995 is the Republic of Korea, whose government has announced its goal of belonging to the top 10 countries.

There are also a few estimates of the economic costs of corruption. The World Bank thus roughly estimates the cost of corruption at 1 trillion dollars a year, in an economy of 30 trillion. According to the African Union, corruption is estimated to cost Africa, directly and indirectly, some 25 per cent of its gross domestic product (GDP; *The Economist*, 19 September 2002). Two national estimates of corruption corroborate the fact that it is a major phenomenon: In Mexico, corruption is estimated at around 15 per cent of the gross national product (GNP); in India, it was estimated at around 20 per cent of the GNP in the 1980s (Roy, 1996). Of course, corruption is not the same everywhere in the world; there are enormous differences in the extent, manifestations and costs of corruption across countries. Some studies conducted by the World Bank show that, on average, the industrialized world has less corruption than the emerging economies. At the same time, however, there are countries like Botswana, Chile or Slovenia whose rating on corruption is better than some Organisation for Economic Co-operation and Development (OECD) countries. Surveys on unofficial payments show that in some societies, corruption is pervasive and affects more or less all aspects of people's lives: police; justice; customs; tax; construction permits; public services – and health and education, in particular (see *Table 1.2* on unofficial payments in Cambodia).

**Table 1.2 Unofficial payments in Cambodia: How frequently, how much, to whom?<sup>1</sup>**

Public services	% of households with any contact	Likelihood to pay a bribe (by %)	Likelihood of paying bribes, conditional on contact (by %)	Amount of bribe per contact (in US\$)	Total amount of expected bribes (in US\$)
Judge/court officials	8	5	68	212	11
Customs authority	2	1	79	148	10
Tax authority/inspector	36	23	66	10	9
Public education services	63	24	41	13	5
Construction permit	7	5	71	72	5

Source: World Bank, 2000.

Maps of corruption conducted in different countries on the basis of perceptions surveys indicate that education is not perceived by people as a major domain for corruption. In many countries, education is thus considered less corrupt than the police, justice or customs. At the same time, these surveys show that bribes are frequently paid in this sector, even if only small amounts are involved. The vulnerability of education systems to pervasive corruption can be explained by different factors that will be further described in *Chapter 2*. A few of these are:

*Education is not perceived by people as a major domain for corruption.*

- the *high rate of return of the education sector*. Through education, people hope to get better-paid jobs; as a consequence, some of them are ready to pay bribes or to fraud in order to get a good mark or a well-recognized diploma;
- the *complexity and lack of accessibility of rules combined with poor governance and supervision* at all levels. The opacity of educational rules, poor public information on government decisions and the lack of

1. This table presents the percentage of households that had contact with each public service during the past year, the percentage of households that paid any bribes in that period, the frequency of a bribe payment per contact, the average amount of each payment (calculated from households reporting positive amounts paid, and finally the average expected amount of bribes for the sample, calculated by taking into consideration different rates of contact, payment frequency and payment amount.

‘a culture of accountability’ in the education sector open up opportunities for corruption;

- the *low salaries of public officials and of teachers*. In many countries, the salaries of teachers are quite low compared to per capita income. In some countries, such as Armenia, the situation has even deteriorated in recent years, paving the way for the spreading of misbehaviour; and
- the *weakening of ethical norms*. In some countries in transition, under reconstruction or in crisis, a weakening of ethical norms is often observed: Bypassing the law has become the general rule – as is often the case to obtain admission to universities in many former Soviet countries (Dedze, 2005).

The size and extent of the education sector, whose resources are spread all over, from the highest to the lowest levels of society, also contribute to pervasive corruption (see *Box 6*).

**Box 6. Why education systems are vulnerable to pervasive corruption**

National education systems across the developing world are particularly vulnerable to pervasive corruption, largely for three reasons:

1. As one of the few governmental agencies with high visibility representation all the way down to the community level, education is an attractive structure for patronage and manipulation of local sentiment.
2. Decisions perceived to have significant consequences for people’s lives are made by ‘gatekeepers’ who control decisions at each of these levels.
3. A considerable amount of education funds are spent in small amounts, across scattered sites, most of which have weak accounting and monitoring systems.

*Source:* Chapman, 2002: 3.

### 3. Governance, growth, poverty and corruption: What links?

In his definition of governance, Kaufman takes into account four main parameters, namely: voice and accountability; regulatory quality; rule of law; and control of corruption (Kaufman, 2003). For each of these parameters, he distinguishes a set of indicators that make it possible to assess the progress made by countries. *Table 1.3* shows accordingly that governance significantly worsened between 1998 and 2004 in Ethiopia, Côte d’Ivoire and Zimbabwe,

for instance, and significantly improved in the Slovak Republic. Some countries have made progress only for some aspects of governance, such as control of corruption in Bulgaria, Colombia, Croatia, Estonia, Latvia, Madagascar, Serbia or Tanzania.

**Table 1.3 Significant changes in governance worldwide, 1998-2004**

Voice and accountability	
<i>Significantly worsened</i>	Bangladesh, Belarus, Central African Republic, Côte d'Ivoire, Ecuador, Eritrea, Gabon, Haiti, Iran, Kazakhstan, Kyrgyz Republic, Nepal, Pakistan, Russia, Solomon Islands, Venezuela, Zimbabwe
<i>Significantly improved</i>	Algeria, Bahrain, Bosnia and Herzegovina, Chile, Croatia, Kenya, Gambia, Ghana, Indonesia, Mexico, Nigeria, Peru, Senegal, Serbia, Sierra Leone, Slovak Republic, Turkey
Regulatory quality	
<i>Significantly worsened</i>	Zimbabwe, Venezuela, Côte d'Ivoire, Ethiopia, Bangladesh, Pakistan, Philippines, Lebanon, Egypt, Zambia, Myanmar, Guinea, Eritrea, Bolivia, Peru, Tunisia, Honduras, Guatemala, Ecuador, Kazakhstan, Cameroon, Cuba
<i>Significantly improved</i>	Armenia, Azerbaijan, Bosnia and Herzegovina, Cape Verde, Equatorial Guinea, Estonia, Iceland, Iraq, Lithuania, Serbia, Slovak Republic, Tajikistan, Zaire DRC
Rule of law	
<i>Significantly worsened</i>	Argentina, Côte d'Ivoire, Cuba, Dominican Republic, Eritrea, Ethiopia, Haiti, Lebanon, Moldova, Myanmar, Nepal, Papua New Guinea, Venezuela, Zimbabwe
<i>Significantly improved</i>	Estonia, Latvia, Lithuania, Madagascar, Mozambique, Slovak Republic
Control of corruption	
<i>Significantly worsened</i>	Bangladesh, Central African Republic, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Moldova, Sudan, Swaziland, Zimbabwe
<i>Significantly improved</i>	Bulgaria, Colombia, Croatia, Estonia, Latvia, Madagascar, Serbia, Slovak Republic, Tanzania

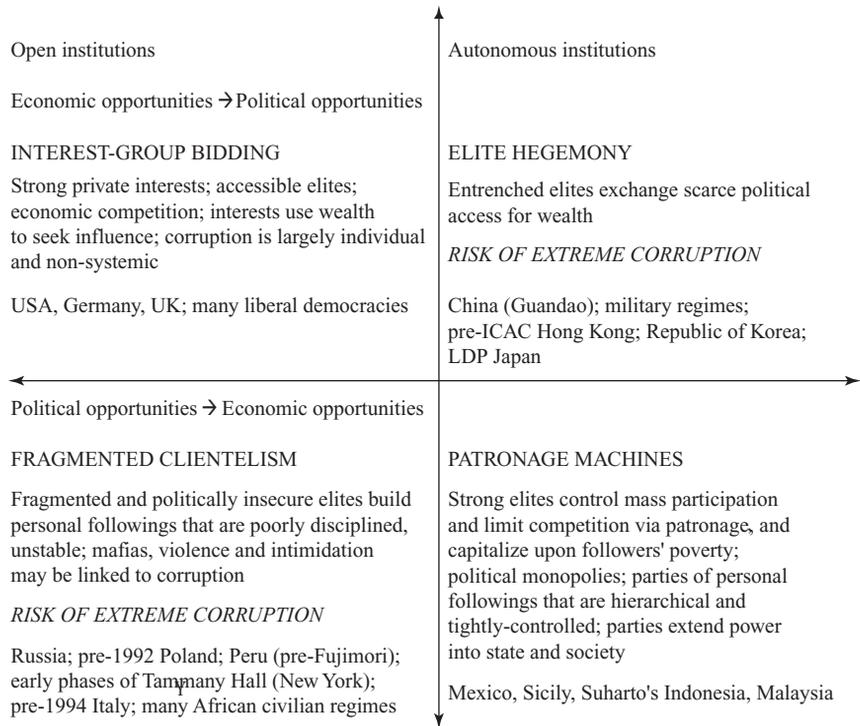
(Selected countries based on aggregate indicators for 209 countries)

Source: Kaufman, 2005.

The existence of corrupt practices is linked to the institutional, socio-political, economic and cultural framework prevailing in a given country (Hallak and Poisson, 2001). It has to do with existing relationships between the elite and those who do not rule. In this connection, Johnston (2000) makes a distinction between four categories of countries, dividing them into those characterized by elite hegemony, patronage machines, fragmented clientelism and interest group bidding. In each case, corrupt practices vary from individual to systemic and extreme corruption (see *Figure 1.2*). In parallel, several studies

conducted during the last decade have highlighted the negative impact of corruption on the political, economic and social development of countries, by distorting the decision-making process, reducing the efficiency and quality of services, increasing transaction costs and undermining social cohesion. It is expected that democratic change and economic reform will reduce corruption in the long run, by allowing open and structured competition within the political and economic arenas and by enabling citizens to choose between several alternatives in a transparent way. However, observation shows that during a transition period, opportunities for more corruption may in fact rise in the short term due to the rapid change of the prevailing rules of the game. As healthy policy and economic changes are being implemented by ‘polluted’ institutions, they do not necessarily lead to fair competition, but rather to insider deals and political trafficking.

**Figure 1.2 Corruption: four syndromes**



Source: Johnston, 2000.

As regards the link between corruption and growth, several surveys and empirical data emphasize that good governance and low corruption lead to higher per capita income. Mauro (1995) analyzed in particular an assembled data set consisting of subjective indices of corruption, the amount of red tape, the efficiency of the judicial system and various categories of political stability for a cross-section of countries. Corruption was found to lower investment, thereby lowering economic growth. Similarly, Da Silva (2001) brought some empirical evidence regarding the effects of corruption on factor productivity in a sample of 81 countries. The chief conclusion is that corruption negatively

*Good governance and low corruption lead to higher per capita income.*

affects the wealth of a nation by reducing capital productivity, or its effectiveness. More precisely, it is argued that there is on the one hand a strong positive causal effect between better governance and higher per capita income, and on the other hand a negative effect running in the opposite direction between per capita income and governance. The

first result confirms existing evidence on the importance of good governance for economic development, whereas the second suggests the absence of ‘a virtuous circle’, in which higher incomes lead to further improvements in governance. This means that even rich countries with high per capita income have to conceive and implement strategies to curb corruption.

A convergent finding from a variety of studies is that poor people tend to be more dependent on corrupt officials, as they rely more on public services and are less capable of paying extra costs associated with bribery and fraud; furthermore, as they are less educated and less informed, they are easier to manipulate. At the same time, corrupt practices are major obstacles to poverty alleviation, as they sabotage policies and programmes aiming at reducing poverty and capture resources targeted at the poor. As a matter of fact, most Poverty Reduction Strategy Papers (PRSPs) mention the importance of fighting corruption in order to address poverty problems. The PRSP conducted in Cambodia shows that low-income households bear

*Poor people tend to be more dependent on corrupt officials.*

a larger burden of corruption as measured by the bribe/income ratio – although the absolute amounts paid are obviously smaller. Further analysis of the composition of bribes indicates that a large part of the burden of corruption on low-income

**Box 7. Addressing corruption, transparency and accountability in Rwanda's PRSP**

228. The Government is committed to strengthening accountability and transparency. In Rwanda, this is more than just a technical matter; basic freedoms and human rights depend on making Government accountable and transparent. The achievement of reconciliation and the development of trust require a culture of openness.
229. Since 1998, the National Tender Board and the Office of the Auditor General of State Finances have been established. This has been [a] considerable achievement, as comparable organizations have not existed in Rwanda before. The Auditor General's reports on some ministries, Government agencies and projects have been submitted to the President, and copied to Parliament and the Supreme Court. Action has been taken against some officials as a result, and a study has also been mounted to examine off-budget transactions and integrate them into the budget. Just as importantly, the work of the Auditor General has highlighted the relatively poor capacity in ministries to exercise proper financial management. As a result, greater emphasis on training has been given, and the establishment and strengthening of internal audit units undertaken. Several further audit reports are to be delivered before the end of the year.
230. As decentralization proceeds, there needs to be better public information about fiscal flows. For instance, if funds are sent to schools, this fact needs to be publicized so that parents can hold the headmaster accountable for the use of the funds.
231. Formal accounting mechanisms at the level of the district need to be established, in a manner that is realistic given the available human resources. The decentralization policy allows for internal auditors at the district level of periodic audits by the Auditor General.

***Actions***

- Action is being taken to rectify the problems identified in public audits.
- More public information is needed about fiscal flows at all levels.
- Districts will need support to develop the relevant skills in auditing starting in 2002.
- Parliamentary scrutiny is an important part of the system of accountability and will be strengthened.

*Source:* Government of Rwanda, 2004: 64.

households is due to bribes paid for basic public goods, namely health and education. In summary, the regressive nature of corruption encourages the design and implementation of anti-corruption measures in order to help the poor, as illustrated by the PRSP of Rwanda (see *Box 7*).

A desk study conducted by the GTZ (2004) on 54 PRSPs lists 14 recommendations to improve the fight against corruption in the context of Poverty Reduction Strategy (PRS) processes, including the following: (i) integrate corruption – understood as both a cause of poverty and as a phenomenon affecting particularly poor sections of the population – into the PRS analyses, and illuminate the precise contours of these interrelationships; (ii) systematically interrelate corruption as a cause of poverty, and the fight against corruption as an element of the PRS; (v) strengthen transparency and accountability through improved information systems in the context of PRS monitoring; (vi) support transparency and accountability through improved analytical capacities in parliaments and civil society; (vii) promote accountability by strengthening internal and external systems of checks and balances, and simultaneously promote the pro-poor orientation of the corresponding institutions; (viii) strengthen the judiciary such that they are then able to support poor sections of the population in claiming their rights, including their basic social rights; (xi) support and strengthen the legal basis for transparency; and (xii) establish close co-ordination with all donors in partner countries in joint fora based on country-specific positions on the integration of good governance into PRS processes.

Finally, there are some discussions concerning whether corruption is the ‘sand or the oil’ of public administration processes. Gray and Kaufman (1998) argue that corruption may speed up bureaucratic processes, while in the longer term raising unnecessary transaction costs and leading to inefficient economic outcomes.

#### 4. The institutional setting: Why now?

Awareness of corruption problems has undoubtedly increased during the last decade, with citizens from Western democracies, in particular, becoming more sensitive to integrity issues and ethics in politics: The discourse on corruption no longer demands anecdotes. The realm of anthropologists, sociologists and political scientists in this domain has now been conquered by economists. Several contextual factors have certainly contributed to it,

including the end of the Cold War and of ‘political hypocrisy’, as well as big scandals such as Enron or suspicions over Price Waterhouse, which have all underlined the disastrous effects of fraud on economies and societies. Further analysis shows that higher corruption awareness results from a dual process:

- a ‘*vertical*’ process on the one hand, with an increased demand for more transparency and accountability exerted by the international community. The UN system, aid institutions, the OECD, development banks and civil society organizations like Transparency International play a key role in this, for a variety of reasons, including ideological and political ones (pressure of taxpayers in developed countries); and
- a ‘*horizontal*’ process on the other hand, with an increased demand for more transparency and accountability exerted by users of public sectors, starting in obvious sectors such as customs, banking, finance and health, but extending to other sectors including education. Technical progress in mass communication and the Internet has encouraged the development of this movement by contributing to the wider dissemination of information.

### ***The adoption of international conventions***

A number of international texts and declarations have been devoted to the fight against corruption in recent years. Among them are two major conventions: the OECD Convention against Bribery of Foreign Public Officials in International Business Transactions; and the United Nations Convention against Corruption. These illustrate the growing implication of the international community in the anti-corruption arena:

- It is six years since *the OECD Convention against Bribery of Foreign Public Officials in International Business Transactions* came into effect on 15 February 1999. This convention makes it a crime to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals. To date it has been signed by 36 countries, including six non-OECD members, namely: Argentina; Brazil; Bulgaria; Chile; Estonia; and Slovenia. All signatories have enacted anti-bribery laws based on the convention. The OECD Working Group on Bribery is responsible for following up countries’ efforts to implement the convention. It has developed monitoring mechanisms in this respect,

based on peer review. All Group of Seven (G7) countries, which represent more than 50 per cent of OECD foreign direct investment and account for 68 per cent of OECD exports, had completed their Phase 2 review by the beginning of 2005.

- After two years of negotiations, Member States of the United Nations finalized the text of a new international treaty, *the United Nations Convention against Corruption*. This convention was adopted by the General Assembly on 31 October 2003 and opened for signature in Mérida, Mexico, from 9-11 December 2003. It was signed by 129 countries, only a quarter of whom have since ratified it. It is the first global legally-binding instrument in this domain (existing instruments are regional and designed to operate in a more limited environment). From a substantive viewpoint, the convention breaks new ground with its provision on prevention and asset recovery. It complements these provisions with the obligations that state parties will undertake to criminalize certain types of misconduct, such as bribery, embezzlement and money laundering. It also promotes international co-operation and domestic efforts to prevent corruption as well as effective systems of mutual legal assistance to fight cross-border corruption (see *Box 8*).

### ***The development of anti-corruption initiatives***

The fight against corruption is now at the top of the agenda of most bilateral and multilateral agencies. The inclusion of transparency clauses in the loan agreements of the International Monetary Fund (IMF) and the World Bank constituted a first step in this direction; the decision of the IMF in 1997 to suspend a 227 million dollar loan to Kenya because of bad governance concerns illustrates the potential effects of such a policy. Since then, anti-corruption strategies and tools have been developed by a variety of actors, including:

- *national development agencies*, i.e. the German Federal Ministry for Economic Co-operation and Development (BMZ), the Danish Agency for Development Assistance (DANIDA), the UK Department for International Development (DFID), the Canadian International Development Agency (CIDA), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the Ministry of Foreign Affairs, Netherlands (MinBuZA), the Norwegian Agency for Development Cooperation

(NORAD) and the Swedish International Development Cooperation Agency (Sida);

- *development banks*, i.e. the World Bank and the Asian Development Bank;
- *international organizations and networks*, i.e. the UN, United Nations Development Programme (UNDP), OECD, International Group for Anti-Corruption Coordination (IGAC) and the Utstein group (see *Box 9*); and
- *civil society organizations*, i.e. the Soros Foundation (Open Society Institute/OSI) and Transparency International.

**Box 8. Extracts from the UN Convention against Corruption**

- *Article 5* stresses the importance of critical issues of transparency and accountability in national legal systems.
- *Article 9* explicitly focuses on public procurement and calls upon public authorities to “take the necessary steps to establish appropriate systems of procurement, based on transparency, competition and objective criteria in decision-making, that are effective, inter alia, in preventing corruption”.
- *Article 10* highlights the issue of secrecy in public administration and calls for actions to secure greater freedom of information.
- *Article 11* calls upon Governments to safeguard the integrity and independence of the judiciary by preventing opportunities for bribery.
- *Article 12* expressly raises issues of corporate governance by calling for strengthened regulatory and legal actions to curb private-sector corruption.
- *Article 14* hones in on anti-money laundering matters to boost prevention, strengthen reporting and tighten regulation of financial institutions.
- *Articles 15* and *16* bluntly decry the bribery of national and foreign government officials and call for actions to stop such practice.
- *Article 33* underscores the need to protect people who report acts of corruption.
- *Article 43* stresses the need for international co-operation to curb corruption and calls for strengthened actions.

Source: <http://untreaty.un.org/>.

**Box 9. Activities developed by the IGAC and the Utstein group**

The *International Group for Anti-Corruption Coordination* is dedicated to strengthening international anti-corruption coordination and collaboration in order to avoid undue duplication and to ensure effective and efficient use of existing resources, using systems already in place at the regional and national level. It provides a platform for exchange of views, information, experiences and best practice on anti-corruption activities for the purpose of enhancing the impact of these activities, including support for the UN Convention against Corruption. It is uniquely composed of organizations, including NGOs, active internationally in anti-corruption policy, advocacy and enforcement.

Web site: [www.igac.net](http://www.igac.net)

The *U4 Utstein Anti-Corruption Resource Centre*<sup>2</sup> is a web-based resource centre established by the Utstein Group to strengthen their partnership for international development. The main purpose of the U4 is to be an internal tool for co-ordination and learning among the Utstein Group's members and staff of the respective international development agencies; and to present the Utstein Group's thinking and activities in the field of anti-corruption and share lessons and experiences with the outside world. The U4 Resource Centre is operated by the Chr. Michelsen Institute (CMI), Bergen, Norway. The web server and the core team behind U4 are based at CMI.

Web site: [www.u4.no](http://www.u4.no)

All of the activities implemented within this framework concur in improving lines of accountability between international financing institutions, between the governments of donor countries and their public (by ensuring that tax funds are used correctly), between international financing institutions and governments of developing countries (by ensuring that aid reaches its intended beneficiaries), and between governments of developing countries and their citizens (by ensuring that public resources are managed in a transparent and accountable way).

A quick glance at their activities shows that most agencies have developed strategies and measures to combat both internal corruption and corruption in partner countries. As regards internal corruption, they try to raise corruption

2. The Utstein Group consists of Canada, Germany, the Netherlands, Norway, Sweden and the United Kingdom, whose international development ministers have formed a partnership to co-ordinate development assistance policies.

awareness among their staff, in particular through the adoption of codes of conduct or ethical guidelines, the preparation of handbooks or manuals, and the organization of training activities. They also inform their staff of how to detect and deal with corruption in partner countries; disseminate information about corruption and the work done in this field; and facilitate the reporting of internal corruption through the creation of contact points, hotlines or ‘whistle-blowers’. As regards corruption in partner countries, all agencies have strengthened their anti-corruption strategy during recent years. This may involve designing tools to measure corruption at national level; facilitating the application of anti-corruption regulations; preventing conflicts of interest in the public service; providing standards for responsible business conduct; adopting anti-corruption measures in technical and financial co-operation; reviewing the quality and effectiveness of public management systems; reinforcing control and audit mechanisms; and investigating suspicions of corruption. Specific measures are often undertaken in the area of public procurement, in order to make it more transparent; e.g. improving the rating system.

The role of civil society organizations in pushing the fight against corruption to the top of both the international and national agendas is unquestionable. Transparency International, in particular, with the help of its International Secretariat and its more than 85 independent national chapters around the world, has proved very successful in bringing civil society, business and governments into global coalitions against corruption. Its annual report and

*The role of civil society organizations in pushing the fight against corruption is unquestionable.*

the scaling of countries through the Corruption Perceptions Index (CPI) have gradually gained importance for both the political and economic environment; corruption is on the agenda of many societies today. In spite of persistent criticism of the statistical significance of the CPI, which is based on subjective perception of corruption, all countries now feel concerned in some way with

their rank in Transparency International’s published scale. Their concern is for two reasons: first, the comparison of ranks with their neighbouring countries and the fear of being ‘more corrupt’; second, the increasing influence of the CPI on the behaviour of international investors.

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## Chapter 2

# Corruption in education: a conceptual framework

Corruption in education is not a recent discovery. Observers in the management of education systems noted several decades ago a variety of instances of distortions in the use of resources: appointment, deployment and payment of teachers (Brazil); ghost teachers (Indonesia); production and distribution of textbooks (Philippines); private tutoring (Mauritius); and private use of official cars from the education administration (Haiti), etc. Fraud in the use of aid targeted at education is not a new phenomenon either. A few examples are the ‘Christmas tree’ syndrome, with little justification of some components of education projects partly financed with aid resources; or the ‘white elephant’ model, with numerous examples of technical and vocational schools from developing countries receiving out-of-date equipment and materials and large stocks of unusable computers. However, corruption in education has been carefully ignored for several decades (and remains so). There are several explanations for this situation: one is that many educators are reluctant to shake the image of the education sector, and prefer to refer to ‘*la mística de la educación*’. Another is that they are careful to avoid adverse effects on the mobilization of funds.

Yet, in the perspective of progressing towards Education for All (EFA) goals, it is very difficult to overlook this issue. Indeed, corruption in education constitutes a serious threat to the successful achievement of EFA, as it tends to reduce the resources available for education, to limit access to education (particularly for the most disadvantaged groups), to deteriorate the quality of education, and to increase social inequalities. Moreover, in a longer term perspective, corruption entails a misallocation of talents and the propagation of a ‘culture of corruption’, as is further described below:

- *waste and unequal use of educational resources.* A study conducted by the World Bank in Kazakhstan showed that the coefficient of correlation between perceptions of access to education and corruption was - 0.25, and between the quality of education and corruption - 0.27 (World

- Bank, 2002). This illustrates the fact that in many countries, children are denied access to schooling because of corruption in administration;
- illegal fees for admission in particular, but also different categories of bribes to be paid in order to be promoted, obtain a diploma, etc. These are a heavy burden, especially for the poor, and can lead them to drop out. Moreover, corruption in teacher appointment and management impacts on the quality of teaching. The same is true of corruption in the procurement of educational supplies, which can result in a critical shortage of classrooms, equipment or textbooks, or in overpriced or bad quality products;
  - *misallocation of talents*. Furthermore, by interfering in the selection process at all levels of education (particularly higher education), corruption can undermine employers and the general public's trust in the value of education, and more specifically of diplomas. Rumyantseva (2005) describes examples in Russia and Ukraine where employers explicitly state in job advertisements that only graduates from certain universities are welcome to apply. Corruption in professional certification processes is of particular concern in this context. For example, the certification of physicians or of teachers cannot be trusted in some cases. More generally, corruption in education not only contributes to preparing unqualified young professionals, but also to distorting the whole mechanism of selection of elites. This has many implications for the political, social and economic development of countries: It has been estimated that developing countries could improve their GNP per capita by 5 per cent if they were to base their leadership upon merit as opposed to gender or social status; and
  - *propagation of a culture of corruption*. Finally, unfairness and partiality in education convey a wrong message to the younger generation. In fact, it teaches them that cheating and bribing is an acceptable way to advance their careers; that personal effort and merit do not count; and that success comes rather from favouritism, manipulation and bribery. It thus contributes to the development of a 'culture of corruption' and of cynicism. It undermines any incentives that would motivate young people to work hard. In this sense, it contradicts one of the major aims of education, which is to transmit civic culture together with values of integrity, equity, fairness and social justice.

In this context, the time has come to pay more attention to the development of school systems ‘free from corruption’. More specifically, there is a need to:

- clearly map out opportunities for corruption in the education sector;
- design a conceptual framework taking into account major internal and external factors in the development of corruption in education; and
- identify some ‘red flags’ that can help decision-makers and educational planners to detect risks of corruption in education.

## 1. Mapping opportunities for corruption in education

In his definition of corruption, Amundsen (2000) makes a distinction between five main forms of corruption, namely: embezzlement; bribery; fraud; extortion; and favouritism (see *Table 2.1*). He defines these various terms as follows:

- *embezzlement*: the theft of public resources by public officials. One example in the education sector is the use of funds aimed at school construction for the financing of political parties or political campaigns;
- *bribery*: payment (in money or in kind) given or taken in a corrupt relationship. One illustration of it is the payment of bribes to be recruited as a teacher, including when the person does not have the appropriate credentials to be appointed;
- *fraud*: economic crime that involves some kind of trickery, swindling or deceit. One manifestation in the education sector is the creation of paper or diploma mills, whereby a person can buy a fake diploma directly from the World Wide Web; another is the existence of ghost teachers on payrolls;
- *extortion*: money and other resources extracted by the use of coercion, violence or threats to use force. There may be fewer examples of violence or threats to use violence in the education sector compared to other sectors. However, sexual harassment of pupils or the obligation for parents to pay illegal or unauthorized fees if they want their child to be admitted to school can be classified as extortion; and
- *favouritism*: mechanism of power abuse implying ‘privatization’ and a highly biased distribution of state resources. This includes cases of

nepotism, where a public officer gives the priority to his or her family members. There are many examples of favouritism in the educational field, including the recruitment of administrators based on their membership of a political party, or of teachers based on their membership of a trade union, as in Mexico.

**Table 2.1 Definitions of various forms of corruption in the education sector**

Form of corruption	Embezzlement	Bribery	Fraud	Extortion	Favouritism
Definition	Theft of public resources by public officials	Payment (in money or in kind) given or taken in a corrupt relationship	Economic crime that involves some kind of trickery, swindle or deceit	Money and other resources extracted by the use of coercion, violence or threats to use force	Mechanism of power abuse implying ‘privatization’ and a highly biased distribution of state resources
Family of terms	Misappropriation, diversion, leakage, capture of funds	Kickbacks, gratuities, baksheesh, pay-offs, speed and grease money	Forgery, smuggling, counterfeit	Blackmail, informal taxation	Nepotism, cronyism, clientelism, bias
Examples from the education sector	Educational funds used for political campaigns School funds diverted for private interest	Bribes paid to be recruited as a teacher Bribes paid to be admitted to university	Ghost teachers Paper mills and diploma mills	Illegal fees collected to be admitted to school Sexual harassment for promotion	Recruitment of administrators based on their membership of a political party Good marks obtained due to favouritism

*Source:* Adapted from Amundsen, 2000.

Articles published in the last few years have tried to establish typologies of forms of corruption in the education sector (see *Table 2.2*). Chapman (2002) thus makes a distinction between five different forms of malpractice that can be regarded as corrupt, namely: blatantly illegal acts of bribery or fraud (e.g. fraud in public procurement); actions to secure a modest income by people paid too little or too late (e.g. illegal fees collected at school level); actions taken to get work done in

difficult circumstances (e.g. bribes to get a certificate on time from the administration); differences in cultural perspectives (e.g. gifts given to teachers); and behaviour resulting from incompetence (e.g. misallocation of funds). Tanaka (2001) identifies three main areas of corrupt behaviour, i.e. procurement, educational administration and teachers' corruption in the classroom. Heyneman (2002) identifies two main forms of corrupt practices in education, i.e. corruption in services and academic corruption. These include: corruption in procurement; corruption in educational property and taxes; corruption in selection; corruption in accreditation; and professional misconduct. Finally, Rumyantseva (2005) differentiates corruption that does not involve students as agents and has an indirect effect on them (e.g. fraud in public procurement) from corruption that involves the students as agents and has a direct effect on their values, beliefs and life chances (e.g. payment of bribes to obtain their diploma).

**Table 2.2 Typologies of forms of corruption within the education sector**

Chapman	Tanaka	Heyneman	Rumyantseva
<ul style="list-style-type: none"> <li>• Blatantly illegal acts of bribery or fraud</li> <li>• Actions to secure a modest income by people paid too little or too late</li> <li>• Actions taken to get work done in difficult circumstances</li> <li>• Differences in cultural perspectives (e.g. gift-giving)</li> <li>• Behaviour resulting from incompetence</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Educational administration</li> <li>• Teachers' corruption in classroom</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption in procurement</li> <li>• Corruption in educational property and taxes</li> <li>• Corruption in selection</li> <li>• Corruption in accreditation</li> <li>• Professional misconduct</li> <li>• Corruption in services/academic corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption that does not involve students as agents and has a limited effect on them</li> <li>• Corruption that involves the students as agents and has a direct effect on their values, beliefs and life chances</li> </ul>

Sources: Chapman, 2002; Heyneman, 2002; Tanaka, 2001; Rumyantseva, 2005.

A set of criteria can be used to classify opportunities for corruption within the education sector, as illustrated in *Table 2.3*.

**Table 2.3 Corruption in education: levels of occurrence, actors involved and nature of exchanges**

Level of occurrence	Level of education	Actors involved	Nature of exchange
<ul style="list-style-type: none"> <li>• Ministry of Education</li> <li>• Region-district level</li> <li>• School level</li> <li>• Classroom level</li> </ul>	<ul style="list-style-type: none"> <li>• Primary education</li> <li>• Secondary education</li> <li>• Higher education</li> <li>• Distinction public/private education</li> <li>• Distinction formal/non-formal education</li> </ul>	<ul style="list-style-type: none"> <li>• Private supplier-administrator exchange</li> <li>• School staff-administrator exchange</li> <li>• Student-administrator exchange</li> <li>• Student-faculty exchange</li> <li>• Student-non-teaching staff exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Administrator-driven</li> <li>• Faculty-driven</li> <li>• Non-teaching staff-driven</li> <li>• Student-driven</li> <li>• Locating agents with monopolistic powers</li> <li>• Identifying ‘win-win’/‘win-lose’ situation</li> </ul>

- The *level of occurrence*. Ministry of Education, region or district level, school level, and classroom level: at each level, certain forms of malpractice are more likely to occur. For instance, fraud in the recruitment of teachers is more likely to happen at ministerial level, whereas payment of bribes in order to obtain a good mark is more likely to be observed at the classroom level;
- the *level of education*. Primary, secondary and higher education: Here again, forms of malpractice may differ according to the level of education involved. For instance, pressure exerted by teachers on parents to send their children for private tutoring with them is more likely to take place in the last grades of secondary education. Similarly, fraud to obtain a degree or a diploma is more likely to occur at university level. Another useful distinction could be introduced here between public and private schools as well as between formal and non-formal education;
- the *actors involved*. Several groups of actors can be involved in ‘corruption exchange’, as illustrated by the case of Poland in *Box 10*. These are essentially administrators (at different administrative levels), private suppliers (also at different administrative levels), faculty, non-teaching staff and pupils (with or without the complicity of their parents). This gives a wide variety of possible combinations of corrupt exchanges, i.e. between administrators and private suppliers, between administrators

- and faculty, between administrators and pupils, and between faculty and pupils, etc.;
- the *nature of the exchange*. The problem here is knowing who is the ‘corruptor’ and who is the ‘corrupted’. In some cases, the corruption exchange can be administrator-driven or teacher-driven; for instance, when a teacher asks for a bribe to authorize the promotion of a child to the next grade. In other cases, it can be student (or parent)-driven; for instance when a child (or his or her parents) offers to pay the teacher a bribe to ensure his or her promotion to the next grade. The exchange can be a ‘win-win’ situation; for instance, both administrators and private suppliers can be in a ‘win-win’ situation after the fraud of a public procurement. But the exchange can also be a ‘win-lose’ situation; for instance, teachers are going to benefit from the payment of illegal fees, but obviously not the pupils.

#### **Box 10. Corruption in education in Poland**

Examples of corruption in education discussed in the public media in Poland include:

- ordering school supplies from ‘friendly’ companies (usually at the *gmina* level);
- bribes accepted for better grades, or forcing the student to take up private lessons with his or her teacher (usually at the level of the individual teacher);
- bribes accepted for enrolling a child in a school (usually at the school director level);
- paying teachers for classes that were not conducted (usually at the school director level); and
- appropriation of school equipment (usually at the school director or individual teacher level).

*Source:* Ogrodzinska, 2001.

Most of the researchers who have written on this issue indicate that corruption taking place within the classroom, at primary education level, and which directly involves the pupil and his or her teacher, has the most detrimental impact. They give several justifications for this: First, children are directly affected by this type of corruption, which can impinge on their

opportunities in life (this is not the case of corruption taking place at a higher administrative level, which has a less direct impact on pupils). Indeed, it can directly impede them from having access to school, or from being promoted. Second, children are directly in contact with, and even involved in, illegal activities this way. Third, as a result, corruption at classroom level can contribute to developing a ‘culture of corruption’, as defined above, among

*Corruption at classroom level can contribute to developing a ‘culture of corruption’.*

those children thus directly confronted with malpractice. At the same time, these forms of corruption, which are often the most visible, also tend to be the most tolerated. Chapman (2002) refers in this connection to the example of Cambodia, where it is

generally recognized that the Government could not maintain its teaching force if teachers were unable to subsidize their salaries, in particular through the use of illegal fees. This contributes to making the problem particularly difficult to solve.

The diversity of opportunities for corruption existing in the education sector at all levels makes it necessary to identify for each area of planning and management the most frequent malpractices observed. *Table 2.4* selects 10 major areas in which malpractices can be identified, namely: (i) finance; (ii) allocation of specific allowances (fellowships, subsidies, etc.); (iii) construction, maintenance and school repairs; (iv) distribution of equipment, furniture and materials (including transport, boarding, textbooks, canteens and school meals); (v) writing of textbooks; (vi) teacher appointment, management (transfer, promotion), payment and training; (vii) teacher behaviour (professional misconduct); (viii) information systems; (ix) examinations and diplomas; and (x) institution accreditation. And for each of these areas, it lists major opportunities for corrupt practices. Some, such as bribes, can be found in several fields. Others, such as plagiarism or fraudulent research, are very specific to a given field.

**Table 2.4 Major opportunities for corruption by area of educational planning/management**

Areas of planning/management	Major opportunities for corrupt practices
Finance	<ul style="list-style-type: none"> <li>• Transgressing rules and procedures / bypass of criteria</li> <li>• Inflation of costs and activities</li> <li>• Embezzlement</li> </ul>
Allocation of specific allowances (fellowships, subsidies, etc.)	<ul style="list-style-type: none"> <li>• Favouritism / nepotism</li> <li>• Bribes</li> <li>• Bypass of criteria</li> <li>• Discrimination (political, social, ethnic)</li> </ul>
Construction, maintenance and school repairs	<ul style="list-style-type: none"> <li>• Fraud in public tendering (payoffs, gifts, favouritism)</li> <li>• Collusion among suppliers</li> <li>• Embezzlement</li> <li>• Manipulating data</li> <li>• Bypass of school mapping</li> <li>• Ghost deliveries</li> </ul>
Distribution of equipment, furniture and materials (including transport, boarding, textbooks, canteens and school meals)	<ul style="list-style-type: none"> <li>• Fraud in public tendering (payoffs, gifts, favouritism)</li> <li>• Collusion among suppliers</li> <li>• Siphoning of school supplies</li> <li>• Purchase of unnecessary equipment</li> <li>• Manipulating data</li> <li>• Bypass of allocation criteria</li> <li>• Ghost deliveries</li> </ul>
Writing of textbooks	<ul style="list-style-type: none"> <li>• Fraud in the selection of authors (favouritism, bribes, gifts)</li> <li>• Bypass of copyright law</li> <li>• Students forced to purchase materials copyrighted by instructors</li> </ul>
Teacher appointment, management (transfer, promotion), payment and training	<ul style="list-style-type: none"> <li>• Fraud in the appointment and deployment of teachers (favouritism, bribes, gifts)</li> <li>• Discrimination (political, social, ethnic)</li> <li>• Falsification of credentials/use of fake diplomas</li> <li>• Bypass of criteria</li> <li>• Pay delay, sometimes with unauthorized deductions</li> </ul>
Teacher behaviour (professional misconduct)	<ul style="list-style-type: none"> <li>• Ghost teachers</li> <li>• Absenteeism</li> <li>• Illegal fees (for school entrance, exams, assessment, private tutoring, etc.)</li> <li>• Favouritism/nepotism/acceptance of gifts</li> <li>• Discrimination (political, social, ethnic)</li> <li>• Private tutoring (including use of schools for private purpose)</li> <li>• Sexual harassment or exploitation</li> <li>• Bribes or favours during inspector visits</li> </ul>

**Table 2.4 (continued)**

Information systems	<ul style="list-style-type: none"> <li>• Manipulating data</li> <li>• Selecting/suppressing information</li> <li>• Irregularity in producing and publishing information</li> <li>• Payment for information that should be provided free</li> </ul>
Examinations and diplomas	<ul style="list-style-type: none"> <li>• Selling information</li> </ul>
Access to universities	<ul style="list-style-type: none"> <li>• Examination fraud (impersonation, cheating, favouritism, gifts)</li> <li>• Bribes (for high marks, grades, selection to specialized programmes, diplomas, admission to universities)</li> <li>• Diploma mills and false credentials</li> <li>• Fraudulent research, plagiarism</li> </ul>
Institution accreditation	<ul style="list-style-type: none"> <li>• Fraud in the accreditation process (favouritism, bribes, gifts)</li> </ul>

## 2. A conceptual framework

Analysis shows that there are both internal and external factors conducive to the development of corrupt practices within the education sector. Internal factors are linked to the decision-making and management structure of the education system itself; educational policy-makers and administrators, and more globally speaking education stakeholders, can have a direct impact on them. Whereas external factors are linked to the overall environment in which the education sector operates, education policy-makers and administrators have no impact – or at least only an indirect impact – on them. Strategies to improve transparency and accountability in education must take into consideration both internal and external factors to succeed. Moreover, there is an obvious connection between internal and external factors that will be further presented below.

### *Internal factors*

Among the various internal factors that are conducive to corruption in education, the following can be mentioned:

- the *absence of clear norms and regulations*. This is a serious concern in most of the areas of education planning and management mentioned in *Table 2.4*, in particular finance, specific allowances, teacher management, credentials, accreditation and the whole area of public procurement. Formula funding of schools, for instance, is sometimes quite unclear. As a result, only a few specialists can check whether the funds have been allocated properly;

- the *opacity of procedures*. Lack of transparent procedures at each level of the administrative ladder generates opportunities for corruption. More specifically, the lack of clear procedures in supervision and disciplinary matters allows the expansion of phenomena such as ghost teachers or teacher absenteeism;
- *monopoly and discretionary power*. As formalized by Klitgaard (see *Box 11*), monopoly situations and discretionary powers foster corruption. There is a strong case to suggest that this formula applies to the education sector, often characterized by lack of competition among providers. The monopoly exerted by rectors over the accreditation of universities (including private ones) in many former Soviet countries is an illustration of this;

**Box 11. Klitgaard's formula for corruption**

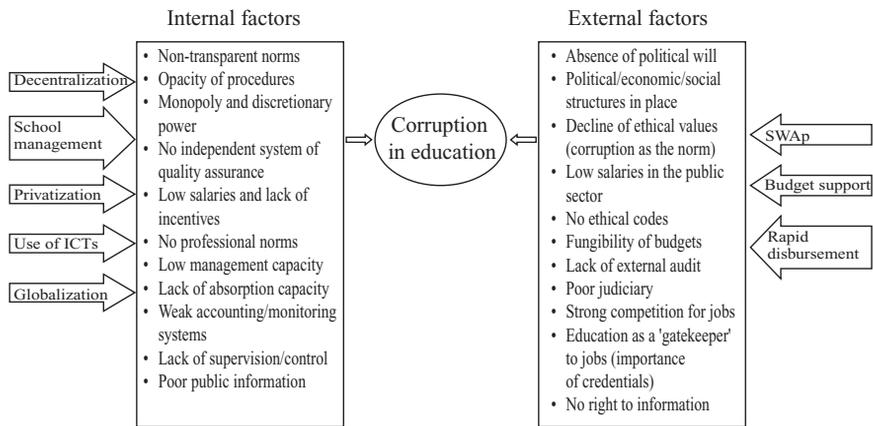
$$\text{corruption (c)} = m (\text{monopoly power}) + d (\text{discretion by officials}) - a (\text{accountability})$$

Source: Klitgaard, 2000.

- the *lack of professional norms*. A few countries have developed professional norms for the education profession. Some have designed teacher codes of conduct, but often without setting up adequate enforcement mechanisms. The result is that in a concrete situation, teachers in particular do not have a clear idea of what they are entitled and not entitled to do;
- *low salaries and weak incentive systems*. Low salaries in the education profession, combined with low incentives, can lead to misbehaviour of both educational administrators and teachers. The absence of professional development perspectives, lack of opportunity for individual promotion and poor prospects after retirement are indeed demotivating factors;
- *low management capacity*. Good governance requires adequate management, suitable accounting and auditing tools, and the capacity to use them. Low absorption capacity, weak accounting and monitoring systems, and lack of supervision and control mechanisms obviously create risks of corruption, such as diversion or embezzlement of funds; and

- *poor public information.* Traditionally, the education sector maintains a bureaucratic relationship with its users, as opposed to a culture of openness and transparency. The scarcity of information and its inaccessibility to the general public produce opportunities for corruption, as they prevent any social control.

**Figure 2.1 Internal and external factors contributing to corruption in the education sector**



Current trends affecting the education sector, such as the decentralization of educational resources, the promotion of school-based management, the diffusion of new information technologies, privatization and globalization cannot be set aside when talking about internal factors of corruption within the education sector. Unfortunately, in a context of financial constraint, poor managerial capacities, no proper accounting, no checks and balances, no reliable information systems and no audit mechanisms, they can indeed contribute to the intensification or revival of corrupt practices. Some examples are provided below:

- *decentralizing educational resources.* In some contexts, decentralization of the education system has also decentralized opportunities for corruption, extending them to a larger number of individuals. A study conducted in Zambia, for instance, shows that funds allocated to schools at the discretion of local authorities have less chance of reaching the

schools than funds allocated according to a single allocation formula (see *Chapter 3*);

- *promoting school-based management*. Experience demonstrates that the more administrative levels are involved in the financing of education systems, the greater the risk of fund leakage. For this reason, some projects seek to give the funds directly to schools in order to bypass administrative hierarchy. However, the Scholarship and Grants Programme (SGP) in Indonesia proves that this is not enough: Unless basic requirements are met, corruption will prosper (see *Chapter 4*);
- *development of information and communication technologies (ICTs)*. The development of new technologies is encouraging the emergence of new, large-scale forms of academic fraud. Many web sites now offer the possibility of buying term papers or diplomas online. The price of these diplomas varies according to the subject and the grade concerned: from a few hundred to several thousand United States dollars (see *Chapter 7*);
- *privatization*. The privatization of parts of secondary and higher education requires the establishment of reliable accreditation mechanisms. But these can be compromised in various ways, including by accreditation-based on non-transparent criteria, payment of bribes to obtain accreditation, schools giving false information on their accreditation and creation of fake accreditation bodies, among others (see *Chapter 7*); and
- *globalization*. The internationalization of student flows and of job markets raises new challenges. For example, it makes it difficult to check on the authenticity of diplomas; as a result, the market for false certificates is booming. In their efforts to increase scarce resources by admitting more foreign students (who are charged high enrolment fees), some higher education institutions (HEIs) turn a blind eye to such practices.

### ***External factors***

External factors are also important in explaining corruption phenomena within the education sector, in particular:

- *absence of political will*. Many countries have set up an anti-corruption commission in recent years, often placed under the direct authority of the Head of State or of the Prime Minister as a token of their commitment to fight corruption. Unfortunately, they have proved to be useless in a

number of cases, given the lack of sustained political will at the highest level;

- *political, economic and/or social structures in place.* As evoked in the first chapter, democracy, poverty and social structures are not determinants of corruption (corruption exists in democratic and rich societies), but under certain conditions, they are conducive factors for the development of corrupt practices;
- *decline of ethical values.* Karklins (2005) refers to the “stiff repression under Soviet-type regimes [that] made people living in these countries feel that good practice was to not obey the law”. Dedze (2005) argues that this mentality opened the way for dishonest practices to grow much more easily in transition countries than in Western democracies; the absence of ethical codes for civil servants (or their limited implementation) does not improve the situation;
- *low salaries.* Salaries within the civil service can be quite low even when compared to countries’ per capita income. The deregulation of the civil service in many West African countries, for instance, consisting in the recruitment of volunteers or contractual staff earning very low wages, plays the role of an incentive for teachers to offer private tutoring, or even to find a second job;
- *fungibility in financial flows.* The fungibility of budgets at the local administrative level in particular leads to opacity in the allocation of resources. This can create opportunities for substitution of fund allocations from sector to sector, to the detriment of education, particularly in a context of budgetary restrictions. When substitutions of fund allocations serve private interests – including the electoral agenda – this is clearly a corrupt practice;
- *lack of external audit combined with poor judiciary and no right to information.* Lack of adequate mechanisms of external audit combined with a poor judiciary make it difficult to control both the lawfulness and the appropriateness of the decisions made within the public sector as a whole;
- *no right to information.* Lack of knowledge of criteria for access to education institutions, lack of timely publication of data on enrolment, teachers’ lists, examination results and financial flows including fees, etc. are obstacles to information sharing and exposures to the public of

the way the public sector operates. At the same time, there is often no means for the users of the system to voice their complaints. Finally, the non-recognition of the right to information impedes them from exerting any social control; and

- *high competition in the job market.* High competition for well-paid jobs and fear of unemployment have contributed to inflating the importance of credentials. The main consequences of this for the education sector are: more academic fraud; more pressure exerted on those actors in the system who control decisions and play the role of ‘gatekeepers’ (including attempts to corrupt them); and boosting of private tutoring in response to the demand for more chances to win competitions.

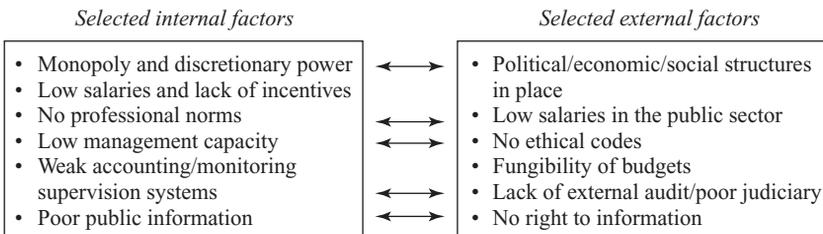
The donor community can influence some of these external factors by providing funding at levels that exceed absorptive capacity. The increased priority attached to education and financial commitments by aid agencies has raised concerns among some political leaders, who question the ability of existing education administrations to absorb significant increases in resources without adequate capacity, with the risk of more opportunities for fraud and distortions. The inadequacy and lack of instruments to curb corrupt practices appear all the more problematic today, in a context of increasing international aid (G8 Summit, Gleneagles, July 2005) and of the promotion of new approaches in this area. These include:

- *sector-wide approaches and budget support.* Various instruments are being piloted and promoted by donor agencies to introduce more flexibility and responsiveness to government needs, such as sector-wide approaches (SWAs) and budget support. But they do not always address the increased risks of corruption associated with the concentration of power in the hands of the co-ordinating authorities (ministries of finance and education at the central level);
- *rapid disbursement of funds.* Pressure is exerted on countries to disburse funds rapidly under, for example, the Fast Track Initiative (FTI) or Poverty Reduction Strategy Papers (PRSPs). This can contribute to increasing the likelihood of malpractice, especially in countries lacking the capacity to prepare and execute budget plans, set up adequate audit mechanisms, etc., thereby penalizing contractors for slow implementation caused by their unwillingness to pay petty bribes to facilitate work flow on projects they manage; and

- *decentralization.* Most donor agencies encourage countries to decentralize public sector management in order to develop participation, ownership and social control. This can only be regarded as a step ‘in the right direction’ if it is accompanied by significant capacity development at the central and local levels. If not, decentralization may boost opportunities for corrupt practices, as the experience of some countries shows.

Internal and external factors are obviously interrelated and reinforce each other (see *Figure 2.2*). For instance, lack of incentives within the education sector combined with low salaries for civil servants encourage corrupt practices. Similarly, weak accounting, monitoring and supervision mechanisms combined with lack of external audit mechanisms and poor judiciary reduce the opportunity for detecting and dissuading fraud. Finally, the poor public information of educational system users, in the absence of a recognized right to information at national level, contributes to the maintenance of a culture of opacity, secrecy and lack of accountability. In this context, it is important to find other ways to detect fraud – one of which is identifying ‘red flags’.

**Figure 2.2 Interrelations between internal and external factors**



### 3. ‘Red flags’ and risk analysis

*‘Red flags’ can be defined as “situations or occurrences within a programme or an activity that indicate susceptibility to corruption”.*

Undertaking a risk analysis so as to assess the opportunities for fraud and corruption within the education sector is highly desirable. Borrowed from the business sector, risk analysis involves identifying the likelihood of all potential risks to the education sector as a whole

or to a particular sub-sector, such as textbook production and distribution; analyzing the vulnerabilities of the education sector as a result of these risks; and measuring their overall impact on the education sector. A risk analysis must evaluate each risk according to the probability of its occurrence, the losses it may cause and the cost of countermeasures to mitigate it. Ideally, it will result in a prioritized list of risks and a cost and benefit analysis for possible countermeasures. One of the keys to success in detecting fraud is the possibility to spot anomalies thanks to ‘red flags’, which can be defined as “situations or occurrences within a programme or an activity that indicate susceptibility to corruption”. Examples of red flags are:

- poor records or documentation;
- unusually neat records;
- incorrect, misleading information;
- management’s lack of awareness of laws and regulations;
- management’s or employees’ lack of co-operation;
- lack of separation of duties of managing funds;
- inadequate expertise or organization (in planning, administration, staff lists);
- extravagant lifestyle of employees;
- employees’ refusal to take vacations;
- unusually voluminous and complex transactions;
- recurring complaints received through a hotline or other channels;
- prior or ongoing criminal prosecutions of firms or employees; and
- inadequate internal and external audits.

More specifically, a list of red flags can be established for each area of educational planning or management, as shown in *Table 2.5*. In the field of procurement (for school construction, textbooks, school meals or others), many indicators can help identify risks of corruption, such as: invitation to tender not publicized; invitation publicized but too-short a contracting process; vague or non-existent specification/over-specification; urgency as an excuse to award contract to one contractor; bids not kept confidential; supply of less or inferior materials or equipment; overpricing; timeliness; or costs not respected, etc. Then, for each field, other red flags can be taken into consideration, e.g. the absence of a monitoring system for textbook distribution or the existence of black markets for school textbooks (street vendors). However, red flags are

only indicative of potential malpractices; their careful analysis should indicate whether there is a need for further investigation.

**Table 2.5 Examples of ‘red flags’ by area of educational planning/management**

Area	Red flags
Finance	<ul style="list-style-type: none"> <li>• Unusual transfers</li> <li>• Signing of cheques, use of credit card in the hands of only one person/not controlled</li> <li>• Unclear transfer procedures/selection criteria for distribution from state to local level</li> <li>• Lack of or rare internal and external control/audit</li> </ul>
Information systems	<ul style="list-style-type: none"> <li>• Many people in the administration have access to sensitive information (exam results, exam papers, sick leave lists, etc.)</li> <li>• Poor security systems for computers with sensitive data</li> <li>• Inadequate internal procedures for securing sensitive information (number of users, security software programmes, etc.)</li> <li>• No national directives on how to secure sensitive information</li> <li>• No personalized identity access code</li> <li>• No cross-checking of information</li> </ul>
Writing of textbooks	<ul style="list-style-type: none"> <li>• Selection of family/close friends as authors</li> <li>• Author receiving a proportion of the sales</li> <li>• Monopoly by one important publishing house (sometimes from a foreign country)</li> </ul>
Teacher appointment, management (transfer, promotion), payment and training	<ul style="list-style-type: none"> <li>• Gap between the payroll and the number of working teachers</li> <li>• Unbalanced distribution of teachers, e.g. in urban and rural areas (overstaffed and understaffed schools)</li> <li>• Appointment of family/close friends</li> <li>• Teachers not presenting original diploma on request</li> <li>• Attractive posts obtained by teachers close to the administration</li> </ul>
Construction, maintenance and school repairs	<ul style="list-style-type: none"> <li>• Invitation to tender not publicized</li> <li>• Invitation publicized but too-short contracting process</li> <li>• Vague or non-existent specification/over-specification</li> <li>• Urgency as an excuse to award contract to one contractor</li> </ul>
Distribution of equipment, furniture and materials (including transport, boarding, textbooks, canteens and school meals)	<ul style="list-style-type: none"> <li>• Bids not kept confidential</li> <li>• Supply of inferior materials or less equipment</li> <li>• Overpricing</li> <li>• Timeliness/costs not respected</li> <li>• Long-term maintenance contracts</li> <li>• No monitoring system for textbook distribution</li> <li>• Existence of black markets for school textbooks (street vendors)</li> </ul>

Teacher behaviour (professional misconduct)	<ul style="list-style-type: none"> <li>• Gap between payroll and the actual number of working teachers</li> <li>• Unjustified absence</li> <li>• Inadequate legal basis in the field of codes of ethics, unclear hiring contracts, and sick leave criteria</li> <li>• Very high teacher/student ratio according to the 'lists'</li> <li>• Low salaries, extravagant lifestyle of employees</li> <li>• Teachers at the same time teaching in class and giving the same children private tutoring</li> <li>• Unclear, opaque private tutoring practices (price, codes of ethics..)</li> </ul>
Allocation of specific allowances (fellowships, subsidies, etc.)	<ul style="list-style-type: none"> <li>• Very high concentration of students from the same university receiving the grant/fellowship/scholarship</li> <li>• Non-transparent budgets/distribution pattern</li> <li>• Unclear selection criteria</li> </ul>
Examinations and diplomas Access to universities	<ul style="list-style-type: none"> <li>• Conducting/correction of exams not being paid</li> <li>• Very high percentage of students passing the exams, and/or receiving high marks</li> <li>• Diplomas coming from an unknown university</li> <li>• Students who failed the national entrance test managing to be accepted abroad</li> <li>• 'Checking' procedures of diplomas when hiring a teacher not stated</li> <li>• Diplomas/marking not adapted</li> </ul>
Institutional accreditation	<ul style="list-style-type: none"> <li>• Very high number of educational institutions receive accreditation</li> <li>• List of accredited educational institutions not well-known, difficult to access</li> </ul>

### 3. Education policies and corruption

In conclusion, *Table 2.6* summarizes the various tables presented in this chapter. Opportunities for corrupt practices, illustrations of corrupt practices, selected 'red flags', and the kind of impact on education (either in terms of access, quality, equity, policy priorities or ethics) are included by major area of educational planning and management. It is interesting to note that while malpractices in the area of teacher behaviour, for instance, which have a major impact on access, quality, equity and ethics, are often characterized as petty corruption, fraud in the area of school construction, which is typically considered grand corruption, has an impact mainly on access and on quality. This illustrates the fact that the issue of petty corruption (in particular that linked with teachers) should by no means be neglected.

The areas of educational planning and management that tend mostly to favour the development of corrupt practices can be grouped together. For instance, distorted practices in the area of financing or manipulation of information systems have been listed under the trend 'decentralizing

educational resources', while academic and accreditation fraud have been listed under the trend 'privatization, new delivery modes and knowledge economies'. The following chapters will illustrate one aspect of each of these trends.

**Table 2.6 Mapping opportunities for corruption within the education sector**

Area	Corrupt practices	Red flags	A few figures	Impact on education
<b>1. Decentralizing educational resources</b>				
Finance	<ul style="list-style-type: none"> <li>Transgressing rules/procedures</li> <li>Bypass of criteria</li> <li>Opacity of flow (non-respect of formula funding)</li> <li>Embezzlement</li> <li>Inflation of costs and activities</li> </ul>	<ul style="list-style-type: none"> <li>Unusual transfers</li> <li>Signing of cheques, use of credit card in the hands of only one person/not controlled</li> <li>Unclear transfer procedures/selection criteria for distribution from state to national level</li> <li>Lack of or rare internal and external control/audit</li> </ul>	<ul style="list-style-type: none"> <li><i>Worldwide</i>: leakage of salaries of primary school teachers exceeds 10% of recurrent expenditure (World Bank)</li> <li><i>Worldwide</i>: leakage of non-salary funds estimated at between 20 and 87 per cent of total expenditures (World Bank)</li> </ul>	<p><i>Access Quality Equity Policy priorities</i></p> <ul style="list-style-type: none"> <li>Inflating enrolment figures to increase financial transfers</li> <li>Disparity in resources available</li> <li>Less resources for quality improvement (textbooks, materials, etc.)</li> </ul>
Information systems	<ul style="list-style-type: none"> <li>Manipulating data</li> <li>Selecting/suppressing information</li> <li>Irregularity in producing and publishing information</li> <li>Payment for information that should be provided free</li> </ul>	<ul style="list-style-type: none"> <li>Many people in the administration have access to sensitive information (exam results, exam papers, sick leave lists, etc.)</li> <li>Poor security systems for computers with sensitive data</li> <li>Inadequate internal procedures for securing sensitive information (number of users, security software programmes, etc.)</li> <li>No national directives on how to secure sensitive information</li> <li>No personalized identity access code</li> <li>No cross-checking of information</li> </ul>	<ul style="list-style-type: none"> <li>Only a few countries produce data on enrolment several times a year (Australia)</li> <li>Several countries do not produce data on achievement</li> <li>Most countries produce little or no data on the private sector</li> </ul>	<p><i>Equity Ethics Policy priorities</i></p> <ul style="list-style-type: none"> <li>Omitting data on repetition/drop-out</li> <li>Fewer resources available in priority areas</li> <li>Less priority to quality improvement</li> </ul>

**Table 2.6 (continued)**

2. Improving quality and educational contents	
<p>Writing of textbooks</p> <ul style="list-style-type: none"> <li>• Fraud in the selection of authors (favouritism/nepotism, bribes, gifts)</li> <li>• Bypass of copyright law</li> </ul>	<p><i>Quality</i></p> <ul style="list-style-type: none"> <li>• <i>Philippines</i>: textbooks used in the classroom included 3,140,794 unauthorized reprints and 4,858,021 unapproved books (Chua, 1999)</li> <li>• Lack of consistency between textbooks and curricula</li> <li>• Lack of adequate number of textbooks per child enrolled</li> </ul>
<p>Teacher appointment, management (transfer, promotion), payment and training</p> <ul style="list-style-type: none"> <li>• Fraud in the appointment of teachers (favouritism/nepotism, bribes, gifts)</li> <li>• Discrimination (political, social, ethnic)</li> <li>• Falsification of credentials/use of fake diplomas</li> <li>• Bypass of criteria</li> <li>• Pay delay, sometimes with unauthorized deductions</li> </ul>	<p><i>Quality</i></p> <ul style="list-style-type: none"> <li>• <i>Colombia</i>: in the city of Bogota, 15% of the schools were overstaffed in 1998 due to non-transparent procedures for transferring teachers from one school to the other (Peña, 2005)</li> <li>• Less qualified teachers appointed</li> <li>• Less qualified teachers with less access to training by schools</li> </ul>
<p>Teacher appointment, management (transfer, promotion), payment and training</p> <ul style="list-style-type: none"> <li>• Gap between the payroll and the number of working teachers</li> <li>• Unbalanced distribution of teachers, e.g. in urban and rural areas (overstaffed and understaffed schools)</li> <li>• Appointment of family/close friends</li> <li>• Teachers not presenting original diploma on request</li> <li>• Attractive posts obtained by teachers close to the administration</li> </ul>	<p><i>Quality</i></p> <ul style="list-style-type: none"> <li>• Disparity in staffing by schools</li> </ul>

3. Reducing disparities in access and results		<i>Access Quality Equity</i>
Construction, maintenance and school repairs	<ul style="list-style-type: none"> <li>• Fraud in public tendering (payoffs, gifts, favouritism)</li> <li>• Collusion among suppliers</li> <li>• Embezzlement</li> <li>• Manipulating data</li> <li>• Bypass of school mapping</li> <li>• Ghost deliveries</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Slovakia</i>: according to the Supreme Audit Office, violation of public procurement laws would represent “approximately 10% of GDP”</li> <li>• Bad location of schools</li> <li>• Too high/too low use of schools</li> <li>• Demand for places unattended</li> <li>• Poor learning environment</li> <li>• Schools kept opened or closed based on fake statistics</li> </ul>
Distribution of equipment, furniture and materials (including transport, boarding, textbooks, canteens and school meals)	<ul style="list-style-type: none"> <li>• Invitation to tender not publicized</li> <li>• Invitation publicized but too-short contracting process</li> <li>• Vague or non-existent specification/over-specification</li> <li>• Urgency as an excuse to award contract to one contractor</li> <li>• Bids not kept confidential</li> <li>• Supply of inferior materials or less equipment</li> <li>• Overpricing</li> <li>• Timeliness/costs not respected</li> <li>• Long-term maintenance contracts</li> <li>• No monitoring system for textbook distribution</li> <li>• Existence of black markets for school textbooks (street vendors)</li> <li>• Fraud in public tendering (payoffs, gifts, favouritism)</li> <li>• Collusion among suppliers</li> <li>• Siphoning of school supplies</li> <li>• Purchase of unnecessary equipment</li> <li>• Manipulating data</li> <li>• Bypass of allocation criteria</li> <li>• Ghost deliveries</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Philippines</i>: payoffs eat up 20-65% of textbook funds</li> <li>• <i>France</i>: a contract for school meals foresaw 421,000 meals per year; however, the real number of consumed meals was 363,000 in 1996; hence, the city had to pay 1,6 million francs for non-consumed meals</li> <li>• School meals free to the rich and not available for the poor</li> <li>• Textbooks charged when they are supposed to be free</li> <li>• Textbooks not available in the classroom</li> </ul>

**Table 2.6 (continued)**

4. Promoting school-based management	
<p>Teacher behaviour (professional misconduct)</p> <ul style="list-style-type: none"> <li>• Ghost teachers</li> <li>• Absenteeism</li> <li>• Favouritism/nepotism</li> <li>• Gifts</li> <li>• Illegal fees (for school entrance, exams, assessment, private tutoring, etc.)</li> <li>• Private tutoring (including use of schools for private purposes)</li> <li>• Discrimination (political, social, ethnic)</li> <li>• Sexual harassment or exploitation</li> <li>• Bribes or favours during inspector visits</li> <li>• Students forced to purchase materials copyrighted by instructors</li> </ul>	<ul style="list-style-type: none"> <li>• Gap between payroll and the actual number of working teachers</li> <li>• Unjustified absence</li> <li>• Inadequate legal basis in the field of codes of ethics, unclear hiring contracts and sick-leave criteria</li> <li>• Very high teacher/student ratio according to the 'lists'</li> <li>• Low salaries, extravagant lifestyle of employees</li> <li>• Teacher both teaching in class and giving the same children private tutoring</li> <li>• Unclear, opaque private tutoring practices (price, codes of ethics, etc.)</li> </ul> <p><i>Worldwide:</i> absence of teachers varies between 10% and 20% (World Bank)</p> <ul style="list-style-type: none"> <li>• <i>Hong Kong SAR (China):</i> 45% of primary pupils receive private tutoring</li> </ul> <p><i>Access Quality Equity Ethics</i></p> <ul style="list-style-type: none"> <li>• Disparity in staffing by schools</li> <li>• Discrimination against the poor</li> <li>• Total number of teaching hours reduced significantly</li> <li>• Teachers and other staff not complying with codes of conduct</li> </ul>

<p>Allocation of specific allowances (fellowships, subsidies, etc.)</p> <ul style="list-style-type: none"> <li>• Favouritism</li> <li>• Nepotism</li> <li>• Bribes</li> <li>• Bypass of criteria</li> <li>• Discrimination (political, social, ethnic)</li> </ul>	<ul style="list-style-type: none"> <li>• Very high concentration of students from the same university get the grant/ fellowship/ scholarship</li> <li>• Non-transparent budgets/ distribution pattern</li> <li>• Unclear selection criteria</li> </ul>	<p><i>Access Equity</i></p> <ul style="list-style-type: none"> <li>• Inflating enrolment figures to increase financial transfers</li> </ul>
<p>5. Privatization, new delivery modes and quality assurance</p>		
<p>Examinations and diplomas Access to universities</p> <ul style="list-style-type: none"> <li>• Selling of information</li> <li>• Examination fraud</li> <li>• Plagiarism</li> <li>• Bribes (for high marks, grades, selection to specialized programmes, diplomas, admission to universities)</li> <li>• Diploma mills and false credentials</li> <li>• Fraudulent research</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting/correction of exams not getting paid</li> <li>• Very high percentage of students passing the exams, and/or getting high marks</li> <li>• Diploma coming from an unknown university</li> <li>• Students who failed the national entrance test manage to be accepted abroad</li> <li>• ‘Checking’ procedures of diplomas when hiring a teacher not stated</li> <li>• Diplomas/markings not adapted</li> </ul>	<p><i>Equity Ethics</i></p> <ul style="list-style-type: none"> <li>• <i>USA</i>: 15-25% of candidates admitted having cheated</li> <li>• <i>Russia</i>: according to various sources, Russian citizens pay annually up to US\$520 million in bribes for places in HEIs</li> <li>• Unjustified credentials available to students who can afford to pay bribes</li> <li>• Entrance to higher education levels based on subjective criteria</li> <li>• Fake credentials or diplomas (paper mills and diploma mills)</li> </ul>
<p>Institutional accreditation</p> <ul style="list-style-type: none"> <li>• Bribes</li> <li>• Fraud in the accreditation process</li> </ul>	<ul style="list-style-type: none"> <li>• Very high number of educational institutions obtain accreditation</li> <li>• List of accredited educational institutions not well-known, difficult to access</li> </ul>	<p><i>Equity Quality</i></p> <ul style="list-style-type: none"> <li>• Accreditation of institutions irrespective of their quality and results</li> <li>• Parents mistaken on the quality of the instruction received</li> </ul>

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## Chapter 3

# Diagnosis of corruption in the education sector

It is indispensable to tease out the different manifestations of corruption in order to pinpoint which types of corruption and which linkages between them are most important in a given country: Is it the corrupt recruitment of teachers?

*Sometimes, the border between incompetence and fraud is difficult to define.*

Is it the bribery of bureaucracy or administration in order to obtain admission to a school or university or to benefit from a scholarship scheme or a special allowance? Is it the embezzlement of state actions to support private secondary schools? Is it corrupt procurement? The magnitude and manifestations of fraud vary from country to country; in different

settings, one will find different priorities. This is why diagnosis and data analysis are so crucial in this domain. But the extent to which fraud can be detected also varies from one country to another. Sometimes, the border between incompetence and fraud is difficult to define. In fact, no one recipe applies everywhere: Each country has to make its own investigation, based on rigorous empirical studies.

However, a number of difficulties need to be addressed in this context. How can we avoid the risk of confusion between ‘corruption of individuals’ and ‘corruption of institutions’ due to lack of transparent rules and regulations, opacity in mechanisms and procedures, bad systems of incentives and established behaviours – inherited from, say, former dictatorial regimes? How can we move from a subjective assessment of corrupt behaviour to objective evidence measuring corrupt practices? How can we overcome resistance among the main stakeholders to diagnosis? How can we introduce a culture of learning in lieu of a culture of suing and penalties? Experience demonstrates that in order to be effective and have an impact, the diagnosis should lead to decisions to correct distorted practices and should integrate three main concerns: transparency, accountability, and participation. Lack of transparency and poor accountability are what need to be identified by the diagnosis; participation, either in carrying out the diagnosis or in producing

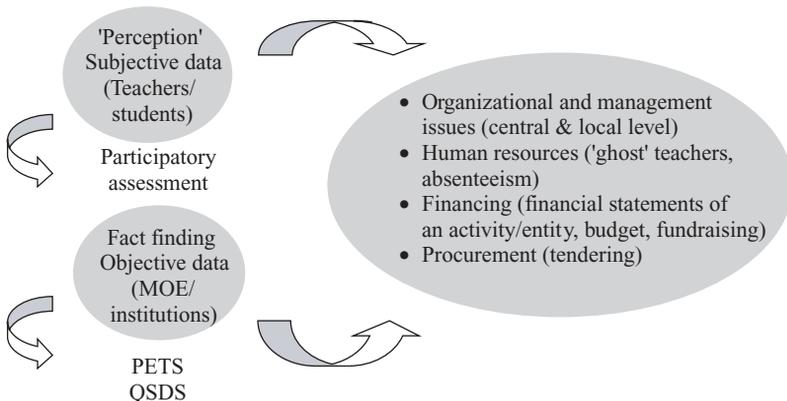
and disseminating information to stakeholders, is a major prerequisite for generating ‘social ownership and control’ and thus social pressure to reduce corruption.

This chapter will start by presenting basic methodological requirements in diagnosing corruption phenomena. Three specific approaches with distinct perspectives will then be further described. These are: participatory assessment (including report cards surveys); financial, functional and personnel audits; and public expenditure tracking surveys (PETS).

### 1. Basic methodological requirements

Survey studies furnish a picture of a group of individuals or an organization at a particular point in time<sup>4</sup>. A diagnosis of the education sector is one example. The studies include both perceptions surveys aimed at collecting ‘subjective data’ from various stakeholders, in particular teachers, students and their parents (such as participatory assessments), and fact-finding surveys aimed at collecting ‘objective data’ directly from the Ministry of Education or various educational institutions (such as PETS and quantitative service delivery surveys/QSDS). As shown in *Figure 3.1*, survey studies can be used to look at organizational and management issues, human resources (such as teacher absenteeism or ‘ghost teachers’), financing or procurement.

**Figure 3.1 Different approaches to survey studies**



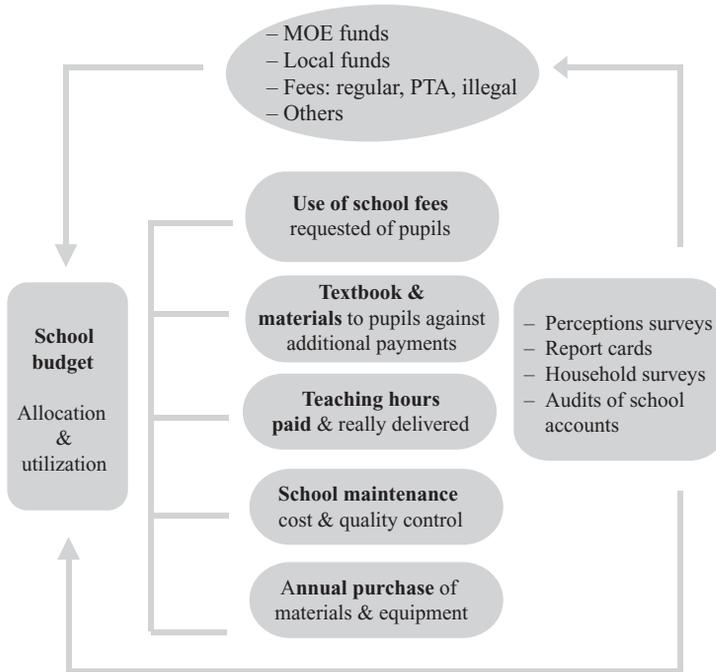
4. For more information about research methods in education, see Cohen *et al.* (2000).

Different instruments can be used to assess corruption problems at *national or project level*, including risk analysis and audits of accounts or of procurement procedures. Some of the issues under investigation within this framework may include: selection of projects for personal interests rather than national interest; implantation in unjustified areas bypassing school mapping; an implementation process favouring particular suppliers or payoffs; contracting through irregular processes to corrupting firms and suppliers; and follow-up of contracts (weak delivery, quality and cost control). Moreover, the assessment of qualitative issues such as teacher absenteeism or ‘ghost teachers’ can be made through QSDS (see *Chapter 5* on teachers).

Other instruments can be used to assess corruption problems at *local or school level*, including perceptions surveys, report cards, household surveys and audits of school accounts (see *Figure 3.2*). This is all the more critical in a context of diversification of funding sources at school level (ministry of education funds, local funds, regular and illegal fees, etc.). Some of the issues under investigation within this framework may include: use of tuition fees requested from pupils; additional payments required of pupils for textbooks and materials; teaching hours paid and actually delivered; school maintenance cost and quality control; and the annual purchase of materials and equipment.

Finally, the analysis of transversal flows of resources (either financial, human or material) *from the central to the local or school levels* can be made by using PETS; the focus here may be on non-wage expenditure, teacher salaries, or textbook production and distribution.

**Figure 3.2 Assessment of corruption at local or school level**



Source: Prepared by Saidi, in Hallak and Poisson, 2002.

## 2. Participatory assessment: participatory diagnosis, report card surveys and social audits

It is assumed that the reader is familiar with the weaknesses and highly fragile significance of data collected through subjective or perceptions surveys.

*It is recommended that both subjective and objective surveys be combined to assess corruption and draw policy conclusions.*

Indeed, for many social scientists, subjective data cannot be relied on and should not be used at all. Yet in some areas of corruption, it is not possible to collect any data without undertaking subjective surveys. It is recommended that both subjective and objective surveys be combined to assess corruption and draw policy conclusions.

As currently applied in different countries, participatory assessments seek to collect information on the perception of corruption in different sectors, including education. These are based on cross-interviews of various focus groups and build basic social consensus among stakeholders on the scope, magnitude and cause of corrupt practices, generate recommendations for combating such corrupt practices, and influence implementation of recommendations. Among all the experiments that have been undertaken in this field, three will be presented here. These are: participatory diagnosis in Ukraine; a report card survey in Bangladesh; and social auditing in Costa Rica, Nepal, Nicaragua, Pakistan and Uganda.

### ***Participatory diagnosis***

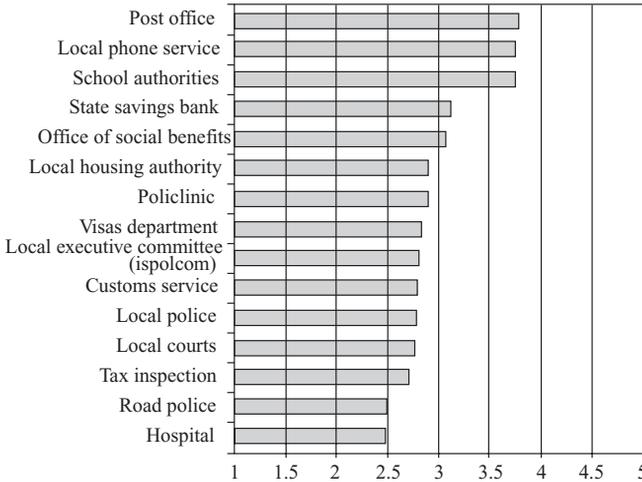
As stated in the presentation of the ‘People’s Voice programme’, at the core of democratic development in Ukraine is the need for ordinary citizens to believe that the politicians they elect can and will address their concerns and interest in improving the welfare of their community. This is particularly important at municipal level, where the efficiency and effectiveness of service delivery has its most immediate impact and where the lack of citizen accessibility to government decision-making inhibits good governance and fuels corruption. In this context, a large number of initiatives centred on citizens’ participation have flourished in Ukraine during recent years. A few of these initiatives are the project ‘Partnership for integrity’ funded by USAID and implemented in three different regions, the project ‘Strengthening accountability through dialogue and improved legal environment for civic participation’ funded by the World Bank under the auspices of the Ministry of Finance, and the ‘People’s Voice programme’ supported by several international agencies, including CIDA and the World Bank, in four Ukrainian cities (Chuguiv, Ivano Frankivsk, Kupyansk and Ternopil).

The main objectives of the People’s Voice programme are to engage local citizens in community development and to help them monitor municipal service delivery. In this sense, it goes far beyond the diagnosis of the education sector, as it covers all public service delivery and comprises not only the identification of service delivery deficiencies through various citizen engagement mechanisms (public hearings, report cards, community advisory councils, etc.), but also the monitoring of decision-making implementation using a participatory framework. The project consists of

three major components developed in a sequential fashion: surveys of service delivery to determine priorities and provide analysis of the problems; public dissemination of the findings of the surveys and facilitation of dialogue between citizens' groups and government; and consensus building on reforms, restructuring of agencies, study tours and training courses for the local population. The monitoring of the programme was carried out by an ad hoc education committee of 8-10 people, representing both education and community interests (parent council representatives, non-governmental organizations (NGOs), business leaders, etc.).

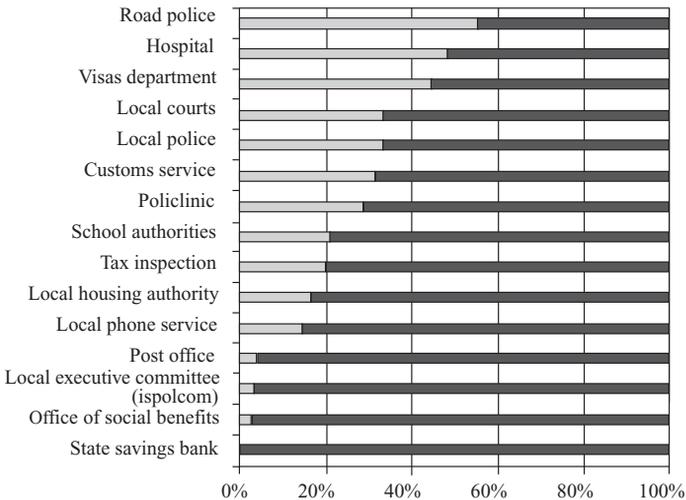
The programme started with *three different surveys* in each of the cities. The first survey, based on random samples, focused on corruption and related matters, seeking feedback from households on the state and quality of local public services, the attitudes of public servants and the perception of transparency among these. The second, also based on a random sample, dealt with the interaction between business and local government. The third, using a judgement sample targeted at municipal public officials, was carried out to gain understanding of what was going on from the perspective of the local government. As a result of these surveys, information was gathered on the services needing priority attention for improvement, the problems associated with these services as well as the nature of improvement sought, as seen by different stakeholders, i.e. officials, households and business. The comprehensive service delivery survey conducted in the city of Ternopil, for instance, showed that education was perceived as a service of good quality, even though about a quarter of the respondents had to pay bribes in this sector (see *Figures 3.3 and 3.4*). These surveys were highly valued by local governments, as it not only gave them a sense of the scope of the problems, but also helped them understand the need to involve the general public in the decision-making process.

**Figure 3.3 Evaluation of service quality in Ternopil (scale 0 to 5.5 being ‘very good’)**



Source: UFE Foundation; International Centre for Policy Studies; World Bank Institute, 1999.

**Figure 3.4 Percentage of respondents who must make unofficial payments for public services in Ternopil**



Source: UFE Foundation, International Centre for Policy Studies; World Bank Institute, 1999.

The second component of the programme was clearly a follow-up to the surveys; it intended to *share information among stakeholders*, establish communication amongst them and promote the search for solutions in addressing problems. The principal actors involved were municipal officials, local media representatives and NGO coalitions. It included the following actions: interpretation of survey findings; assistance to the media for the dissemination of the analysis; organization of public discussions of findings and remedies; and facilitation of interaction between NGOs and municipal leaders. Some of the outputs of this component included the publication of the survey results and of interviews with stakeholders in local newspapers; various actions of dissemination (including conferences and public hearings on issues such as education financing and city budget preparation); public awareness campaigns; the development of various working groups in sectors determined by local communities as ‘priorities’ for reform; the establishment of NGO coalitions in two cities to monitor service delivery; and the organization of training activities in media relations, advisory council development and public hearing facilitation.

The third component of the programme was directed towards *building a consensus on reforms* and developing action plans for their implementation. Based on the participatory diagnosis of municipal problems, it was possible to anticipate some of the types of reform options that needed to be brought to the attention of local municipal officials. These included: the deregulation and simplification of municipal procedures; more transparency of budget processes; better access to information; the definition of citizen groups’ legal rights and remedies; the design of citizen charters; the setting up of monitoring systems for city managers; and the creation of a grievance appeal system. Among the outputs of this component, the following can be listed: the immediate creation of working groups to provide analysis and recommendations in different sectors, including education; the establishment of working councils in education reform (in two cities); and, with the help of experts, the preparation and implementation of structural reforms in education policies and practices, including the creation of parent councils, curriculum improvements, etc.

This experience is quite similar to that of report card surveys, which is presented below.

### ***Report card surveys***

Decision-makers in government, academia and advocacy groups have come to recognize the potential of public feedback in making the government more responsive and accountable. Public feedback is especially powerful in contexts where the government operates as a monopoly service provider and leaves the user of the services with no ‘real’ exit options. In these disabling conditions, public feedback or a ‘citizens’ voice’ can become a potent catalyst for change. When the citizens’ voice is based on an objective assessment of both quantitative and qualitative aspects of different public services, founded on first-hand interactions with the agencies or entities providing these services, it is possible to rank the agencies on the

*Decision-makers recognize the potential of public feedback in making the government more responsive and accountable.*

quality of performance. This ‘score card’ can be used to stimulate collective action by citizens and provide organizational leaders with an opportunity to design reforms and bring in strategic reorientation.

Report cards or score cards have now been experimented in a growing number of countries and sectors; education is one of them. The Public Affairs Centre (PAC) in Bangalore, India and Transparency International Bangladesh (TIB), in particular, designed ‘Report Cards on Public Services’ in 2000, which proved to be relatively uncomplicated and widely replicable tools for improving transparency and public accountability. They provided a benchmark on the quality of public services as experienced by citizens and largely succeeded in catalyzing citizens to take pro-active steps. A report card survey is in fact a simple and flexible approach for channelling public feedback to the authorities, which contributes to raising the public and the authorities’ awareness of a specific topic. It aims at addressing the availability of the service, usage, satisfaction, service standards, effectiveness, corruption and other hidden costs.

The report card survey conducted in Bangladesh was implemented in eight *Upazillas* (districts) of the greater Mymensigh district. It targeted government primary education officers, primary school teachers, students and their guardians. It covered a wide range of issues concerning the overall diagnosis of the education sector as well as the more specific topic of corruption based on micro-level observations. Primary schools were selected

by random sampling, as were the students of the fourth and fifth grades. They included 105 government schools, 40 non-government schools, 14 satellite and 12 community primary schools. A minimum of 20 schools were selected from each sub-district, 10 of which were covered by the Government 'Food for Education Programme'. One hundred and seventy-one head teachers, 966 students and 966 guardians were interviewed by the Committees of Concerned Citizens created by TIB. The objective of data collection was first to identify the shortcomings and defects in the country's basic education programme, and then to locate and investigate different areas of corruption, e.g. in the appointment of teachers or admission of students. The survey was prepared and finalized through the following stages:

- *preparatory*: identification of institutions, determination of goals and objectives, identification of respondents, preparation of draft questionnaires, pre-testing and finalization of the questionnaires, determining the size of the sample, determining the sampling strategy, preparing the sampling list;
- *implementation*: collecting information, verifying collected information, editing collected information, tabulating collected information, analyzing collected information; and
- *reporting and advocacy*: finalizing the report card, releasing the report card report, initiating advocacy and follow-up.

In addition to quantitative findings on the enrolment of children, teacher-student ratios, or the percentage of students belonging to the low income group, the survey noted major irregularities in the system. Indeed, it showed that students were required to make unofficial payments for admission to schools, the purchase of books, sporting or religious events, promotion to higher classes and examinations. Over 96 per cent of the students had to pay fees to be allowed to sit for the first term examination, as teachers did not receive payment for conducting exams. The total amount of unauthorized fees collected in the eight *Upazillas* surveyed amounted to about 20 million Bangladeshi taka (BDT) – equivalent to about 350,000 United States dollars (US\$; see *Table 3.1*). The school management and government employees were identified as major actors in incidences of corruption. Lack of accountability, low salaries and the monopoly of power were regarded as major facilitators of corruption: neither specific guidelines nor any accounting system existed for money.

**Table 3.1 Amount of illegal fees collected in eight Upazillas in Bangladesh**

Admission into primary schools	73,876 BDT
Entertaining government officers	435,049 BDT
First term examination fees	6,102,893 BDT
Second term examination fees	6,069,765 BDT
Annual examination fees	6,086,059 BDT
Total (including other fees)	19,849,000 BDT

*Source:* Karim, 2004.

Once the survey was completed, TIB made a series of recommendations regarding the enforcement of an accountability system. For example, they suggested that a valid account be created for collecting extra payments from students, with an identical rate for all schools and for all students. It organized various advocacy activities in order to disseminate information and raise awareness on widespread corruption in the primary education system. First, seminars were built in the survey areas to raise concern about the findings and provide the main local actors with information, and enhance ownership and sustainability for further advocacy activities. Second, media releases describing the whole process conducted by TIB were shared with the general public. Third, the complete report was sent to government officials, asking them to account for their shortcomings and irregularities. Written communication was completed through workshops and meetings with different components of the government administration. Overall, advocacy activities included the organization of 35 different meetings. In addition, TIB created an innovative advocacy tool entitled the ‘People’s Theatre’ in order to help people visualize the negative impact of corruption. Following this process, several offices decided to fix the amount of fees for various activities; unfortunately, these improvements remained marginal.

The growing use of report card surveys worldwide can be explained by their usefulness in building transparency and accountability and by their low cost, particularly in poor socio-economic settings. The World Bank has standardized and disseminated this type of strategy to inform and advocate on corruption issues. It has thus developed a ‘Specific toolkit for assessing constraints on frontline service delivery’ aimed at locating areas of constraint and poor performance at different levels of government. The toolkit describes

the process of diagnosis from the conception of the survey, to its realization and the recommendations it can lead to. Through co-operation with the Bank-Netherlands Partnership Program (BNPP), countrywide surveys have been conducted on this basis to map the strengths and weaknesses of the public sector. Based on questionnaires addressed to public officials, they aim at identifying major obstacles to their performance and at evaluating and advocating for opportunities for reform. The World Bank focuses mainly on ‘passive’ macro-dissemination of information that can serve as an incentive to tackle the problems for public officials. Further advocacy activities are the responsibility of domestic actors.

### ***Social audit***

A social audit evaluates how public resources are used to reach social objectives, including how they can be better mobilized to meet these objectives. It focuses on the ‘value for money’ of public services and assesses their coverage, effectiveness, equity, impact, accountability and costs. Through community mobilization, social audits tend to increase transparency and reduce leakages. They have been experimented, in particular, in countries where a new devolution system has been put in place, through the election of local governments. In this context, social audits are conceived as essential monitoring and oversight tools to verify whether devolution reforms have had the desired effect, to provide guidance about problematic areas, and to design appropriate policy measures. They seek to enhance the capacities and contribution of Citizen Community Boards and provide local authorities with concrete feedback from citizens. In this sense, they contribute to the democratization of local decision-making processes.

*Through community mobilization, social audits tend to increase transparency and reduce leakages.*

Community Information, Empowerment and Transparency (CIET) is both an academic institute and an NGO that aims at helping communities to implement and realize governance-related projects. It concentrates on petty corruption and supports the design of practical recommendations for reducing corruption and overcoming its impact on local populations. By promoting the participation of communities in the interpretation of evidence and the development of solutions, it helps build audit capacities at both the national

and local levels together with ownership of the strategy and methods used. Social audits have been conducted within this framework on a variety of issues. These include, among others, service delivery surveys in Nicaragua (on finance, customs, transport and the environment), human rights in Costa Rica, abuse against women in Pakistan, and accountability in primary education in Costa Rica, Nepal, Nicaragua, Pakistan and Uganda. In Pakistan, CIET is more specifically committed to carrying out annual social audits until 2009, in order to track the effects of devolution on governance and on citizens' views, use and experience of key public services.

CIET social audits combine quantitative data and qualitative evidence. Samples are based on a random selection of communities and can include several thousands of households. The questionnaires used for collecting data are structured into different thematic sections that ask for objective data and perceptions on access to public services and the satisfaction of their users. Data are gathered from communities, households and school personnel on delivery of information by the public service. They are completed with interviews of a selected number of informants, such as key institutional actors, heads of faculties and school principals. Information on community profiles is also collected to help feed the analysis. The quality of data is controlled in several ways: All team members are carefully selected and trained, and in addition quality control takes place on a random basis. District summary reports and further summary materials are prepared and transmitted to new district governments (see *Box 12*).

The social audits conducted in the education sector aim more specifically at locating system leakages, such as misuse of public resources or teacher absenteeism which are considered major obstacles to achieving universal primary education. In most countries they concluded on a stable, mainly positive, perception of education. Most households thus estimated that they had access to a government education service, with about half of them declaring that they were satisfied with the quality of the service provided. The 2005 social audit report noted an increase in perceived access to services and public satisfaction as well as improvement in more objective indicators such as school enrolment. However, the audits undertaken also pinpointed the fact that parents had to pay unauthorized fees, despite education being a supposedly free service in the countries surveyed. In Nicaragua, for instance, 73 per cent

of the people surveyed had to pay for school admission and 86 per cent of them had to pay additional money to teachers.

**Box 12. CIET social audit method**

A social audit cycle:

- clarify the strategic focus;
- design sample and instruments, pilot test;
- collect information from households on use and perceptions of public services;
- link this with information from the public services;
- analyze the findings in a way that points to action;
- take findings back to the communities for their views about how to improve the situation;
- bring evidence and community voice into discussions between service providers, planners and community representatives to plan and implement changes.

*Source:* CIET, 2005.

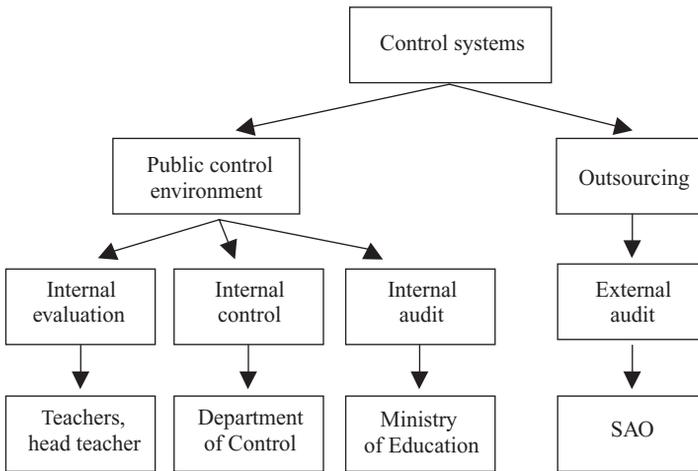
### 3. Auditing the education sector and institutions

***Definitions: internal and external audits***

An audit can be defined as ‘an expert, purposeful and organized activity, with the purpose of objectively identifying the difference between the desired and actual state’. An important and useful distinction must be made here between ‘internal audit’ and ‘external audit’: While an internal audit is a continued control of the tasks fulfilled by educational bodies at different government levels carried out by the Ministry of Education or an institution within the state administration (therefore subordinate to the management), an external audit is a control of the budget, accounts, transfers, treatment of personnel, etc. that is carried out by professional, neutral and independent auditors (and is therefore subordinate to the government, parliament or other representative bodies). In fact, four categories of control can be distinguished within the education sector (see *Figure 3.5*). These are: internal evaluations conducted by teachers and head teachers; internal controls conducted by departments of control (including the Rector, academic functionaries, university chief executives and their expert departments in the case of

universities); internal audits often conducted by ministries of education; and external audits conducted by outsourcing entities such as Supreme Audit Offices (SAOs).

**Figure 3.5 Internal and external audit mechanisms**



*Table 3.2* describes possible domains of application of audits within the education sector. In many countries, due to the high costs involved and the lack of national capacity, audits of the whole sector are generally not carried out. Yet partial audits are used as a tool of management: Audits can be focused, for example, on the implementation of an education reform, a programme or a project, on a specific aspect of management or on an education institution such as a university. By way of example, the case of audit of education institutions and structures is briefly described below.

**Table 3.2 Typology of an audit**

	Strategic management	Pedagogy	Administration
INSTITUTIONS	<ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Research</li> <li>• Evaluation</li> <li>• Assessment</li> <li>• Planning</li> <li>• Information processing</li> <li>• Budget processes</li> </ul>	<ul style="list-style-type: none"> <li>• Textbook ‘publishing chain’ (from curriculum development to writing to printing to distribution)</li> <li>• Curricula</li> <li>• Assessment and evaluation</li> <li>• Teacher training</li> <li>• Documentation</li> <li>• Support services</li> <li>• Inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Financial and budgetary administration</li> <li>• Personnel management</li> <li>• Procurement</li> <li>• Maintenance of buildings and equipment</li> <li>• Analysis of procedures</li> <li>• Distribution of mail, directives, guidelines</li> </ul>
STRUCTURES	<ul style="list-style-type: none"> <li>• Planning department</li> <li>• Budget department</li> <li>• Other ministries (e.g. finance, planning, labour, civil service)</li> </ul>	<ul style="list-style-type: none"> <li>• Teacher training colleges</li> <li>• Departments of primary, secondary, higher education</li> <li>• Pedagogical Institute</li> <li>• Curriculum development department</li> <li>• Examinations department</li> </ul>	<ul style="list-style-type: none"> <li>• Central administration</li> <li>• Regional administrations</li> <li>• Schools</li> <li>• Personnel management department</li> <li>• Financial and administrative affairs department</li> <li>• Other ministries</li> </ul>

Source: Sack and Saidi, 1997.

In many respects, internal control mechanisms can be regarded as powerful tools in the hands of management for monitoring, controlling and adjusting implementation. Sound management requires such tools. They can be used both for the implementation of an education reform, the administration of particular projects, or simply for regular self-checking of the operation of an education institution or routine administration. This is the case of the internal evaluation and audit procedures introduced in Lithuania (see *Box 13*).

Similarly, in Slovakia, legislation holds each head of a public administration body (including a university) responsible for the creation, maintenance and development of a financial control system within the framework of his or her control functions. Financial audits are part of this and must be carried out regularly. Furthermore, Slovak law introduces internal audit as an objective activity focusing mainly on operative and independent assessment of the appropriateness and efficiency of the operations of the entity covered by the audit. Under such circumstances, internal audit is a most powerful instrument for ensuring transparency in the use of resources and, consequently, for promoting accountability in managing the various officials in charge of operating the entity. It is therefore of major importance

that priority be attached to capacity building for undertaking internal audit and that legal tools (including by-laws) be adopted to require autonomous education institutions (schools and universities) to carry out internal audits on a regular basis.

**Box 13. Internal evaluation and audits in Lithuania**

*Internal evaluation*

The first internal evaluation began in 1999 in six pilot schools and became compulsory in 2004. The idea is to develop a modern culture of evaluation and self-evaluation at all levels of education (where) part of inspection and control is gradually replaced by school internal evaluation, with the aim of improving quality and effectiveness of education (*National education strategy, 2003-2012*).

Teachers play an active role in this. They are trained to assess school activities by using an evaluation scale of four points in seven key areas, i.e. teaching quality, curriculum, attainment of students, support for students, ethics, resources, and management. All these areas need be evaluated at least once every three years, i.e. the activities should not all be evaluated at the same time. Teachers are responsible for selecting data sources, collecting and analyzing data, making a report and presenting it before the community for more transparency.

*Internal audits*

Internal audits are conducted by 100 external inspectors working at ministry and municipality levels. These inspectors are responsible for assessing teachers' performance and the quality of schools in general. They apply the '3 minus 2' formula to the assessment of teacher's work, indicating three 'strengths' of the teacher and two areas that the teacher should improve.

*Source:* Adapted from a presentation made during a November 2003 study tour of Lithuania organized by the IIEP.

However, audit bodies are not always totally independent, and management itself may be involved in corrupt practices. Consequently, internal audits could in some circumstances be contaminated by corrupt practices; internal audit reports would then produce more 'opacity' than 'transparency' in describing the mode of operation of the system. There is therefore a need for external audit – that is, a system in which audited entities are not subordinate to audit bodies functioning on the principle of independence. This could assist in proper and effective use of public funds. External audit can provide objective information concerning particular entities to state bodies and the

public at large. In most countries, there are a number of different bodies in charge of external audit. In Slovakia, for example, the following bodies are in charge: the Supreme Audit Office; the National Council of the Slovak Republic; the Prosecutor's Office; administrative courts; auditors; and the Institute of the Public Protector of Rights. Naturally, for external audit to be credible, independent audit bodies should be governed by special regulations that are well-known to the public.

It is clear that the purpose of external audits is not only to detect fraud or corrupt practices; they are primarily a crucial tool for establishing a diagnosis of the education sector and for identifying different weaknesses in its operation and management at different levels. However, it is important that audits not only check on the accuracy of the financial records and that money has been spent for approved purposes, but also ensure that the financial and administrative regulations have been properly complied with. Although the public accounting system theoretically provides timely information on actual spending on various budget items and programmes, and although the reports accurately reflect what the intended users receive, an audit can prove a key tool to certify the validity of the information provided. One major guiding principle used by external auditors in carrying out their task within this framework is the set of typical anomalies, the so-called 'red flags': These are situations, conditions or occurrences within a programme or activity that indicate susceptibility to non-compliance, as further described in *Chapter 2*.

### ***Audit of higher education institutions***

The experience of Slovakia provides examples of audits of HEIs. Both internal and external audits are conducted on a regular basis. However, external audits are carried out by the Supreme Audit Office (SAO) only once every two or five years due to the costs involved. The SAO focuses mainly on "audit of the use of state budget means, observing procedures for public procurement of goods, services and public work, managing and handling university property, integrity, demonstrability and correctness of bookkeeping, observing the law of reimbursement of travel costs, correctness of classifying employees into salary classes and salary levels" (Kopnicka, 2004: 30).

**Box 14. Findings of the external audit of three Slovak universities**

Each year a university is granted a subsidy from the state budget for the performance of its activities. Within the subsidy, the sum for capital investments and running costs are explicitly defined. Capital investments are used for the financing of long-term tangible and intangible property, and ensure its technical valorization. Running costs are used, for example, to pay wages and salaries, insurance, services and consumable materials, undertake common repairs and maintenance, and pay for energy and rent. It is not possible to finance running costs from the capital investment funds and vice versa. Failing to observe the conditions defined in the subsidy contract results in violation of the law on budgetary rules, and consequently the provided funds must be returned.

- An audit of accounting documents has identified that *university A* purchased a long-term tangible property for the amount of 100,000 Sk [Slovak koruna] from the running costs fund, thus violating the subsidy contract.
- Similarly, *university B* has financed technical valorization of a long-term tangible property from the running costs fund, which is in discrepancy with the conditions set in the subsidy contract. The university has settled invoices for the construction work with a character of technical valorization for the amount of 357,260 Sk from the running costs fund, while it should have been settled from the capital investment fund. This improper financing resulted in violating the conditions of the subsidy contract.
- *University C* has settled invoices for work and services connected with the maintenance of university premises (that belong to the group of running costs) from the capital investment fund, for example for roofing insulation, gym ceiling repairs and painting of premises for a total amount of 250,500 Sk, thus violating the law.

Source: Kopnicka, 2004: 31-32.

The findings of a recent external audit of three Slovak universities are given in *Box 14*. They show that the universities investigated have used running costs for capital investment and vice versa, which is strictly forbidden by the law. These malpractices had not been detected by internal audits conducted earlier on. One of the universities had in fact conducted 36 public procurements over a period of two years. But the internal audit did not conduct any audit of these public procurements during the first year. In the second year, three audits of this type were conducted, but they did not identify any signs of corruption, while the external audit identified eight violations of the law on

public procurement. So the SAO drew the conclusion that internal audits do not pay sufficient attention to public procurement audits. It formulated a number of recommendations from this experience that are summarized below:

- public administration should be aware of the necessity of using both internal and external audits, as these complement and are not in competition with each other;
- permanent and routine use of internal audit is required to be able to react ‘in time’ in case of irregularities;
- audit of the procurement procedure (especially selection of bidders) needs to be carefully investigated by auditors; and
- the right to conduct an audit of a supplier should be provisioned contractually.

### ***The potential and limits of auditing***

Unfortunately, in most developing countries audit cannot operate effectively. Typically the accounting system functions poorly, institutions enhancing local accountability are weak, and there are few (if any) incentives to maintain adequate records at different levels of government. Consequently, little is known about the capacity of the institutions involved in transforming budget allocations into services within schools. It is when audit fails that the financial system is exposed to the possibility of accidental error or deliberate fraud; local education administrators and head teachers, for example, can find themselves exposed to temptation and in a position to exploit loopholes for personal gain. Audits carried out at the initiative of donor agencies do not always contribute to improving transparency in this domain, given the lack of harmonization in audit practices between agencies. A pilot project in Zambia called Harmonization in Overseas Audit Practices (HOAP) carried out in co-operation with the Netherlands, Norway and the United Kingdom, works on the harmonization of these practices. On the whole, however, difficulties in obtaining reliable audit reports are one of the main reasons behind the

design of new audit tools for monitoring expenditures that are not entirely dependent on existing institutional capacity, such as good accounting systems, and can be carried out on an ad hoc basis: public expenditure tracking approaches (see *Point 4* below).

*There are few incentives to maintain adequate records at different levels of government.*

Another limit to auditing in the education sector is the lack of attention paid to ethical norms. The idea of standardizing and certifying goods according to ethical norms has existed in the business sector for quite a long time. The Council on Economic Priorities Accreditation Agency (CEPAA) thus developed in 1997 the first auditable, global standard for ethical sourcing. Social Accountability 8000 (SA8000), an affiliate of the Council on Economic Priorities, has been a pioneer in the field of corporate social responsibility. It provides a framework for independent verification of the ethical production of all goods made anywhere in the world and deals with areas such as child and forced labour, health and safety, freedom of association, discrimination and working conditions. The companies that apply for certification are companies seeking to verify their social record or that of their contractors, contractors that wish to demonstrate that they treat workers fairly, development organizations seeking to ensure that they procure from ‘non-exploitative’ companies, etc. The idea behind SA8000 is the adoption of common standards. Indeed, the multitude of codes of conduct for donors and contractors contribute to making the use and distribution of resources opaque. It would certainly be possible to extend and adapt the use of SA8000 to the education sector, in particular universities and projects financed by the donor community. Some possible applications are listed in *Table 3.3* below. International Labour Organization charters, relevant reports from the UN, and professional and ethical obligations, etc. could be used as sources of guidance within this framework.

**Table 3.3 Application of ethical audits to the education sector**

Area	Examples of use of ‘ethical audit’ in education
Child/forced labour	<ul style="list-style-type: none"> <li>Contracting of textbooks, school construction: use of child labour in making paper, materials, etc.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>School building too close to the road</li> <li>School building containing carcinogenic/dangerous materials</li> <li>Distribution of school meals of bad quality</li> </ul>
Freedom of association	<ul style="list-style-type: none"> <li>Financing of corrupt teacher unions</li> </ul>
Discrimination	<ul style="list-style-type: none"> <li>Recruitment of teachers</li> <li>Distribution of scholarships</li> <li>Entrance to universities</li> <li>Textbooks with racist attitudes/gender discrimination</li> <li>Sexual harassment in the workplace</li> </ul>
Working conditions	<ul style="list-style-type: none"> <li>Too long working day for contractors/sub-contractors</li> <li>Unsafe school buildings</li> </ul>

#### 4. Tracking public expenditure in education

Every school system requires money and other resources: buildings, desks, chalkboards, textbooks, water and electricity, as well as teachers, are among the inputs that schools require in their daily operations. Usually these inputs are supplied by the government through various administrative layers.

*The link between public education spending and outcomes is weak.*

Research has shown that the link between public education spending and outcomes is weak. One reason for this is that, in some cases, the money allocated by government does not fully reach the schools. The main purpose of tracking expenditures is to check if there is leakage of funds, estimate the amount of funds not reaching schools, and detect the origin and causes of the leakage. Furthermore, experience shows that the release of tracking survey results through mass media can significantly contribute to reducing leakage by promoting social ownership.

Public expenditure tracking surveys are quite specific compared to other social surveys in that: (i) the unit of study is not the pupil, but rather the school; (ii) the scope of the survey encompasses several administrative layers, i.e. ministries, regional education offices, district education offices and schools; and (iii) the methodology consists of transversally tracking financial flows, from the central level down to the school level – in this sense, PET surveys differ, for example, from National Longitudinal Surveys (NLS), which enable the follow-up of higher education leavers. At the same time, as for many surveys, the findings of PETS can be linked with those of other surveys – such as quantitative service delivery surveys (QSDS) – to assist in the analysis of the different dimensions related to misallocation and misuse of education resources. But this is a difficult task and can be problematic at times.

##### ***The scope of leakage: some comparative indicators***

In general, non-wage funds appear more prone to leakage than salary funds, as teachers know their salary and have an incentive to make sure that they receive it. It is therefore particularly important to undertake diagnostic surveys to track non-wage education expenditures. The magnitude of leakage of non-wage funds as measured by different public expenditure tracking surveys is illustrated in *Table 3.4*. In all countries, the rate of leakage is quite high: from 10 per cent for fixed school grants in Zambia, to 87 per cent of the

per student capitation grant in Uganda. The example of Zambia is particularly interesting in this regard, as it shows that the rate of leakage is higher for discretionary non-wage grants than for fixed school grants (76 per cent versus 10 per cent).

**Table 3.4 Leakage of non-wage funds in primary education: evidence from PETS**

Country	Year	Expenditure programme	Sample size	Rate of leakage
Ghana	1998	Non-wage spending in primary education (multiple programmes)	126	49
Peru	2001	Utilities	100	30
Tanzania	1998	Non-wage spending in primary education (multiple programmes)	45	57
Uganda	1995	Per student capitation grant	250	87
Zambia	2001	Fixed school grant	182	10
Zambia	2001	Discretionary non-wage grant	182	76

*Source:* Ye and Canagarajah (2002) for Ghana; Instituto Apoyo and World Bank (2002) for Peru; Price Waterhouse Coopers (1998) for Tanzania; Reinikka and Svensson (2002) for Uganda; Das *et al.* (2002) for Zambia.

Tracking salary funds is a difficult endeavour, as illustrated by the experience of Peru. Indeed, the attempt made in this country to conduct a survey on public expenditure encountered difficulties, despite the surveyors being given all the contacts to perform their work. The survey investigated mechanisms by which Implementing Units (IUs) channel resources to schools, including the payment of teachers. The IUs receive funds from the Ministry of Finance and enjoy a large degree of discretion to subdivide the expenditure into specific expenditures and to transfer it to schools. Investigators intended to compare the payrolls with the actual number of teachers in a given school in order to detect ghost or retired teachers still receiving their wages. But they received threats and could not perform the survey, as it soon became too sensitive. This is all the more a pity given that teacher salaries in most countries represent more than 80-90 per cent of the total education budget.

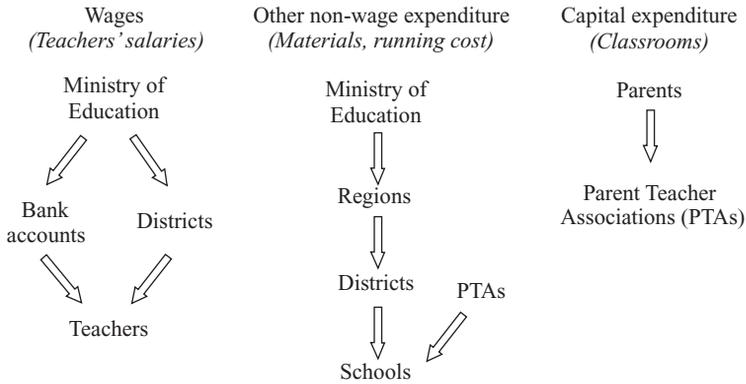
However, there are other strategies to address this issue. Quantitative service delivery surveys (QSDS) consider ‘leakage of service’ as opposed to leakage of funds. Indeed, salary funds suffer from different sources of abuse – such as teacher absenteeism and ‘ghost teachers’ (including non-declared

dead teachers, teachers collecting their salaries without teaching, etc.). Within this framework, QSDS can help assess the rates of teacher absenteeism and of ghost teachers. For example, in Honduras, 5 per cent of the payroll of teachers went to ghost teachers in 2000. It is estimated that 20 per cent of the salaries in Uganda went to ghost teachers in 1993 (World Bank, 2004). Naturally, some factors determining leakage of service are economic (such as low salaries) and must be addressed in their own right. Yet another reason for leakage of services is the lack of a transparent management system, low accountability in the different layers of the administration and poor information on the phenomenon. By undertaking special surveys and developing a transparent information system for monitoring the teaching profession, it is possible to reduce drastically the magnitude of leakage of service (see *Chapter 5* on teacher management).

### ***How should tracking of expenditures be carried out?***

In a preparatory phase, it is necessary to: describe precisely the organizational and administrative structure of the education system; analyze the various steps involved in financing education from different sources (ministry, local authorities, parents and the private sector) at different administrative levels (central, regional, local and school levels); review rules for allocations of funds for each of these steps; and on this basis draw flows of funds from the Ministry of Education down to the schools (see *Figure 3.6*). It may be necessary to make a distinction here between public and private schools. It is then important to *agree on the purpose and objectives of the survey*, through the consultation of major stakeholders, i.e.: ministries of education, finance and planning; donor agencies; civil society organizations; PTAs; and teachers' unions, etc. Key questions to be addressed and assumptions or tentative answers must be identified on this basis. An example of a question is: "Why have school enrolments decreased, especially in poor communities, despite increased government funding?". A tentative answer is: "Discretionary funds (which constitute the major part of government allocations) do not reach all the schools; due to bargaining power, schools with wealthy parents receive more discretionary funds per pupil".

**Figure 3.6 Example of financial flows**



In a second phase, the *design of the survey* should be made with the utmost care. This requires defining a stratified and representative sample in light of the assumptions to be documented. Decisions regarding the size of the sample should be made based on cost considerations; in the case of Uganda, it involved about 200 schools. Biased samples (with unusual schools) should be avoided. Questionnaires for interviews and data sheets for information from records should be prepared. Questionnaires for different levels should be consistent with each other in order to cross-check information between levels and sources. They should also always be field-tested before the survey is approved. The recruitment of staff to carry out the survey (statistical analysts, enumerators and data entry agents) should give preference to local staff rather than international consultants, as they know local institutions better, are more cost-effective, and using them can help build local capacity. Finally, all the staff involved in the survey should be adequately trained to conduct the work; the capability of each person should be assessed and their individual weaknesses discussed. They should go through the pilot work and test all the aspects of the survey, including sampling, data collection, duration, supervisory work and the communication network. Review training lasting approximately one day should be organized and the questionnaires modified as required. Finally, a work plan and budget should be prepared, together with a detailed implementation manual.

In a third phase, the *data collection process* can begin. Official letters are requested to facilitate the work. Indeed, the collection of data needs to

be carried out by actors who are independent of the public administration in order to reduce the risks of collusion and ensure the reliability of the data collected. Data can then be collected from schools, local authorities or central governments according to needs. To ensure the reliability of data collection, guidelines, data user guides or manuals should be prepared and distributed to the staff. The accuracy of the data collected can be checked in different ways: use of a combination of information from different sources to limit fake data; collection of information by a pair of enumerators; regular quality controls; and data cleaning. The entry of data could be made through different software – Excel or SPSS, for instance. Support should be provided to enumerators to assess the amount of in-kind support, which offers large opportunities for corrupt activities. This requires the establishment of a list of supplied goods and of realistic prices for each of them at national level. For each school, the enumerator will therefore have to multiply the number of units of each item by the price value of in-kind support (see *Table 3.5*).

**Table 3.5 Cost estimates of in-kind support (Peru)**

Variability of prices					
Good	Unit	Mean	Minimum	Maximum	St. deviation
Disinfectant (Pinesol)	Gallon	S/. 5.39*	S/. 3.20	S/. 9.20	S/. 2.26
Broom	Individual	S/. 4.58	S/. 1.88	S/. 7.50	S/. 1.76
Disinfectant (Kreso)	Gallon	S/. 5.04	S/. 3.60	S/. 6.50	S/. 1.19
Dustpan	Individual	S/. 4.92	S/. 3.80	S/. 7.50	S/. 1.50
Chalk (white)	Box of 100	S/. 3.85	S/. 1.50	S/. 15.80	S/. 4.03
Chalk (colored)	Box of 100	S/. 3.67	S/. 2.40	S/. 4.25	S/. 0.75

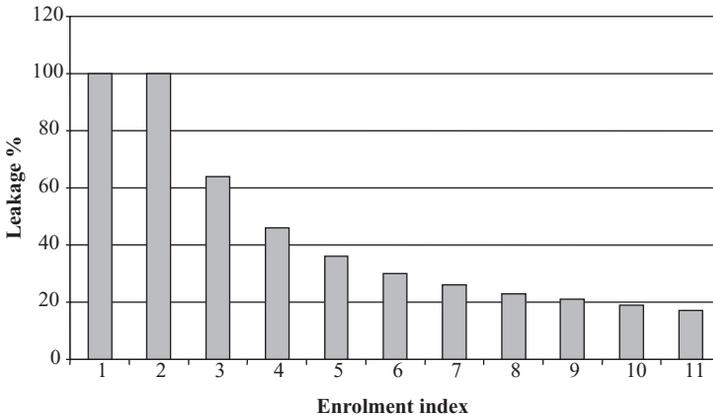
\* US\$1 = 3.4 Peruvian Nuevo Sol (S/.) in 2004.

Source: Alcazar, 2004.

In a fourth phase, data should be aggregated by category of expenditure and compared at different administrative levels in order to locate and measure leakage of funds. The *analysis and determinants of leakage* can be conducted on this basis using selected variables such as enrolment figures, teacher qualifications, school wealth (using as a proxy the financial contributions of PTAs to the school, for instance), the poorest quintiles, etc. But the results of tracking surveys can also be analyzed from an equity perspective:

- In *Uganda*, the survey demonstrated that, on average, only 13 percent of the annual capitation grant (per student) from the central government reached the school between 1991 and 1995. The survey also showed that leakages occurred at specific levels within the government hierarchy – mainly at local government level – and that, although in a given year the majority of schools did not receive funding, there were large variations in leakage across schools: Big schools received proportionately more funds than small schools (see *Figure 3.7*). Analysis showed that schools with a high percentage of qualified teachers and high PTA income also received proportionately more funds. This was explained by the fact that the bargaining power of big and rich schools as regards local authorities was more important than that of small and poor schools. As a result, they were able to obtain more funds;

**Figure 3.7 Correlation between size of schools and leakage in Uganda**

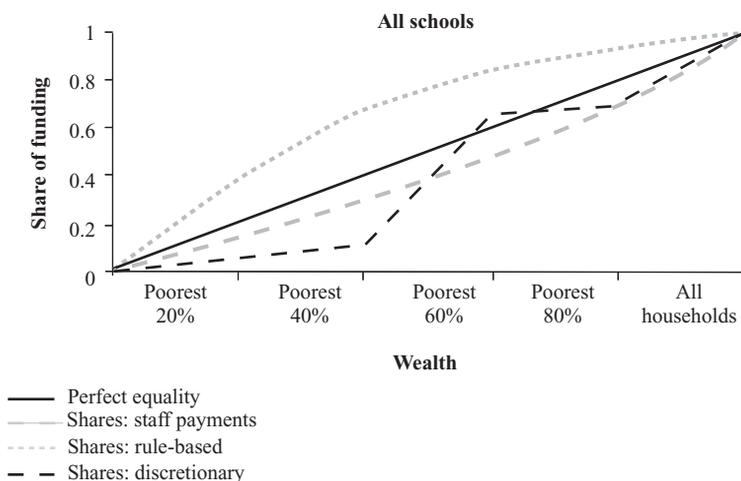


Source: adapted from Reinikka, 2001.

- In *Zambia*, there are two modes of disbursement: Some funds are disbursed to provincial and district offices, and then allocated to the schools at the discretion of local officers (‘discretionary funds’), while others are allocated to all schools on a per school basis irrespective of their size (‘rule-based funds’). The tracking survey showed that rule-based funds reached the schools on a more equitable basis than discretionary funds (see *Figure 3.8*). Indeed, more than 90 per cent of all schools received their rule-based non-wage allocations (accounting

for only 30 per cent of all funding) and 95 per cent of teachers received their salaries. But less than 20 per cent of the schools received funding from discretionary sources (70 per cent of total spending). Similarly, in the case of overtime allowances (to be filed every term) or other discretionary allowances, 50 per cent were overdue by six months or more;

**Figure 3.8 Share of funding received by schools according to their wealth (comparison between rule-based and discretionary funds)**



Source: Das et al., 2004.

- In *Peru*, the survey demonstrated very low per student spending (US\$0.80 on average per year). It established that the education sector was mainly sustained by donations and assistance from local governments, NGOs and parental contributions. Parental contributions alone accounted for 50 per cent of the public resources.

It is important to note that as soon as analysis begins, contacts with government and other stakeholders should be renewed to help build ownership of the study and increase the chances that recommendations following the analysis will suit government goals.

### ***PETS as a tool for reducing capture***

After the analysis of results is made, findings should be published as early as possible. A summary report presenting the main findings of the survey and initial policy recommendations should be diffused rapidly. Later on, a full report should be produced comprising all the findings of the survey, detailed analysis of their causes and effects, as well as final policy recommendations. The dissemination of findings can be made through official communications, speeches, conferences and the mass media, such as the press, radio and television. Experience shows that this can mobilize people and later on result in a decrease of corruption; the experience of Uganda is a good illustration of this (see *Box 15*). However, reducing leakage in a longer term perspective requires a number of measures to be taken, such as: reporting of monthly transfers of public funds to districts and schools in the main newspapers (see *Chapter 9* for a discussion on the role of information); the setting up of penalties for distorted behaviours; and integration of tracking surveys in the overall administrative process and in the public communication policy.

#### **Box 15. A success story in Uganda**

A survey of 250 government primary schools, 18 local governments, and three central government ministries was implemented in 1996, covering the period 1991-1995. The survey helped measure the difference between intended resources (from central government) and resources actually spent (by the schools). It found that only 24 per cent of the total capitation grant reached the schools. Thus, for every dollar spent on non-wage items by central government, roughly 80 per cent was captured by local government officials (and politicians). Indirect evidence suggests that part of the leakage was theft; this was indicated by numerous newspaper articles concerning indictments of district education officers when the survey findings went public.

The analysis established that poor students suffered disproportionately from leakage: A 1 per cent increase in income meant, on average, that the amount of public funds reaching the school increased by 0.3 per cent. It also showed that a large part of these variations could be explained by the interaction between local officials and schools. Rather than being passive recipients of flows from the government, schools were using their bargaining power *vis-à-vis* other parts of the government to secure larger shares of funding: Bigger schools (see *Figure 3.7*) with a higher proportion of qualified teachers and wealthier PTAs were thus able to get more funds.

As the extent of local government capture became known thanks to the PETS, the central government reacted swiftly to improve the situation. But rather than initiating a reform project to improve the financial management system, i.e. the usual approach, the government decided to take the route of participation, ownership and citizen empowerment. The Ministry of Local Government and Finance began to publish data on monthly transfers of capitation grants to districts in the national newspapers. Two years later, after the introduction of universal primary education in 1997, the Ministry of Education, supported by donor agencies, proposed extending the information campaign to all school communities. This policy required primary schools and district administration headquarters to post notices on actual receipts of funds for all to see.

A newspaper campaign and school posters promoted accountability in two ways. First, by giving the schools access to information on their entitlements and the workings of the grant programme, head teachers and parents could themselves monitor local administration and voice complaints if funds did not reach the schools. Second, at the school level, parents could better control the head teacher and complain in the case of any suspected misconduct in the use of received funds. The impact was striking: A follow-up survey carried out in 2002 found that the capitation grant received as a share of entitled grants grew from 23.9 per cent in 1995 to 81.8 per cent in 2001.

*Source:* Reinikka and Svensson, 2004.

### **Messages for policy planners and administrators**

1. Participatory diagnosis can be helpful when applied to reasonably limited areas, such as a municipality or the urban setting, and when access to hard data on corruption is difficult to collect.
2. Internal and external audits are very powerful tools for diagnosing distortions in the management of resources and identifying means to address them, provided institutional capacities – in particular accounting systems – are reasonably reliable.
3. Tracking expenditures through surveys can be useful in collecting hard data even when the existing institutional capacity for keeping timely and reliable accounts is poor.

4. One of the main advantages of participatory diagnosis is that it is carried out in a transparent way and leads naturally to finding solutions without stopping at diagnosis. It can also help to overcome resistance by some stakeholders.
5. Undertaking a participatory diagnosis requires that a number of preparatory phases be implemented, including (i) the carrying out of surveys – in a scientific rigorous manner – to collect hard facts to serve as a basis for dialogue and participation; and (ii) the training of local stakeholders in interpretation of results, in communication and in participation in public events.
6. In the tracking of public education expenditure, a key distinction is to be made between capital expenditures, salaries and non-salary expenditures. Non-salary expenditures can be monitored through survey studies. It is more problematic to directly track salaries: Indirect approaches (such as collecting data on teacher absenteeism) can be easier. Finally, tracking capital expenditures requires assessment of the implementation of procurement procedures.
7. Leakage of funds allocated to salaries varies considerably; but a minimum of 10 per cent can be observed across a sample of countries. The scope for leakage of non-salary funds is broad and varies according to the purpose of expenditures as well as to the size, level of poverty and location of the schools.
8. The usefulness of diagnostic surveys is conditioned by the availability of their results to the public:
  - If audit reports (internal and external) remain classified or accessible only to the beneficiaries of corrupt practices, no action will be taken to address the problem.
  - Similarly, although participatory diagnosis at local level implies shared consensus on perceptions of corruption and its scope, little will occur unless pressures are exercised by civil society to promote commitments for change and, gradually, participatory diagnosis will prove a futile exercise.
  - Finally, if the leakage of funds revealed by the PETS survey are not widely disseminated and if no follow-up measures are taken to inform parents, no complaints will be voiced and no change can be expected in the magnitude of leakage.

9. It is possible to develop institutional capacity for tracking education expenditures – in particular in the framework of improving the managerial capacities of the public sector.
10. A good strategy for reducing leakage is periodic tracking of expenditures and dissemination of findings, combined with information campaigns on the allocation of resources.

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## Chapter 4

# Decentralized financing

### *Definition*

In most countries, educational resources are distributed through a system of formula funding, that is to say an agreed rule for allocating resources to operational units, such as schools, which is uniformly applied to all schools of a given type within education jurisdictions. A formula may allocate resources in cash, for instance school grants whose calculation is made on the basis of enrolment figures, but also resources in kind, for example allocation and deployment of teachers being calculated according to established norms (class size, etc.). The formula used can be very simple, i.e. allocation of resources according to school size, but also very complex when including different variables such as the physical conditions of schools, disadvantaged children, pupils with learning difficulties and students with special needs.

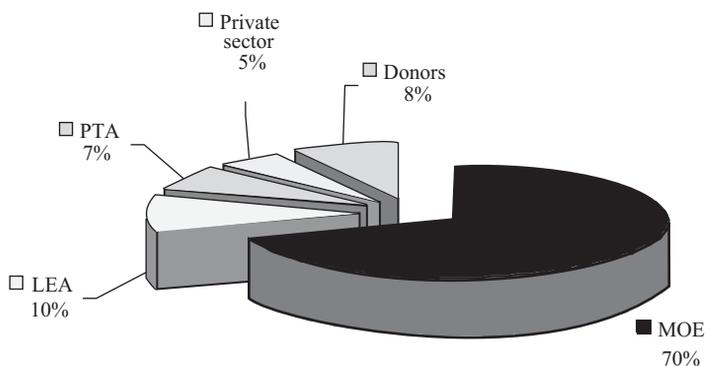
### *Background*

Every school system requires money and other resources. Teachers, buildings, desks and chairs, chalkboards, textbooks, water and electricity are among the inputs that schools use in their daily operations. These inputs are generally supplied by the government through various administrative layers of the Ministry of Education, using taxpayers' money and sometimes donor funds. Money and material resources are by no means the only factors that determine the quality of an education system, but they are the variables over which governments have the best control. Unfortunately, research has shown that the link between public education spending and outcomes is weak. One of the reasons for this is that in some cases little of the money allocated actually reaches the schools.

Given that the proportion of the national budget devoted to education is significant in both developed and developing countries (between 15 per cent and 30 per cent), it is essential that public funds be directed effectively and used for the purposes for which they are allocated. Needless to say,

the misuse of public funds is a serious matter, both in terms of the ethical and criminal implications for the abuser and in terms of the deprivation of funding inflicted on pupils and students. Unfortunately, the diversification of funding sources combined with both the decentralization of management to lower administrative levels and the growing share of private funding sources contribute to blurring the readability of resource flows to the schools:

**Figure 4.1 Sources of education financing, an example**



- *diversification of funding sources.* In a context of budget constraints, privatization of the education offer, and local and community mobilization in favour of education, funding sources tend to diversify within the education sector and include not only the Ministry of Education, but also local education authorities (LEAs), PTAs, the private sector, donors, etc., as illustrated in *Figure 4.1*. In some cases, ministries other than the Ministry of Education contribute funds. These may include the ministries of finance, labour, social welfare, health, religion and defence, among others. Other sources may include national agencies working in areas such as adult literacy or the promotion of local languages, individual households, private firms or NGOs. Lack of information and communication between these various stakeholders combined with the absence of common or at least harmonized rules of budgeting, accounting and auditing make it extremely difficult to understand ‘who is doing what’ and thus detect potential malpractices. The establishment of ‘basket-funding’ by some countries (such as

Lithuania) and ‘budget support’ mechanisms by donor agencies helps introduce more transparency in the system. However, it also produces other risks, in particular substitution of financing and leakage due to the fungibility of budgets;

- *decentralization of management to lower administrative levels.* As is well-known, the main reasons for decentralizing school finance during the past decade were to improve the efficiency of management mechanisms, increase the relevance of education services to local needs, and promote the accountability of local education officers and school managers. However, the multiplication of decision-making powers at different levels of the administration has sometimes contributed to making it more difficult to understand ‘who decides what’ in terms of financing per type of expenditure – especially when the discretionary power of each administrative level has not been clearly delimited: Is it the Federal Government? Is it the provincial or regional authorities? Is it the district or municipal authorities? In Kazakhstan and Kyrgyzstan, for instance, the discretionary power of local authorities (oblasts and rayons) in the area of financing has not been accompanied by monitoring rules and procedures. As a result, risks of manipulation have increased: Opportunities for corruption have not only been decentralized to a greater number of stakeholders, but new opportunities for corruption have also been generated at local level; and
- *privatization of educational sources of funding.* Budget austerity combined with the liberalization of education markets has contributed to increasing the share of private sources of funding. In many countries, households and communities are thus asked to participate in school financing in different ways: through payment of school-levied contributions; stationary; registers and books; uniforms; transportation; private tutoring; donations; and gifts to teachers, etc. In addition, they are sometimes asked to pay for admission into schools, for examination fees, for entertaining government officers, etc. Their contribution to school financing can be quite significant – up to 45 per cent of per pupil unit costs in the case of Cambodia, for instance (Bray, 1999). Often there is no mechanism to control the use of these funds at school level, and even where school committees do exist, they often lack the required capacities to impede corrupt practices (see *Box 16*).

**Box 16. Household and community financing: the role of school committees**

On a more technical plane, household and community financing raises major issues about management and uses of funds. One positive feature in Cambodia is the high proportion of schools which have functioning school committees. These committees act as a bridge between teachers, parents and other members of communities, and play a major role in both institutional and broader development. However, in Cambodia as elsewhere, many schools lack the institutional expertise to promote good planning and careful expenditure of resources. This leads in many instances to wastage, to suspicions of embezzlement, and to social disruption. An urgent need therefore exists to help schools with mechanisms to ensure that community and household resources are used sensibly, efficiently and fairly.

*Source:* Bray, 1999: 89.

Overall, it becomes extremely difficult for any official to really master what is going on in terms of educational financing. Indeed, formula funding is tending to become more and more complex; more and more people have access to resources, in particular because of decentralization; and the readability of budgets is blurred by the fungibility of resources at local and school levels. For some expenditure items such as teacher salaries, as the number of stakeholders and administrative levels involved is often quite limited (mainly national ministries), opportunities for fraud are also quite restricted – even though, in some countries, local agencies and communities are also involved in managing supplemental salaries, salaries to contract teachers, housing, etc. But for others, like textbook production and distribution or school meals, the variety of stakeholders and of administrative levels involved opens up many different opportunities for fraud. In the case of school meals, for instance, cash transfers are sent to regional education authorities based on enrolment figures: Regional authorities procure foodstuffs; private firms are contracted to transport them to eligible schools; PTAs are then responsible for using the food to prepare meals, etc. Experience shows that for each of these transactions, there are opportunities for fraud (for more details, refer to *Chapter 7*).

## *Forms of malpractice*

Fraud in education financing concerns all levels of government: from the highest stratum (with the example of high-level decision-makers lobbying or bribing members of parliament or officials from the Ministry of Finance in order to obtain more funds for education<sup>5</sup>) to the lowest stratum (with the example of head teachers embezzling school funds or teachers charging illegal fees). It can also occur at each step in the process of allocation, distribution and use of funds. For each of these steps, illustrations of malpractice are provided below.

### *Allocation of funds*

A distinction must be made here between funds that are allocated according to a single funding formula and applied uniformly throughout the country, and specific allowances that are allocated according to specific allocation criteria (location, sex, ethnicity, incomes, etc.).

Each type of funding formula corresponds to possibilities of manipulation of data (see *Table 4.1*). For instance, when funds are allocated according to the size of the schools, head teachers or local education officers can be tempted to inflate enrolment figures in order to attract more funds. Similarly, when teachers are allocated by number of classes (which, in turn, relates to the number of students), head teachers or local officers have an incentive to inflate the actual number of classes (or misreport the number of students). Similarly, the funding of utility costs (heating, electricity and water) according to past expenditure provides no incentives for more efficient use of energy, water and telephones. The use of indicators of students' learning needs in the formula gives principals an incentive to encourage low scores in cases where the tests are administered by the school itself. Finally, principals can be tempted to forge statistical returns when the data used for allocating extra funds (such as socio-economic data on poverty, ethnicity and language) are collected directly from the schools.

5. In Nigeria, the minister of Education himself was accused of giving bribes to members of parliament in an attempt to increase the budget for his ministry (Source: BBC News 16 May 2005, available at: <http://news.bbc.co.uk>).

**Table 4.1 Types of funding formula and corresponding forms of malpractice**

Types of formula	Forms of malpractice
• Allocations according to size of schools	• Inflation of enrolment figures
• Utility costs funded according to past expenditure	• No incentive for more efficient use of energy, water and telephones
• Indicators of students' learning needs	• Incentive to principals to encourage low scores
• Data for calculating extra funding collected from the school (socio-economic background, poverty, ethnicity, language)	• Principals tempted to forge statistical returns

As regards the allocation of specific allowances (fellowships, subsidies and grants, etc.) to individual schools or pupils, attempts to bypass official allocation criteria are also diverse. A few examples of this are:

- non-transparent criteria used for selecting eligible schools or pupils (favouritism, nepotism, politicization of the process, etc.);
- non-eligible schools or pupils 'convincing' education officers that they are eligible (by paying bribes, for instance);
- non-eligible schools or pupils manipulating data in order to be entitled to receive the funds; and
- overstatement of eligible schools or students by head teachers or local education officers in order to attract more resources.

As a result, a number of schools or individuals who are not supposed to receive extra funds do get them, whereas schools or individuals who are supposed to receive them do not. This is illustrated by *Table 4.2*, which gives a list of schools in Indonesia that have benefited from rehabilitation funds under the school grant programme despite being in good condition. In most cases, manipulation was made possible because the head teacher or owner of the school was influential at local level. Indeed, as underlined by Baines and Ehrmann (2003: 15), "rewards commonly go to those who shout the loudest; governance is heavily influenced by lobbying and resource allocation often works on a basis of traded favours".

**Table 4.2 School grant programme in Indonesia: list of schools not fulfilling requirement criteria**

N°	Location of the school	Type of irregularities
1	Langensari	Still in good condition, in 2002 got support fund from local government budget.
2	Kadungora	In 2002 got support from OECF. The headmaster is a public officer at Dinas Pendidikan.
3	Malabong	In 2002 got support from APBD 150 million rupiah (R.), also still in good condition.
4	Tarogong	Still in good condition.
5	Alhidayah	Still in good condition. The owner is the Chairman of The Awakening Party at Limbangan Sub District.
6	Pulosari	The owner is Abdurahman, S.Ag, Vice Chairperson of Commission E (Commission for Education) Garut Local Parliament (DPRD II)
7	Malabong	Still in good condition, has received support from local government budget previously.
8	Tarogong	Physical condition is quite good.
9	Pasirkiamis	Still in good condition. In 2002 received R.115 million from the rehabilitation fund.
10	Sarimukti	The condition is quite good and received money from the rehabilitation fund in 2002.

*Source:* CIMU.

### ***Distribution of funds***

As regards the distribution of funds, here again various manifestations of fraud can arise, in particular:

- reduction of disbursements by local officials or procurement of fewer non-wage items for schools;
- payment of ‘facilitation fees’ by schools to local authorities in order to obtain official approval for withdrawing funds from school bank accounts;
- payment of ‘taxes’ by schools or individuals to local officials in order to obtain the allowance or the scholarships that they have been granted;
- payment of ‘taxes’ by teachers to local officials or head teachers in order to obtain their salary (this is often the case when payment is made in cash);
- withholding of scholarships by school officials, either for funding the school or for private use (see the example described in *Box 17*); and

- embezzlement of funds by educational officers at different levels of the administrative hierarchy (central, regional, local and school levels).

**Box 17. Misappropriation of scholarships in Jakarta Utara**

The intention of the Scholarships and Grants Programme has been to deliver funds directly from the centre to the end users. Experience during the first year of the programme, however, demonstrated the impracticality of expecting large numbers of individual students to collect the money themselves. The programme had to fall back on the idea of representatives from the schools collecting the money from the post office. This arrangement had the positive effect of ensuring improved disbursement, but it also had the effect of shifting the ‘ownership’ of the scholarships away from the students to schools. The scholarship was no longer seen as an entitlement, which gave control over spending to the individual student or his/her family. It was regarded as a subsidy to schools to cover school expenses. There remained the intention that once school deductions had been made, any remaining balance would be handed over to the students. Indeed this happened in many cases, but since the school decided what the deductions were to be, control had shifted in favour of the school. Furthermore, the introduction of an intermediary in the funds flow from programme management to end-user heightened the possibility of financial irregularity.

*Source:* Baines and Ehrmann, 2003: 11.

***Use of funds***

In terms of the misuse of funds, it is once again difficult to make an exhaustive list of malpractices given the variety of forms that they can take. Among others, they could include:

- use of educational funds for purposes other than education – either public, like the construction of roads, or private, including the diversion of funds to private bank accounts;
- use of part of operational funds to cover administrative costs;
- irregular bookkeeping practices and falsified orders and receipts to cover up irregular payments (i.e. inflation of the quantities of goods purchased);
- irregular payments made to officials, members of school committees, NGOs, journalists and others (including unaccounted advances to individual members of school committees, to buy land for instance, etc.);

- grant funds used for inappropriate goods; and
- use of educational funds to finance political parties or electoral campaigns.

In some cases, the discretionary power exerted by local or school authorities combined with the fungibility of budgets makes it difficult to check whether the money has been used legally or not.

## *Scope*

Amounts of financial leakage can vary significantly: from several dozens of millions of United States dollars in a big case of procurement defrauding (Tokyo university officials, for instance, were accused of defrauding 94 million yen on the occasion of a school building construction market), to less than US\$1 in the case of collection of illegal school fees in some countries (each pupil from the Bangladeshi *Upazilla* of Kishoreganj Sadar, for instance, was obliged to pay about 48 BDT per year to the school). However, the problem is not only the magnitude of the fraud, but also its recurrence: In some cases it happens only once; in others, it is repeated so many times that in the end it can represent large amounts of funds.

As underlined in *Chapter 3* on diagnosis, public expenditure tracking surveys provide precious information on amounts of leakage of non-wage funds; but it is far more difficult to obtain reliable data on amounts of leakage concerning teacher salaries, for instance. However, there is some agreement that salary expenditures are less prone to leakage than non-wage expenditure. There are two major reasons for this: First, contrary to other areas, there is a limited number of intermediaries involved in the payment of teacher salaries; second, in most cases teachers know what is due to them and are ready to complain if they do not receive it – in other terms, failure to pay teachers would attract attention rapidly.

This is not necessarily the case for non-wage items, as illustrated by the high percentage of leakage estimated through the PETS conducted in Peru (30 per cent leakage of utility funds, 2001); Ghana (49 per cent leakage of non-wage funds, 1998), Tanzania (57 per cent leakage of non-wage funds, 1998) and Uganda (87 per cent leakage of non-wage funds, 1991-1995). Indeed, although schools typically know that they are entitled to some funding, school communities neither know exactly what they are entitled to receive,

nor can accurately estimate the value of the in-kind support they get, since the resources reaching them are predominantly in-kind, without any indication of monetary values. In this context, they can hardly complain about resource leakage, even when this does occur.

Finally, results of tracking surveys emphasize that financial leakages occur at specific tiers within the government hierarchy – typically at local government levels in the case of Tanzania, Uganda or Zambia.

## ***Factors***

The probability of leakage is obviously linked to a set of factors, including the existence of clear financial regulations, transparent sharing of responsibilities among the various stakeholders and administrative levels involved, proper accounting systems, well-trained staff in accounting and budgeting issues, and adequate mechanisms of control and audit, etc. However, how can we explain that within the same country, the same amount of funds, aimed at the same kind of expenditure, is more or less prone to leakage?

*The probability of leakage is linked to clear financial regulations, transparent sharing of responsibilities proper accounting systems, and mechanisms of control and audit.*

One important factor here is undoubtedly the formula used to allocate the funds. This can be more or less transparent, and more or less vulnerable to corrupt practices. The experience of Zambia is very instructive in this regard, demonstrating that financial leakages vary according to the process of fund allocation in use. Indeed, more than 90 per cent of the schools received their rule-based non-wage allocations, i.e. funds disbursed directly to the schools irrespective of enrolment, whereas less than 20 per cent of the schools received any funding from discretionary sources, i.e. funds disbursed by provincial and district offices. The rest was spent at the provincial and district levels. This example illustrates the fact that when corruption risks are high and management capacities low, direct allocation formula and a limited number of intermediaries in the process can help reduce opportunities for fraud.

But this is not the only factor. In fact, through similar mechanisms of fund allocation, huge variations of financial leakage can be observed. In

Uganda, for instance, 73 per cent of the schools had a percentage of leakage exceeding 95 per cent, while 10 per cent of the schools had a percentage of leakage below 10 per cent. Analysis established that schools with a large number of students, better-off parents and more qualified staff were receiving more funds proportionately than other schools, and that poor students suffered disproportionately from non-wage leakage. Indeed, a 1 per cent increase in income meant that, on average, the amount of public funding reaching the school was increased by 0.3 per cent. A large part of these variations was explained by the interaction between local officials and schools. Rather than being passive recipients of flows from the government, schools were using their bargaining power *vis-à-vis* other parts of the government to secure larger shares of funding. As a result, ‘powerful schools’ were able to attract more funds. Room for bargaining in the allocation of funds, as well as the lobbying and bribing capacity of fund recipients, are thus also key factors to take into consideration.

Finally, specific contexts can favour the development of fraudulent practices in the area of financing. A context of rapid increase of resource flows, for instance, can increase opportunities for fraud, especially when management is poor. This increase can be linked to the country’s access to new international aid funds such as poverty reduction strategy processes or the Fast Track Initiative, for instance. But some major education reforms can also contribute to intensifying corruption problems. This is true in the following instances:

- when a reform aimed at improving the quality of education, for instance, requires the extension of facilities and the use of education materials, while there is no transparency in procurement processes and little compliance with rules;
- when a reform aimed at increasing participation and ownership implies a broader sharing of responsibilities in the management of resources, thus increasing ‘access to capture’ of some stakeholders; and
- when a reform aimed at fast-tracking the implementation of priorities pushes authorities into accepting transitional arrangements with no checks and balances and no compliance with prevailing rules and modes of operation (e.g. as regards teacher recruitment, payment of overtime, etc.).

### ***Critical questions***

One of the dilemmas inherent in the formula funding of schools by central government is that it often goes hand-in-hand with local autonomy, i.e. expenditure at school level is decided by local authorities, the head teacher and/or the school board of governors. As a result, the allocation of funds to areas not specifically targeted by the formula can be seen as a legitimate exercise of local responsibility, which does not imply corruption.

Still, there are a number of questions that are worth documenting in this domain, i.e.: Are the criteria by which funding is distributed and amounts allocated at various levels within the system easily understandable and accessible to the public? Is the money intended by government for education, and allocated as a block grant to local authorities, actually used to fund education or other public services (health, roads, social services, etc.)? Does the money earmarked by central government for schools actually reach the schools? Are there risks of fraudulent use of data at school level, which may cause a school to receive more than it is entitled to get through the formula? Are there cases where money intended for school use is diverted for the personal benefit of individuals, either in cash or in kind? Is there an external regulatory body (or local audit trails) responsible for checking the accuracy of accounting procedures, possibly through the use of sound information technology?

### ***Good practices***

Historically, a variety of approaches have been designed and applied to link modalities of funding to achieving policy targets – most notably equity (equalization grants) – and improving transparency and accountability in resource allocation. Two of them will be further described below, namely:

- the *adoption of formula funding*. The primary purpose of adopting formula funding a decade ago in Australia, Canada or the United Kingdom was not to reduce potential opportunities for corruption in school finance – but rather to set up efficient and equitable mechanisms of distribution of funds in a context of decentralization and increased school autonomy. However, given the large and growing number of countries

in the process of decentralizing school finances, the question of what constitute successful conditions for implementing formula funding in terms of gains in transparency, accountability and reduction of corrupt practices can be raised; and

- the *design of capitation grants*. Concerns over reliability in managing funds targeted at special groups have encouraged aid agencies to design support to projects using capitation grants. These grants are often based on criteria closely determined by the aim of the project, such as the socio-economic profile of the target groups (pupils, schools or localities). Flows of funds are shortened between sources of funding and their beneficiaries (by bypassing the administrative ladder, in particular), and close monitoring and control mechanisms are established in order to reduce risks of leakage. In a sense, the capitation grant approach is a specific illustration of formula funding restricted to some particular funds and defined target groups.

This chapter will draw on lessons learnt in Australia, Brazil, Poland and the UK in implementing different formula funding processes, as well as from the experience of Indonesia in designing a capitation grant. The criteria for determining the success of these approaches in terms of data collection and verification, financial control at school level, audits of school accounts, and detection of fraud and corruption will be emphasized.

## 1. Adopting formula funding in a context of decentralization

Over the last few decades, formula funding has often been used as part of a decentralized system of school finance that is impartially applied to all schools within a given jurisdiction (Ross and Leva i , 1999). In the 1960s, it aimed at addressing the needs of schools with a high concentration of disadvantaged pupils by allocating resources (not merely funds) according to needs. The Head Start project in the USA and the ‘ZEP’ (priority education zones)<sup>6</sup> programme in France are examples of this. In the 1990s, formula funding aimed at responding to the demand for more ownership and improved governance and freedom of choice, by decentralizing funds management to the schools within a centrally determined framework of policies, priorities and

6. *Zones d'éducation prioritaires*, in French.

standards. This model is now tending to spread to countries in transition – in particular the former Soviet countries – who are switching from ‘supply’ to ‘demand-side’ approaches inspired by liberal and democratic orientations. As illustrated by the example of Romania in *Box 18*, traditional norms for inputs have thus been replaced by capitation, unit or average costs. In other words, ‘money follows students’. Practically, money often goes to a jurisdiction small enough to be politically accountable and large enough to create possibilities for shifting resources among schools (estimated at about 100,000 people). This jurisdiction is responsible in turn for allocating resources to schools according to formula funding.

**Box 18. ‘Money follows students’: the example of Romania**

In Romania, prior to 1990, a supply-side system prevailed: funds were allocated on the basis of the number of teaching positions, square feet of building space and other planning norms. After 1990, this system was replaced by demand-side financing: funds were allocated on the basis of unit cost per student in various fields of study. The calculation of these unit costs was made by the National Higher Education Financing Council (NHEFC), to provide the empirical basis for the formula funding. In addition, complementary funds are allocated on a competitive basis (peer-reviewed competition).

*Source:* Berryman, 2000.

The formula clearly spells out the amount of funds that the school can spend on specific resources. In a highly decentralized system, almost all the resources used by the school are delivered to them via the formula, whereas in less decentralized systems only some resources (such as non-staff items) are allocated in monetary terms to schools. Decisions on how to spend the money allocated by the formula are taken at school level, either by the principal or the school council, or by a combination of both – with both the principal and school council being held accountable for the management of delegated resources. The formula used can be very simple and linked to crude parameters, such as teacher-pupil ratios (first generation). It can also take into account differential needs for learning attainment, by giving more resources to disadvantaged pupils (second generation), or can be much more comprehensive, by being cost-based and building in incentives (third generation). In England, for instance, 75 per cent of the funds are allocated

according to enrolment figures, 20 per cent according to the school's physical condition, and 5 per cent according to students' additional needs. Additional allowances are given to take into account learning difficulties, using as a proxy Free School Meals (% FSM).

It is often assumed that better relevance to needs and good governance can be expected from formula funding. Furthermore, it is also assumed that formula funding aids transparency as far as an objective and consistently applied formula determines what each school is allocated, and this is known by the school and can be made publicly available. Finally, it is assumed that formula funding aids accountability, by getting closer to the users and promoting participation and building ownership. At the same time, one could argue that the introduction of formula funding and the delegation of spending decisions can increase the possibility of fraud, as many more people have direct access to the funds. This obviously depends on 'how formula funding operates in practice'. The IIEP conducted a comparative study on Australia (State of Victoria), Brazil (State of Rio Grande do Sul), Poland and the United Kingdom (England) to test and document the idea according to which formula funding can contribute to increasing the reliability of indicators used to determine amounts (transparency concern) as well as compliance in the use of funds at school level (accountability concern).<sup>7</sup>

*Better relevance to needs and good governance can be expected from formula funding.*

This study demonstrates that formula funding can indeed help improve transparency and accountability. But for this to materialize, there are a number of basic requirements, including the following:

- a clear understanding of the formula by all stakeholders;
- a reliable system of data collection and verification;
- proper mechanisms of financial control at school level;
- appropriate audit techniques of school accounts; and
- efficient tools to detect fraud and corruption.

These five basic requirements are further developed below.

7. See Leva i and Downes, 2003.

### ***Clear understanding of the formula by all stakeholders***

Research findings indicate the importance of financial information being made available to the general public if formula funding is to realize its full potential for enhanced transparency. Countries vary in the extent to which information about school budget allocations and school expenditures from these allocations are required by law to be published. In all of the countries under study (including Poland), the information is made available to those who wish to have it, although interest is not widespread. Furthermore, in some countries legal requirements exist regarding the publication of financial information and training in financial management for school personnel and members. England has the most extensive legal requirements on this, followed by Brazil and Australia. In the case of England, the publication of the education budget may mobilize taxpayers to protect funding for schools.

However, transparency depends not only on the availability of information, but also on how well it is accessed and understood by all school stakeholders. In some countries, the complexity of the formula may be an obstacle to its accessibility and interpretation. In most countries this is the case for teachers, members of local communities and parents (in Poland, the accounting conventions are regarded as particularly difficult for non-accountants to understand). Complexity could also be a limiting factor for principals and school councils. This obstacle can be overcome with adequate training, as the experience of school councils in Victoria and other Australian states (as

*However, transparency depends not only on the availability of information, but also on how well it is accessed and understood by all school stakeholders.*

well as in Indonesia and Thailand) shows: With initial training, school councils were able to exercise their functions efficiently. As for school principals, in England, new head teachers have been required since 1990 to undertake training towards the National Professional Qualification for Headship, which includes financial awareness skills.

### ***Data accuracy and verification***

Allocation by formula requires school level data on all the indicators included in the formula. As mentioned earlier, it is important to avoid creating perverse incentives to schools that would encourage them to provide distorted information (see *Table 4.1* on page 120). For instance, when indicators of

students' learning needs are used in a formula, these should not be from tests administered by the school itself, as this would give principals an incentive to encourage low scores. Different strategies can prevent this risk. One consists of including in the formula variables that the school cannot itself affect: For example, utility costs are not calculated on the basis of past expenditures, but rather on the basis of the size of the school, the conditions of the buildings and climatic variations. Another strategy consists of collecting at least some of the school data, such as enrolment figures, through external mechanisms – but this obviously can prove quite expensive. The final strategy consists of implementing strong data verification procedures and sanctions for deliberate misreporting (see *Table 4.3*).

**Table 4.3 Recommendations to reduce incentives for misreporting of school data**

Type of formula	Pervasive effects	Recommendations
Allocations according to size of school	Inflation of enrolment figures	<ul style="list-style-type: none"> <li>• Collect data on enrolment externally</li> <li>• Check for accuracy externally (two or three data collections per year)</li> </ul>
Utility costs funded according to past expenditures	No incentive for more efficient use of energy, water and telephones	<ul style="list-style-type: none"> <li>• Include variables that predict the amount that the school must spend but cannot itself affect (e.g. size and conditions of buildings and climatic variations)</li> </ul>
Indicators of students' leaning needs	Incentive to principals to encourage low scores	<ul style="list-style-type: none"> <li>• Do not use tests administered by the school itself</li> </ul>
Data for calculating extra funding collected from the school (socio-economic background, poverty, ethnicity, language)	Principals tempted to falsify statistical returns	<ul style="list-style-type: none"> <li>• Check for accuracy externally</li> </ul>

In the four countries covered by the IIEP comparative study, the accuracy of school data is checked in different ways. In the State of Victoria (Australia), enrolment data are collected four times a year: three times by the school and once by an external authority group. In England, the accuracy of school data is verified by the LEA auditors, by inspectors visiting the school from the Office of Standards in Education and by the Audit Commission through occasional visits. In the State of Rio Grande do Sul, the National Education census

has several quality control procedures, which include comparison between different sets of data and with data from previous years. Some misreporting of the number of pupils enrolled has occurred since the formula funding was introduced: A number of these cases became headline news in local and national newspapers, with most of the misreporting being apparently made to further municipal or state authority interests. In Poland, statistical verification procedures are based on the identification of discrepancies from one year to the next and on ad hoc verification mechanisms by the National Chamber of Control (the NIK). Recent NIK reports did indeed reveal some misreporting of data, with school directors being prosecuted accordingly.

### ***Financial control at school level***

Financial management at school level, which is the whole purpose of formula funding, can increase opportunities for corruption in the form of fraudulent use of school money for private gain and graft or bribery in the awarding of contracts by the school to suppliers. To minimize this risk, it is essential that schools operate within a comprehensive set of *financial regulations* (examples of financial regulations are provided in *Box 19*) and that the school's financial records and procedures be subject to regular external scrutiny. In the State of Victoria (Australia), for instance, there is a Financial Management Unit within the Department of Education and Training responsible for the financial regulation of schools. In Brazil, a national budgetary law provides financial regulations on 'school autonomy'. These regulations include, in particular, the separation of duties and strict limits on expenditure authorization. In England, each LEA is responsible for producing its own 'Scheme for Financial Management' and all schools must have a set of financial regulations with a mandatory minimum content. In Poland, there are two types of accounting arrangements: a central accounting unit that undertakes accounting for all schools; and decentralized accounting units responsible for detecting distorted data at school level.

Requiring schools to have all their financial *transactions administered through the public sector treasury system* and not via bank accounts can reduce opportunities for school-level personnel to embezzle money, but this is not always the case. In England, schools are required to have bank accounts into which the LEA makes regular payment of revenues for all expenditures including salaries, while Sweden, Finland and Iceland do not allow schools

to have bank accounts: They must go through the treasury. But for this to function suitably, the treasury must provide efficient banking services to the schools and operate in an accurate, quick and flexible way. This appears to be the case in Scandinavian countries, but is not necessarily true of countries in transition, such as Bosnia, Hungary or Russia. Indeed, in these countries the treasury system is often slow and rigid. In this context, financial controls instituted to prevent corruption only contribute to reducing efficiency, insofar as schools are denied flexibility in choosing how to use resources or are deterred from raising their own revenues for fear of not being able to withdraw them from the treasury.

**Box 19. Examples of financial regulations**

Financial regulations include:

- strict limits on expenditure authorization;
- separation of duties (i.e. separation of ordering or invoicing, payment for and checking of goods or receipts);
- financial recording and reporting;
- the ordering of goods (tendering process);
- accurate records of equipment disposed of or written off;
- maintenance of equipment inventories (including writing-off);
- the need for multiple signatures on cheques and credit notes;
- the handling of any cash transactions within a school (including the requirement of more than one signature for the handling of cash);
- the monitoring of credit card payments (including authorization for credit card expenditure);
- quotations from several suppliers and closed competitive tenders; and
- declarations of financial interest from bidders.

Within the framework of financial regulations, the exercise of *budget scrutiny at school level* is important to minimize opportunities for fraud. Theoretically, all financial transactions must be recorded within the budget accounts, and regular financial statements must be produced and monitored by the head teacher and school finance officers as well as by members of the school council. In reality, practices vary from country to country. While in Australia and England very similar budget scrutiny processes that rely on accurate recording and reporting of financial information are rather strictly controlled by the school council, this is not true of the State of Rio Grande do Sul (Brazil) or of Poland.

Finally, incompetence or ignorance of correct procedures by school personnel and council members obviously increase risks of misuse of funds. In Poland, for instance, most school directors are teachers and their mastery of budgetary procedures is limited. This creates risks for misuse of money – intentionally or not. Hence the crucial importance of *training head teachers, finance support staff and school council members* so that schools may comply with financial regulations satisfactorily. In addition, school staff must be trained to use computerized management information systems. In both Australia and England, professional development training is available; in Rio Grande do Sul (Brazil), the central state authority produces and distributes a manual on financial autonomy that includes specific legislation, general information on the funding formula and guidelines for managerial action.

### ***Audit of school accounts***

Budget scrutiny is not sufficient to prevent fraud or incompetence in the management of school finances, since these activities cannot by themselves ensure the accuracy of the financial reports or that financial regulations are fully complied with. This is the function of the audit. Schools therefore need to conduct internal audits, in particular of equipment and other assets, and check the audit trail from raising an order, to receiving an invoice, making a payment, obtaining a receipt and verifying the delivery of goods. Bank account statements also need to be regularly reconciled with the schools' own financial records. But clearly internal audits are not sufficient to prevent fraud by school personnel. Regular external audits are also necessary. They can be conducted either by the education authority or by private auditors (not employed by the schools). A further check can be provided by an audit at a higher level performed by a central body responsible for public sector probity and efficiency (for more details, refer to *Chapter 3*).

In Rio Grande do Sul (Brazil) and in Poland, external audits are rarely carried out in schools. The State Accounts Court in Brazil, for instance, performs very few audits specific to schools, doing so only when problems are brought to its attention. As a result, the principal responsibility for auditing remains with school councils and local authorities, whose involvement appears crucial for the quality and regularity of the audit. However, experience shows that these bodies are generally unable to hold head teachers accountable for financial management of the school. In fact, they seldom have the required

audit capacities and do not conduct audits on a regular basis. Still, cases of occurrences of unsatisfactory financial procedures have been reported in both countries thanks to audits. In Poland, for instance, the National Chamber of Control (NIK) published a number of reports on the education sector – two of which were on the financing of non-public schools – that found problems of misreporting of student data by the schools and erroneous calculations of school grants by municipalities (or considerable delays in providing them).

The approach followed in the State of Victoria (Australia), where a massive effort has been made in relation to monitoring, control and audit, is more systematic. It combines both internal and external audits; at the same time, the Auditor-General is responsible for auditing the financial statements of public sector agencies (some of its conclusions regarding schools are summarized in *Box 20*). Resources devoted to these tasks are not too high, due to the extensive use of computer technologies. The experience of England is in the same vein. Three levels of audit exist: school; internal (to the local authority); and external (by the District Auditor). In order to limit costs, external audits are carried out only on a sampling basis; this means that even if they have a dissuasive effect on fraudulent practices, school internal audits remain the main defence against the misuse of public funds. These internal audits are undertaken in accordance with a cyclical audit plan: On average, once every four years for primary schools, and every other year for secondary schools.

### ***Detection of fraud and corruption***

None of the four countries considered reported serious concerns about fraud and corruption with respect to school funds and resources; however, all of them mentioned anecdotes of fraudulent or corrupt practices. In the State of Victoria (Australia), for instance, 7,700,000 Australian dollars (AUD) worth of enrolment errors were detected through audit. In England, a head teacher was sentenced in 2003 for stealing 500,000 British Pounds (£) from the school budget. Moreover, fraudulent cases of non-official funds involving the handling of cash (related to school trips or dinner money collection, fund-raising events, etc.) were discovered. In Rio Grande do Sul (Brazil), diverse opportunities for corruption were detected, including the inflation of enrolment statistics (some students on the roll were drop-outs) and the manipulation of contracting rules (for example, schools arranging for fake

receipts, or salespersons specialized in school goods, equipment and services offering their products together with other forged quotes).

**Box 20. Report of the Auditor-General (State of Victoria): some conclusions**

The most recent report included a special review of the cash management in schools, examining the adequacy of financial management practices of schools in the use of different resources. It found clear links between school charters and budgets, with schools tending to operate balanced budgets. “However, it was felt that school councils could be given more information about available funds and budget items, and they should have greater involvement in budget considerations”. More importantly, the report identified “a lack of long term planning evident in budget document”. It recommended that “some guidance to the schools be given to assist them in establishing arrangements for budget management for more effective decision making; for secondary schools improvements in cash management practices, increased accuracy in cash records, improved recording of financial decisions at school council meetings and an enhancement of financial management skills”.

*Source:* State of Victoria (Australia), 2003: 43.

The issues here are: whether the introduction of formula funding was accompanied by a reduction of fraudulent practices in the countries concerned; and the need to determine the key factors to decrease opportunities for fraud in decentralized financing. The following lessons can be drawn from the analysis:

- in *Victoria*, the general view is that there has been no change in the extent of corruption detected since formula funding was introduced – or at least, no data have been collected to enable an informed judgment to be made on this. However, it is assumed that the complexity of the formula could have increased opportunities for fraud or corruption if appropriate compliance and monitoring mechanisms had not been put in place at the same time. These mechanisms, including the school census that provides schools with an independent audit of their enrolment, require resources. But without them, potential for fraud and corruption would be much more significant;
- similarly, in *England*, decentralized funding should in theory have led to more scope for corruption at school level. But insofar as it has been

accompanied by more rigorous procedures for oversight, audit and public reporting, risks of misuse of funds for personal benefit have been limited. However, a recent report from the Audit Commission revealed that a large proportion of frauds uncovered in schools relate to voluntary funds. These funds, since they are private, are not subject to LEA audits. By law, they must be independently audited and the LEA can insist on sighting the audit certificate. However, some LEAs do not question governors acting as auditors of these voluntary funds, which can result in turn in undetected fraud; and

- in *Poland*, since formula funding was introduced, no changes in the extent of corruption have been officially recorded or detected. However, the Chamber of Control (NIK) has not yet conducted any comprehensive investigation of the allocation of public funds to schools by local governments. The main cause for concern is the non-transparent nature of individual school finances. Indeed, even when *gminas* (local authorities) have introduced a voucher-type system, they have not used them to provide full information about school finances.

In conclusion, the case studies establish that good knowledge of the formula and public access to information by the general public, coupled with

*The trade-off between the more complex formulae required for equitable allocations and simpler formulae for greater understanding and hence greater transparency, is not easy to solve.*

clear financial regulations and adequate scrutiny of local government finances, are embedded features of transparent local financing schemes. At the same time, ownership, mechanisms of audit and certification, and upper-level control are essential for ensuring accountability (see *Table 4.4*). Unless these various requirements are met, the adoption of formula funding may increase rather than decrease opportunities for misuse of funds. The trade-off between the more complex formulae required for equitable allocations between schools, and simpler

formulae for greater understanding and hence greater transparency, is not easy to solve within this context.

**Table 4.4 Formula funding, transparency and accountability**

<i>Formula funding and transparency</i>		
<i>For</i>	<i>Against</i>	<i>How to address it?</i>
Knowledge of formula	<ul style="list-style-type: none"> <li>• Too complex</li> </ul>	<ul style="list-style-type: none"> <li>• Equity/ transparency</li> </ul>
Data sharing /indicators	<ul style="list-style-type: none"> <li>• Data manipulation</li> </ul>	<ul style="list-style-type: none"> <li>• ICT</li> <li>• Use various sources</li> <li>• Internal audit</li> </ul>
Financial regulations / control	<ul style="list-style-type: none"> <li>• No compliance</li> <li>• No capacity</li> <li>• Opacity of rules</li> <li>• No routine control</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury/bank account</li> <li>• Outsource/training</li> <li>• National standards</li> <li>• Cost factors</li> </ul>
<i>Formula funding and accountability</i>		
<i>For</i>	<i>Against</i>	<i>How to address it?</i>
Ownership	<ul style="list-style-type: none"> <li>• Weak Local Authority (LA)/LEA</li> </ul>	<ul style="list-style-type: none"> <li>• ICT</li> </ul>
Accountability chain	<ul style="list-style-type: none"> <li>• Data manipulation</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building</li> </ul>
Audit/certification	<ul style="list-style-type: none"> <li>• Power structure</li> </ul>	<ul style="list-style-type: none"> <li>• Change procedures</li> </ul>
Upper level control	<ul style="list-style-type: none"> <li>• Costs incurred</li> </ul>	<ul style="list-style-type: none"> <li>• Outsource control</li> </ul>

## 2. Designing capitation grants in a context of reconstruction

School grants or scholarships are often introduced with some typical aims, such as increasing equity through a better targeting of beneficiaries, and/or creating incentives for improving educational quality and efficiency. Contexts of scarcity of resources and weakness of the public administration are particularly conducive to the establishment of such mechanisms. School grants are thus often used in countries in crisis or under reconstruction – where there are urgent and immediate needs – while, at the same time, only very limited resources are available and no reliable administrative structure is in place. In Indonesia, for instance, a system of grants has been created in order to reach the poorest and neediest schools and individuals in a rapid and efficient way. Similarly, in countries in transition characterized by a shortage of resources, grants are sometimes used to direct funds to selected education users. Public authorities from Kyrgyzstan, for instance, have set admission fees to university. At the same time, however, they have designed a grant system for those students who obtained the best results during university entrance exams or tests (called ‘contract students’). These grants are distributed by university and field of study. However, even if the major aim of these grants is not to improve transparency and accountability in educational financing,

by short-circuiting the administrative hierarchy and favouring more direct flows of funds they may well contribute to it.

It is with this in mind that the Scholarships and Grants Programme (SGP) and the School Improvement Grants Programme (SIGP) were developed in Indonesia in order to counteract the effects of the severe economic crisis faced by the country on the education sector.<sup>8</sup> Under the SGP, scholarships equivalent to US\$16-40 per year and per student were thus allocated to 6,800,000 primary and secondary students over a period of 5 years (1998-2002); and grants equivalent to US\$270-US\$1,300 were allocated for operational funds to 132,000 schools per year (60 per cent of total) during the same period. Under the SIGP, grants were provided directly to the schools in order to assist them in upgrading their facilities, providing learning materials and supplementing their teaching capacity. A total of 8,001 schools (in roughly 130 districts) benefited from this five-year programme (2000-2004), at a cost of approximately US\$60 million. This included three categories of grants. About one quarter of the grants by value were provided to assist schools coping with the influx of internally displaced students or the physical consequences of natural or social catastrophes, while the rest were poverty-related and intended for the neediest schools in the poorest districts.

The outputs of the SGP and the SIGP have been globally positive. Indeed, they have contributed to the maintenance of enrolments at pre-crisis levels and provided much-needed financial support towards the maintenance of education quality. As anticipated, physical rehabilitation headed the list of fund uses, but the grants have also directly contributed to better teaching and learning conditions thanks to the rehabilitation of the buildings and furnishings, the improvement of the teacher-pupil ratio and the wider availability of textbooks. And both grants and scholarships have provided important support to many poor families. The impact of these programmes has been uneven, however, and in the last phase of their implementation in particular, cases of inappropriate purchases and unsuitable building work or workmanship occurred. Moreover, allegations of fraud and corruption were reported in the press in 2003. These allegations referred to cases of collusion with providers of goods and services;

8. The SGP benefited from considerable multi-donor support, principally from the Asian Development Bank and the World Bank. Since the middle of 2000, the Royal Netherlands Government made a major contribution to the SGP by funding the SIGP as a sub-programme and contributing to debt reduction.

grant funds being used for inappropriate goods; illegal payments being made to officials, NGOs, journalists, etc.; and funds being moved into private accounts, among other cases. The percentage of leakage of funds that these fraudulent practices represent is of course difficult to assess, but the figure of 30 per cent was put forward.

The IIEP commissioned a monograph on the SGP and SIGP, to learn from both their successes and failures. Indeed, these initiatives are characterized by a number of innovative features that have helped them to obtain significant results, despite the difficult environment in which they were developed. These include, in particular: (i) allocation of funds based on a poverty index; (ii) direct transfer of funds to the schools; (iii) comprehensive guidelines on procedures; (iv) extensive training for committees (public scrutiny); and (v) independent monitoring. At the same time, these features – which presumably should have constituted efficient safeguards against fraud and corruption – did not impede the development of misbehaviour in the course of the programmes' implementation. This issue will be further analyzed below, drawing from the extensive research conducted by Baines (2006).

### ***Allocation of funds based on formula funding***

The SGP was designed in such a way as to target the pupils and schools most affected by the crisis. In this connection, the allocation of funds from the centre to the districts was based on a poverty index agreed on by donors and the Indonesian Government – rather than simply on the total population size, as had been the case. Recipient schools were ranked according to composite formulae determining relative needs; these included the number of students from poor families, the level of school fees, and the status of communities in the government's existing poverty alleviation scheme (IDT). The SGP formally required that at least 50 per cent of all scholarships be allocated to girls. Under the SIGP, a more limited number of districts were targeted. During the first phase (SIGP 1), roughly one quarter of the grants by value were provided to assist schools coping with the influx of internally displaced students or the physical consequences of natural or social catastrophes. Most of the grants in SIGP 1 and all the grants in SIGP 2, however, were poverty-related and intended for the neediest schools in the poorest districts.

The adoption of block grants as the principal mechanism for funding schools was obviously linked to a desire to better reflect local needs as well

as to improve transparency in budget allocation. However, evaluations showed that the schools and individuals who received the funds were not necessarily those who were primarily targeted by the programmes. Some doubts therefore remain as to whether funds have gone to the schools facing the most pressure from refugee influx. Similarly, there is some uncertainty over whether the distribution of grants both between districts and within districts has achieved the intended poverty focus – the application of the agreed poverty index in fact produced anomalous results. As a result, it cannot be said with confidence that the poorest 10 per cent of schools in the poorest 10 per cent of districts received assistance. Finally, the funds did indeed reach damaged schools, but not necessarily the worst-affected ones.

One important problem here is the exact criteria used for selecting the beneficiaries of the programmes; it was thus recommended that the poverty focus of the programmes be redesigned and that beneficiary districts be selected against amended criteria. Another major limitation was the lack of reliable data on the state of the schools and the economic circumstances of their catchment areas. In fact, a great deal of data was produced and collected under the SGP and the SIGP, but poor information management limited their usefulness. More broadly, the insufficiency of funds to cover management activities was put forward as a major weakness of the programmes. Along the same lines, it was emphasized that the assumption according to which the cost of data collection and school selection, among others, would constitute the districts' contribution to the programmes, was not necessarily valid. As a result, it was recommended that an arrangement be made by which the centre negotiates a range of services with the districts and agrees on the price ticket for each of these services.

A further consideration here is the size of each grant and the extent to which they address varying needs. In the case of the SGP and SIGP, it happened that, in some cases, they were sufficient to address the needs of the schools. In others, they were not sufficient, while in others still, they were in excess of the needs. This illustrates once more the difficult balance to be found between a simple and transparent formula, which can hardly be bypassed, and a more sophisticated formula that can help relate the size of grants to different needs, but can also be more opaque and thus prone to fraudulent practices. This equation is difficult to solve in general terms. From the observation of the SGP and SIGP, however, it seems that the rigidity of grants systems

that are centrally designed in order to ensure an equitable distribution of resources (even if they are locally administered) is not necessarily adapted to the needs of populations living in specific circumstances. One alternative would consist in designing financial mechanisms other than school grants in such contexts. Another would consist in giving district committees a higher degree of decision-making in the process of resource allocation, in a spirit of decentralization.

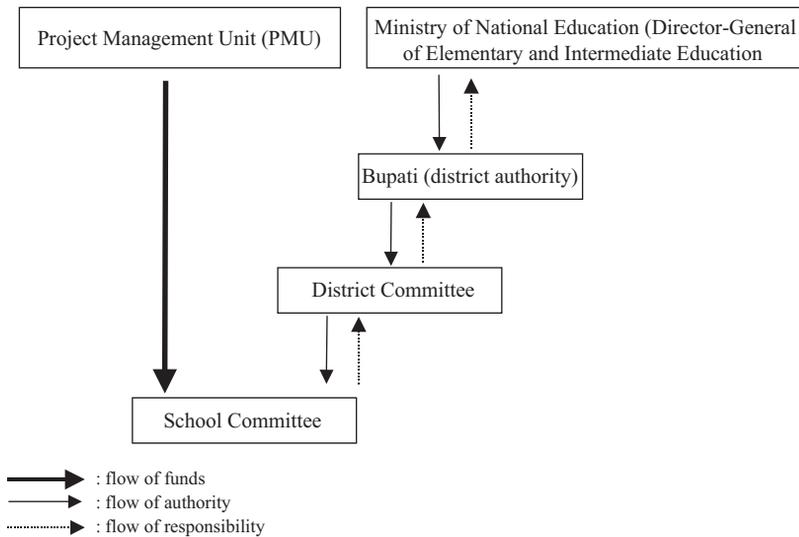
### ***Direct transfer of funds to the schools***

Under both the SGP and the SIGP, funds were delivered directly to the schools (see *Figure 4.2*), the objective being to speed up the delivery of funds and avoid the filtration effect of passing funds down through the layers of the administrative superstructure. More specifically, once the setting of district allocations had been centrally determined, the selection of beneficiaries was the responsibility of multisectoral committees at the district and sub-district levels, which included non-governmental representatives. Defined amounts of cash for specific recipient schools were earmarked this way. Once allocated, schools were allowed to spend the funds within fairly liberal parameters. This was at odds with past practices: Indeed, operational funds were previously filtered from the system before reaching the schools, and whatever funds were left were often spent by officials on behalf of the schools and provided as goods and services, rather than cash. This change in culture was obviously linked to the willingness to enhance transparency and accountability and to foster local decision-making and ‘ownership’.

Not only did the SGP and the SIGP bypass the administrative hierarchy; but they also bypassed the government treasury system. In fact, the SGP used the Post Office and the SIGP the banking system. Although the Post Office experienced some difficulties in coping with the multitude of transactions, and the Bank Rakyat Indonesia (BRI) had some problems in gathering school account details from all the districts concerned, on the whole transfers were executed quickly and efficiently. Globally speaking, this system of direct payments established through the SGP and the SIGP can be considered very successful. First, it helped better relate expenditure to needs; second, with some exceptions, it has enabled timely delivery of the right amounts of money to the intended beneficiaries; third, it has encouraged schools to take greater charge of their affairs. Disbursement was nearly 100 per cent

throughout the implementation of the programmes, which is a commendable achievement. However, if most of the risks of diversion or capture of funds existing in the previous system were avoided, new opportunities for corrupt practices arose:

**Figure 4.2 Direct transfer of funds through the Indonesian SIGP and SGP**



Source: Adapted from Baines, 2005.

- In a few cases, local officials diverted the funds from grant recipient schools. As the funds were directly reaching the schools, they could no longer be filtered as they passed through the system. Instead, they were siphoned up from the schools in different ways: accepting bribes to influence the selection of grant recipients; ‘taxing’ schools for services rendered or favours given; colluding with local building contractors to subvert the requirement that rehabilitation works be school-managed; and operating opaque and unaccountable central procurement arrangements on behalf of the schools for the purchase of books and furniture, etc.;
- In the case of the SGP, experience showed the impracticality of having large numbers of individual students collecting the money themselves from the Post Office. As a result, the Programme had to fall back on the

idea of representatives from the schools collecting the money from the Post Office. This had the effect of shifting ownership of the scholarships away from the students. And scholarships were gradually regarded no longer as the property of the pupils, but as a subsidy to the schools to cover their expenses. Thus, there were cases of head teachers refusing to pass on any money to the students, arguing that the school needed the money.

*Direct flows of funds are not enough to curb corrupt practices and reduce the interference of intermediaries.*

This shows that more direct flows of funds are not enough to curb corrupt practices and reduce the interference of intermediaries. Comprehensive guidelines on procedures and mechanisms of public scrutiny, together with independent monitoring and control, are also key requirements to ensure better transparency and accountability.

### ***Comprehensive guidelines on procedures***

The SGP and SIGP both relied heavily on regulatory approaches, with a clear view to limiting corrupt practices. Financial regulations, in terms of dual signatory authority for cash withdrawals, civil society representation on committees, financial disclosure and community scrutiny, etc. were thus clearly specified from the beginning. They were translated into comprehensive guidelines, which were widely diffused. Rules and formats for planning, handling and scrutinizing grant expenditure were also set out. Simple financial management tools such as school budgets or expenditure plans were developed on this basis. Yet distortions in rules implementation were observed: Some school committees deliberately misinterpreted the guidelines by engaging contractors to manage the grants on their behalf; this opened up different opportunities for fraud, with for example contractors collecting money from the bank and keeping it as payment for their work.

Regulatory frameworks are of, course, always perfectible. Some loopholes detected in the course of the implementation of the programme can be plugged, while underlying principles can be better explained to implementers, etc. But the SGP and SIGP experiences show that even very clear and detailed regulatory frameworks conceived as safeguards against corruption may not be enough to prevent malpractice. *Box 21* blatantly

illustrates the fact that even detailed accounting procedures can be bypassed and supporting documentation falsified (e.g. falsification of scholarship recipients' signatures, preparation of fictitious orders and receipts, recording of inflated quantities, etc.). This is summarized by Baines (2006: 103) in the following way: "It is as if reliance on regulation was viewed as a substitute for the more difficult job of ensuring that the rules were kept". This is particularly true as time goes on, with the emergence of some kind of 'routine' in the implementation process.

**Box 21. The limits of regulatory approaches to curbing corruption**

Government accounting procedures are based on the premise that by specifying each line in great detail and prescribing predetermined unit costs, expenditure against plan can be faithfully recorded, discretion minimized and hence impropriety avoided. For example the vast majority of final accounts produced by schools recording the use of SIGP funds were a mirror image of the expenditure plan. In fact quite the opposite is the case. The principle of disclosure is sacrificed in an effort to make the figures look right. The falsification of supporting documentation and the extensive use of off-balance-sheet transactions mean that the numbers in the accounts neatly add up, but they do not necessarily bear any relation to the truth. Contrary to their intended outcomes, public accounting procedures actually provide the perfect cover for all manner of nefarious dealing.

*Source: Ehrmann and Baines, 2003: 17.*

A few recommendations can be made to strengthen the role of regulatory frameworks in improving transparency and accountability in educational financing – based on the lessons to be drawn from the Indonesian case:

- socialization should include training in bookkeeping and principles and the practicalities of financial stewardship, to help schools draw up their expenditure plans;
- the reporting format should be streamlined to ease the burdens on schools and improve the proportion of reports that are actually completed; and
- the reporting requirements should be directed at three basic objectives: providing work management tools, providing assurance that the money has been spent and recorded properly, and providing the minimum relevant information that is both sufficient and necessary to allow supervision.

In conclusion, programme design can go a long way in establishing a detailed regulatory framework and specifying clear reporting requirements, among others, without necessarily curbing all potential corrupt practices.

*In an atmosphere of lack of financial control, there is potential for virtually any financial transaction to be subject to falsification.*

In other terms, regulatory and procedural frameworks are of course indispensable for improving transparency and accountability, but cannot be effective alone if they are not operated within a 'culture of control'. In fact, in an atmosphere of lack of financial control, there is potential for virtually any financial transaction to be subject to falsification.

### ***Extensive training for committees (public scrutiny)***

Both the SGP and the SIGP were based on the assumption that decentralization and local participation can contribute to improving transparency and accountability in financial and management processes through increased public scrutiny. Under these two programmes, the selection of beneficiaries of grants and scholarships were thus made by multisectoral committees at the district and local levels, which all included non-governmental representatives. Similarly, at school level, implementation was the responsibility of school committees, including community participants. The organizers of these programmes were very well aware that in order to be effective, local participation needs to be accompanied by adequate training and support. Provincial and district secretariats were thus created to provide contact points, organize internal monitoring and handle public complaints. Further technical advice and assistance was provided to the schools through a centrally-contracted network of construction advisors. In addition, an intensive media campaign was held and a cascade-style briefing programme organized, among other initiatives.

*There was a strong correlation between low incidence of corruption and high community knowledge and participation.*

Members of the Central Independent Monitoring Unit (CIMU) noted that there was indeed a strong correlation between low incidence of corruption and high community knowledge and participation. But even though the involvement of communities proved very successful in

most cases, public scrutiny did not always operate as expected. As mentioned earlier, corrupt practices were observed in different places. Some district and local officials, for instance, willingly accepted money from the schools. This was interpreted in some cases as bribes provided by the schools to influence the selection process. Several factors can explain this, namely:

- the important turnover of committee staff, many of whom had not benefited from training and were unaware of regulatory processes and complaint mechanisms;
- the over-complexity of reporting mechanisms, which has been a major burden for schools without succeeding in providing useful information for adequate supervision;
- the ambiguous role of district committees in the monitoring and supervision of programme activities;
- the absence of payment of district and local officers for the work that they had accomplished; and
- the lack of ownership of the programmes by those in charge of implementing them, etc.

This raises a number of questions for other programmes or initiatives. Three axes of reflection can be proposed in this connection:

- how an efficient nation-wide anti-corruption campaign pointing out the detrimental consequences of fund leakage, so that it promotes real social control, can be organized;
- how the kinds of services performed by local actors (e.g. design of standards of performance, possibly payment for these services, etc.) can be better formalized; and
- how efficient systems for accepting and resolving complaints (e.g. toll-free hotlines, whistleblowers, detailed protocol for handling cases, etc.) can be established.

### ***Independent monitoring (CIMU)***

Independent monitoring should be regarded as a major prerequisite for ensuring accountability in school financing. This was the case under the SGP and SIGP, with the creation of a Central Independent Monitoring Unit (CIMU). This Unit was responsible for exposing weaknesses in programme design and implementation, and for investigating any cases of fraud. Its range of

activities widened over time, including progressively monitoring programme management, building monitoring capacities in districts, tracking complaint resolution, publicizing findings and following up with the press. A useful monitoring tool known as an ‘investigations matrix’ was developed within this framework. This included a summary of all the issues investigated to date,

*Independent monitoring should be regarded as a major prerequisite for ensuring accountability in school financing.*

with the corresponding follow-up actions taken. It served both to keep outstanding cases in view and to step up pressure for action towards resolution. In all, the CIMU investigated 40 cases of alleged corruption related to the SIGP.<sup>9</sup> This involved, in particular, allegations against construction consultants hired to advise schools but who charged for their services, as

well as allegations of corrupt diversion of funds from grant recipient schools by local government officials.

Anecdotes show that the CIMU had a deterrent effect on corrupt practices. Moreover, the information, analysis and advice that it provided were recognized as extremely useful to adjusting and improving the implementation of the programmes. Its capacity to communicate its findings was recognized as invaluable in this context. Yet, as mentioned above, it did not impede corruption. Many cases remained unresolved and only a few people were prosecuted. Furthermore, its services were considered quite expensive: The cost of independently monitoring the SIGP, for instance, was estimated at around 5 per cent of the total cost of the grants, with the monitoring team including both a central core of professional and support staff and a field network of regional independent monitors (therefore about 60 people in total). Finally, it was, in a sense, a ‘victim of its success’: By bringing wrongdoing to light, it contributed indirectly to the strong deterioration of the image of the SGP and SIGP, which was relayed by the press and in turn compromised the extension of the programmes later on.

An important lesson to be drawn from this is that in order to be effective, independent monitoring must go hand-in-hand with efforts to improve the integrity of the legal system. If this is not put in place, people no longer expect that corrupt behaviour will be punished, and this contributes to a sense of impunity.

9. See [www.cimu.or.id](http://www.cimu.or.id).

**Box 22. Recommendations on the Indonesian SGIP and SGP**

1. A decision should be made whether refugee and disaster relief problems can be addressed through such a grant programme. Any centralized programme that aims at distributing resources equitably is bound to be highly structured and it may be that the rigidity that it entails is not adapted to the need to respond to extraordinary circumstances.
2. The poverty focus of the programme should be redefined and the beneficiary districts selected against amended criteria. A good deal of time could be spent on devising complex 'objective' measures, but decisions on the allocation of scarce funds are fundamentally political in nature and will never please everyone.
3. The size of grants should be varied according to schools' needs. Variable grant provision increases the complexity and this can be avoided by giving the district committees a greater degree of decision making in the allocation of resources in the spirit of decentralization.
4. Minimum standards of technical supervision need to be re-established, its cost estimated realistically and any resulting arrangements with consulting firms more rigorously enforced. Better dissemination of information to schools that technical advice should be provided free by supervisors might obviate some of the alleged incidence of supervisors demanding money for their services from schools.
5. A decision should be made on whether the programme should pay for the services performed by district committees and secretariat. If so, standard of performance should be established and agreed together with sanctions for non-compliance.
6. PMU should improve programme guidelines and socialization to ensure that the underlying principles of SGIP are well articulated and any gaps are plugged. In particular the reporting format should be streamlined to ease the burdens on schools and improve the proportion of reports that are actually completed. Reporting requirements should be directed at three basic objectives: providing work management tools, providing assurance that the money has been spent and recorded properly, and providing the minimum relevant information that is both sufficient and necessary to allow supervision.
7. Copies of the guidelines should be available in sufficient numbers whenever socialization takes place. To address the particular difficulty encountered by schools in drawing up their expenditures plans, socialization should include training in bookkeeping and principles and practicalities of financial stewardship.

*Source:* Baines, 2003.

In conclusion, the merits of school grants versus more traditional processes of school funding can be considered through the SGP and SIGP initiatives (see the first recommendation presented in *Box 22*). Indeed, experience shows that despite information campaigns, staff training and the involvement of communities, some of the recipient districts and schools did not feel much sense of ownership and accountability. At the same time, the mechanisms put in place have allowed the very rapid and efficient disbursement of funds on a large scale. In this connection, the system established may be seen, within a context of crisis and administrative disarray, as a necessary transitional step towards a real decentralized model, relying on existing administrative structures.



### **Messages for policy planners and administrators**

1. If capacities are poor or lacking (institutional, regulatory, human), more centralized financing and management of funds may prove to offer fewer opportunities for corrupt practices.
2. Details of how the allocation of funds operates (either through formula funding or capitation grants) must be presented with sufficient clarity to enable greater understanding at all levels, professional and lay, within the education system.
3. Great care must be taken in preparing manuals of financial procedures. These must be specific about the following matters:
  - the ordering of goods (tendering process);
  - the separation of ordering and receiving goods;
  - the need for multiple signatures on cheques and credit notes;
  - authorization for credit card expenditure;
  - the maintenance of equipment inventories including write-offs; and
  - the handling of any cash transactions within the school.
4. There must be an agreed format for producing the financial reports at the school and intermediate authority level.
5. Particular care must be taken to ensure that collusion for fraud does not occur within a school. That is to say:

- governors must be sufficiently involved in the life of the school, so that they can detect improper actions; and
  - school council members must be elected and represent community interests – not just those of school employees or local authority politicians.
6. The training of principals and administrative staff in financial procedures must be thorough and constantly refreshed.
  7. Those closest to the point of delivery (i.e. the school council or board of governors) must be sufficiently well-informed of the funding process to be able to detect either incompetence or fraud.
  8. The statistics reported by schools and used in the funding formula must be subject to external checking.
  9. The monitoring of school funds must be frequent and independent of the head and administrative staff. It should fall under the responsibility of an appropriately experienced and trained lay person on the governing body.
  10. Auditors must be independent from the school and, if private, appointed not by the school but by the education authority. Intermediate tier audit should be thorough and regular so that any deficiency can be detected early and remedial action taken. Auditors must report clearly and fully to the education authority and school managers and governors.

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## Chapter 5

# Teacher management and behaviour

This chapter will deal with two separate yet interrelated issues in combating corrupt practices and achieving ethical conduct in education, namely teacher management and teacher behaviour.

### *Definition*

Teacher management covers teacher recruitment, fixing and payment of salaries, promotion, deployment, transfer and training. Each decision involved in teacher management is supposed to be based on a set of official criteria or on transparent managerial considerations. When decisions made are based on individual factors, the whole process of teacher management can be corrupted.

Like any other profession, the teaching profession follows some professional standards of practice. For example, all students are to be treated fairly and on an equal basis, and advantage is not to be taken of the privileged relationship between teachers and students for private interests. These standards, among others, make up the 'ethics of the profession'. Behaviour that does not respect these standards can be considered 'unethical'.

### *Background*

The working and living conditions of teachers are quite difficult in many countries due to low salaries, lack of training, high pupil-teacher ratios, a poor teaching environment, the absence of professional evolution, unsatisfactory postings, etc. Even in countries where enrolment figures are tending to decrease, as in some former Soviet countries, public authorities usually prefer "to let teacher wage fall below the average public sector wage, rather than rationalize the teaching force, i.e. reduce the total number of teachers, increase class sizes, but also raise contractual hours and pay" (Berryman, 2000). Unfortunately, this often creates strong incentives for corrupt actions both in terms of teacher management and teacher behaviour (the two being

interrelated). Given that teachers' salaries make up a considerable proportion of total education expenditures and their influential role on the education system, this can have very detrimental effects on the overall education sector.

Indeed, opacity, subjectivity and corruption in administrative decisions related to teachers can have *huge financial consequences*. In a majority of countries, teachers represent the largest group of public servants; in addition, their salaries constitute the largest component of educational costs. In 2000, recurrent spending on primary teacher salaries thus constituted more than 80 per cent of total recurrent spending on primary education in countries such as Kenya (95.8 per cent), Nigeria (90.9 per cent), Haiti (90 per cent), Honduras (88 per cent), Azerbaijan (84.2 per cent) or Indonesia (80.1 per cent) (World Bank, 2004). In most countries, it is somewhere between 50 and 90 per cent. This means that corrupt practices in this area will have a proportionately higher impact than in other areas. National statistics suggest, for instance, that in some countries there are more teachers employed than

*Opacity, subjectivity and corruption in administrative decisions related to teachers can have huge financial consequences.*

the number of people actually teaching in the classroom, which can be explained partly by poor data management, but partly also by corrupt practices. In a country where teacher salaries represent 90 per cent of the education budget, 10 per cent of 'ghost teachers' enrolled on the payroll will be equivalent to 13.5 per cent leakage of the total education budget, which is obviously considerable.

Corrupt practices in teacher management and distortions in teacher behaviour can also have a high *incidence on educational quality*. In fact, if the appointment, deployment and promotion of staff are based more on corrupt practices (favouritism, nepotism, political 'patronage' and bribery, etc.) than on needs for staffing, qualification of individuals or performance criteria, the educational quality will obviously suffer. Furthermore, teachers who indulge in unethical practices are arguably unfit to teach universal values (civic education, moral values, honesty, integrity, etc). In fact, by doing so, they undermine their own tasks and are unlikely to help their pupils to achieve them. In other words, plans for improving the quality of education should focus not only on quantitative data such as the number of teachers

*Corrupt practices in teacher management and distortions in teacher behaviour can also have a high incidence on educational quality.*

by age, grade, status and level of qualifications and pupil-teacher ratios, but also on ‘intangible inputs’ – that is, the professional and ethical commitments of teachers and staff, transparent management systems, effective accountability and monitoring mechanisms, and a reliable judiciary, etc. Indeed, these ‘intangible inputs’ are crucial to the delivery of good quality education.

More globally, a variety of misbehaviours associated with teachers can disturb the implementation of planned interventions within the education sector, and particularly progress toward Education for All goals. Any plan to increase access to education, improve educational quality or reduce school inequities may thus prove unsuccessful if it does not properly take into consideration issues such as unauthorized fees for school admission, teacher absenteeism, leakage of information before exams, abuses of the teacher-student relationship for private gain, and embezzlement of school finances. In fact, these unethical behaviours can contribute to undermining the effectiveness of any good policies. A study demonstrated, for instance, that a 10 per cent increase in teacher absence is associated with a 1.8 per cent decrease in student attendance; and that a 20 per cent decrease in teacher attendance is associated with a 2 per cent decrease in test scores (Chaudhury *et al.*, 2003). At the same time, another study conducted by the World Bank showed that teacher absenteeism is not a marginal phenomenon: It can be as high as one third of all teachers in the state of Uttar Pradesh, India (World Bank, 2004). Teacher absenteeism is thus a key variable that policy-makers should not overlook if they want their plans to be adequately and efficiently put into practice.

Finally, recent trends in the area of teacher policy may well contribute to putting the need for more transparency and ethics higher on the agenda. One trend consists of the transition towards school-based management in lieu of central and regional management (on the grounds that the closer the links between decision-makers and the users of education, the more likely are better relevance, efficiency, transparency and control of education services). In an increasing number of societies, teacher management and performance assessment are thus in the hands of head teachers. But unless clear and transparent criteria are actually used and applied throughout the country by all school heads, opportunities for corrupt practices will arise. In fact, the

direct and personal relationship established between the employer (the head teacher) and his or her employees (teachers and other school staff) tends to encourage the use of subjective criteria and increase the pressure exerted on personnel. However, actors other than head teachers can be involved in this process and include members of local authorities controlling head teachers, as well as higher layers of the school administration in some cases.

### ***Forms of malpractice***

A variety of malpractices exist in the area of teacher management and behaviour. They can be grouped into five main categories, namely:

- appointment, deployment and promotion of teachers;
- teacher remuneration;
- teacher presence at school;
- school fund management; and
- the teacher-pupil relationship.

These are further described below.

#### ***Appointment, deployment, promotion of teachers***

Malpractices may include:

- appointment, deployment or promotion of staff according to subjective criteria (family, ethnicity, religion, membership of a political party or a union, etc.);
- appointment, deployment or promotion of staff subject to the payment of bribes (in Mexico, for instance, the National Education Workers Union has set up a system of patronage, including the selling of teaching positions);
- cases of recruitment or promotion on the salary scale based on fake diplomas (in Liberia, six teachers were found guilty of having bought their degree. Due to these fake degrees, they had received a total of US\$29,702 in additional pay, with individual amounts ranging from US\$2,300 to US\$7,200<sup>10</sup>);

10. North Georgia's Newsroom ([www.accessnorthga.com](http://www.accessnorthga.com))

- pressure on the administration to assign staff to desirable areas (using a variety of corrupt practices including payment, political pressures, fictitious health problems, fake medical certificates, etc.), resulting in a surplus of teachers in areas of low educational demand and a lack in areas where demand is the greatest;
- positions already filled, but declared vacant by head teachers in order to get more teachers;
- women faking marriage in order to get a transfer;
- misallocated teachers (teachers working at locations other than the place to which they were officially assigned, particularly in rural areas);

**Box 23. Teaching exchanges in Colombia**

Teacher exchanges between regions were a common form of transfer. The high demand for transfers to Bogotá and departmental capitals made the transfer process susceptible to corruption, inasmuch as private agreements between teachers might involve payments. For example, someone holding a position in Bogotá might agree to an exchange with a teacher elsewhere in return for a payment that varied depending on the circumstances of the proposing party: If only a couple months were left before the Bogotá teacher was slated to retire, the teacher from the outlying area could negotiate a more advantageous deal, since the former would only be required to spend a small amount of time in the new post, before retiring. Once the exchange was processed and made official, the Bogotá teacher would resign. The other teacher came to the capital, and his original school remained minus one teaching position. The practice was very common, but difficult for the administration to control, since the agreements were between private parties.

*Source:* Peña, 2004.

- teacher exchanges between regions, based on private agreements and involving payments (see *Box 23*);
- teachers seconded without official clearance from teaching to administrative duties;
- illegal replacement of teachers (individuals paid by teachers to replace them in the classroom, or deceased teachers replaced by individuals with a special connection with the head teacher, or who bribe him or her to get the job); and

- payment of bribes to be admitted to in-service training programmes (especially when they are financed by external agencies, with relatively high allowances).

### ***Teacher remuneration***

Malpractices may include:

- incorrect or double salary payments – including payment of overtime work (this includes the case of teachers who work in two different schools);
- teachers having to pay back part of their salaries to the person in charge of giving it to them – either local administrators or head teachers (particularly in countries where there is no banking system, such as Cambodia, or in some rural areas of the Northeast region of Brazil);
- ghost teachers on the rosters and payrolls (see *Box 24*);

#### **Box 24. What is a ‘ghost teacher’?**

‘Ghost teachers’ are teachers listed on the payroll but who no longer or never existed – either out of sheer negligence or deliberate collusion. Some ghost teachers did exist, but are now dead or retired and no longer present in a school. They include teachers who resigned, absconded, are on leave without pay or on study leave without permission from the Education Service Commission; the monies for them, however, continue to be taken. Others are deliberately created at the school or next higher level to increase funding to a school or district.

- forging of documents and bribing of officials by educational staff to secure larger retirement cheques than they are entitled to, and/or to retire before the customary age; and
- embezzlement of pension funds by administrative staff.

### ***Teacher presence at school***

Malpractices may include:

- late starting of teachers (teachers arriving at their teaching posts well into the school year);
- teacher absenteeism with no valid justification (teachers giving no justification as to why they were absent or giving false justification for sick leave);

- teachers spending an inordinate amount of time dealing with payroll or leave issues;
- irregularities in the management of medical leave or absence (both in the reporting and periodicity of occurrence);
- teachers with a second job (often in a private school) who shorten their work day in order to gain extra income from private sources; and
- cases of expired paid leave, in which teachers have not returned to their jobs but are still paid.

### ***School fund management***

Malpractices may include:

- manipulation of school data, especially by the head teacher, in order to obtain more funds or special allowances (e.g. allowances for large classes distributed on the basis of inflated enrolment statistics);
- collection of unauthorized fees by teachers or head teachers from pupils – for school admission, payment for books, promotion to the next class, examinations, etc. (see *Chapter 4* on financing); and
- embezzlement or mismanagement of school financial and material resources by head teachers and/or teachers.

### ***Teacher-pupil relationship***

Malpractices may include:

- teachers accepting gifts or favours that might impair their professional judgement;
- favouritism (or, on the contrary, penalization) of certain students by head teachers or teachers on subjective grounds, or on the basis of their family, ethnic or religious origins;
- teachers taking advantage of their professional relationship with students for private gain (including sexual favours);
- teachers teaching poorly to increase the demand for private tutoring;
- teachers putting pressure on parents to send their children to their private tutoring lessons to be promoted, to pass an examination, etc. (see *Chapter 8* on private tutoring).

On the basis of the malpractices listed above, one can identify a selected number of ‘red flags’ that help raise the attention of decision-makers and planners to potential corruption problems (see *Table 5.1*).

**Table 5.1 ‘Red flags’ for teacher management and behaviour**

Area	‘Red flags’
Diploma	<ul style="list-style-type: none"> <li>• degree from an unknown university</li> <li>• abnormal number of degrees/high level compared to the teacher’s age</li> </ul>
Examination	<ul style="list-style-type: none"> <li>• teachers are not paid for conducting exams</li> <li>• very high % of students pass the exams/very good score levels</li> </ul>
Salaries	<ul style="list-style-type: none"> <li>• low salaries, extravagant lifestyle of teachers</li> </ul>
Teacher appointment/ transfer	<ul style="list-style-type: none"> <li>• appointment of family/close friends</li> <li>• teachers close to the administration getting the most attractive posts</li> </ul>
‘Ghost teachers’	<ul style="list-style-type: none"> <li>• gap between payroll and the actual number of working teachers</li> </ul>

## Scope

The extent of malpractice in the area of teacher management is difficult to assess, as it is hard to prove that a decision was taken on subjective grounds rather than on objective ones, and also difficult to obtain statistics concerning the misbehaviour of educational staff. A few countries have created databases that include references to disciplinary actions taken against teachers and/or cases of disputes between teachers and the administration or teachers and students, etc. But they are often limited in scope, and do not necessarily provide a full picture of the situation. Some tools such as perceptions surveys, however, can provide useful insights into this area. *Table 5.2*, for instance, provides information about the general perception among major education stakeholders of the potential areas for unethical behaviour among teachers in three countries from South Asia, namely Bangladesh, India and Nepal. It shows that according to education stakeholders from these countries, the major sources of misbehaviour are abuses in human resource management, embezzlement of school finances, and the involvement of teachers in private tuition.

Other methodological tools can be usefully considered within this context. These include in particular quantitative service delivery surveys (QSDS), which measure qualitative aspects in the education sector such as teacher absenteeism or ghost teachers and collect information on resources (financial and in-kind) and inputs, service outputs and cost-efficiency, quality of service, and various dimensions of performance. Such multi-purpose school surveys have been undertaken by the World Bank on the issue of teacher

absenteeism, for instance. They define ‘absence rate’ as “the percentage of staff who are supposed to be present but are not on the day of an unannounced visit” (Chaudhury *et al.*, 2003). It includes staff whose absence is ‘excused’ and ‘not excused’, and therefore includes, for example, staff in training or performing non-teaching government duties. But it can make a distinction between different types of absenteeism: authorized leave; sick leave; other authorized leave; unexplained absence; others. Data are collected from unannounced visits to selected schools to physically verify teacher presence. Teachers who are not found in the school area 10 or 15 minutes after the arrival of the inspectors are considered absent. The main results of these studies are shown in *Table 5.3*.

**Table 5.2 Major sources of unethical behaviour among teachers in South Asia**

Source of unethical behaviour	Very serious	Serious	Less serious	Not at all a source
Abuses in human resource management	India, Bangladesh, Nepal	X*	X	X
Abuses in supply and purchase of materials	X	India, Bangladesh, Nepal	X	X
Conduct of school inspection	X	Nepal	India, Bangladesh	X
School admissions	X	Nepal	Bangladesh	India
School examinations and qualifications	X	Nepal	India, Bangladesh	X
Embezzlement/mismanagement of school finance	Bangladesh, Nepal	India	X	X
Staff attendance/absenteeism	X	Bangladesh, Nepal	India	X
Poor human relations among staff in the school	X	Nepal	India, Bangladesh	X
Private tuition by teachers	India, Bangladesh	Nepal	X	X

\* ‘X’ does not mean ‘no response’. It implies lower responses to specific questions relating to the degree of seriousness of the major sources of unethical behaviour among teachers.

Source: Khandelwal *et al.*, 2004.

**Table 5.3 Teacher absence rate in various countries and cost implications**

Country	Absence rate in primary schools (%)	Budget leakage (estimate in %**)
Ecuador (2002)	16	14.4
Honduras (2000)	14	12.6
India* (2002)	25	22.5
Indonesia (2002)	18	16.2
Papua New Guinea (2001)	15	13.5
Peru (2002)	13	11.7
Uganda (2002)	26	23.4
Zambia (2002)	17	16.3

\* Average for 19 states.

\*\* Calculation based on the assumption that 90 per cent of the budget is devoted to teacher salaries.

Source: Reinikka and Smith, 2003.

Table 5.3 shows that teacher absence rates vary widely from country to country. But globally, the figures underline the magnitude of the problem, with the ‘usually tolerated’ absence rate of 10 per cent being exceeded in all the countries under survey. On average, one teacher out of four is therefore absent on a normal school day in Uganda, and two teachers out of five in the Indian state of Bihar. A more detailed analysis of the figures highlights that within each country there can also be wide variations; in the case of India, for instance, the absence rate varies from 15 per cent in Gujarat to 38 per cent in Bihar (Chaudhury *et al.*, 2003). A simple calculation based on the assumption that 90 per cent of the budget is devoted to teacher salaries reveals that this represents roughly 10-20 per cent of leakage of overall educational resources. Factors that are more or less conducive to teacher absenteeism can be identified thanks to this kind of surveys; they will be further described in the section below on factors.

Other surveys, also undertaken mostly by the World Bank, assess the number of ghost teachers on the payroll. Calculating the number of ghost teachers is based on the physical verification of teacher presence against names on the teacher roster (which includes the entire number of posts approved, both occupied and vacant). Surveys show that in Honduras, for instance, this figure represents 5 per cent (World Bank, 2001); in Papua New Guinea, it represents 15 per cent (Filmer, 2005); while in Uganda, it reaches up to 15-20 per cent (Reinikka, 2001). In this latter case, it was calculated that given an average salary of 250,000 Uganda shillings (UGX)<sup>11</sup> per month and per teacher, the

Ugandan Government has been paying UGX 238 million monthly to ghost teachers, which translates into UGX 2.8 billion per year.

Finally, as will be emphasized in the section below on strategies, management audits of education staff can also help to better assess the magnitude of corrupt practices. The audit conducted in the city of Bogotá, for instance, emphasized the low percentage of ghost teachers in the schools (about 1.5 per cent of all teachers enrolled). Furthermore, it demonstrated that corruption in teacher management was an obstacle to the enrolment of additional pupils (Peña *et al.*, 2004). This will be further described below.

## ***Factors***

At the *systemic level*, among the factors that encourage malpractice and abuse in the area of teacher management, mention can be made of: the absence of clear and well-established criteria for teacher recruitment, deployment, promotion and remuneration; disorganization of the administration combined with no efficient information systems; the use of different entities (ministry of education, local authorities, schools, etc.) to maintain data (both on enrolment and teachers), which leads to some inconsistencies; lack of access to information on staff management (in some cases, people are required to pay intermediaries to be able to access this information); weak monitoring, control, and discipline systems (particularly in remote rural areas); and the organizational culture of the administration, which may place more importance on individual concerns than on general needs and targets. There is a debate in this regard about whether the central planning of teacher management favour more or less corrupt behaviours compared to local planning:

- Arguably highly centralized systems are often characterized by bureaucracy, slowness, ineffectiveness, and dependency on the quality of the information that they receive. As a result, the ‘general rule’ can be easily circumvented by individuals so as to exploit the system’s weaknesses.
- At the same time, although local systems can prove more flexible and responsive to local needs, they are frequently dependent on local influences and pressures (Mulkeen, 2005).

11. US\$1 is roughly equivalent to 1,800 shillings.

This debate is not easy to conclude. However, it seems that in a context of weak administrative capacities, especially at local level, central planning can be viewed as more unbiased and transparent, even though it is also not free of corruption.

At an *individual level*, a variety of factors can help explain misbehaviours, including low salaries, failure to pay teachers on time and delays in promotion and transfer. Studies on teacher absenteeism provide some further insight into the factors that seem or not to influence misbehaviour (see *Table 5.4*). The analysis conducted by Chaudury *et al.* (2005) in Bangladesh, India, Indonesia, Peru and Uganda, for instance, shows that there is no significant relationship between teachers' absenteeism and their residence within the catchment area of the school, their average tenure in the school, and how recently they have attended a training programme. Married teachers are as likely to be present as unmarried teachers, but having children of school-going age is associated with greater teacher attendance. Moreover, it appears that male teachers, older teachers, more educated teachers and higher-ranking teachers are more likely to be absent. Variables linked to teachers' working conditions are also important in understanding teacher absenteeism; they include the quality of school infrastructure, employment of civil servant teachers (as opposed to contract teachers) and the existence of incentive systems. Finally, weak monitoring and local control mechanisms are key factors in teacher absenteeism. Reciprocally, careful monitoring by head teachers, a high frequency of inspections and active parent-teacher associations are positively correlated with low teacher absence. The Nicaragua programme to expand school level autonomy, which relies on strong parental involvement, therefore led to a sharp increase in teacher attendance (King and Ozler, 2002).

**Table 5.4 QSDS: correlates of teacher absence (5 countries)\***

	Variables	Positive <sup>1</sup>	Negative <sup>2</sup>
Salaries	Age	2	0
	Education level	2	0
	Head teacher	2	0
Monitoring and discipline	Inspections/ administration oversight	0	3
	PTA activity	1	1
	Parent literacy index		2
Working conditions	Infrastructure quality	1	4
	Remoteness	1	1
	Multigrade teaching	1	1
Intrinsic motivation	Education degree	0	2
	Born in district		2
	Tenure at school	0	0
	In-service training	1	1
Contract status	Contract teacher	2 (of 4)	0

\* Bangladesh, India, Indonesia, Peru and Uganda.

1. Factors that might increase absence.
2. Factors that might decrease absence.

Source: Chaudury *et al.*, 2005.

### *Critical questions*

The challenge for planners and policy-makers is to design approaches for increasing transparency and accountability in teacher management. Such approaches will obviously depend on the prevailing conditions in each country. Yet some critical questions can be inferred from successful reforms carried out in some places. For instance, are there clear criteria for recruiting teachers, promoting them and transferring them? Is the deployment of teachers based more on demand (preference given to under-staffed schools, quality of staffing needed, etc.) than on supply (preference of teachers for some locations)? Is the information system used for teacher management sufficiently efficient, rapid and transparent to limit inconsistencies and opportunities for corrupt practices in areas such as the payment of salaries? More specifically, is it

computerized? Are there control mechanisms to ensure that the data entered is accurate? Does the public have free and wide access to the data? How are teachers selected to participate in in-service training programmes?

According to the country, ethics and codes may be commonly-known standards or relayed by administrative or legal texts, including codes of practice. In this latter case, it may be interesting to document the following questions: Were consultation processes organized prior to the development of the codes? What actors were involved in the design of the codes? Are the objectives of the codes clear? Do the codes cover both the commitments and the rights of educational staff? Are they easily accessible and understandable? Who are the stakeholders responsible for ensuring compliance with the codes? Do they have the capacity to do so? What institutional mechanisms are in place to detect, report and investigate malpractice? Are people aware of their existence? Are they efficient? What is the impact of the codes on the admissions process, the commitment and performance of teachers and staff, the administration of schools, examination malpractice, private tuition by teachers, etc.?

### *Good practices*

Multiple strategies to prevent or curb corruption linked to teachers are required. These may include using QSDS to detect problems such as ‘ghost teachers’ or teacher absenteeism; financing a computerized teacher management system; and/or implementing codes of conduct; etc. Two particular aspects will be discussed below: teacher management reform to improve transparency and accountability; and design and enforcement of teacher codes of conduct.

#### 1. Teacher management reform to improve transparency and accountability

This presentation will be limited to a recent reform of teacher management carried out successfully by the education administration of the city of Bogotá (Colombia), due to its comprehensiveness and the availability of a systematic evaluation of its implementation from the perspective of efficiency and transparency (see *Box 25*).

**Box 25. Doing more with less: a success story of teacher management in Bogotá (1998-2003)**

Between 1998 and 2003, school enrolment in the city of Bogotá increased by 37 percent (i.e. 240 000 pupils); the increase of the current costs was about half, thanks to the improvement of the efficiency of the system. As the largest cost factor is teachers' salary, the allocation of teachers to different schools to address the needs of staffing due to increase in enrolment is a crucial determinant of saving. Governments' commitment to EFA combined with fiscal restrictions, created a favourable environment for reforming the system of teacher management with attention paid to transparency in appointment and deployment of staff. The new system is based on criteria of demand, enrolment targets, and quality of service. The design of the management system aims at transparency in each step of management.

*Source:* Peña and Rodríguez, 2003: 3.

***Reforming management***

The restructuring and re-organization of the education secretariat involved administrative and functional adaptation at three levels: (i) only decisions in critical areas of administration were left at central level; (ii) all procedures were 'de-concentrated' to the local level and divided between 16 local education management centres, the *Centros de Administración Educativas Locales* (CADEL) covering the various districts of Bogotá; and (iii) the third level of responsibility was the schools. The CADEL were strengthened to be able to provide all relevant information and respond to demand by citizens and the local communities. In this way, it contributed to building more commitment among the CADEL and gave a feeling of ownership to civil society with regards to the management of the resources. At the same time, transparent and rigorous selection and recruitment of staff for the city secretariat and CADEL during that period helped build institutional capacity as well as the credibility of the education administration.

***Introduction of a new information system***

The introduction of a new information system at the three levels mentioned above (with data on enrolment, schools and teachers) was a crucial factor in the success of the reform. Indeed, thanks to this new system, it was possible to monitor daily the performance of the sector in terms of both

coverage and quality. This was made possible by the introduction of a well-designed computer model integrating in a systematic and optimal way some 491 procedures. With this management tool, it became possible to respond quickly to all information requests from citizens without the interference of ‘intermediate’ agents linked to civil servants, who were often paid for their information-providing service and were thus a source of corrupt practice. The time required to receive feedback from the education administration before and after the reform illustrates the performance of the new system: Before the reform, 15 and 45 days were required; the time required is now between 5 and 15 days. Another outcome was the modernization of the archives: Until 1998, each local entity maintained its own archives independently from the central archives; this generated irregularities and inconsistencies. The reform introduced a single, centralized and transparent system of archives, and norms and standards for accessing these.

#### ***Cleaning and continuous updating of the list of employed teachers***

Experience shows that it is extremely difficult to reconcile different lists of employed teachers, coming from various sources (Ministry of Education, Ministry of Civil Service, Ministry of Finance, etc.), which use different information systems, etc. However, there are successful experiences regarding the cleaning of the list of employed teachers. In the case of Bogotá, this required:

- making an accurate estimate of teacher requirements by region and institution;
- checking the existing stock of teachers employed and eliminating double-counting and ‘ghost teachers’ (see *Box 26*), etc.;
- taking into account budgetary constraints in defining the maximum amount available for salaries;
- estimating the number of teachers to be deployed and/or redeployed from one region to another and between schools (this implied an iterative procedure involving each CADEL regarding the movement of teachers);
- using a formal administrative act to validate the final list of teachers eligible to receive salaries from the Ministry of Education; and
- setting up procedures to control absenteeism and to report anomalies (similarly, in Uganda, an attendance register has been established in

every primary school; furthermore, in Malawi and Tanzania, teachers have to sign in to record their attendance (Mulkeen, 2005)).

**Box 26. Strategies to address the issue of ghost teachers**

There are several strategies to identify ghost teachers, e.g.:

- organize a nation-wide ‘headcount’ exercise, during which, for instance, teams visit every known ‘pay point’ and physically verify that teachers listed on payroll sheets exist and are at the salary to which they are entitled;
- ask each teacher to physically travel to a designated location on a particular day, with appropriate credentials to indicate physical existence and location of work;
- conduct ‘spot audits’ throughout the year by a professionally reliable group from the central auditors or Ministry inspectorate.

Thanks to this procedure, it was possible to serve 240,000 additional pupils between 1998 and 2003. Of these, 120,000 were able to be served without the additional recruitment of teachers, due to the redeployment of existing staff. In addition, the new procedures required each school to update on a monthly basis a form describing the status of their staff (including absence for different reasons such as sickness, unauthorized leave, etc.). This has allowed an updated list of staff to be maintained as well as continuous monitoring by education administration.

***More transparent procedures for transferring teachers***

To reduce distorted practices in the transfer of teachers, the reform introduced the following rules: All transfers were to be frozen until the new system was fully operational; transfers are only to take place once a year, at the end of the school year; and all requests for transfer must be centralized, to avoid inconsistencies between requests leading to under and overstaffing.

To ensure transparency in both the deployment procedures and the use of criteria to treat demands for transfer, software was designed to take into consideration the various parameters (norms and standards, characteristics of teachers, needs by disciplines in different institutions etc.). This software was initially applied on a pilot basis. Although resistance was observed among members of the teaching profession – on the grounds that transfer is

a ‘teacher’s right’ – the Ministry referred to the Constitution of 1991, which mandates that the rights of children (including to education) shall prevail over the rights of others, and overcame the resistance of the teachers. Transfers to Bogotá from other parts of Colombia were particularly difficult to address: In spite of an effort to monitor such transfers according to needs of teachers by specialty, the pressures for moving into Bogotá were so strong that only in 2003 was it possible to control transfers in the framework of the new education law. This law requires that transfers between regions take place according to contracts signed between regions, to allow more transparency and better monitoring.

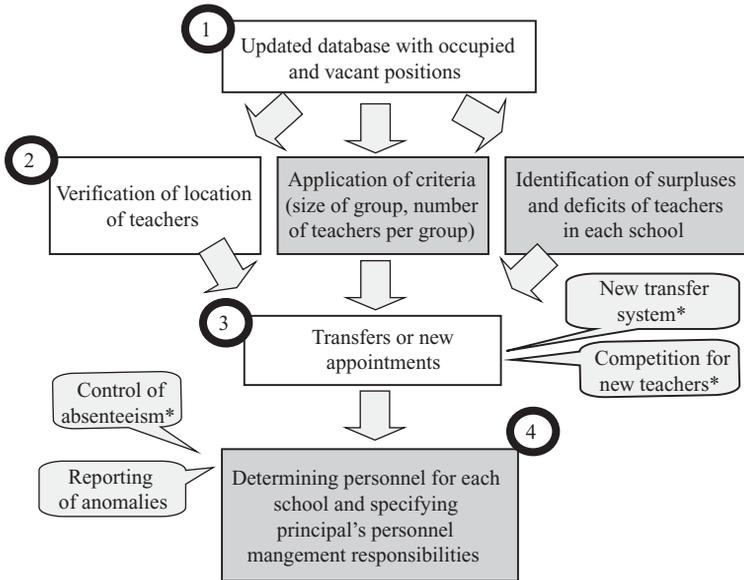
### ***Correcting distortions in the payment of salaries***

The purpose of the procedure was to identify and correct anomalies in the payroll, which are manifested in unjustified payment of salaries. In addition to the continuous cleaning of the staff list, this required the establishment of a pay coding system as well as the cross-checking of the list of teachers employed in schools with the Ministry’s list. Interestingly enough, some 400 teachers were receiving salaries and did not belong to any school. This observation led to the introduction of a very strict system of monitoring of appointments and continuous updating of staff changes, including retirement, death or other events causing departure from the teaching profession. The procedure also contributed to identifying cases of teachers receiving double salaries (working *de facto* part-time in different schools), undeclared sick leave (of longer duration than the norm of 3 days) and other problematic cases. Moreover, an audit of the certificates and diplomas given to teachers by some teacher training institutions was carried out. It was found that there were over 1,000 teachers with invalid certificates and diplomas. The Secretariat of Bogotá imposed sanctions and adopted new procedures to monitor more rigorously certificates and diplomas awarded to teachers.

### ***Better control over medical insurance and pension funds***

Another area where opportunities for corruption were to be addressed is the system of pension and medical insurance managed by a special entity: the *Fondo de Prestaciones Sociales Del Magisterio*. After a period of subcontracting the management of the system to a consultancy (outsourcing), more transparent procedures were established and became the basis for strict monitoring and control by the ministry of the operation of the fund.

**Figure 5.1 Reform of teacher management in Bogotá**



\* These procedures (among others) were designed as a result of the personnel reorganization, and were subsequently applied to the management of teaching personnel.

Source: Peña, 2004.

## 2. Designing and enforcing teachers' codes of conduct

In many countries, each profession in the public service has job-specific ethics and a code of practice (or conduct), in addition to the general statutory rules in force for all members of the public service. They constitute self-

monitoring tools, which are potentially more cost-effective than actions taken against offenders.

*To curb malpractices, various countries have developed professional codes of conduct in the education sector.*

To curb malpractices, various countries have developed professional codes of conduct in the education sector. They provide general guidance in accord with the profession's values and beliefs, as illustrated by the Education International (EI)<sup>12</sup>

12. Education International (EI) is an international federation of teacher trade unions whose secretariat is based in Belgium. Its web site can be consulted at: [www.ei-ie.org](http://www.ei-ie.org).

Declaration on Professional Ethics (see *Box 27*). Their main objectives are: to enhance commitment, dedication and efficiency of service among members of the profession by formulating a set of recognized ethical standards to which all members of the profession must adhere; to provide self-disciplinary guidelines for members of the profession by creating norms of professional conduct; and to obtain the community's confidence in and support for the profession by emphasizing the social responsibilities of the profession towards the community. In building better teaching and learning environments, these codes can contribute significantly to improving the quality of learning.

**Box 27. EI Declaration on Professional Ethics (extracts)**

***Preamble***

3. (...) The exercise of responsible judgment is at the heart of professional activity and the actions of caring, competent and committed teachers and education personnel to help every student reach his or her potential is a critical factor in the provision of quality education;
5. The teaching profession may benefit greatly from a discussion about the core values of the profession. Such raising consciousness about the norms and ethics of the profession may contribute to increasing job satisfaction among teachers and education personnel, to enhancing their status and self-esteem, and to increasing respect for the profession in society (...).

**10. *Commitment to students: education personnel shall:***

- a) respect the right of all children, especially their students, to benefit from the provisions identified in the *UN Convention on the Rights of the Child* particularly as those rights apply to education;
- b) safeguard and promote the interests and well-being of students and make every effort to protect students from bullying and from physical or psychological abuse (...);
- h) give students a feeling of being part of a community of mutual commitment with room for everyone;
- i) exercise authority with justice and compassion;
- j) ensure that the privileged relationship between teacher and student is not exploited in any way but particularly in order to proselyte or for ideological control (...).

*Source:* Education International, 2001.

Even though codes of conduct are generally perceived as useful instruments, they are not always effectively enforced. Various modes of enforcement have been experimented throughout the world, with more or less success. The experiences in this area of South Asian countries (Bangladesh, India and Nepal), Hong Kong SAR (China) and the Canadian Province of Ontario are summarized below.

***Regulation and control by the department of education (South Asia)***

The socio-political environment of the country determines to a large extent the success or failure of codes' implementation (i.e. the level of systemic corruption, political willingness to improve transparency and accountability, general awareness about civil rights, the existence of independent and effective media, the capacity and willingness of civil society organizations to participate in the implementation of the codes and, above all, the emergence of pressure groups at the grassroots level). A comparative study undertaken by the IIEP found that existing social, political, cultural and institutional factors in Bangladesh, India and Nepal have greatly influenced the implementation of the codes.

The general conclusion is that the codes have not been effectively enforced due to exogenous and endogenous (i.e. within the education sector) factors. The following constraints have been identified (Khandelwal, 2003):

- the irrelevance and inconsistency of the codes (some of them originated during the colonial period);
- lack of information on existing codes, with frequent revisions not being shared with all stakeholders;
- low capacity to enforce the codes in multi-level administrative and management structures;
- absence of any detailed planning and capacity building programme to monitor the enforcement of the codes;
- lack of training of teachers and staff to use the codes (a fairly large number of people are not familiar with the procedures for lodging complaints);
- bureaucratic delays and bias in the application of the codes (intervention of local authorities, of teachers' unions indirectly affiliated to political parties, etc.);

- lack of awareness and participation of communities, grassroots organizations and civil society organizations in implementing the codes; and
- lack of a database on incidences of violation of the codes and on remedial measures taken.

### ***Regulation and control by an independent body (Hong Kong)***

In Hong Kong, the Independent Commission Against Corruption (ICAC) has worked since 1992 with the Education Department to formulate a code for the education profession. The code sets out the commitment of members of the profession to students, colleagues, employers, parents and the community at large (see the objectives of the code listed in *Box 28*), but also their general rights as professionals and employees. It also provides guidance on the handling of conflicts of interest, outside employment, use of confidential information, etc. Issues surrounding the professional conduct of teachers have been integrated into various pre-service and in-service teacher education programmes. In addition, the Education Department has issued a circular to all schools to encourage them to adopt the code for their teaching and non-teaching staff. Schools have also been encouraged to send the Code to parents, suppliers and contractors for reference.

The Council on Professional Conduct in Education (CPC) was created in 1994 to promote the code. It is an advisory body established through election by the education personnel of all primary and secondary schools, kindergartens, special schools and educational bodies in Hong Kong. It is responsible for case handling procedures: Where there is a dispute or alleged professional misconduct, a panel of three members interviews the parties concerned and prepares a case study report presenting the facts, the inquiry process, its findings and recommendations. These findings are sometimes released, without disclosing the names of the individuals involved. The CPC received 66 complaints between 1994/1995 and 1998/1999; one example was a complaint received from parents regarding the rule of a certain school stipulating that its teachers could charge fees for tutoring students. In practice, tutored students from that school could obtain tips on examinations or tests. Following the recommendation of the CPC, the Education Department issued guidelines to all schools, clearly stipulating that teachers are prohibited from charging fees for tutoring students of their own schools.

**Box 28. Codes for the education profession of Hong Kong (extracts)**

1.10. The Committee identifies the following as objectives of the Code:

- (1) To promote a sense of professional identity among members of the profession;
- (2) To enhance morale among members of the profession by formulating a set of recognised ethical standards to which all members of the profession should adhere;
- (3) To provide self-disciplinary guidelines for members of the profession by formulating norms of professional conduct;
- (4) To establish and maintain high standards in education by providing guidance for members of the profession;
- (5) To obtain the community's confidence in and support for the profession by emphasizing the social responsibilities of the profession towards the community;
- (6) To elevate the autonomy and social status of the profession through professionalisation;
- (7) To promote democratisation in educational policy making.

*Source:* Preparatory Committee, 1990.

However, a survey undertaken on the implementation of the code showed that even though a high majority of teachers believe that the code can help foster the sense of professionalism of educators, only half of them understand the contents of the code, while three out of four have no idea about the operation of the CPC and a high majority (70 per cent) believe that the code should instead be implemented by an autonomous mechanism of the education sector.

***Peer regulation and control (Ontario)***

Experience shows that the mere formulation of codes is not enough to ensure their effective implementation. It is not the instruments (the codes) alone, but also the willingness and capacity to use these instruments that are important for their effective enforcement. That is why the Government of Ontario, Canada, decided in 1995 not to develop codes of conduct as such and impose them on the teaching profession, but rather – as is the case for other professions such as lawyers or doctors – to establish a self-regulatory body, the Ontario College of Teachers (OCT). The idea was that teachers themselves, in partnership with the broader community, should define professional conduct

and practice, as they are the most competent to do so and are attentive to the good reputation of their profession.

**Box 29. Enforcement of professional standards in Ontario:  
recommendations (extracts)**

- That teachers be involved in the initial determination of Standards.
- That all stakeholders and partners be involved in the development of Standards.
- That caution be used in developing Standards to avoid a narrow definition of teacher.
- That adequate resources, sufficient time, and local expertise be provided to develop Standards.
- That once the Standards are developed, they be promoted, giving time for teachers to discuss them.
- That implementation of the Standards include faculties of education.
- That implementation include active discussion with teachers by teachers involved in their development.
- That the Standards apply to all who are involved in the education of children.
- That parents be made aware of the Standards.
- That the release of the Standards be celebrated.
- That the Standards be reviewed in a timely manner.
- That appropriate resources (resource package of print material (case studies, etc.), video, posters) be developed to explain the Standards for all educators.
- That the development and review of Standards be detailed in statute rather than regulation or policy, providing for 'outside of the profession' or 'lay' review.
- That the Standards not be used for, or as the basis of, teacher performance appraisal.
- That the Standards of teaching be raised.
- That teachers be involved in the development of and operation of a valid assessment system determining whether teachers have attained the Standards.
- That a mechanism be developed for full-time continuous review of professional decision-making bodies to guard against self-serving interests of the profession.

*Source:* Van Nuland, 1993: 25-26.

The 'Standards of Practice' and 'Ethical Standards' were thus formulated. Falling under the private law system, they refer to the commitments of teachers to students and student learning, their professional knowledge and teaching practice, etc. An Investigation Committee was established in 1997 to examine complaints against members of the College regarding professional misconduct, incompetence or incapacity. The College has disciplined more than 140 members since that date: Eighty have had their certification revoked and 62 have received some form of disciplinary action.

Experience shows that the efficiency of such self-regulatory bodies (which also exist in countries other than Canada, such as Scotland) is dependent on a number of conditions. Some of these are listed in *Box 29*.



### **Messages for policy planners and administrators**

1. The reform of staff management is a very sensitive area. In order to overcome resistance, there are several prerequisites, including:
  - the existence of strong political commitment;
  - the establishment of a legal basis for all the procedures to be put in place; and
  - the involvement of teachers' unions (consultation and information).  
Moreover, it may be advisable to make a good diagnosis of 'where to start'; to suspend provisional procedures; to experiment; and to plan pilot phases.
2. In a context of weak local administrative capacities, central planning of teacher management should be favoured against local planning. Although it is more cumbersome, it may allow more transparency and fairness in the process.
3. One of the most critical steps in the process of reforming teacher management is the establishment of 'a clean list of staff'.
4. More transparency in teacher management entails the setting of clear and objective criteria and the design and implementation of well-defined and transparent procedures for the recruitment, posting and transfer of staff.

5. Automation of personnel functions works against the traditional scheme of favours, replacing it with fixed, widely publicized procedures, in which the only condition for being recruited, promoted or transferred is that the requirements be met.
6. Easy access to information both from within the system and in response to requests from citizens, combined with a communication strategy to disseminate accurate and timely information to the public at large, can contribute to a transparent teacher management system and to building an ethical culture among the various levels of the education administration.
7. Adherence to ethical standards and to codes of conduct can greatly contribute to the establishment of a more favourable educational environment, thus directly influencing the quality of education.
8. To ensure its credibility and ownership, teacher codes of conduct should be established through a participatory process involving the teaching profession. A minimum target to achieve is to undertake sensitization exercises, sharing of information, capacity building and efforts towards 'mainstreaming participation'.
9. The successful enforcement of these codes requires:
  - a clear definition of their aims – not limited to professional development;
  - the wide dissemination of the codes;
  - the establishment of both social and professional control of their implementation;
  - strict sharing of responsibilities among the different stakeholders involved in their monitoring; and
  - the training of education personnel.
10. Codes can assist in achieving the aims of the education system in general by promoting ethics and hence facilitating the teaching and learning of universal values, and contributing to a favourable environment against corruption in society.

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## Chapter 6

# Contracting of non-wage expenditures

### *Definition*

Non-wage expenditures cover all educational expenditures, with the exception of salary expenditures. They include capital expenditures (such as school land and leased buildings, school construction and renovation, and equipment), operating expenditures (such as school materials, textbooks, meals and transportation) and running expenditures (such as heating, electricity and water). Procurement consists in the acquisition of goods and services by the public administration. These goods or services are often purchased from private entities through contracting. Contracting refers to all the activities that, in the shape of a contract, contribute to channeling government expenditures. It can involve the setting up of a fair system of selection between different competing bids (or tenders) received from suppliers or service providers.

### *Background*

According to the Organization for Security and Cooperation in Europe (OSCE), contracting of goods and services by public bodies amounts, on average, to between 15 and 25 per cent of a country's Gross Domestic Product (GDP), and in some countries even more. In absolute terms, this represents trillions of dollars each year (OSCE, 2005). This obviously opens room for corrupt practices. The OSCE thus estimates that corruption in public contracting can represent as much as 30 per cent of total procurement costs, or even more in some cases. Potential risks are often even greater in international procurements than in domestic ones, given the size of the contracts, the number and variety of actors involved, and the diversity of procurement regulations in

*Corruption in contracting is not restricted to countries characterized by poor governance and low-paid staff: It can flourish everywhere, including in western democracies.*

use, which sometimes creates confusion. Furthermore, experience shows that corruption in contracting is not restricted to countries characterized by poor governance and low-paid staff: Scandals revealed by the press demonstrate that it can flourish everywhere, including in Western democracies.

In the field of education, corruption in contracting is encountered mainly in conjunction with school buildings (construction and maintenance), the provision of equipment and furnishings, the production and distribution of teaching and learning materials (particularly textbooks), and the delivery of meals. Moreover, in a context of growing reliance on the private mode of delivery and outsourcing of service and maintenance, opportunities for corruption in contracting have expanded. Two illustrations of this can be provided. The first is the example of Japan, where university officials from the city of Tokyo were accused of defrauding 94 million yen<sup>13</sup> on the occasion of a school construction project in 2003 (The Japan Times, 2004). The city of Tokyo had indeed issued this sum based on the invoice from a major construction firm, but it was discovered a few months later that this invoice had already been part of school construction expenses several years earlier, and that the university had already received subsidies for it. The second example is that of the Philippines, where it was estimated that payoffs had eaten up 20-65 per cent of textbook funds, and that bribes given to regional offices and schools were representing up to 20 per cent of a contract – which resulted in a critical shortage of textbooks in nearly all of the country's 40,000 public schools (Chua, 1999).

Distortions in the contracting process clearly contribute to raising costs, reducing the quantity and quality of the goods and services provided, and decreasing the efficiency of public spending and donors' assistance. More specifically, distortions in contracting procedures have a negative impact on the economy (cost), and on the efficiency and the effectiveness of the goods and services provided:

- *economy*. First, corruption in contracting tends to inflate the price to be paid in order to obtain a product or a service. For instance, when there is collusion between public authorities and a publishing house, the total price of textbook production may be inflated in order to anticipate on the amount of bribes to be paid;

13. About US\$800,000.

- *efficiency*. Second, malpractices in contracting contribute to reducing the total quantity of goods or services obtained in relation to what was originally put in. For instance, when huge amounts of funds are wasted in payoffs and leakages, the total number of textbooks provided may be much lower than what was planned;
- *effectiveness*. Third, lack of transparency in contracting weakens the impact to be expected from the goods or services provided. For instance, when the selection of a publishing house is made on the basis of the amount of bribe that it agrees to pay to get the job, the quality of the textbooks provided may be quite low, and educational quality and results are not likely to be improved.

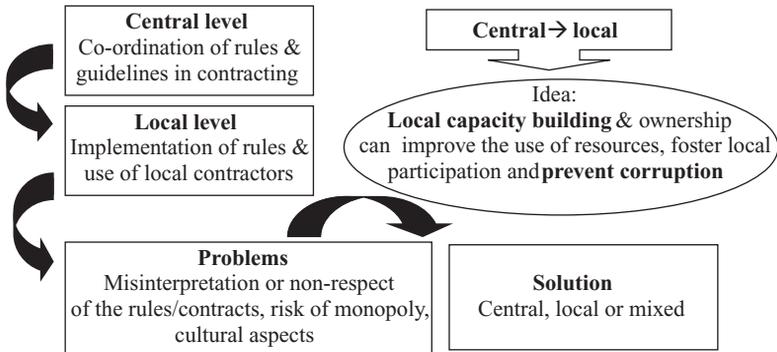
Furthermore, the higher the risks of corruption, the lower the level of confidence in contracting (and therefore in investment). Consequently, corruption in contracting should be regarded as a major issue to be tackled in order to increase the total amounts of goods and services meant for the education sector.

Fortunately, three major trends that are currently affecting the contracting sector are expected to improve transparency and accountability: first, the decentralization of procedures; second, the harmonization of procurement work at the country level; and third, the growing use of e-procurement:

- *decentralization of contracting*. In a growing number of countries, local authorities or even schools are increasingly directly involved in the contracting process. Central authorities are often still responsible for the co-ordination of rules and guidelines, but local bodies implement these rules and call on local contractors. In Moldova, for instance, about two thirds of procurement expenditures were made by local authorities in 2002, versus only one third by the state (CPAR<sup>14</sup> estimates, based on Ministry of Finance data). It is often argued that local procurement can improve the use of resources and prevent corruption by fostering local participation and ownership (see *Figure 6.1*). This assumption will be discussed below, as experience shows that misinterpretation or non-respect of the rules, as well as risks of hidden monopoly, also occur in a decentralized setting;

14. Capital Project Approval Request.

**Figure 6.1 From central to local procurement: What is best?**



- harmonization of procedures.* In February 2003, leaders of the major multilateral development banks and international and bilateral organizations and recipient country representatives gathered for the High-Level Forum on Harmonization in Rome (Rome-HLF). They committed themselves to taking action to improve the management and effectiveness of aid. They met again in February 2005 for the Joint Progress toward Enhanced Development and Effectiveness: Harmonisation, Alignment and Results in Paris (Paris-HLF). At this meeting, they discussed how to harmonize their operational policies, procedures and practices and to align their support with poverty reduction strategies or other development frameworks. One particular area of concern within this framework is procurement. Harmonization of procurement regulations is now under discussion in Bangladesh, Benin, Bolivia, Brazil and Cambodia, among others. Time is required to evaluate the concrete impact of this new trend; however, it is hoped that it will help improve transparency and reduce corrupt practices;
- e-procurement.* ‘Electronic Government Procurement’ (e-GP) can be defined as “the use of information and communication technology (especially the Internet) by governments in conducting their procurement relationships with suppliers for the acquisition of goods, works and consultancy services required by the public sector” (World Bank, 2003). It includes e-purchasing and e-tendering. E-tendering applications can help improve transparency in contracting, as they contribute to facilitating access to all bidders (including small and local providers), to automating

each of the steps involved, and to making the tendering processes and results public. But for this to happen, some basic requirements must be fulfilled, as emphasized in *Box 30*, including: bid advertising; technological neutrality; technical standards for interoperability and security; acceptable cost; ease of participation; and good audit trails.

**Box 30. E-procurement: some basic principles**

Borrowing countries are increasingly inclined to use electronic procurement systems and means for processing and managing loans, credits and programmes from the Asian Development Bank, the Inter-American Development Bank and the World Bank (MDBs<sup>15</sup>). e-GP<sup>16</sup> is defined as the use of information technology systems and networks by governments in conducting their procurement relationships with suppliers and contractors for the procurement of works, goods, services and consulting services required by the public sector.

All stages of the procurement process can benefit from electronic processes, including pre-qualification, advertising, preparation and issuance of bidding documents, receipt of bids, bid opening, evaluation of bids, clarification and modification, notification, and publication of results. However, it is not necessary for an e-GP system to include all procurement functions. For some steps in the procurement processes used by governments online technology is extremely efficient (such as for advertising of bid opportunities). In other instances online technology and its applications are more problematic and uncertain, such as for authentication where governments are often still considering their legislative approaches (if any) and management and security remain as issues.

The MDBs require that the key principles of transparency, non-discrimination, equality of access, open competition, accountability and security of process apply to the deployment of these principles. Translating these core principles into operational effect has implications for variables such as: bid advertising, technological neutrality, technical standards for interoperability and security, some processes such as ensuring good audit trails, cost and ease of participation.

*Source:* ADB, IADB, World Bank, 2005.

15. Multilateral development banks.
16. Electronic government procurement.

## ***Forms of malpractice***

Perhaps the most systematic presentation of opportunities for corruption in procurement was made by Klitgaard in his classic essay: “Corrupt cities” (Klitgaard, 2000). He showed that corruption can occur before and after contracts are awarded. Furthermore, he identified major opportunities for corrupt practices at each step of the procurement process, i.e.: when government establishes and publicizes the need for goods or services; when vendors submit proposals to meet the need; when government evaluates vendors’ proposals and selects the winner; and when a vendor performs the contract. Many other documents have been produced since then on similar issues, in particular by the OECD, the World Bank, U4 and Transparency International (see the list of references at the end of this chapter and Transparency International’s minimum standards for public contracting in *Appendix 2*). The main opportunities for corruption that they have identified in their work are summarized in *Table 6.1*. Although these opportunities are not limited to procurement relevant to a single sector, experience provides a wealth of examples of corrupt procurement practices in the education sector.

### ***Identifying the needs and specifications of the contract (ex-ante corruption)***

At the first stage, when the state or local public authorities estimate the needs and specifications for a good or a service, there can be problems of:

- commissioning unnecessary and often onerous needs studies from a favoured firm (in some cases, the study is never delivered even though advances have been paid, or the study is carried out by a competent firm and results are then passed on to a fictitious firm, which copies them and generates a substantial margin from their publishing);
- bias or omissions deliberately introduced in the results of in-house need studies in order to justify the award of a contract at a later stage;
- falsifying or distorting needs with a view to channelling benefits to an individual or an organization instead of responding to a specific need (e.g. creating a demand for goods that are of no use, justifying purchases, works or services which are unnecessary or out of proportion to real needs);

- commissioning studies or specifications from an operator linked to a group, another of whose subsidiaries will bid for the contract (giving it exclusive information that other bidders will not have);
- over-specification or lock-out specifications justified by the technical complexity of the operation or the existence of exclusive process, with the objective of favouring a particular supplier or contractor (e.g. choosing a service covered by an exclusive right); and
- use of vague or non-existent specifications, or of specifications tailored to certain bidders, making them more prone to abuse.

**Table 6.1 Major opportunities for corruption in the area of procurement**

Major steps	Major opportunities for corruption
Decision to contract/ definition of contract characteristics	<ul style="list-style-type: none"> <li>• Falsifying needs to channel benefits to an individual or an organization (e.g. demand is created for a good no one buys simply to benefit the company's owner)</li> <li>• Over-specification or lock-out specifications</li> <li>• Vague or non-existent specifications</li> </ul>
Contracting process	<ul style="list-style-type: none"> <li>• Invitation to tender not publicized, thereby restricting the number of bidders</li> <li>• Invitation to tender publicized but little time is given to present offers, making it difficult for inexperienced bidders to present bids</li> <li>• Deliberate over or underestimation of the price of the bid</li> <li>• Collusion of bidders to influence prices or to share the market by artificially losing bids, or by not presenting offers</li> </ul>
Contract award	<ul style="list-style-type: none"> <li>• Evaluation criteria not clearly stated in tender documents, leaving no grounds to justify the decision</li> <li>• Selection of bidders made on subjective grounds (firm-specific favouritism, political considerations, bureaucratic corruption: 'pork barrel', bribes, kickbacks, etc.)</li> </ul>
Contract implementation and supervision	<ul style="list-style-type: none"> <li>• Contract changes and renegotiations after the award of a nature that changes the substance of the contract itself</li> <li>• Supply of less equipment or inferior materials disregarded by the administration</li> <li>• Corruption at sub-contractor level</li> <li>• Collusion between contractors and administration to produce false invoices</li> </ul>

### ***Organizing the contracting process***

During the second stage, when the state or local public authorities determine the contracting methods and the contracting process is opened, there can be problems of:

- splitting large contracts into smaller ones that are not subject to public procurement regulations (in some cases, the same firm does the work, but the bills are submitted under different company names);
- awarding of contracts without tendering, or setting up a restricted call for tenders culminating in a negotiated procedure, so as to reduce the total number of bidders;
- distortion of the bidding rules (cover bidding, bid rotation, bid rigging, bid suppression, bids not kept confidential, etc.);
- circumvention of the requirements for publicizing calls of tender (invitation to tender not advertised or advertised in a journal of limited circulation);
- fixing too little time to present offers, thereby making it difficult for bidders to present bids without prior knowledge of the contract (sometimes with false claims of urgency to curtail the tender period);
- underestimation of the price of the bid for the go-ahead to be obtained more easily (necessary supplements are anticipated that will subsequently inflate the initial cost and will not be submitted to bidding rules);
- overestimation of the price of the bid when there is collusion between decision-makers and the bidder (thus generating a comfortable margin, part of which may be returned to the decision-maker without increasing the initial cost);
- collusion between bidders or contractors to influence prices or to share the market by artificially losing bids, or by not presenting offers.

### ***Selection of the winner***

At the third stage, when the state or local public authorities evaluate vendors' proposals and select the winner, there can be problems of:

- bid selection criteria not being clearly stated in tender documents, or chosen deliberately for their subjective nature (e.g. school construction

selected according to its ‘environmental appropriateness’), leaving room for manipulation and biased assessments;

- revision of the selection criteria after the bid is opened, for instance by modifying the weight allocated to each criteria or by adding new criteria;
- attempts of contractors (building and suppliers, textbook authors, publishers and printers, etc.) to bribe the administration in order to influence its final decision, or to eliminate competitors who have submitted a more attractive offer;
- attempts of contractors to bribe the administration in order to be included or to gain access to the short-list of eligible contractors;
- bidders being selected on subjective grounds (firm-specific favouritism, political considerations, bureaucratic corruption: pork barrel, bribes, kickbacks, etc.);
- decision to award the contract being based on a single measure of merit (either cost or quality, for instance) to favour one of the bidders;
- absence of publicity given to the final decision taken, and/or of the grounds for it, so as to hide the lack of transparency of the whole contracting process.

***Performance and supervision of the contract (ex-post corruption)***

During the fourth stage, when vendors perform the contract that they have been awarded, or the contractors evaluate its implementation, there can be problems of:

- cancellation of the award without justification;
- contract modifications or renegotiations of a nature that change the substance of the contract itself;
- contractors not being required to comply (or not being sanctioned for not complying) with specifications or to meet the stipulated quantities and quality (which results in the production of fewer items, at a higher unit price, of lower quality, etc.);
- fraudulent (inflated) cost reporting, cost overruns, faulty overhead, etc.;

- creation of false invoices, sometimes integrated into both the client's and the supplier's accounting systems (see *Box 31*);
- subcontractors and partners being selected in a non-transparent way, allowing corruption at sub-contractor level (e.g. for the transportation of textbooks to the schools);
- guaranteed income being granted by the administration to private firms. Once the contract has been awarded, it is never questioned for decades (this can be the case for school meals contracts, for instance); and
- supervising bodies or individuals being unduly influenced to alter the contents of their reports, so that changes in characteristics, quality and performance, etc. go unnoticed.

**Box 31. Techniques for misappropriating funds: the case of false invoices**

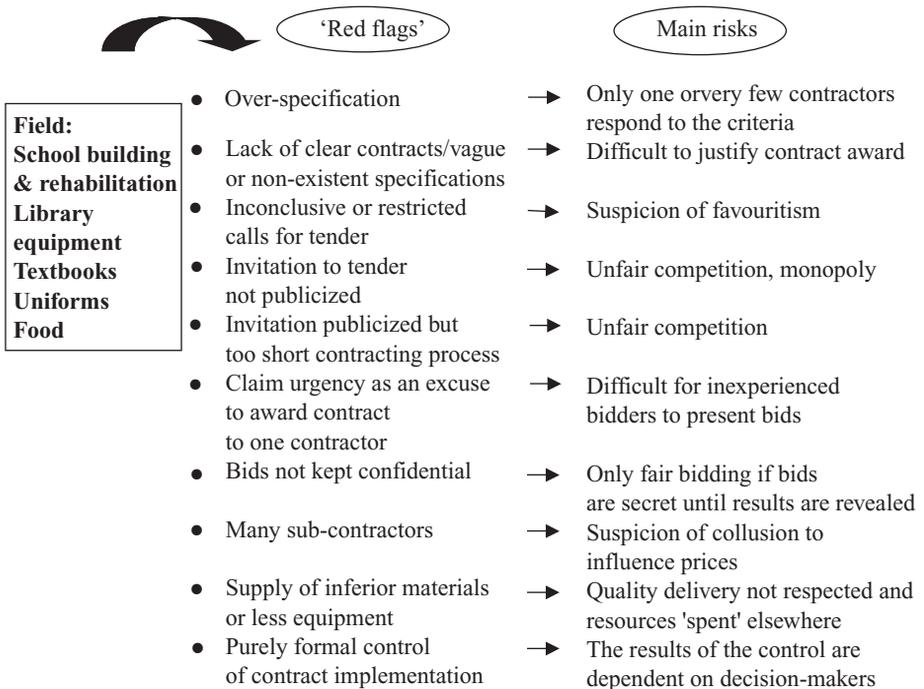
False invoices are used to extract money from an entity legally. In material terms, an invoice is a document which supports the posting of a charge in the accounts of an industrial or commercial entity and justifies its corollary, a disbursement. The document may be real and justified (a true invoice), entirely fictitious (when nothing is provided in return for the consideration) or partly false (over-billing or, in some cases, under-billing). False invoicing means presenting as real and perfectly justified a document that is at best only partly so. A false invoice can be thus integrated into the client's and supplier's accounting systems as the consequence of a real service rendered, with all the characteristics of formal consistency between the two sets of accounts. The invoice triggers payment by the customer and hence authenticates a disbursement.

*Source:* Bueb and Ehlerman-Cache, 2005: 13.

It is impossible to establish an exhaustive list of opportunities for corruption in the area of procurement: they are numerous, from the very simple to the extremely sophisticated. Furthermore, each specific sub-sector of application generates its own forms of malpractice. For instance, regarding textbooks, problems of copyright can arise, while there may be problems of over-specification on technical grounds as regards equipment. This is why it is important for each sub-sector to identify a few 'red flags' that can help anticipate malpractice and, on this basis, to draw up a 'risk map' (highlighting the personnel or the administrative units that are potential sources of risks). In the example provided in *Figure 6.2*, for instance, the decision not to publish

a call for tender is regarded as a potential indicator of malpractice, with the main risk associated with this being unfair competition.

**Figure 6.2 ‘Red flags’ and main risks associated with public contracting**



The various red flags listed above identify contexts that are conducive to corrupt practices. But it is obviously difficult to identify red flags that directly reveal corruption in the process of selection of contractors, for instance. However, some useful indicators can be taken into consideration within this context, such as:

- the frequency (number or amount) of contracts delivered to a given firm or supplier (suspicion of favouritism);
- a list of firms whose bids are systematically not accepted (for price or quality of service reasons), but which sometimes appear as sub-contractors of the winner for instance (suspicion of conspiracy); and

- existence of links between the decision-maker (or an employee) and the contractor (suspicion of illegal interest), etc.

## *Scope*

Contracting is often perceived as a major area of corruption, with many examples of scandals in school construction, textbook production and so on, involving huge amounts of funds, having been disclosed and widely diffused by the press. It is true that the profits from corruption are particularly high in school construction and textbook production, for instance. Indeed, bidders are

*Contracting is a major area of corruption in school construction, textbook production.*

‘encouraged’ to pay high bribes, since sales levels are guaranteed. Similarly, service provision that implies long-term contracts, such as school meals, can raise formidable monitoring challenges, particularly as regards the quality of the service provided. Two illustrations are provided below in this connection:

- *corruption in textbook contracting, Philippines.* At the Department of Education, Culture and Sports (DECS), corruption began to escalate in the 1970s when regional offices were created and money flew into the departments for procurement of educational materials. Loans and grants from foreign banks and donors kept flowing in, but as the DECS central office could not use up all its funds, it spread money to the field offices and, in the process, decentralized corruption. From that date onwards, textbook purchases were negotiated directly with the private sector at regional level. It is estimated that payoffs ate up 20-65 per cent of textbook funds. Bribes given to the regional office and school divisions could represent 20 per cent of a contract, with the administrative accounting officer and auditor each receiving 0.5-1 per cent. As a result, a critical shortage of textbooks was noticed in nearly all of the country’s 40,000 public schools; on average, each textbook was shared by six pupils in elementary schools and by eight in high schools (Chua, 1999). However, there have been signs of change since then: A freelance agent working for several textbook publishers, for instance, was caught when handing over a bribe of 3 million Philippine pesos.<sup>17</sup> The agent

17. About US\$58,000.

was called before the National Bureau of Investigation and later to the Senate and House of Representatives on charges of corruption;

- *corruption in school meals contracting, France.* Contracting of school meals represents 4 billion euros<sup>18</sup> every year. Contracts are shared between 15 private companies – three of which have 29 per cent of the market. One of these offered in the year 2000 to pay for and manage the construction of kitchens to prepare the meals. The price of the kitchen was calculated into the price per meal. The problem, however, was that the kitchen was twice as large as necessary. As a result, the community lost a significant amount of money. Another company signed a contract in 1994, when school canteens were privatized, which gave them the right to sell school meals for a period of 14 years. This was extended on several occasions. According to the contract, the city had to pay for non-consumed meals. The contract foresaw 421,000 meals per year in 1996. However, the real number of consumed meals was 363,000. The city therefore had to pay an additional 245,000 euros<sup>19</sup> for non-consumed meals (Dubien, 2004). But here again, there are signs of change: In 2004, the contract was finally changed and the city is no longer obliged to pay for non-consumed meals.

Clearly, there are huge amounts of funds wasted in the education sector due to corruption in public procurement. However, for a broader picture of the situation, it is interesting to have a look at the distribution of education budgets by type of expenditure. It shows that in pre-university education, non-wage expenditures (which are the ones submitted to contracting) represent only a small part of the education budget (from one quarter to one third

*There are huge amounts of funds wasted in the education sector due to corruption in public procurement.*

of the total, in most cases); the rest goes to the payment of education staff salaries, particularly teachers. Textbook and education materials, for instance, represent on average 1-3 per cent of total current public expenditure on education (e.g. 1.2 per cent of current public expenditure on education in Kyrgyzstan and Andorra, 1.4 per cent in Oman, 1.9 per

18. About US\$5 billion (1 billion = 10<sup>9</sup>).

19. About US\$310,000.

cent in South Africa and 2.3 per cent in Togo, according to the EFA *Global monitoring report 2006*). This is of course quite limited in relative terms; however, it represents huge amounts of funds in absolute terms, since the education budget itself can correspond to 3-9 per cent of the gross national product of a country.

## ***Factors***

A set of factors are conducive to the development of corrupt practices in the area of contracting. An analysis of some of these factors carried out by the Supreme Audit Office (SAO) in Slovakia can be evoked in this connection. The analysis found that violations of the law on public procurement occur most frequently for two reasons: first, ignorance of the law; and second, deliberate avoidance of public procurement for certain types of goods, works and services. Reasons for violating the law include the complexity of the law and its interrelated regulations (such as problems with defining a subject of the procurement, selecting a suitable method for public procurement, or setting the procurement subject price). The use of different procurement procedures (the national one, but also that of various donors or development banks – which are sometimes contradictory) can confuse the situation. Education institutions thus tend to split the issue of public procurement into several parts in order to avoid competitive bidding following the procedure of public procurement and instead to use simplified, but also less transparent, methods. These various factors can be completed by the following:

- high value of contracts, creating incentives for corrupt practices;
- an inadequate legal, regulatory or policy basis to ensure fair competition in the awarding of contracts;
- existence of monopolistic markets in some areas of contracting (e.g. school construction, school meals preparation, textbooks production or distribution, etc.);
- lack of capacity and inadequate expertise, especially in the fields of planning and tender evaluation;
- poor internal and external supervisory, control and complaints mechanisms; and
- no requirement to disclose the state of affairs, procedural issues, etc. to auditors, complainants and the general public (in particular parents).

Table 6.2 lists several of these factors for textbook contracting and the corresponding levels of responsibility. For instance, the lack of an adequate legal basis is the responsibility of the state, while the absence of adequate systems of control is the responsibility not only of the state, but also of donors and users. A few factors that are specific to the textbook industry are added in the table, such as the unclear use of copyright policy.

**Table 6.2 ‘Red flags’ in textbook contracting: levels of responsibility**

Indicators of ‘red flags’	State	Donors	Users (teachers/ students)
Inadequate legal basis to ensure fair competition in awarding contracts	*		
Unclear use of copyright policy	*		
The nature of the textbook industry is in some countries almost monopolistic	*	*	
Procurement rules restrict access to firms from donor countries		*	
The value of textbook contracts is very high	*	*	
Inadequate expertise (in planning, tender evaluation, ethical audits, etc.)	*	*	
Poor follow-up of distribution pattern	*	*	*
Inadequate systems of control and of internal and external audits	*	*	*

\* Should be aware of the danger of corruption and know how to signal/respond to the problem.

### *Critical questions*

There are many questions to be raised regarding contracting issues. Some of them are quite specific to the area concerned (i.e. textbooks or schools meals); others are more general. Some examples of the latter are as follows: Is there a detailed legal and regulatory framework on public procurement in place? If yes, is it consistent with international requirements? What entity is responsible for determining contracting procedures and fixing explicit selection criteria? Is there a system of pre-qualification of bidders? Is the contracting process based on real open competition? Are bidding procedures and documents made available to the public and on time? Does the process of contract award rely on written justifications, bid openings in public, outside reviews, etc.? Is there a committee dealing with objections and claims? Is

there an independent supervisory and control body responsible for contract implementation? Do communities play the role of ‘watchdogs’? Are controls of contract implementation purely formal, or do they really allow the checking of the quality of the service delivered?

### ***Good practices***

Improving transparency and accountability in public procurement first requires setting principles for fair and efficient contracting. This implies that both the quality of the goods and services provided and their price should be carefully taken into consideration – with the objective of obtaining the best quality for the best price. This also entails specifications being non-discriminatory, with equal treatment of all potential bidders. Finally, the contracting process should be transparent and made public: Rules and decisions should be accessible to all potential suppliers, and systematic records should be prepared to explain and justify all decisions taken. The implementation of these principles can prove successful only if the following basic requirements are satisfactorily fulfilled:

- the elaboration and enforcement of a law on public procurement and the establishment of procedural guidelines in line with international standards (see the example of Azerbaijan in *Box 32*);
- the clarification and clear distribution of procurement functions and responsibilities (product or service specification, adjudication, monitoring, etc.) between different offices, committees, etc.: According to Klitgaard (2000), the contracting process should be entrusted to a high level authority, and to a talented person of high integrity;
- the building of adequate capacities to conduct contracting (i.e. training of procurement officers, creation of independent and multidisciplinary evaluation committees, etc.);
- the promotion of integrity both within the public sector (through the adoption of codes of conduct, for instance), and the private sector (through information campaigns, in particular); and
- the development of efficient information, communication and documentation systems (including e-procurement and online systems) to facilitate access of all stakeholders to information.

More specifically, for each step of the contracting process already described above attention should be paid to the following:

When the Government *identifies the needs and specifications of the contract*, written contracting procedures should be prepared that outline the whole process and fix explicit criteria to award the contract. The setting up of contracting requirements and specifications should be made with the help of outside consultants or external auditors, as in the case of Slovakian universities. Within this framework, the duration of contracts for routine procurements (like school meals) should be limited, so as to allow periodic competition. Finally, procedures for reducing risks of corruption should be established from the beginning. In this connection, some countries have tried more or less successfully to introduce a new step to the procurement process: the pre-qualifying of bidders. This entails pre-screening or pre-selecting bidders, often through the use of a questionnaire or detailed reviews (de facto simplified audits), considering bidders' reputation and affiliation, managerial characteristics, management structure, financial assets and liabilities, etc. This allows the exclusion of bidders involved in corrupt practices from the outset of the process (lists of 'blacklisted companies' may be considered in this regard).

**Box 32. The State Procurement Agency (SPA) of Azerbaijan**

The first procurement legislation was introduced in Azerbaijan in 1996. The law on public procurement was adopted in 2000. An executive body answerable to the Cabinet of Ministers was established in 1997, with responsibility for carrying out state policy in the field of public procurement. The duties of the agency were determined by a charter approved by decree of the President of Azerbaijan in 2003. According to charter, its main activities are as follows: implementation measures; information dissemination; training; supervision; and control. It is also responsible for the preparation of critical documents for use by procuring entities; the preparation of reports for the Cabinet of Ministers on the status of the public procurement system; and the preparation of annual reports of its activities. It is quite limited by its size (fewer than 20 staff members).

*Source:* Government of Azerbaijan, [www.tender.gov.az](http://www.tender.gov.az)

When *organizing the contracting process*, public authorities should ensure that there are always several bidders participating and try to promote

additional competition. For this to occur, they should minimize confidentiality and ensure that bidding procedures and documents are publicly available and on time for all the potentially interested parties. A fair chance must be given for bidders from various countries to take part in the process – even though bidders from the host country may be entitled to a preference expressed as a percentage of the total contract value (the World Bank places this at 15 per cent for goods contracts, and 7.5 per cent for works contracts). This is usually announced in the bid invitation. Foreign bidders may also be encouraged to include consultants from the host country for some parts of the job. Moreover, the OECD and the European Union restrict access to member countries, as do Canada, the United States and the United Kingdom, among others.

**Box 33. Electronic system strengthens transparency of the government procurement processes**

The Inter-American Development Bank recently announced its acceptance of the use of Compranet, the Mexican electronic system for government procurement, for national and international bidding in IDB-financed projects in Mexico.

Compranet, which was developed by Mexico's Ministry of Public Administration, modernizes and increases transparency in the procurement of goods, services, leases and public works for the federal public administration and the governments of Mexican states that use the online service. Under Mexican legislation, all federal agencies must post on Compranet the calls for bids, terms, notes, results and contracts related to their procurement. The system, accessible at [www.compranet.gob.mx](http://www.compranet.gob.mx), helps the government compile information about these processes and assists citizens in the scrutiny of public sector spending.

Through Compranet, users can track how much the government is spending on specific goods and services, what agencies are holding procurement processes, which businesses are bidding, which ones win contracts and whether protests are lodged. Compranet helps avoid repetitive procedures, eliminate partiality from the process of awarding contracts and facilitates private sector participation in government procurement via the Internet in a transparent framework.

*Source:* IADB, [www.iadb.org](http://www.iadb.org)

The *selection of the winner* of the bidding process should be made by a central body in charge of comparing tenders and awarding contracts.

Increasing transparency in the selection process can involve a series of successive filters based on qualitative, technical and financial criteria (review systems as well as market and cost surveys can helpfully foster the objectivity of these criteria). Written justifications, bid openings in public and outside reviews, among others, can usefully contribute to increasing the consistency of the bid evaluation and contractor selection. Use of electronic procurement systems can also be considered in this regard, as illustrated by the case of Mexico (see *Box 33*). The involvement of civil society organizations in the selection process by means of integrity pacts for instance, can contribute to improving the accountability of the overall selection process (the example of an integrity pact in the area of textbooks will be given in the following point). Finally, the establishment of a committee responsible for dealing with objections should be considered to check the accuracy of the decision taken: Claims, especially those made by unsuccessful bidders, should thus be carefully taken into consideration – possibly with the publication of reasons for rejecting their offer.

During the *performance of a contract*, several strategies can help limit distorted practices. First, the monitoring and evaluation of contract implementation is indispensable to certify the quality and timeliness of the products or services delivered. This involves the establishment of internal and external supervisory and control systems, and mechanisms for these should be developed. In the case of school construction, for instance, an inspection team should ensure that qualitative standards and timeliness are complied with; in the case of school meals, inspectors should check that food arrives in a timely, regular and continuous fashion according to plan. Second, efficient rewards and penalties systems for contractors should be established, with incentive mechanisms tied to contract performance and severe sanctions in case of misconduct (including publicizing such misconduct). Third, the role of ‘watchdogs’ played by communities should be promoted as regards the adequate delivery of contracts (especially for long-term contracts, such as school meals); ‘report cards’ can prove very successful in this regard (refer to *Chapter 3*). Fourth, mechanisms to handle potential complaints of users should be set up. These various strategies are summarized in *Table 6.3*.

These are some general strategies to be applied to all procurement processes in the education sector in order to improve transparency and accountability. However, more specific approaches should be taken into

consideration according to the particular sub-sector concerned. Three of them will be considered below, namely school construction, textbook production and distribution, and school meals.

**Table 6.3 Major strategies to fight corruption in the area of contracting**

Stages	Main risks	Strategies
Decision to contract/ definition of contract characteristics	<ul style="list-style-type: none"> <li>• Risk of channel benefits to an individual or an organization</li> <li>• Over-specification</li> <li>• Vague or non-existent specification</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of written contracting procedures, fixing explicit selection criteria</li> <li>• Contracting requirements and specifications made by outside consultants or external auditors,</li> <li>• Pre-qualification of bidders through questionnaires or detailed reviews</li> </ul>
Contracting process	<ul style="list-style-type: none"> <li>• Invitation to tender is not publicized</li> <li>• Invitation to tender is publicized but little time is given to present offers</li> <li>• Bidders or contractors collude to influence prices or to share the market</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of additional competition.</li> <li>• Bidding procedures and documents made publicly and available on time</li> <li>• Chance given for bidders from multiple countries to take part in the process</li> </ul>
Contract award	<ul style="list-style-type: none"> <li>• Evaluation criteria not clearly stated in tender documents, leaving no grounds to justify the decision</li> <li>• Bureaucratic corruption / bribes / kickbacks / political considerations</li> <li>• Quality (or cost) is the single measure of merit for awarding the contract</li> </ul>	<ul style="list-style-type: none"> <li>• Selection by a central body in charge of comparing tenders and awarding contracts</li> <li>• Setting up of a series of successive filters based on technical, qualitative and financial criteria</li> <li>• Reliance on written justifications, bid openings in public, outside reviews, etc.</li> <li>• Use of electronic procurement systems</li> <li>• Involvement of civil society organizations (integrity pacts)</li> <li>• Establishment of a committee dealing with objections and claims</li> </ul>
Contract implementation and supervision	<ul style="list-style-type: none"> <li>• Contract changes and renegotiations after the award of a nature that changes the substance of the contract itself</li> <li>• Corruption at sub-contractor level</li> <li>• Cost overruns</li> <li>• Supply of inferior materials or less equipment</li> <li>• Award cancellation</li> </ul>	<ul style="list-style-type: none"> <li>• Internal and external supervisory and control systems of contract implementation</li> <li>• Efficient rewards and penalties systems for contractors</li> <li>• ‘Watchdog’ role played by communities (‘report cards’)</li> <li>• Mechanisms to handle complaints</li> </ul>

## 1. School construction, improvements and repairs

School and university construction, improvements and repairs concentrate many of the opportunities for corruption in public contracting described above, with the payment of bribes or payoffs to win the contract, collusion among suppliers, embezzlement of resources, manipulation of data, cost overruns, and supply of inferior materials or less equipment, among others. School

*The rules of property purchasing can involve passive corruption (bidders corrupting officials by offering them money) or active corruption (officials asking for bribes in order to grant them the contract).*

mapping criteria are sometimes totally ignored within this framework, with decisions as to the location of a school or university being taken solely on the basis of financial or political criteria. The rules of property purchasing can also be entirely bypassed. They can involve either passive corruption (bidders corrupting officials by offering them money) or active corruption (officials asking for bribes in order to grant them the contract). This usually results in the bad location of schools, ghost schools and deliveries, incomplete construction of buildings, unfulfilled demand for places, inefficient use of facilities (including unoccupied buildings), schools and other institutions kept

open or closed based on fake statistics, and poor learning environments, among others. The seriousness of the situation has led different countries to experiment strategies aimed at improving transparency and accountability in this domain. Some of these are summarized below.

### ***Guidelines and clear selection criteria, combined with inspection***

Some governments have displayed their willingness to bring more transparency to school construction and rehabilitation. This is the case of Lesotho, which under its Free Primary Education Programme to Universal Basic Education has devoted huge amounts of funds to the building and rehabilitation of schools as well as to the supply of new school furniture and equipment. In order to reduce the potential risks of corruption that this may generate, the Government decided to undertake a number of steps (Lehohla, 2003).

First, it issued clear and strict guidelines concerning civil works procurements, ensuring for instance that all school construction projects are open to public tender or that contractors may challenge any awards that they feel are not in compliance with the rules. Second, it developed clear criteria for the evaluation of contractors in order to ensure that only those with an ‘honest background’ in the industry may be allowed to conduct business. Third, it established specific building standards against which all works conducted in school construction are measured, so as to ensure quality in the delivery of the final product. Fourth, it established a construction inspection team whose role is to ensure that qualitative standards are in no way compromised. Fifth, it has tried to make a point of involving students, but also parents and the entire community, as a further step towards strengthening transparency in its school construction system.

However, experience showed that these measures were not sufficient to eliminate corruption. Accordingly, the Government formulated complementary measures. This includes the reform of the overall procurement regulations and of the Tender Board, the introduction of ‘value-for-money procurement principles’ and the involvement of communities that benefit from the projects as watchdogs of the quality of service delivery. The success of these measures will need to be assessed against the results obtained.

### ***Pre-qualification of suppliers***

Several local authorities from the United States have decided to emphasize the pre-qualification of suppliers. This is the case of New York City, which as part of its campaign against corruption in school construction has created the Office of the Inspector General (OIG) to secure the School Construction Authority (SCA) against “crime, corruption and racketing”. Every firm that wishes to be considered for bidding thus needs to be pre-qualified first. Several factors are taken into account for the pre-qualification, including the quality and timeliness of the firm’s past experience, its reliability and responsibility, and its integrity (see *Box 34*). The firm’s performance is tracked with the help of an automated information system, the Vendor Information Exchange System. Reviews of the firm’s performance on its four most recent large contracts as well as of its audited financial statements can also be considered within this framework. This system of bidder pre-qualification has been completed by other requirements, such as building

metrics of price and performance, creating a computerized school tracking system to monitor change orders or work that goes beyond the scope of the original contract, or authorizing only senior project officers to approve changes to a project that bump up its price.

**Box 34. Pre-qualification of bidders in New York City**

The New York City School Construction Authority (SCA) was established in the New York State legislature in 1988, to build new public schools, and manage the design, construction and renovations of capital projects in New York City's 1,200 public school buildings. SCA, which is funded through the City capital budget, had budgeted US\$13.1 billion for its five-year capital plan for fiscal years 2005 through 2009. SCA pre-qualifies all firms wishing to be considered to bid on SCA projects. The prequalification process evaluates the capability and credentials of potential firms before invitations for bids are issued. To be pre-qualified, prospective firms are required to complete an extensive application form that examines the following factors:

- experience;
- quality and timeliness of past performance;
- financial capability;
- reliability and responsibility;
- safety record;
- compliance with equal employment requirements;
- compliance and enrolment with wage, hour and fair labour standards;
- enrolment in New York State Department of Labour-approved apprenticeship training programmes for those trades in which applicants seek prequalification;
- integrity of the firm, its key people, affiliates, current and past owners and principals.

Firms need to be in existence at least for two years to pre-qualify for contracts. The Contractor Qualification Unit (CQU) looks at the firm performance on its four most recent largest contracts and reviews the firm's work history, as noted in the Vendor Information Exchange System (Vendex), an automated information system developed by New York City to track the performance of firms awarded city contracts. For contractors seeking work exceeding US\$1 million, CQU reviews potential firms' audited financial statements for the previous two years. The CQU sends a copy of the application to the Office of the Inspector General (OIG) for an integrity review of the firm to determine whether key persons of the prospective firm have been involved in illegal or unethical activities. OIG staff review references and Vendex reports, check for undisclosed relationships of firms, and examine credit reports and public records to verify information in applications.

*Source:* Thomsen, 2005: 3.

The pre-qualification approach followed by the SCA, combined with various administrative sanctions, has had a positive impact on the reduction of corruption in the City of New York (Klitgaard, 2000). However, in 2005 the press disclosed a scandal involving six officials from the School Construction Authority, who were charged with accepting tens of thousands of dollars in bribes, sometimes in exchange for padding the cost of the schools being built. An audit of the work undertaken by the SCA in 2005 gave a few recommendations for limiting malpractices in the future, such as having a senior manager review and sign all applications, or including the current statement of findings as evidence of OIG review in all applicant files.

### ***Citizen oversight committees***

A different approach consists in establishing ‘citizen oversight committees’. Districts throughout the US<sup>20</sup> have established such committees to oversee funds dedicated to the building of schools or facilities improvements. They are typically commissioned by the school board to help them fulfil their monitoring and oversight roles. They act as a means of engaging the public to increase accountability and ensure that money collected from taxes is properly used. They are usually composed of volunteers who may or may not have professional experience related to construction management. Their primary function is to oversee two types of control, i.e.:

- *internal controls*, defined as the policies and procedures established by the education administration to ensure the effectiveness and efficiency of operations, reliability of financial reporting and overall compliance with applicable laws and regulations; and
- *external controls*, which include analyses and audits of the capital programme’s policies and finances by an entity unrelated to the education administration (municipal or state auditors or independent auditors hired by the district).

Citizen oversight committees regularly report to the school board and to the general public, either to highlight successes or to identify key areas for

20. These districts include Cleveland, Ohio; Jefferson County, Colorado; Las Vegas, Nevada; Los Angeles, Oakland, Sacramento and Salinas, California; San Antonio, Texas; Miami-Dade, Florida; and Wichita, Kansas.

improvement. They often make recommendations based on their findings, and then ensure that these recommendations are duly acted upon.

According to a study conducted by the 21<sup>st</sup> School Fund<sup>21</sup> in 2003, many factors contribute to the success of a committee's work, in particular: the design of a detailed and comprehensive charter by all the parties involved; the commitment of the leadership to the committee's purpose and scope of responsibilities; the amount of resources available for the work of the committee; and the existence of adequate data collection systems and reporting requirements.

## 2. Textbooks and teaching materials

Resources devoted to textbooks and teaching materials constitute a relatively minor proportion of the education budget in most countries (from about 1-5 per cent, according to *Table 6.4*). However, according to evaluation studies carried out internationally, textbooks and teaching materials constitute a significant determinant of education quality and outcome. Moreover, the quality and relevance of materials are of crucial importance in educational achievement. Corrupt practices in the design, production or distribution of textbooks or teaching materials may therefore lead to more far-reaching consequences than the costs involved may suggest. In addition, the situation of textbooks and training materials is already quite fragile in many countries, with no genuine book policy to serve as a reference and guiding principle to educational planners and administrators; alarmingly low textbook per pupil ratios observed within the classroom; and budget cuts regularly affecting non-salary expenditures.

21. The web site of the 21st School Fund can be consulted at: [www.21csf.org](http://www.21csf.org)

**Table 6.4 Textbooks in primary education, Francophone Africa**

	Benin	Burkina Faso	Cameroun	Central Afr. Rep.	Congo D.R.	Côte d'Ivoire	Gabon
Textbook budget (1)	2	7.5	10	0.93	0.5	8.5	2.801
Endogenous production	0.5		2.5	0	0.275	6.75	2.297
Importation of textbooks	1.5	3.9	7.5	0.93	0.235	1.75	0.504
Number of primary school pupils	872,217	939,228	2,112,000	450,000	400,000	1,691,000	342,000
Number of inhabitants	6,400,000	11,600,000	15,000,000	3,300,000	2,941,000	16,400,000	1,300,000
State budget	479		1,545	134		1,946	1,139
National Education Budget	50	12.5	176			324	356.5
Cost of textbooks per pupil (2)	938	7,985	4,734	2,066	1,250	5,026	8,190
<hr/>							
	Guinea	Mali	Niger	Senegal	Chad	Togo	Tunisia
Textbook budget (1)	1.5	3	1.2	4	2	2	10.8
Endogenous production			0.2				4
Importation of textbooks	0.75	0.555	1	3.693	1.7	1.5	0
Number of primary school pupils	674,000	1,250,000	529,800	1,197,081	786,000	859,774	1,265,432
Number of inhabitants	7,600,000	11,100,000	11,200,000	9,800,000	7,100,000	4,700,000	9,148,000
<hr/>							
State budget							
<hr/>							
National Education Budget							
Cost of textbooks per pupil (2)	2,225	2,400	2,835	3,341	2,544	2,328	8,537

1. In billions of French CFA (1 billion = 10<sup>9</sup>). 2. in French CFA, per pupil.

Source: Leguéré, 2003: 29.

The main characteristics of the textbook chain vary widely from country to country. In some cases, it is entirely within the hands of the public sector. In other cases, apart from the curriculum development stage, it is entirely within the hands of the private sector – with many possibilities of a mix between these two models, as illustrated in *Table 6.5*. In fact, in most developed countries the government is responsible for curriculum development and for subsidizing families, while private publishers decide which books will be published, coordinate the production and distribution process, and assume financial risks. In developing countries, the public sector often plays a greater role: from total responsibility (such as in Tunisia) to contracting private publishers for the design, production and distribution of textbooks (such as in Lesotho), often under direct public control (such as in Côte d’Ivoire). The government regularly subsidizes publishers (public or private) and textbooks are provided at no or low cost, with the support of donors.

**Table 6.5 Public and private involvement in the textbook chain**

Stages in the textbook chain	Public (O) Private (X)					
	1	2	3	4	5	6
<i>Types of public/private involvement</i>						
Developing curriculum	O	O	O	O	O	O
Designing and selecting manuscripts	O	O	O	O	O	X
Editing	O	O	O	O	X	X
Page-setting	O	O	O	X	X	X
Printing and binding	O	X	X	X	X	X
Storage and distribution or sale	O	O	X	O	X	X

*Source:* Askerud, 1998.

Regardless of the model in place, experience shows that opportunities exist for corruption at each stage of the book chain. These can include: lack of a clear policy on copyright (in particular in the public sector); lack of transparent purchase rules for raw materials (papers); distortion of procurement procedures in the printing and distribution processes (often supported by international financial institutions); opacity in the mechanisms of certification of textbooks and education materials; and unclear criteria for financing and costing the production of new textbooks (free or not, relying on the collection of funds, the multi-use of textbooks), among others. This can result in inflated costs, inefficient use of resources, low relevance (or even inadequacy) of the materials distributed and, finally, a poor impact on

learning. Moreover, in some cases, those paid for writing the textbooks are not those who actually wrote them.

Among the factors that explain corrupt practices in the area of textbooks and training materials are: the lack of clear regulations and control mechanisms; absence of a clear division of responsibilities between the various protagonists involved; poor and inadequate appointments of managerial staff (directors of textbook units or pedagogical institutes); lack of expertise and experience in textbook publishing and distribution; absence of a clear fiscal policy regarding cultural goods (including the import of paper); and monopolistic or informal networks of printing, distribution or storage, among others. Many of these factors are related to the absence of a real national book policy. This issue can be particularly sensitive in view of the share of foreign support in the financing. Given the crucial role of textbooks and didactic materials in improving the quality of education and increasing education achievements, many aid agencies (including development banks) have indeed taken a significant share of funding.

There are many different approaches to tackling the issue of corruption and fraud in the area of textbook production and distribution. Three of them are summarized below, namely:

- limiting interference by curriculum developers, publishers and certifying agencies;
- setting up integrity pacts to improve transparency in the selection of publishers; and
- strengthening distribution mechanisms (open bids).

These approaches can converge and culminate in the design and implementation of a national book policy.

***Limiting interference between curriculum developers, publishers and certifying agencies***

It is often believed that the adoption of educational content and its interpretation through didactic materials does not offer real opportunities for corruption. This is not entirely true. In some countries, publishing houses or importers of textbooks and materials interfere in the process of curriculum reform, either by slowing down the reform until they have sold their stocks of textbooks, or by influencing decisions made on content in order to protect

their share in the market. Similarly, collusion can occur between national or foreign publishing houses and certifying agencies (with the example of members of certifying agencies being influenced by, or even belonging to, publishing houses in some cases). The experience of Cameroon illustrates this well. In the 1990s, a firm called the CEPER<sup>22</sup> was established that aimed at strengthening national capacity to apply for textbook procurement. A feasibility study showed that the CEPER was able to produce and sell textbooks and teaching materials at low cost. But very quickly, the CEPER went out of business. One of the main reasons for this was that the national certifying board, with minor exceptions, did not certify any of the textbooks or teaching materials produced by the CEPER (Leguéré, 2003).

To address this risk, there is a need to guarantee a strict separation between entities in charge of developing the curriculum, publishing the textbooks and certifying them. This is the case in Norway, where the government conceives the syllabus, teachers draft the manuscripts, and textbooks are produced by private publishing houses and approved by an independent authority, the National Centre for the Development of Training Materials. Schools are then free to choose between the texts on offer (see *Box 35*). The independence of the certifying agency is central within this context, since it ensures the neutrality of the overall process. In addition, it is necessary to closely monitor the status of the civil servants in charge of curriculum reform as well as that of experts from certifying agencies. The elaboration of codes of conduct to guide them in their work can be usefully considered within this framework, as can the organization of regular rotation of staff. Finally, there is a need

to check the final products that will be finally delivered in the classrooms. Indeed, in the Philippines, for instance, it was found that textbooks that had not been approved by the certifying entity had nonetheless been purchased by corrupt local authorities for distribution in the classrooms (Chua, 1999).

*There is a need to guarantee a strict separation between entities in charge of developing the curriculum, publishing the textbooks and certifying them.*

22. *Centre d'édition et de production pour l'enseignement et la recherche.*

**Box 35. Norway's National Centre for the Development of Teaching Materials**

In Norway, there is a system of governmental approval for textbooks prepared and published by various private publishing houses and sold on the free market, and it is considered that teachers are the best textbook authors. Authors must have a clear understanding of the syllabus and decide on: the main perspective of the presentation; the main themes of the book; which themes require more thorough treatment than others; methodological ideas or suggestions for teachers and pupils; and the complexity of language used.

For the purposes of government approval, the manuscript is sent to the National Centre for the Development of Teaching Materials, where independent consultants make an expert appraisal in light of certain standards, including: the pedagogical presentation of the content; the question of gender equality; and the correctness, clarity and suitability of language used in terms of the pupil age group. In addition, the Norwegian Ministry of Education initiated a project entitled 'Selection, assessment and quality development of textbooks and other kinds of teaching materials', aimed at:

- obtaining knowledge on how schools select textbooks and other teaching materials;
- shedding light on why certain publications are used and who influences the decisions (teachers, head teachers, local boards of governors, parents, pupils);
- shedding light on how textbooks stimulate differentiation and adjustment between teaching and project work;
- developing methods for assessing the quality of textbooks;
- encouraging discussion of criteria for selection, assessment and quality development of textbooks;
- evaluating how curricula targets are met in textbooks; and
- evaluating how the selection and use of textbooks are influenced by the aims of curricula.

*Source:* Adapted from Thorbjørnsen, 2000.

***Setting up integrity pacts to improve transparency in the selection of publishers***

The production of textbooks and training materials involves some major financial transactions, particularly for purchasing paper and financing printing contracts. In general, strict procedures for procurement and cost-

related information are established, especially when the transaction is funded by external agencies. But their implementation and monitoring can prove quite deficient. In certain cases, officials may therefore receive bribes from publishers for awarding contracts, sometimes at inflated costs. In other cases, the final selection of the publishers may be determined more by cost considerations than by the real quality of the products (measured in terms of their consistency with the curriculum adopted nationally) – the objective being to accommodate major publishers who give preference to standardized designs to achieve cost reduction. As a result, fewer textbooks are produced than could normally have been expected, at a higher cost, and sometimes of lower quality (in one Central Asian country for example, textbooks were printed with the support of development banks, but were found to contain so many fundamental errors that they prompted the government to withdraw them from the schools).

At the same time, the common exclusion of local publishers from the bidding process not only hinders the local book industry, but also favours the expansion of non-transparent procedures. In some French-speaking African countries, for instance, most local publishers were de facto excluded, to the benefit of French publishers (Leguéré, 2003). To address this problem, a number of positive changes have been introduced in recent years, as illustrated by the experience of the World Bank in Côte d’Ivoire: Efforts have thus been made to adapt the criteria and conditions of procurement procedures to the national context, to introduce more flexibility in the selection of firms, and to encourage the development of local publishing houses, among others.

More broadly, some encouraging trends have been recorded recently to improve transparency and accountability in the selection of publishers. These include: more transparency in transactions thanks to enhanced procedures of procurement and of contract awarding; better knowledge of the costs; better monitoring and wide publicity of the conditions for the transactions; and stronger linkages between publishers, printing houses and relevant entities from the education administration, etc. One interesting initiative in this context is that of Argentina. Developed at the request of the Ministry of Education, Science and Technology by an NGO called *Poder Ciudadano*<sup>23</sup>, it aimed at increasing transparency in the pre-contract phase of

23. *Poder Ciudadano* is the national chapter of Transparency International (TI) in Argentina.

a large textbook procurement. It relied on three main instruments to this end, namely: consultative debates with publishing houses; the collective adoption of an Integrity Pact; and the obligation made on committee members to fill in ‘declarations of interest’ (see *Box 36*). The terms of the bidding contract were thus defined jointly and members with potential conflicts of interest were excluded from the selection committee. The evaluation of this experience showed that the different parties concerned felt that greater impartiality was achieved thanks to this new process, which benefited a larger number of publishing houses.

### ***Strengthening distribution mechanisms***

Textbook distribution includes both commercial actions (advertisements, organization of networks of shops and other arrangements for sale) and fixing conditions for distribution (packaging, transport, storage, collecting payment, etc.). The conditions for textbook distribution and consequently the number of opportunities for corrupt practices vary from country to country:

- first, mechanisms for storing the books and distributing them can rely on either public or private structures (selected through open bidding or not) that are more or less decentralized. Their functioning is sometimes very unsatisfactory, with the examples of books being stored for very long periods of time before being distributed – or not being distributed at all – or being distributed through informal networks (the ‘black market’). In some cases, they may be stored and only a few made available for sale: The objective here is to create a shortage and thus make the price of the textbooks soar. They may also be stored and then, rather than being distributed free of charge to the schools, be surreptitiously sold in a neighbouring country;
- second, the price of textbooks can greatly differ from place to place. In some countries, the price of a textbook is linked to its cost, while in others textbooks are provided free of charge to users. In others still, the price is under the control of the schools (and therefore not available on the market). In reality, however, the fact that it is often de facto separated from the market price adds a great deal of confusion over the real cost of distribution. This is particularly the case in countries with largely dispersed populations, such as in Central Asia or in Western or Central Africa (where books can be sold for between 75 per cent and 200 per cent of the average price). This situation generates much confusion as well as distortions and opportunities for corruption.

**Box 36. Argentina's Integrity Pact for textbooks**

In 2003, the Ministry of Education, Science and Technology (MEST) asked 'Poder Ciudadano' (PC), Transparency International's national chapter in Argentina, to assist in the procurement process of more than three million textbooks. The textbooks were to be distributed to all provinces, benefiting almost two million students. The request was due to complaints about the selection process in the initial phase of the textbook purchase. The MEST and 48 publishing companies signed an Integrity Pact (IP) that established new ground rules with the aim of eliminating any incentives or opportunities for bribery in the public contracting process.

Sixty-five publishing houses and associations interested in the purchase responded to an invitation from the MEST to take part in a debate on criteria for textbook selection. PC prepared a review and drafted criteria for discussion by the group. Publishers and representatives of publishing industry associations took the opportunity to voice their opinions regarding the draft criteria. Several conditions in the original draft criteria were reformulated as a consequence. Similarly a consultative meeting on the bidding documents, attended by 68 participants, was held. On that occasion, issues relating to the submission and eligibility of offers, the contract award and contract implementation (including the delivery and features of the textbooks to be provided) were discussed.

In light of the previous year's objections regarding the composition of the advisory committee, PC proposed to MEST that it put in place a transparent process selecting the National Advisory Committee (CAN<sup>24</sup>) members. To this end, a system was established that included identifying potential conflicts of interest among CAN members in charge of recommending textbooks to provinces. To ensure impartiality, each CAN member was required to complete a statement in which the following information was recorded: academic background, previous research, teaching experience, public offices held, positions held in the private sector, publications, professional or shareholder relationships with publishing companies, and royalties received. Following publication of the statements, publishers submitted a series of remarks relating to the provisional list of CAN members. Based on this assessment, the MEST decided to exclude half of the 19 CAN members entirely, or in part (that is, for certain textbooks or levels of education).

*Source:* Arcidiano, quoted by Meir and Griffin (Eds), 2005: 16, 21.

24. *Comisión Asesora Nacional.*

The so-called *librairies par terre* (street bookstores) in Africa, where textbooks are offered in the streets in school neighbourhoods at artificially high prices, illustrate both the poor conditions of distribution and the lack of transparency in price policies.

**Box 37. Drafting a national book policy**

Having set the objectives, the book policy must indicate the strategies for achieving them (...). These strategies should recognize the requirements of publishing, such as:

- the modernization and development of the publishing industry, for instance by giving it 'priority status' to ensure that books receive preferential treatment in fiscal policies, exemption from various tax and duties, credit facilities, import regulations and export incentives, the supply of raw materials, the provision of training opportunities and so on;
- the involvement of the private sector publishing in the production and marketing of learning materials for the education sector in the interests of healthy competition and viable growth of the indigenous book industry. This can be facilitated by tender regulations and so on;
- human resource management and the institutionalization of training: the building up of a suitable infrastructure for professional development (skills development, research, renewal, collection of information for need assessment, and so on) through institutionalized training for all categories of professionals (curriculum developers, authors, illustrators, designers, typesetters, printers, teachers, book-sellers and distributors and librarians);
- the encouragement of and support for the establishment of professional bodies such as publishers' associations, and writers' associations;
- the setting up or streamlining of a distribution network – often the weakest link in the book chain – to enhance the profitability of the publishing business;
- copyright protection and adherence to other international instruments for book development, such as the Florence Agreement<sup>25</sup>, at national and international level;
- mechanisms for quality control and the collection/updating of data related to the book sector.

*Source:* Askerud, 1998: 81-82.

25. See UNESCO, 1978.

A number of recommendations for improving transparency and reducing corrupt practices have been made by specialists of the economics of textbooks distribution. They usually include the following three suggestions: sub-contracting distribution to the private sector through competitive bidding; offering free or subsidized access to textbooks following socio-economic criteria; and establishing adequate information and monitoring systems to track flows of textbooks from the printing house down to the schools and even the pupils.

### ***Developing an integrated book policy***

A review of experiences in the area of textbook production and distribution in Western Africa suggests that there is no perfect formula applicable to every society (Leguéré, 2003). Strong and strict public sector control, as in Tunisia, does not necessarily lead to more corrupt practices; nor is this the case when the market plays a dominant role, as in Côte d'Ivoire. In fact, each country should determine its book policy on the basis of its own historical, social, cultural, economic and educational conditions. Moreover, it is important that such a policy be widely known and preferably owned by the various stakeholders concerned (primarily the users). Only within the framework of an existing and transparent book policy can improvements take place.

A good book policy should include a number of critical aspects, i.e. a state-of-the-art assessment of the current situation; clear regulations and legislation on copyright; fees for authors; rules concerning national editions and co-editions; taxes and duties for imports of strategic goods (such as paper); a clear division of labour and responsibility between the ministry of education and the private sector (curriculum, certification, agreement, etc.); the appointment of managers with expertise in textbook publishing and distribution; relevant capacity strengthening activities; enforcement of procurement procedures (with penalties to ensure compliance); official prices to be charged per textbook; improved negotiation of co-publishing contracts; and close monitoring activities, etc. It should also play a crucial role in negotiations with external co-operation agencies.

There are different success stories in this regard. One of them is Tunisia where, since 1958, the Ministry of Education has defined the content. The

CNP<sup>26</sup> (national pedagogic centre) selects the authors of the textbooks and decides how much they will be paid. A National Commission certifies the manuscripts prior to publication, with sub-contracted activities following strict procurement procedures. Finally, paper is sold at a subsidized price and the CNP is in charge of distribution. Other examples could be cited, most of which follow the UNESCO guidelines summarized in *Box 37*.

### 3. School feeding and nutrition programmes

*School feeding is considered essential to enhancing learning ability, combating school absenteeism and reducing drop-out.*

One aspect that has traditionally been seen as fundamental in ensuring that the best use is made of a child's opportunity to learn is the provision of food to the poorest children attending school. Indeed, school feeding is considered essential to enhancing their learning ability, combating school absenteeism and reducing dropout. But the implementation of school feeding programmes includes a wide variety of opportunities for corrupt practices. There are three main reasons for this. First, calls for tender in the area of school meals represent some of the largest contracts that the state offers on a regular and long-term basis; as such, they generate strong incentives for corruption. In Chile, for instance, 5.4 per cent of the education budget (i.e. about US\$162 million) is allocated to school feeding. Second, similarly to textbook production and distribution, the execution of school feeding programmes cuts across many aspects of service delivery management and therefore multiplies possible forms of malpractice. Third, very often there is a lack of public information on the amounts of food to be distributed; therefore, school, parents or pupils are not able to check and claim what they should be entitled to.

Corruption can occur at different stages of the school feeding process, i.e. in setting criteria for the selection of beneficiaries, applying procurement procedures and taking care of the production, storage and distribution of the food, etc. More specifically, the following malpractices can be observed: overstatement of the numbers of eligible students by the schools or regional authorities; payment of bribes by non-eligible schools to 'convince' local

26. *Centre national pédagogique.*

*Corruption can occur at different stages of the school feeding process.*

education officials that they are eligible; deliberate overpayment of foodstuffs or their transportation by local officials; low quality and suitability of the food distributed; food stolen from storage rooms; private firms 'losing' foodstuffs *en route* or failing to deliver food before it spoils, and so on. In the

case of the United Kingdom, for instance, the return of Free School Meals (FSM) is problematic: Pupils should be recorded only if they have claimed free school meals and their eligibility has been confirmed; as a result, some eligible pupils do not take up their FSM entitlement while some parents falsely claim free meals, which schools cannot easily verify.

Within this framework, a useful reference can be made to the experience of the Chilean school feeding programme. This programme, which started as early as 1976, has been generalized throughout the country. It now covers nearly 9,000 schools throughout Chile and reaches over 1 million students each day. In 2003, it represented 4.9 per cent of the budget of the Ministry of Education (i.e. US\$145 million). This programme is interesting in that, as emphasized in IIEP's study of it (Latorre, 2005), public authorities have progressively adjusted their modes of operation in order to ensure a more transparent and optimal use of resources. The National Scholarship and School Aid Board (JUNAEB<sup>27</sup>), the public body charged with providing food to schools, has thus:

- established clear selection criteria, both for beneficiaries and suppliers, which have been widely publicized;
- introduced a mathematical model to select suppliers and thus minimize corruption in public tendering; and
- set up strong supervision and control systems (including the control of the accuracy of record-keeping).

These measures proved highly beneficial, resulting in a 24 per cent improvement in food quality and other factors, for an increase in meal prices of only 0.76 per cent (saving a sum equivalent to the cost of feeding 115,000 children). This successful experience is further described below.

27. Junta Nacional de Auxilio Escolar y Becas.

### ***Improved targeting: selection of beneficiaries***

For resources to be allocated efficiently, it is vital that the meals served actually reach the most vulnerable schools and students. These latter must therefore be selected and classified according to their specific needs, based on detailed surveys of children's health and nutrition. In order to make this selection process transparent, JUNAEB developed the School Vulnerability Index (IVE), which determines the amount and type of food (e.g. breakfast or snacks only, lunch only, breakfast and lunch) that each school is entitled to receive. JUNAEB estimates the IVE on the basis of the results of a school survey. Using the approved annual budget and the IVE, JUNAEB thus selects the schools entitled to receive food and assigns the amounts to be allocated to them; students are selected using a regression analysis. The selection criteria used are made public and widely diffused.

In selecting and classifying schools, JUNAEB proceeds as follows. At the beginning of the school year, JUNAEB's Regional or Provincial Offices send out surveys to all the subsidized municipal and private schools providing primary and secondary education in the country. These surveys provide information about the enrolled children's background. This information is used to calculate how each school rates on the IVE, using a statistical model. The IVE rating is then used to determine the amount and type of food that each school receives and which will be distributed by the headmaster and teachers. In addition, each JUNAEB Regional Office checks that schools have the necessary lunchrooms, kitchens and food storage facilities in conditions appropriate for the distribution of food. Each year, depending on the availability of funds, the programme coverage is set in accordance with levels of vulnerability and the type of service necessary.

Due to the great responsibility granted to the teacher in charge of administering the school feeding programme (PAE) in each school and to the high degree of subjectivity involved in selecting PAE beneficiaries, JUNAEB has attempted over the past few years to make the selection process simpler and more objective. Firstly, it has created forms to be used in selecting and prioritizing students, with the aim of increasing transparency and standardizing the selection criteria, particularly in schools with large numbers of students. Secondly, it has developed an easy-to-implement technological tool for teachers to measure automatically their pupils' vulnerability. Third,

it has trained teachers to accurately identify factors indicating student vulnerability.

***Use of a mathematical model to minimize corruption in public tendering***

Until 1997, the selection of suppliers was carried out through a series of successive filters based on financial and technical criteria, ruling out bids along the way. But later on, the system was improved, in particular through the introduction of a linear programming model.

The steps in a call to tender are now as follows. An initial call to tender is made and bidding companies are listed and classified by JUNAEB on the basis of administrative, technical and financial considerations. The technical description submitted by bidders is drafted according to the specifications established by JUNAEB, which include: compliance of different types of meals with specified nutritional requirements; the minimum and maximum frequency requirements for certain foods, and the minimum variety requirements from meal to meal; conditions for operation such as hygiene, supply, handling and supervision; and infrastructure requirements such as furniture, equipment, utensils and plates. On this basis, prospective suppliers' offers are evaluated for food quality, technical feasibility and cost. The bids that successfully pass the test can stay in the bidding process and compete, based on price. However, other factors may be considered, e.g. giving advantages to the highest qualified bidders; limiting the number of bids accepted for a company; minimum and maximum number of companies per region; and elimination of extremely low bids, considered unrealistic.

To ensure this, in 1997 JUNAEB asked a team of engineers from the University of Chile to design and implement a new mechanism for awarding contracts for food services. A complete linear programming model was designed on this basis. This model radically changed the nature of the procedure, in four main ways. First, it gave a high degree of transparency and objectivity to the entire process, thereby generating competition among companies. Second, it enabled bidders to put together geographically flexible offers, thereby highlighting economies of scale and allowing for a more efficient allocation of resources. Third, the model was able to determine the optimal solution, which is a considerable achievement in light of the approximately 5,000 separate variables in question. Fourth, it ensured the

secrecy of procedures, as far as bids are coded: The name/code combination is listed with a notary, ensuring that the programme selectors do not know which company they are awarding a contract.

The model also enabled JUNAEB's Adjudication Committee to evaluate different scenarios as well as differences in quality and the value of solutions, and more specifically to: find optimal solutions under the various scenarios without identifying companies; calculate the incremental costs of considering factors other than food quality and costs for bid selection; and construct tables with solutions to the various combinations. In one example, the total cost of increasing the quality of meals was calculated. Two alternative menus were compared and the cheaper selected, meaning a saving of approximately US\$2.5 million per year. The Adjudication Committee decided that the cost differential was too high, considering that the menus were not significantly different in quality. But for only 4 per cent more, a solution was found awarding contracts to companies that were, on average, 40 per cent more qualified.

### ***Areas to be monitored in the operation of the school feeding programme (PAE)***

Currently, the following variables are monitored under the PAE: the quality of service provided (equipment and hygiene in kitchens, etc.); nutritional quality; size of portions served; and students' acceptance or rejection of food products and preparations, based on information provided by the students themselves or by the teacher in charge of the school meals at the school. The method used consists in obtaining random samples from schools, which are visited without notice. In the specific case of the PAE, an instrument known as the 'supervision form' is used to enable JUNAEB to compile data and evaluate programme results.

Checks under the PAE are carried out by various participants (JUNAEB supervisors, directors, teachers, specialized laboratories, etc.), each with a specific role to play. Thus, the school principal approves the school's Monthly Food Service Certificate and the teacher in charge of the PAE certifies whether each day's meals are served completely, incompletely, or not at all. In addition, he or she must vouch for the quality of the service provided, detecting unresolved problems and ensuring that food handling staff prepare meals properly, and select the children who will be included

under the programme. Laboratories must test the meals served and ensure that they both comply with the purported nutritional claims and fulfil the technical specifications stipulated in the contract. Laboratory analysis, called ‘Sample of meals served’, verifies whether food served on trays to students does in fact contain the nutrients required for students’ needs and fulfils the requirements included by JUNAEB in the specifications for the PAE.

### ***Monitoring the accuracy of record-keeping***

If correctly implemented, payment based on meals served would yield savings, since only meals actually provided by the company would be paid for. Annual savings of 5 per cent (US\$3 million) could thus be made if payments were made only for the meals actually served. However, such a system requires accurate record-keeping. Reception of records and their subsequent computer input and processing keeps track of how many meals need to be cancelled. However, there is a two-month payment lag. Contractors are paid in advance and adjustments made once the real data have been processed.

In order to further modernize procedures, various alternatives have therefore been examined to better control meals served and ensure that, in future, the selected child is the one actually receiving the food. The solution examined most fully is the Smart Card, for which a pilot study was carried out in 2000. This study was carried out in two schools and helped define a flexible and efficient technological control system through the use of a card to monitor access by beneficiaries to the JUNAEB food service. In theory, such a system allows for the immediate capture of information on access to school cafeterias and on exactly what has been served; this information can even be provided on a daily basis. Other suggested systems include iris recognition systems or fingerprint recognition systems. These possibilities have been tested, but contain insurmountable difficulties. Fingerprint reading devices for instance require hands to be clean, which is not always the case when it comes to children. In addition, they are slow in taking a reading, which leads to major bottlenecks at the entrance to school cafeterias.

As a conclusion, the new approach followed by JUNAEB significantly improved the price/quality ratio of food provided and generated savings over three years of US\$40 million, which is equivalent to the cost of feeding 115,000 children over the same period. In the latter two years, the approach was improved and made more flexible. In particular, it became possible to

analyze and define strategies for various situations that could arise during the period in question (three years). On the whole, it definitely helped improve transparency and accountability in the allocation of food to the children.



### **Messages for policy planners and administrators**

1. Decision-makers should be aware that distortions in the contracting process contribute to raising costs, reducing the quantity and quality of the goods and services provided, and decreasing the efficiency of public spending and donor assistance.
2. There are grounds for favoring local procurement over central procurement, insofar as local procurement can foster local participation and ownership in some contexts. However, the issue is more to promote the autonomy of the body in charge of the bidding process, and its capacity to conduct contracting.
3. Authorities in charge should clearly map out opportunities for corruption at each step of the procurement process. Some are common to other public sectors; others are specific to the areas of school construction, textbook production or school meals. Red flags should be identified accordingly.
4. The elaboration of a law on public procurement, the establishment of procedural guidelines in line with international standards, the clarification and clear distribution of procurement functions and responsibilities between different offices, committees, etc. are basic requirements.
5. Efforts are needed from donors to co-ordinate their action in the area of procurement, to adapt the criteria and conditions of procurement procedures to the national context, to introduce more flexibility in the selection of firms, and to encourage the development of local industries (e.g. local publishing houses).
6. The pre-qualification of bidders is an indispensable step to ensure that only those with an 'honest background' in the industry are allowed to conduct business. Several factors should be taken into account in this context, including the quality and timeliness of the firm's past experience and its integrity.

7. To combat corruption, a book policy is required – with explicit aims and resources. In particular, it should clearly outline the distribution of responsibilities between the government and among different stakeholders in the production and distribution of textbooks and teaching materials.
8. E-tendering applications can help improve transparency in contracting by facilitating access of all stakeholders to information, but only if some basic requirements are fulfilled, e.g. technological neutrality; technical standards for interoperability and security; acceptable cost; ease of participation; and good audit mechanisms.
9. The automation of the procedures for selecting bidders is an important step to ensure the transparency and objectivity of the process. A complete linear programming model can thus help select bidders on the basis of a large set of criteria, and to compare different scenarios.
10. Adequate control mechanisms are required not only to verify that the process has been followed according to the rules, but also that the quality of the goods and services provided is satisfactory, and that they reached their intended beneficiaries. Whenever possible, they should involve civil society representatives (e.g. ‘citizen oversight committees’ in the area of school construction) or other major stakeholders (e.g. publishers in the case of ‘Integrity Pacts’).

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## Chapter 7

# Exams, credentials and accreditation

### *Definition*

Academic fraud is often defined as any prescribed action taken in connection with an examination or test that attempts to gain unfair advantage (or, in some cases, to place a candidate at a disadvantage). This action might be taken by an examination candidate, a teacher, a supervisor, an official, an employee of an examinations authority or anyone with an interest in the performance of a candidate. But the scope of academic fraud goes beyond examination or test issues: it also covers credentials, diplomas, research, academic journals and publications. By extension, two other very important areas can be taken into account within this framework, namely admission to universities and accreditation fraud.

### *Background*

Parallel to the development of educational systems, examinations have become a major and universal means to assess achievement, select qualified individuals possessing relevant and advanced knowledge, and distribute limited opportunities for study and employment – on the grounds that they can serve as instruments for making objective and neutral judgments (see *Table 7.1*).

*Examinations have become a major and universal means to assess achievement, select qualified individuals and distribute limited opportunities for study and employment.*

In other words, examinations are being used as key tools for distributing educational benefits throughout the world. However, as pressures for achievement, selection and qualification grow and examinations increase in importance, academic misconduct has become a matter of serious concern. In some cases, teachers or examiners collude with students by selling papers in advance or by manipulating test or examination results. In

some places in India, cheating is now so well established that when universities try to resist, students protest and demand their traditional ‘right to cheat’. In some former Soviet states, admission to universities is for sale: Well-connected applicants or those who bribe or otherwise influence the academic authorities responsible for admissions are the ones who are admitted – regardless of their academic qualifications. In the United States, internet-based firms are now selling research papers to undergraduate students. And with the development of the World Wide Web, plagiarism is tending to develop everywhere.

**Table 7.1 Functions of examinations: an historical perspective**

Period	Country	Functions of examinations
17 <sup>th</sup> century	China	Principle of meritocracy: “all important business of government must not be left to the accidents of either birth or wealth”
18 <sup>th</sup> century	France	Principle of equality
19 <sup>th</sup> century	France Germany Japan UK	<ul style="list-style-type: none"> <li>• To control disparate elements of educational systems</li> <li>• To select individuals for scarce and vocational positions</li> <li>• To build a modern unitary state, on the basis of talent</li> </ul>
Today	Worldwide	Greater significance given the role of credentials in a globalized world

Furthermore, the *expansion of higher education* worldwide has gone hand in hand with the diversification of its market and products. This has led to the development of new institutions (in particular private ones) and degree programmes. There is therefore a growing need for accreditation of institutions and recognition and certification of courses. Within this context, new opportunities for unethical and corrupt practices have emerged. A study undertaken in the Ukraine, for instance, shows that the main areas of corruption in the educational sector of this country include the large state universities that control licensing and accreditation. Interviews<sup>28</sup> revealed that successful licensing or accreditation applications, with a few exceptions, require some form of bribery; that licensing, mandatory only for private institutions, may require a bribe of US\$200 (about two months’ salary for a typical academic); and that accreditation might call for a 10 or 20 times greater ‘gratuity’ (Stetar *et al.*, 2005). Again, the Internet contributes to making the whole picture

28. These interviews were conducted with 43 rectors, vice-rectors and administrators from five private universities.

even more confused, as measures to accredit traditional institutions (such as the number of full-time staff, number of volumes in the research library and amount of time spent by students in class) are not suitable for online institutions. Moreover, it is very complicated to scrutinize both HEIs and accrediting agencies whose functioning is purely Internet-based.

Finally, the *merchandizing of higher education* has become another important feature in many countries. In fact, the deep financial crisis faced by universities combined with pressures for raising funds have led some of them to increase admission fees, offer new prestigious but expensive degrees, enrol ‘contractual students’ (where even in public universities, students must pay in order to be registered), raise the proportion of fee-paying overseas students, open franchised institutions or courses, and so on. In the United Kingdom, for instance, fewer than 10 per cent of foreign undergraduates contribute more to university financing than British and EU scholars put together. Whereas British and EU students pay a little over 1,000 a year, foreign students are charged anything between 8,000 and 20,000 for the same courses (Suroor, 2005). Similar figures can be found in Australia, where 100,000 overseas students are estimated to contribute AUD 2.5 billion annually to the economy (their fees represent up to two fifths of the budget of some universities). Given the profitability of these practices, new possibilities for distorted practices and academic fraud have arisen. This corruption is facilitated by the fact that different people, sometimes from different continents, are charged with recruiting, orienting and supporting overseas students academically, or with certifying the different courses proposed by a franchised university.

As a result, according to a Russian critic of the education system, “bribes have so corrupted institutions that they have virtually disintegrated” (Tavernise, 2003). Indeed, the risk raised by corruption is that admissions and promotions from one grade to the other are no longer based on merit, and that accreditation is no longer a guarantee of academic quality. The long-term consequences of such a situation are enormous: The ‘buying of academic success’ can in fact constitute a strong disincentive for students to learn and cast doubt on the quality of diploma and degree holders; the selling of ‘university seats’ can damage the reputation of academia as a whole; plagiarism or the manipulation of research results can harm the

*Academic fraud can endanger the credibility and usefulness of the assessment systems.*

development of the academic corpus; and more globally speaking, academic fraud can endanger the credibility and usefulness of the assessment systems in place and the value of academic degrees, promoting distrust about the academic enterprise at large. Moreover, it can put at risk the education export industry, which has become a major business in countries such as Australia. Unfortunately, public authorities often feel powerless to address these acute problems.

### ***Forms of malpractice***

*Several types of academic fraud will be analyzed, such as examination fraud, accreditation fraud and certification fraud.*

*Box 38* illustrates the diversity of malpractices in the area of academic fraud.

Three main types of academic fraud will be analyzed below, namely: examination fraud; accreditation and certification fraud; and new opportunities for fraud offered by transborder phenomena.

#### ***Examination fraud***

Malpractices are observed all along the examination process: from the preparation of papers to the organization of exams; the marking process; and, finally, the use of exam results (see *Table 7.2*). These malpractices imply exchanges either between students (or their parents) and faculty members, or between students (or their parents) and administrators.

##### *Prior to the examination*

Malpractices may include:

- university teachers offering expensive tutorial sessions to applicants to the university, as a prerequisite for entry or success;
- leakage of paper contents by officials, paper-setters, moderators or school administrators, prior to the exams, as a result of nepotism, favouritism or bribes;
- preparation for the examination subjects before the exams take place (example of Pakistan, where paper-setters ran their own tuition centres: on payment of substantial fees, candidates were granted access to at least part of the examination papers).

**Box 38. From the press: examples of academic fraud<sup>29</sup>**

- *Afghanistan*: The government of Afghanistan has invalidated the results of university entrance examinations for more than 6,000 students in the capital, Kabul, and surrounding provinces following the disclosure of evidence that answer keys were leaked and that corruption was widespread in the testing process (*Chronicle of Higher Education*, 2004).
- *England*: Web-based bogus UK universities appear to be thriving despite the efforts of the authorities to shut them down. UK and US trading standards officials last year closed down 14 web sites offering fake British degrees for up £1,000 each. The certificates, from 14 made-up institutions, were said to have been used by hundreds of unqualified people, mainly in North America, to gain jobs in areas such as teaching, computing and childcare (*BBC News*, 2004).
- *Nepal*: Nepal's anticorruption commission says that tens of thousands of government employees, including teachers, police, and senior bureaucrats, have been using fake university degrees. The Commission for Investigation on Abuse of Authority says it suspects that 10 percent of the Himalayan kingdom's 140,000 school teachers are using diplomas purchased from India (*Chronicle of Higher Education*, 2003).
- *South Africa*: An exam scandal has forced the provincial agriculture department to withhold bursaries until it is sure that prospective applicants did not cheat during their finals. The irregularities have affected 38 schools and at least 2,000 exam papers (*BuaNews*, 2005).
- *USA*: Diploma-mill owners are an elusive bunch. They flood e-mail boxes with offers of cheap college degrees, and collect payment through web sites, then filter that money into overseas bank accounts. When the police try to shut one of the businesses down, the owners just set up shop elsewhere, often in a poor country with weak fraud laws (*Chronicle of Higher Education*, 2003).

29. More information is available on the IIEP's information platform, ETICO: [www.unesco.org/iiep/eng/focus/etico/etico6.html](http://www.unesco.org/iiep/eng/focus/etico/etico6.html)

**Table 7.2 Forms of academic fraud**

Steps	Forms of malpractice	Public actors involved
Examination development Printing and distributing papers	<ul style="list-style-type: none"> <li>Leakage of examination questions</li> <li>Selling of examination questions</li> </ul>	<ul style="list-style-type: none"> <li>Subject specialists</li> <li>Testing experts</li> <li>Clerks</li> <li>Printers</li> </ul>
Preparation of students for testing/examinations	<ul style="list-style-type: none"> <li>Test preparation (in particular, in private tutoring classes)</li> </ul>	<ul style="list-style-type: none"> <li>Teachers</li> <li>Professors</li> </ul>
Administration of examinations	<ul style="list-style-type: none"> <li>Impersonation</li> <li>External assistance</li> <li>Smuggling of foreign materials</li> <li>Copying</li> <li>Collusion</li> <li>Intimidation</li> <li>Substitution of scripts</li> <li>Improper assignment</li> <li>Ghost examination centres</li> </ul>	<ul style="list-style-type: none"> <li>Teachers</li> <li>Supervisors</li> </ul>
Marking of examinations	<ul style="list-style-type: none"> <li>Marker malpractices (favouritism, nepotism, bribes)</li> </ul>	<ul style="list-style-type: none"> <li>Teachers</li> <li>Graders</li> <li>Clerks</li> </ul>
Recording results and issuing diplomas	<ul style="list-style-type: none"> <li>Manipulation of exam results</li> <li>Issuance of fake degrees and credentials (diploma mills)</li> </ul>	<ul style="list-style-type: none"> <li>Administrators</li> <li>Teachers</li> <li>Clerks</li> </ul>
Use of results	<ul style="list-style-type: none"> <li>Payment of bribes to obtain admission to university (regardless of exam results)</li> </ul>	<ul style="list-style-type: none"> <li>Administrators</li> <li>Professors</li> <li>Clerks</li> </ul>

*During the examination*

Malpractices may include:

- impersonation (where a non-candidate takes the examination for a registered candidate, sometimes with the full knowledge of the supervisor);
- smuggling of foreign material (e.g. written notes and textbooks hidden in garments);
- external assistance (e.g. from helpers, with the use of cellular phones);
- plagiarism of pre-existing documents in answers to the questions, or in writing a term paper;

- copying and collusion among candidates;
- irregularities during the examination process (e.g. changes to the allotted amount of time for an examination);
- intimidation of supervisory staff (e.g. by candidates, external helpers, parents or politicians);
- improper assignment of candidates by officials to targeted centres;
- use of ‘ghost centres’ (fictitious exam centres established by corrupt examination officials, where candidates can complete the exam with the support of helpers and without supervision);
- purchase of finished term papers, particularly through the World Wide Web (‘paper mills’); and
- substitution of scripts (scripts written during the examination exchanged with ones written either before or after the actual examination).

*After the examination (admission to universities)*

Malpractices may include:

- scoring malpractices (collusion between the candidate and the marker, intimidation of markers by parents or intimidation by markers who seek reward from candidates’ parents);
- bribery of the academic authorities responsible for admissions and/or the selection of the candidates who are entitled to receive a scholarship (officially on the basis of academic qualifications or exam results);
- falsification of data files and result sheets, often aided by corrupt officials (i.e. test scores for admission or student ranking in the admission lists illegally changed; or illegal change in the quotas of those who do and do not pay);
- sale of seats to those students whose test scores do not qualify them for places (sometimes through a bidding process, when the number of seats is limited);
- issuing of false credentials and fake diplomas (‘diploma mills’);
- manipulation of curriculum vitae to find a job or to win pay raises (claim of false diplomas, inexistent publications, etc.); and
- sale of academic posts (for gifts, bribes, free unpaid work or other emoluments) or award of these on the basis of ethnic or religious background.

Many malpractices are also to be found in the area of research, academic journals and publications, in terms of plagiarism, fabrication or falsification of data, distortions or manipulations of research results, manipulation of statistics, biases and conflicts of interest among reviewers, etc. As an illustration of this, some university teachers or researchers undertake consultations outside the university with private firms, without any form of control from the university hierarchy. This sometimes has a strong impact on their rate of attendance, but also influences the contents of their teaching and introduces bias in their research conclusions.

### ***Accreditation and certification fraud***

Accreditation and certification processes are increasingly being undermined worldwide by fraud. Forms of malpractice include the following:

- payment of bribes to obtain successful certification or accreditation;
- distortion in the application of the accreditation criteria – e.g. admitting below-standard candidates to meet the enrolment criteria (*ex-ante*) or over grading students to meet achievement criteria (*ex-post*);
- accreditation processes based on non-transparent criteria (e.g. rectors having an interest in preventing competition);
- circumvention of accreditation procedures by higher education providers through franchising schemes or the introduction of the course in segments of the system where accreditation is not compulsory;
- schools established for the sole purpose of making a profit lying about their accreditation status, thus impeding their students from taking national licensing exams;
- non-accredited institutions falsely issuing accredited degrees; and
- creation of fraudulent or bogus accreditation agencies (such as ‘accreditation mills’, which are at times established by HEIs themselves).

### ***New opportunities for fraud offered by transborder phenomena***

Different types of opportunities for fraud are offered by transborder phenomena. Two particular examples of malpractices are presented below: those linked to the management of overseas students; and those linked to the franchising of overseas courses (Hallak and Poisson, 2005).

*Management of overseas students*

Malpractices may include:

- overseas students being offered financial incentives to enrol;
- applicants being given false hope or promised admittance on the spot;
- applicants ineligible for admission unjustifiably charged a variety of fees;
- applicants using fake credentials to gain admittance or applicants being charged by education agents to falsify documents that qualify them for university entry;
- indiscriminate recruitment of foreign students as a means of chasing money (fake diplomas, lack of language skills, etc.);
- bogus institutions that do not deliver the services they advertise through the media or the World Wide Web (fictitious or unsustainable institutions that sometimes close down after receipt of money);
- bogus institutions promising visas to overseas students if they enrol in their courses;
- agencies and courses without proper accreditation listed on official lists prepared for international students;
- lowering of academic standards for overseas students (admissions, performance, promotion); and
- overseas students being allowed to repeat courses again and again, even when they have no prospect of passing.

*Franchising of overseas courses*

Malpractices may include:

- corrupt officers making money from issuing licences and franchise rights (collection of fees or bribes from those who want the franchise);
- assumption made by students enrolling at the franchised institution that since they are paying, they will automatically qualify;
- number of failing students minimized by marking up those at risk of failing and turning a blind eye to plagiarism, as illustrated by a scandal in an Australian offshore university in Malaysia (see *Box 39*);
- pressure from students, parents, the franchisee or the franchising institution on teaching staff to adjust marking standards so that all

students pass the examinations and assessments (in institutions in China, Malaysia and Vietnam, for example).

**Box 39. Plagiarism scandal in an offshore university, Malaysia**

Australia's Education Minister raised concerns that a plagiarism scandal involving Malaysian students at an Australian-run university would damage higher education exports worth billions of dollars. Brendan Nelson urged Newcastle University to reopen a case in which it secretly re-marked the assignments of 15 students who had been failed for plagiarism at a campus it runs in Malaysia. The 15 were initially awarded zero marks for using unattributed material from the Internet in an assignment, but their former lecturer claims the university overruled his decision because it was concerned about losing revenue from offshore students. The students at the university's graduate school of business in Kuala Lumpur were subsequently issued pass marks, some of them receiving distinctions. Nelson said the scandal could sully Australia's reputation for high academic standards and damage the booming education sector.

*Source:* Smith, 2003.

***Scope***

It appears that academic fraud does not spare any country. Stories of exam papers sold in advance make the headlines everywhere, including in famous European universities. But although in some places these deviations are considered unacceptable behaviour and perpetrators are disciplined, this is not always the case: Some academic systems allow significant and persistent institutional as well as individual fraud at all levels. Thus, admission to universities is entirely corrupt in some parts of the world (including in a few universities in the former Soviet Union). Moreover, academic fraud has developed into a real industry in some places such as the United States, with Internet-based firms now selling research papers and fake diplomas.

*Admission to universities is entirely corrupt in some parts of the world.*

For obvious reasons, it is difficult to assess precisely the extent to which procedures to standardize exams or regulate admissions to universities have been violated. The figures given are often based on interviews of the people

directly involved in the process (and therefore sometimes minimized). The perceptions survey conducted by the Anti-Corruption Student Network in South East Europe in Bulgaria, Croatia, Moldova and Serbia provides interesting insights in this regard (see *Table 7.3*); it highlights that corruption practices in the admission process to universities are quite significant in all the countries under study (in particular Moldova), and that academic fraud is widespread. Similarly, the amounts of money involved in academic fraud are difficult to estimate; the usual rule is that the more difficult or prestigious an examination, the more expensive the bribe will be. The fees paid by students can be quite small (even if it they represent a significant amount for poor candidates); but when added together, on the occasion of nationwide examinations for example, they can represent huge amounts of money – particularly in countries with high population figures (see *Box 40*).

**Table 7.3 Student perception of academic fraud in Bulgaria, Croatia, Moldova and Serbia<sup>30</sup>**

	Bulgaria	Croatia	Moldova	Serbia
Percentage of students who think that the official selection process is bypassed in their faculty	37.1	35.1	38.4	44.9
Perception of students of the percentage of their colleagues that are illegally admitted in their university/faculty	18	18	40	15.1
Percentage of students who believe that there is possibility for admission test scores to be illegally changed	32.9	27.5	36.1	36.3
Percentage of students who think that there are illegal activities concerning students ranked in the admissions list	26.6	32.2	60.9	39
Percentage of students who believe that there are illegal changes in the quotas of those who do and don't pay	20.3	25.2	47.1	32.8
Perception of students of the percentage of students who have paid for taking an exam or receiving a certain grade	6.5	1.5	28	3.8

*Source:* Anti-Corruption Student Network in South Eastern Europe (presented during a seminar organized by the OSI and the IIEP in Bishkek, 15-19 November 2004).

30. Use of a stratified sample of over 1,200 students, based on the number of students per university, faculty, years of study and the number of admissions to the first year. Within one stratum, students were selected according to established step (3 to 10) or randomly.

**Box 40. From the press: figures on academic fraud<sup>31</sup>**

- *Thailand*: assignments at Chulalongkorn University sold at a rate of 15-30 baht a page, depending on the subject matter and urgency
- *Italy*: fees paid by students to receive oral examination questions in advance, ranging from US\$1,695 to US\$3,391, according to the degree of difficulty
- *China*: ‘hired men’ sit exams for anywhere between US\$200 and US\$1,200
- *India*: fees for manipulating entrance tests scores between US\$80 and US\$20,000 for the most popular programmes, such as computer science, medicine or engineering
- *India*: post-dated cheques totalling more than US\$300,000 collected by people offering to sell answers to a nationwide examinations for physicians

## ***Factors***

At the individual level, there are some obvious factors to explain that academic fraud is so widespread in some contexts: anxiety over results; fear of putting oneself at a disadvantage; and lack of ethical norms (if meritocratic values are not well respected in societies, then favouritism, nepotism or the payment of bribes for promotion to a higher grade or for obtaining a diploma will be regarded as acceptable behaviour), etc. However, more structural factors can be identified in addition to these. These are:

- *greater competition in education and the labour market*. The need to select students in order to identify highly educated and skilled manpower has led higher institutions and employers to put a strong emphasis on exam certificates – which, in turn, has encouraged the development of examination malpractices (the higher the stakes, the greater the likelihood of cheating and unethical practices). This is particularly the case in countries where the percentage of candidates admitted to secondary and higher education is very low (less than 5 per cent of a

31. More information is available on the IIEP’s information platform, ETICO: <http://www.unesco.org/iiep/eng/focus/etico/etico6.html>

cohort gaining admission to university in most developing countries), and where universities offer a small number of free places;

- *globalization of education and the labour market*. In a context of globalization of the education and labour markets, students from developing countries are desperate to obtain degrees from universities in developed countries and are ready to buy their diploma online. Among the biggest offenders are students from China, Colombia, Iraq, Nigeria and several former Soviet republics, particularly Armenia (Mangan, 2002). The opposite is also true, with employees from developed countries buying fake degrees from universities located in countries in transition, in order to find a job or obtain a promotion. Indeed, foreign credentials are difficult to verify for employers;
- *poor income of education personnel and institutions*. There is a correlation between economic factors and academic fraud. While, of course, not all under-funded institutions and poorly paid officers are corrupt, institutions or individuals that face financial difficulties are more exposed to corrupt practices:
  - where academic institutions are short of money and under pressure to admit students, there is increased likelihood of corruption in the admissions process (including of overseas students<sup>32</sup>) and of research bias in areas targeting clients with high absorptive capacities (such as the pharmaceutical industry);
  - similarly, teachers, exam officers and administrators look for ways to supplement low salaries and poor prospects after retirement. External pressures to admit and promote students can encourage them to develop unethical behaviour;
- *weak management of examination and other control systems*. Low management capacities are sometimes responsible for corruption affecting examinations, admissions to universities or accreditation. Absence of an overall policy on fraud, with inconsistent or conflicting definitions of academic fraud, no clear understanding by stakeholders of what is legitimate and what is not, lack of supervision, no effective

32. In the UK, from 1992 to 1993, £310 million in fees was paid by non-EU students alone; these students spent a further £415 million on British goods and services during the same year, which is more than twice the export value of coal, gas and electricity (AUT & DEA, 1999).

mechanism for detecting and punishing fraud, etc. are thus factors rendering more likely the development of corrupt behaviour;

- *monopolistic power and guaranteed income.* Klitgaard's formula linking corruption, monopoly situations and discretionary power (see *Chapter 2*) applies very well to the area of academic fraud. Examination, admission to universities and accreditation are indeed spheres in which educational staff have a monopoly of decision and can be guaranteed an income if they engage in unprofessional conduct. This is particularly the case in former centrally planned countries;
- *advances in new technologies.* Examination candidates can now use small electronic devices as aids to cheating. Thanks to modern means of reproduction, examination papers, diplomas and transcripts of student records can be easily falsified. The Internet is now arguably the leading vehicle for fraudulent practices. Among other things, it has facilitated the practices of selling essays and term papers (rendering plagiarism a major problem) as well as fake degrees, sometimes even from reputable colleges and institutions such as Harvard or Yale. The US General Accounting Office recognizes itself that obtaining counterfeit diplomas has become fast, easy and potentially effective in Northern America (Cramer, 2004).

It is assumed that the persistent growth in demand for higher education services coupled with the multiplicity of agencies involved in the market as

*The persistent growth in demand for higher education services, and the multiplicity of agencies and the lack of regularization, will sustain the pressure for more distorted practices.*

well as the lack of regularization will sustain the pressure for more distorted practices. Fortunately, and as a direct consequence, a trend for more transparency, accountability and ethics is simultaneously on the rise. This movement demands not only more regulation, but also designing codes of conduct, training to fight academic fraud, better access to reliable information, and separation of examinations from access to jobs, among other measures.

## ***Critical questions***

Academic fraud has become a plague for a number of education systems. In order to formulate adequate strategies to fight against both traditional and more recent forms of misbehaviour, a few critical questions may be raised: Is the assessment mechanism in place adequate? Are there clear ‘rules of the game’ to enter university and to obtain ‘a free seat’? Are appropriate security measures and control systems in place to detect and sanction malpractices before, during and after examinations? Is the value of academic integrity properly shared among academe as a whole?

## ***Good practices***

Among the strategies developed to address malpractice in the area of academic fraud, some are quite traditional. Others, however, are more innovative, and try to address the new forms of academic fraud.

### **1. Improving the management of traditional exams**

#### ***Measures to detect fraud***

Traditional strategies to detect fraud include: checking the identity of candidates; organizing unannounced visits to examination centres; analyzing and comparing scripts (to identify identical mistakes or peculiarities such as the coexistence of good and poor answers); re-correcting scripts (to limit marker malpractice, the enhancement of marks, etc.); and creating examination and research watchdogs and whistleblowers. Some countries use statistical indices (in particular for multiple choice tests) to identify statistically improbable results. This is the case in the Philippines, where this method allowed the tracking down of a number of schools where marks appeared to have risen sharply (in one case, five of the six highest scoring schools on a national examination had previously recorded poor results). Various European and North American countries also use specific software (e.g. [www.turnitin.com](http://www.turnitin.com)) to detect plagiarism, as illustrated by the case of Scotland in *Box 41*.

**Box 41. Detection of plagiarism: the experience of Scotland**

Glasgow University's antiplagiarism software was developed in response to pleas from aggrieved students who felt cheated by their colleagues who used Internet material unfairly. This programme flagged student papers with patterns of similarity with those of others and therefore called for closer scrutiny, a practice that, according to some instructors, also served as a deterrent and "could be a tool for higher education worldwide" [Wojtas, 1999]. In some cases, punishments such as written warnings, reduction of marks, and resitting the exams have been imposed. Other universities in Scotland have taken similar actions to combat electronic plagiarism and are improving guidelines and regulations to combat academic dishonesty, but note that uncertainty about what constituted misconduct was a common problem with students and teachers alike. In Britain, the Joint Information Systems Committee has signed up with iParadigms, a U.S. software company which already has an online detection service to detect plagiarism in student essays that show similarities with material on web sites.

*Source:* Eckstein, 2003: 64.

***Measures to address fraud***

Some measures are usefully implemented in many countries in order to limit opportunities for corrupt behaviour all along the examination process. These may include: ensuring confidentiality of exam contents and format (preparation of several sets of papers, printing of the papers abroad, papers placed in sealed envelopes and stored in 'safe places', and even the employment of illiterate printers (!)); de-linking the administration of exams from the stakeholders (using classrooms rather than halls to conduct examinations, proctors rather than teachers to invigilate examinations, developing a centralized marking system, etc.); selecting and training examiners and supervisors; setting clear examination rules; ensuring the anonymity of candidates (use of substitute candidate numbers); guaranteeing security in and around exam rooms; adopting appropriate forms of supervision at different levels (security plan, identity checks, warning announcements, scouting missions to exam centres, etc.); computerizing all examination procedures; centralizing marking; and making entrance examination scores public, among others. The exam contents should also be carefully reflected on, with a view to reducing fraud: For some people, multiple choice tests make cheating easier, while for others they facilitate detection of fraud.

### ***Measures to sanction fraud***

Some states have taken drastic measures to sanction academic fraud, not only to dissuade candidates from cheating, but also to attack directly systemic academic fraud. They have therefore decided to increase the cost of misbehaviour, by criminalizing academic fraud through the law and introducing heavy penalties. These may include: disqualification of candidates; cancellation of results; repetition or exclusion from exams; sacking of professors (Republic of Korea); inclusion of a non-payment provision in the contract of paper-setters and of paper-printers in case of leakage; fines; or even prison sentences for producing or using fake diplomas (Kenya and Malawi). In China, for instance, the following rules have been established: deduction of 30-50 per cent for writing one's name on the test paper in a wrong place; disqualification for one year for whispering and copying, for two years for fabricating certificates or interfering with examination personnel, and for three years for impersonation. In addition, malpractice by examination officials such as bribery is punishable under either the State Secrets Act or the Criminal Code. In the US, several states such as North Dakota, Illinois, Indiana and New Jersey have recently criminalized the use of fake degrees. North Dakota, for instance, has enacted a bill to punish the use of a degree from a diploma mill as a legitimate credential.

## **2. Designing standardized national examinations for transparent access to universities**

Different countries, particularly former Soviet states, have decided in recent years to shift from the traditional system of admission to universities to standardized national examinations to limit corrupt practices in this area. In Kyrgyzstan, for instance, admission to universities has been based since 2002 on the National Scholarship Test (NST), which is organized by an independent testing organization (Drummond and DeYoung, 2003). Potential university students must now sit standardized multiple choice aptitude tests, which are administered following strict security measures (such as paper scanning and computerized grading). In June 2002, high school graduates from across the Kyrgyz Republic participated in the first annual National Scholarship Test. The purpose of the test was to provide, for the first time since independence, a nationwide objective assessment of the knowledge and skills of high school graduates applying for government scholarships to public

Kyrgyz HEIs. Scholarships were for the most part distributed according to criteria based on the test results. This testing initiative is arguably the most significant educational reform in the recent history of Kyrgyzstan. The NST is supported throughout the country, essentially because it has resulted in the fair distribution of scholarships. Its pervasive effect on equity and transparency, however, is an issue that still needs to be addressed.

### 3. Outsourcing the management of exams and of accreditation

Organizing independent assessment by autonomous institutions is crucial to limit outside interference and reduce the probability of corruption. Azerbaijan, for example, has created an independent Commission, called the Commission for Student Admission, to fight inefficiencies and distortions in examination processes. Its higher education admission process is entirely run by computer, from the construction of tests, administration of exams, grading of tests and processing of admissions to universities to informing candidates of their results. This was made possible thanks to a complete automation and computerization of the selection of personnel for organizing examinations, the grouping of applicants in examination rooms, the selection of test exercises in the databank, the grading of tests and the processing of results. With this system, candidates are directly informed of their results. This has allowed those who violate the examination rules to be identified more easily and to ensure that the necessary legal and administrative measures are taken against them. It has also allowed transparency to be promoted in the process of admission to universities. However, it has not succeeded in totally eliminating fraud. Other countries such as Kyrgyzstan (see above), Georgia and more recently Ukraine have implemented comparable measures.

Similarly, it is important to de-link and reduce the collusion of interest between agents in charge of accrediting institutions. An efficient means of doing this is to establish autonomous professional bodies, with fair representation of stakeholders (public or private), as in the Netherlands (see *Box 42*). Such institutions must comply with codes of conduct that protect against distorted behaviour such as conflict of interest. Along the same lines, the accreditation and certification processes should be separated. Heyneman (2004: 640-641) suggests that in the medical field, for instance, the process by which individuals leave higher education and apply to practice or be

certified in their professions should be separate and outside the realm of HEIs: “No matter how excellent, no university should provide a license to practice medicine. This license should be awarded by a board of medical examiners which also manages a system of testing that all medical students must pass. (Similar systems must be established for law, accounting and others.) Key to this new system is to allow many HEIs to compete with one another”.

**Box 42. Accreditation in higher education in the Netherlands**

*At national level*

- Same requirements for public and private providers.
- Independent judgments and clear sanctions.
- Plurality in methods of quality assessment.
- Accreditation and quality assessment report made public.

*At European level*

- Creation of the European Consortium for Accreditation.
- Mutual recognition of accreditation decisions.
- Introduction of a code of good practice which must be sufficiently independent from government, higher education institutions, businesses, etc; can demonstrate public accountability by having public and officially available policies, procedures, guidelines and criteria.

*Source:* The Inspectorate of Education in the Netherlands, 2006.

#### 4. Establishing reliable and user-friendly information systems

Actions to strengthen transparency in the academic arena include: raising awareness on the extent and negative effects of academic fraud, and putting this issue on the agenda for the public at large and researchers; creating transparent accreditation systems; publicizing the names of private firms that subsidize a research study; helping employers check credentials; and publishing examples of misconduct and procedures for dealing with them. This requires funding in the development and maintenance of reliable information systems that are easy to access, user-friendly, regularly updated and free of charge. Information campaigns to raise awareness among users about the existence of such information systems may also be useful.

The creation of directories accessible from the web can also be considered within this framework. These could make available lists of

graduates and students having obtained a Ph.D, as well as accredited HEIs, recognized accrediting agencies, diploma mills, non-accredited institutions and unapproved accrediting agencies. Many English-speaking countries, in particular, have developed directories of courses or institutions accredited by approved accrediting agencies. As an example, a directory of distance education programmes accredited by the Distance Education and Training Council is available on the Internet at [www.detc.org](http://www.detc.org); in the US, the State of Oregon has an Office of Degree Authorization ([www.osac.state.or.us](http://www.osac.state.or.us)); and the State of Michigan compiles a list of unapproved accrediting agencies ([www.michigan.gov](http://www.michigan.gov)). Furthermore, the International Association of University Presidents has created a register of reliable accrediting agencies.

Information systems on rules and regulations applied to overseas students and franchised courses or institutions can also play a key role in helping to make the system more ethical. As regards cross-border movement, there is a need to widely publicize (on web sites) recruitment fairs, course requirements and helplines, as well as rules, regulations and agreements, and placement schemes for new students, among others. Furthermore, access to international reference databases on accredited HEIs and courses needs to be facilitated. For instance, the Council for Higher Education Accreditation (CHEA)<sup>33</sup> has created a database with examples of US accreditation obtained by HEIs located in 31 different countries. In addition, information could be made available to guide interested applicants for overseas studies on reliability, quality and standards – the example of South Africa can be considered in this respect. Finally, systems to penalize institutions providing unreliable and fake information could be established. But to avoid possible collusion or conflict of interest at local or national level, there may be a need to design adequate mechanisms at international level in order to ensure the neutrality of data. In fact, some positive initial steps are being taken at the national, regional (EU) and international (WTO, UNESCO) levels, helping to advance this area.

33. The CHEA is a co-ordinating body for higher education accreditation.

## 5. Enhancing ethics (standards of academic integrity and honour codes)

The occasional lack of clear rules to distinguish what is admitted from what is not – in areas such as plagiarism, for instance – and the need to strengthen the ethics of the different actors involved in the examination process, led a number of institutions (particularly universities) to develop ‘honour codes’. In some places, training programmes are offered to build and support academic culture and values such as honesty, academic integrity and meritocracy. Furthermore, academics should work harder to combat fraud, by raising public awareness of its negative effects; decreasing pressure on levels of performance; teaching integrity; publicizing infractions; assessing the effectiveness of the means of control; and confronting the potential for fraud offered by new technology.

### ***Improving accountability of institutions and staff***

This can entail the following: alerting practitioners (teachers, examiners, graders) to security problems; assessing the effectiveness of existing means of control; strengthening measures to deal with fraud (including the criminalization of certain forms of misconduct) with a balance between positive measures and punitive actions; and supporting student anti-corruption movements. Perceptions surveys can be used as a key tool within this framework to check the integrity of the examination process. In Bosnia, for instance, Transparency International’s (TI) national chapter conducted opinion polls at two of the country’s biggest universities: Survey results showed that corruption is widely spread in the higher education system: The most two frequent forms of corruption cited were the paying of bribes to pass exams and the buying and selling of diplomas (Lazic, quoted by Meir and Griffin (Eds), 2005). In Morocco, TI’s national chapter conducted similar work (Debbagh, 2001). In the long term, the academic world should police itself, by diffusing knowledge of infractions, developing ‘honour codes’ and teaching integrity. Finally, in a global world, co-ordination of sanctions should be developed on an inter-university and international scale.

### ***Standards of academic integrity***

Developing codes of practice and standards of academic integrity for personnel in HEIs and overseas students has been adopted by Northwestern

University (USA), where registration of overseas students now requires adherence to codes of conduct and to the University's standards of academic integrity. These codes prohibit the following behaviour: falsification of any portion of the application for admission or financial aid; falsification or alteration of any academic or personal record required for participation; and behaviour such as plagiarism, cheating, fabrication and obtaining an unfair advantage. Students can be withdrawn from the programme at any time if they violate the codes or standards, or conduct themselves in a way that brings the programme into 'disrepute'.

### ***Designing guidelines and codes of practice***

UNESCO and the OECD have paved the way by formulating guidelines for quality in cross-border higher education. They prescribe the following four main policy objectives: students and learners should be protected from the risks of misinformation, low-quality provision and qualifications of limited validity; qualifications should be readable and transparent in order to increase their international validity and portability; recognition procedures should be transparent, coherent, fair and reliable, and impose as little burden as possible on mobile professionals; and national quality assurance and accreditation agencies need to intensify their international co-operation in order to increase mutual understanding. The Code of Good Practice in the Provision of Transnational Education, adopted in 2001, is another example (see *Appendix 3*).

## **6. Relaxing and removing the main structural causes of fraud**

Actions on the environment to relax and remove the main structural causes of fraud may include: improved remuneration of some of the stakeholders (in particular examiners and graders); avoiding single shot exams and single criteria for advancement; expanding educational opportunities; developing structures that reward achievement; encouraging competition among institutions; and providing incentives for better productivity.



## **Messages for policy planners and administrators**

1. A policy should be formulated that clearly stipulates what is tolerated and what is not when taking an exam, seeking access to university, soliciting accreditation and so on in order to inform stakeholders of the rules and warn them about possible sanctions.
2. Strategies to combat examination fraud should include measures to detect fraud, to address it (i.e. confidentiality of exam content, anonymity of candidates) and to sanction it.
3. Exam integrity should be regularly assessed, using statistical tools for testing fraud (i.e. frequency distributions) and cross-checking random samples of schools and pupils, etc.
4. The design of standardized national examinations at the end of secondary education is a key requirement for ensuring transparency in the university admission process. The use of computerized exam management, supported by informatics, can prove very useful in this regard.
5. Outsourcing the management of exam and accreditation procedures is indispensable for limiting interference from stakeholders (schools, teachers and students) and ensuring the neutrality and reliability of the whole process.
6. Social control, including self-control by the profession (adoption of 'standards of academic integrity' or 'honour codes' by universities) can prove very successful.
7. Establishing reliable and user-friendly information systems on recruitment procedures to gain access to universities and on lists of graduates, accredited institutions and accrediting agencies, etc. (but also on fake diplomas, fake accredited institutions and fake accrediting agencies, etc.) can help promote transparency.

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## Chapter 8

# Private tutoring: How to avoid the corruption of mainstream education?

### *Definition*

Private supplementary tutoring in pre-university education is defined as tutoring in academic subjects (such as language and mathematics) provided by tutors for financial gain and additional to the provision of mainstream schooling (Bray, 1999). It usually takes place outside school hours, often in separate premises. It excludes tutoring in extracurricular subjects and voluntary help. It is proposed by the mainstream teacher of the pupils or by another teacher and is variable in intensity (often according to family income). A distinction should be made between ‘one-on-one private tutoring’ offered by individuals; and ‘preparatory courses’ offered by institutions.

### *Background*

Supplementary tutoring originally had very positive aims: to improve student learning; provide remedial courses to under-achievers; offer opportunities for teachers to earn supplementary income; make better use of out-of-school time, and so on. Indeed, when supplementary tutoring helps students to understand and enjoy their mainstream lessons, it may be considered beneficial. Quite often, large gaps in students’ learning are due to a number of factors such as student and teacher absence, frequent closure of schools, ineffective teaching and negligence on the part of the teacher. Not every school can provide a full range of specialist teachers in crucial areas such as mathematics, science and English. Unqualified and inexperienced teachers handling these subjects may prove to be very ineffective in terms of proper understanding by the students of the subjects taught. Private tutoring may help overcome these gaps or deficiencies in student learning and build up their confidence, enabling them to compete

*Supplementary tutoring originally had very positive aims.*

fairly with others. Supplementary tutoring may also help good achievers get more out of their regular courses – and some healthy ‘division of labour’ may take place between private tutoring and mainstream courses.

But in some countries, supplementary private tutoring has become a major industry, consuming a considerable amount of parents’ money and pupils’ time. Moreover, in some cases it has become a source of distortion

*Supplementary private tutoring has become a source of distortion that adversely affects mainstream education (curriculum taught, school hours, both student and teacher behaviour, etc.).*

that adversely affects mainstream education (curriculum taught, school hours, both student and teacher behaviour, etc.) and the goal of equality of opportunity in education (see *Box 43* below).<sup>34</sup> According to a recent comparative study undertaken by the IIEP on teacher codes of conduct in South Asia, private tuition is thus regarded as a major source of unethical behaviour in Bangladesh, India and Nepal (Khandelwal, 2003). This is particularly obvious in countries in which

private tutoring is offered on a large scale at the end of secondary education to assist students to pass entrance exams to higher education. Private tutoring in these cases proves to be a major source of corrupt practices in the mechanisms of selection to higher education. This is true in many former Soviet states, due to the direct interference of teachers and professors both in private tutoring and in selection committees for entrance to higher education, and to the lack of reliability of criteria of access to higher education.

**Box 43. Private tutoring as a shadow education system**

In some countries parents, educators and politicians are highly critical of the ways in which private tutoring affects mainstream schooling. Unlike most shadows, private tutoring is not just a passive entity but may negatively affect even the body which it imitates.

*Source:* Bray, 2003: 21.

34. A study on the Republic of Korea shows that expenditure on private tutoring by the richest 10 per cent of the surveyed population is 12 times as high as that spent by the poorest 10 per cent.

## *Forms of malpractice*

Recently there has been an acceleration of the trend of private tutoring worldwide, resulting not only in growing adverse effects on mainstream education, but also on the development of unethical behaviour and corrupt practices.

### *Adverse effects of private tutoring*

#### *On teachers*

- teacher fatigue and inefficiency when they work for several extra hours each evening;
- teachers making less effort in class to ensure that every pupil is adequately prepared for examinations; and
- teachers preferring to concentrate not on conducting remedial classes under their charge, but rather on earning extra income through private tuition.

#### *On pupils*

- heavy workload due to cumulative effort of mainstream and private tutoring, leading to student fatigue (a study on Mauritius (Foodun, 1992) found that a child may spend as many as nine hours a day in regular schooling and private tutoring, when adults work seven hours a day);
- development of a ‘culture of dependency’. Pupils tend to rely on private tutors for everything including homework and exam tips; and
- lack of interest of pupils at schools as well as rise in the number of absentees in the regular system of schooling.

#### *On educational contents*

- narrowed scope and goals of the curriculum. While schools are expected to achieve a wide range of goals, private tutoring tends to cut topics not directly related to exams – such as academic interest, civic awareness and universal values, etc.;
- cramming-style curriculum, which involves pupils working mechanically (pupils who simultaneously face two different approaches may be very confused); and

- stifling of creativity, which can damage the bases of economic production (example of the Chinese *buxiban*,<sup>35</sup> where students are trained ‘like soldiers’, with disciplinary punishment).

*On the teaching/learning process*

- private tutoring becoming more important than the synergistic classroom experience;
- the dynamics of the teaching/learning process in mainstream classes affected. Again, pupils tend to work mechanically, without any effort to grasp the underlying meaning (example of Taiwan, where the government decided to introduce constructive approaches to enhance the understanding of mathematics. This decision was undermined by private tutors, who taught students how to secure correct answers through mechanical use of formulae); and
- mainstream teachers facing greater disparities within their classrooms (with the risk of a growing gap, putting all parents under pressure to invest in private tutoring for their children).

*Corrupt practices in private tutoring*

More specifically, as regards unethical or corrupt practices, two distinct situations must be highlighted: (i) tutors (who may or may not also teach in mainstream schools) providing tutoring to pupils for whom they are not otherwise responsible; and (ii) mainstream teachers tutoring the students who already fall under their responsibility in their mainstream classes.

*Tutors tutoring pupils for whom they are not responsible*

- high fees, over-enrolment in classes and poor performance of tutoring centres (due to lack of regulation of tutors’ qualifications);
- monopoly exerted by some tutorial centres, with ‘undue influence’;
- teachers neglecting their mainstream duties in favour of tutorial work;
- elaboration of ‘referral schemes’ under which teachers from different schools agree on referring their students to each other for private tutoring (especially in countries where teachers are prohibited from tutoring their own students);

35. Tutorial schools in Taiwan.

- collusion between schools and private tutorial centres (example of a senior high school in Taiwan that engaged in direct collaboration with a *buxiban*, arranging to transport all Year 3 students to the *buxiban* every day after school for another two hours of cramming);
- HEIs raising the requirements for entrance examinations to justify tutoring among their employers – and thus create the possibility of additional incomes;<sup>36</sup> and
- teachers from the most prestigious universities commanding high prices for tutoring because they know, or are presumed to know, the rough contents of the entrance examinations set by their own institutions.

*Mainstream teachers tutoring the students for whom they are responsible*

- use of public facilities (schools) for private interests;
- pressure on head teachers to allocate the jobs that will guarantee the most money (usually the last year of basic or secondary schooling);
- pressure exerted by teachers on parents to pay for private tuition: According to Bray (1993), “teachers are able to exert pressure not only because the students face external competition, but also because the teachers control which pupils are and are not promoted to higher grades at the end of the academic year. Parents know that if they do not pay for the tutoring, they may end up paying more in other ways because their children would probably have to repeat each academic year”;
- distortion in the way the curriculum is taught – only part of the syllabus is taught during official hours in some cases (Mauritius); and
- penalization of the pupils who do not attend private tutoring, including their deliberately being failed.

## *Scope*

Private tutoring is not a recent trend. It has been a major phenomenon since the 1960s in some parts of East Asia, particularly Japan, Republic of Korea and Taiwan. Since then, it has reached a significant scale in many places (in particular in urban areas) and has developed rapidly, including in

36. Examples of Georgia and Ukraine, cited by Tevzadze, 2004 (unpublished).

Latin America – as illustrated in *Box 44*. In most countries, private tutoring is proposed by individual tutors or small tutoring centres. But in some countries, it has developed into a major business; in East Asia, the major tutorial schools are thus large and extremely modern companies. In the Republic of Korea, they have advertisements in trains and buses. In Japan, their shares are quoted on the Stock Exchange.

**Box 44. Scale of supplementary private tutoring**

Partly because most supplementary tutoring is unofficial and does not welcome attention, data on the topic are scarce. However, a picture can be drawn from scattered studies in a range of settings. They include the following:

- In *Cambodia*, respondents in 31.2 per cent of 77 primary schools surveyed in 1997/1998 indicated that pupils received tutoring, which consumed 6.6 per cent of the total cost of primary education;
- In *Egypt*, a 1994 survey of 4,729 households found that 64 per cent of urban primary children and 52 per cent of rural ones had received supplementary tutoring. A 1997 study estimated that household expenditure on supplementary tutoring at the preparatory, primary and secondary levels accounted for 1.6 per cent of gross domestic product.
- In *Hong Kong*, a 1996 survey of 507 students found that 44.7 per cent of primary students, 25.6 per cent of lower secondary students, 34.4 per cent of middle secondary students and 40.5 per cent of upper secondary students were receiving tutoring. A 1998/1999 follow-up survey of six secondary schools stratified by ability bands found that 35.1 per cent of Secondary 1-3 pupils were receiving tutoring. Respective proportions for Secondary 4-5 and 6-7 were 46.6 and 70.3 per cent.
- In *India*, a 1997 survey of 7,879 primary school pupils in Delhi found that 39.2 per cent were receiving tutoring. Other reports have suggested that 70 per cent of urban children receive private tutoring in one or more subjects.
- In *Japan*, a 1993 survey found that 23.6 per cent of elementary pupils and 59.5 per cent of junior high school pupils attended tutorial schools. A 1997 survey added numbers of pupils receiving other forms of tutoring, and found that 33 per cent of Primary 5 children attended tutorial schools, 5.7 per cent received help from tutors on a one-to-one basis, 24.5 per cent studied through correspondence courses, and 17.9 per cent received home-delivery study materials. In urban areas, over 90 per cent of children were receiving some sort of tutoring.

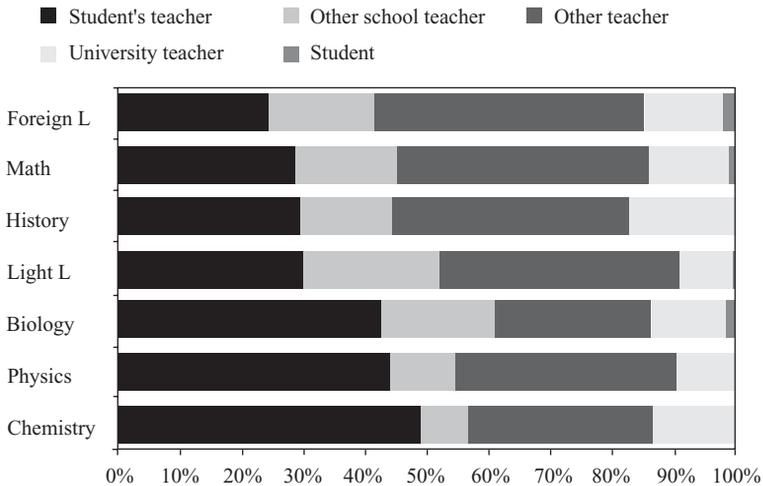
- In *Kenya*, a 1997 national sample of 3,233 Standard 6 pupils found that 68.6 per cent were receiving tutoring, ranging from 39 per cent in North Eastern province to 74.4 per cent in Nyanza Province.
- In *Malta*, a 1997/1998 survey of 1,482 pupils in upper primary and lower secondary schools found that 50.5 per cent had received private tutoring at some time. Some had first received tutoring at the age of four, although most had commenced at the age of 10.
- In *Romania*, a 1994 study of Grade 12 pupils in a national sample found that 32 per cent in rural areas and 58 per cent in urban areas received supplementary private tutoring.
- In the *Republic of Korea*, a 1997 study indicated that 72.9 per cent of primary students were receiving private tutoring. Among middle-school students, the proportion was 56 per cent; and among high school students it was 32 per cent.
- In *Taiwan*, government statistics indicate that, in 1998, 5,536 tutoring centres had 1,891,096 students. Other centres were unregistered, so total numbers were even larger. A 1998 survey of 359 students in eight Kaoshiung secondary schools found that 81.2 per cent were receiving tutoring.

*Source:* Bray, 2003: 22-24.

Studies based on quantitative surveys of secondary school students and first year students at universities provide very useful insights into the main features of private tutoring in different countries (Silova *et al.*, 2005). They show that the cost of private classes usually varies according to the subject taught, the experience of the tutors, their professionalism and their institutional affiliation. In countries of the former Soviet Union – where hiring a private tutor is regarded as a normal practice to enter higher education – the cost of private classes varies in the best circumstances between US\$10 and \$40 per hour (Azerbaijan, Russia); in less favourable conditions, students may have to pay as much as \$30 per hour, three times a week (Temple and Petrov, 2004). In Ukraine, the cost of an average private tutoring course for a prestigious University is more than \$10,000, compared to an average salary of \$100 (Hrynevych, 2005).

Finally, the proportion of mainstream teachers who tutor their own pupils varies widely from country to country (in some places, this practice is forbidden by the law). This proportion also varies according to the subjects taught – as illustrated by the case of Lithuania in *Figure 8.1*.

**Figure 8.1 Proportion of mainstream teachers among private tutors: the case of Lithuania\***



\* As a response to the following question: “Who was your private tutor of the first year students (per subject)?”.

Source: Zabulionis, 2003.

## Factors

The development of private tutoring can be understood as part of a more general trend: the rise of supplementary *hidden financial costs* that parents have to pay for the education of their children. This is partly related to the low level of teachers’ salaries, which do not enable them to earn their living. In countries in transition, in particular, teacher salaries have thus sharply declined in the last decade, particularly as compared to the national average. In Armenia, for instance, teacher salaries amounted to 65% of the national average wage in 1990, versus only 44% in 1997; similarly, in Kyrgyzstan, they amounted to 75 % of the national average, versus 61% in 1997 (World Bank figures). Teachers therefore have to secure additional sources of income, including by means of private tutoring.

A series of factors explaining private tutoring can be identified, with a distinction between those related to demand and to supply.

Considering the issue from the demand side of private tutoring:

- *high rates of return.* Rate of return studies since the early 1970s have showed the crucial role of examinations in the shaping of incomes. More recent studies confirmed the incentives for individuals to study as long as they can to gain credits and benefit from higher incomes (Psacharopoulos and Patrinos, 2002). However, the differentials in income between individuals with varying levels of education are greater in some countries than in others and for some levels of education than for others. This may explain the high demand for private tutoring observed in Asian societies at pre-university level, and the growing demand for private tutoring at post-secondary level in Eastern Europe<sup>37</sup> and in the Caucasus region.
- *increased competition.* The expansion of higher education and the increased number of students being admitted to universities have generated a 'rat race'. This 'rat race' is characterized by further competition amongst pupils, not only to be admitted into university, but to enter the best institutions and to get the most highly valued degrees or diplomas. This obviously creates demand for private tutoring, particularly in countries such as Ukraine, where there is a huge gap between school and university requirements;
- *cultural factors.* Among the cultural factors is the perceived role of effort in education success. This is the case in many Asian societies influenced by Confucian traditions, which place strong emphasis on effort. But it is no longer the monopoly of these societies. The crucial importance of effort has been supported by the recurrent outcome of evaluation studies disseminated worldwide, highlighting the determinants of school achievement.

Looking at the supply side of private tutoring:

- *low educational quality.* In a context of low (or declining) educational quality, private tutoring appears as a compensation to failing education

37. The most corrupt area in the Georgian higher education system is perhaps admissions. The system is unfair and inefficient, often characterized by bribery and use of highly subjective criteria. Corruption is manifested indirectly through a system of private tutors who prepare students for entrance examinations. The fees students pay are, in fact, bribes passed on through the system to ensure admission to the department of their choice (adapted from Janashia, 2004).

provision, i.e. overloaded curriculum; excessive requirements to pass a grade; curriculum not covering everything that is required on university entrance exams; inadequate classroom teaching for passing exams (in particular university entrance tests); teachers not explaining subject matter thoroughly (Silova *et al.*, 2005), etc.;

- *selection and evaluation mechanisms.* They have a strong influence on the development of private tutoring, which tends to develop wherever systems are intolerant of slow learners; university exams have a ‘gate-keeping function’; teachers are evaluated through their pupils’ results, etc. New centralized university entrance testing, introduced as an anti-corruption measure in former Soviet countries in the 1990s, have thus resulted in a boom in the private tutoring sector in many places. The publication of league tables showing school performance in public examinations in countries such as Australia, France or the UK has also had an incidence on the growth of private tutoring;
- *monopoly power.* As emphasized by Klitgaard (see *Chapter 2*), illicit behaviours flourish when agents have monopoly power over their clients; can exercise their discretion; and have weak accountability. This is true for teachers providing tutoring to their own pupils. Indeed, such teachers are in a position to make money by failing in their duty in mainstream classes, hinting that tutoring ensures the promotion of children (since they are often the ones controlling student promotion);
- *development of ICTs.* With the development of the use of technology in delivering education – especially at tertiary level – a market approach is increasingly being used to publicize opportunities for private tutoring. At the same time, communication and information technologies increase the diversity of supply of private tutoring.

### *Critical questions*

*Private tutoring is not a good or a bad thing in itself. A great deal depends on how it is provided and under which circumstances.*

Private tutoring is not a good or a bad thing in itself. A great deal depends on how it is provided and under which circumstances. Does it complement the provision of the regular school? Does it corrupt the mainstream system? Is it

provided through transparent mechanisms: Are the users well informed of the costs incurred and of the expected services? Are there procedures for quality assurance, for accountability and compliance with the rules, for the protection of disadvantaged pupils and students? These are a few critical questions to raise when diagnosing a private tutoring system and formulating a strategy to reduce corrupt practices generated by private tutoring.

### ***Good practices***

In-depth and comprehensive research into the phenomenon of private tutoring is indispensable to better understand its main characteristics and impact, notably on mainstream schooling. The rationale in designing a strategy for coping with the adverse effects of private tutoring should be based on the following two observations: First, private tutoring is a self-reinforcing system; second, there is a convergence of vested interests to maintain it (see *Box 45* below). As a result, each strategy should combine advocacy and information, rules and regulations, incentives, facilitation and encouragements. It should also emphasize both improving the quality of education in order to reduce the necessity for parents to seek external services, and diversifying selection methods.

#### **Box 45. Obstacles to the reform of private tutoring – the example of Mauritius**

The prevalence of private tutoring is part of a self-reinforcing system. It is widely believed that classroom teaching was insufficient for doing well in examinations, with the result that pupils sought private tutoring. But many teachers who assumed that their pupils received tutoring made less effort in class to ensure that every pupil was adequately prepared for the examinations.

Once private tutoring was embedded in the system, powerful vested interests desired to maintain it. Parents saw tutoring as a road to their children's social and economic advancement, teachers saw tutoring as a source of untaxed income, and the general public saw tutoring as a way to improve educational performance at no cost to the taxpayer. For all these reasons, proposals to reduce the extent of tutoring were unlikely to be effective unless they were accompanied by radical measures to improve teaching in schools.

*Source: Joynathsing et al., 1998, quoted by Bray, 2003.*

## 1. Advocacy and information

It is important to raise public awareness about the nature, scale and implications of private tutoring on the public education system. Moreover, any information campaign to educate parents on the choice of a tutorial school (public awareness) should include indications on fees to be paid and on services to expect, including delivery conditions, and establishment and maintenance of a certification system for both training centres and tutors. The Hong Kong web site ‘How to choose tutorial schools’<sup>38</sup> is particularly relevant in this respect. It includes a list of registered tutorial schools, specific details on each of these schools, and records of contraventions and convictions for unregistered schools or offences committed by registered institutions (a similar approach is used in Singapore). Publicity should warn operators and inform clients of their rights.

## 2. Regulating private tutoring

A few countries, such as the Republic of Korea, declared a formal prohibition of supplementary tutoring – but without success. Others, like Kenya, decided to forbid teachers from providing private tutoring to their own pupils.<sup>39</sup> Similarly, in Bosnia and Herzegovina, Croatia and Poland, teachers are either legally prohibited or publicly discouraged from tutoring their own students (teacher codes of conduct can include specific articles dealing with these issues) – but often also without success, since much tutoring is undertaken on an informal basis (i.e. private arrangements between tutors and their clients) and no compensation is granted to teachers.

Besides, some states have decided to adopt laws and policies to legalize the existence of private tutoring and regulate it. Some of them have thus regulated the use of school premises for private tutoring. Others have prohibited private tutoring for specific grades (Mauritius, Hong Kong SAR (China)) or on certain days or at certain hours (Taiwan). More globally, some strictly limit the number of weekly hours and class sizes for private tutoring. Yet others

38. [www.emb.gov.hk](http://www.emb.gov.hk).

39. “The charging of tuition fees for extra coaching is illegal (...). The teacher will therefore be expected to discern pupils’ abilities and set appropriate remedial teaching as opposed to private coaching. Remedial teaching should therefore form an integral part of the teaching/learning process” (extract from a Kenyan government circular dated July 6, 1999).

impose strict standards on the facilities used: Tutorial schools may be required to register in order to comply with specific requirements (space, safety, but also teacher qualifications, curriculum, teaching materials, monitoring, fees and systems for assessing student performance, tax allowances, etc.). In some cases, such as Singapore, assistance is given to some private centres offering tutoring to pupils from low-income groups.

Finally, actions to improve the accountability of institutions and individuals providing private tutoring can be contemplated. This can be done either by entrusting the responsibility of monitoring and control to the ministry of education, or through the establishment of mechanisms for peer control (professional associations like the ‘buxibans approach’ followed by Taiwan).

### 3. Reducing the need for private tutoring

More attention should be given to the broad goals of the curriculum (learning to learn, learning to be); to increasing the competitiveness of the regular school system by adopting drastic measures to improve its quality (as the Republic of Korea did in the mid-1990s); to building more homogeneity among schools, combined with a reduction in the number of ‘flag schools’; to a better tailoring of teaching to students’ individual needs, using effective teaching methods; to allowing hours in the school curricula for revising material and exam preparation; to raising teacher qualifications as regards the preparation for standardized external examinations; and to reforming the exams by making them more test-oriented and extending their coverage to integrate the broad goals of education. Hopefully, this will help set different goals for private tutoring as compared to formal education.

More globally speaking, a better use of financial and human resources could involve ‘rationalizing the teachers’ wage bill’, through a better use of teachers (through remedial courses), and the adjustment of their wages when there is decline in enrolment.



## **Messages for policy planners and administrators**

1. There is need for more research/studies to (i) collect data; (ii) analyze adverse effects of private tutoring; and (iii) review alternative strategies for reducing adverse impact on the mainstream education.
2. Governments do not always address the causes and consequences of private tutoring. Some do not intervene, relying on market forces to regulate, while others take direct actions to control and monitor private tutoring with some success.
3. It is critical to prohibit teachers from offering private tutoring courses to their own pupils, in order to limit risks of collusion of interests and pressure exerted on parents. However, this may prove useless, unless incentive measures are taken at the same time.
4. Strict information and control requirements should oblige private tutors to comply with minimum requirements, so that parents know exactly what service they are expected to get. Offenders should be punished, and offenses made public.
5. Attention should be given to improving the quality of teaching, i.e. reform of curriculum contents, teaching methods, teacher qualification, revision of exams, etc. with a view to reduce the need for external services.
6. Selection methods should be diversified and exam contents reformed, by making them more test-oriented and extending their coverage to integrate the broad goals of education
7. Private tutoring can be successfully self-regulated (more or less) by the education profession, as the experience of Taiwan demonstrates.

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## Chapter 9

# Memo to policy-makers, planners and managers

This chapter will provide a synthetic presentation on how to address the challenge of corruption in the education sector. It will summarize the findings presented in the previous chapters. Hence, it can be regarded as a set of guidelines for policy-makers, planners and managers.

### 1. Some basic requirements

*It is crucial to unbundle or un-package the different manifestations of corruption.*

It is crucial to unbundle or un-package the different manifestations of corruption, in order to pinpoint which types of corruption and which linkages between them are the most important in a given country. Is it corrupt procurement? Is it corrupt recruitment of teachers? Is it bribery for bureaucratic or administrative requirements

to be admitted to school or university, to benefit from a scholarship scheme, or to receive a special allowance for teachers? Is it embezzlement of state actions to support private secondary schools? In different settings, one will find different priorities. This is why diagnosis and data analysis is absolutely crucial: There is no one recipe that applies to all countries; each must do its own serious and rigorous homework based on in-depth empirical studies – as Peru did in 2004 (Helfer Palacios *et al.*, 2004).

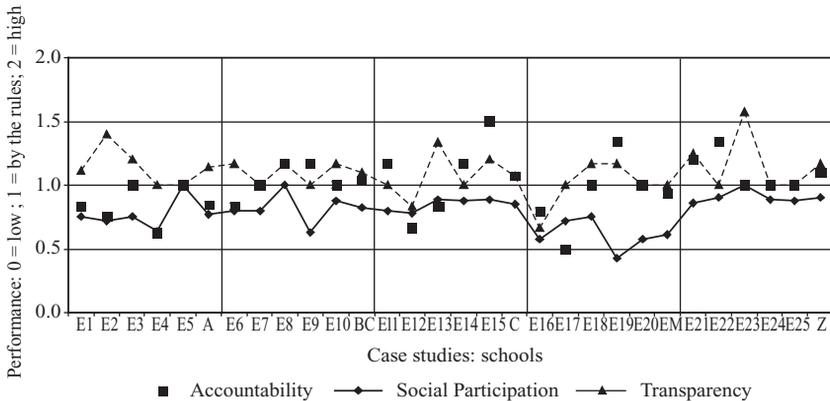
The rationale is that to eliminate corruption, measures should be taken at the same time in different areas – political, legal, institutional and managerial, economic and educational. This will obviously need time, as expressed by

*To eliminate corruption, measures should be taken at the same time in different areas.*

Valdas Adamkus, President of the Republic of Lithuania, during a November 2003 study tour of Lithuania organized by the IIEP: “Old habits do not die over night. We have to create laws, which have to be brought into practice through the institutions. This will probably

take a decade, but when the new generation is brought up and used to the new concepts, this will be part of their personality” (Vilnius, 13 October 2003). This will also require addressing both internal and external factors that are conducive to corrupt behaviours.

**Figure 9.1 Indicators assessing accountability\*, social participation\*\* and transparency\*\*\*: the Quality Schools Programme in Mexico**



Indicators used:

- \* *Accountability:* How is a school community informed about the use of all types of resources? How often is information about a school project delivered to the school community? Do school community members know about the use of additional resources donated to the school project by the social community?
- \*\* *Social participation:* How are members of the school councils chosen? Who selects them? Who intervenes in the formulation of a school project? Who decides how to allocate resources during school project implementation? Who promotes linkages between a school and its environment, and by what means?
- \*\*\* *Transparency:* What is the level of knowledge of the actors interviewed about relevant issues during the formulation, execution and evaluation of a school project?

Source: Santizo Rodall and Cabrero Mendoza, 2004: 117.

***How to address internal factors (mainly institutional and managerial)***

Managerial and institutional reforms of the education sector leading to more transparency and accountability should be introduced. Suggestions include the following:

- establish *clear procedures and responsibility*. For schools, these comprise procurement procedures including separating staff duties, designating procurement authorization levels and the corresponding financial limits, and setting criteria for selection methods, among others. For staff, these include full briefing on work responsibilities at all levels, issuing of guidelines on financial procedures, selection of textbooks and learning materials, etc.;
- *maintain proper records*. School management should set clear procedures for making payments. These include the need for an invoice or claim to be duly certified by an authorized staff member; use of serial numbers in all purchase orders; invoice and receipts to provide cross-reference; and a proper and regular maintenance and period audit of financial statements and accounts;
- exercise *effective supervision* to ensure that all rules and procedures are followed. These include the introduction of internal and external audits into the control system; the setting-up of check and balance mechanisms, as these can help prevent or detect irregularities and malpractices early; and the involvement of communities in the design and enforcement of “accountability frameworks”, whose adequate implementation can be assessed using a different series of criteria (see *Figure 9.1*).
- *detect warning signals*. Examples of these may be unexplained alterations in financial statements, missing or out-of-sequence documents and unnecessary duplication of records, etc.;
- provide *channels for enquiries and complaints and publicize a system of penalties for non-compliance*, both for staff and other stakeholders such as school administrators, inspectors, parents, pupils, suppliers and contractors. Complaints should be dealt with promptly, disseminated and remedial action should be taken.

These suggestions are summarized in *Table 9.1*.

**Table 9.1 Good governance criteria to service provision**

Criterion	Explanation	Examples of application
Transparency	Ready, unobstructed access to and availability of accurate, timely, relevant and comprehensive data and information: example of textbooks; copyright; fees to authors; cost of paper; cost of printing by number of textbooks; mode of selection and certification of manuscripts; bidding procedure, etc.	Textbook production and distribution <ul style="list-style-type: none"> <li>• Independent competition tribunal to oversee bidding processes.</li> <li>• Publication of results of selection of competitors for production and distribution.</li> <li>• Publication of contract between public sector and selected operators.</li> </ul>
Accountability	Individuals and organizations in charge of the performance of particular actions or activities are held responsible through clearly defined rules, roles and responsibilities: teachers, administrators, students, parents /schools, PTA, universities, ministry of education, NGOs, etc.	Formula funding (FF) to schools and LEAs <ul style="list-style-type: none"> <li>• Clearly defined responsibilities and rights for operator, regulator and citizens.</li> <li>• Independently audited and publicly available financial statements of operator.</li> <li>• Simple complaint mechanisms and low-cost claim courts.</li> <li>• Annual meetings at which ministries of education/finance and local authorities, PTA and schools lay down and agree on yearly management plans.</li> </ul>
Participation and social monitoring and control	Stakeholders have a voice in decision-making policy formulation, either directly or through legitimate intermediate institutions.	School location, planning and construction <ul style="list-style-type: none"> <li>• Public consultative processes for adoption of criteria for location, and characteristics of school (decisions on catchment areas).</li> <li>• Advisory/monitoring committees composed of civil society representatives.</li> </ul>

Source: Adapted from Sarvan, 2003.

***How to address external factors (mainly political, legal, economical, and educational)***

Lessons from experience and evidence suggest that five key elements hold a lot of promise when they can coalesce, namely: leadership; competition in the political and economic arena; the right to information; collective action; and an integrated approach:

- *leadership*. The highest level of political support, sustained over a long period of time, is required to move the anti-corruption agenda forward. Both political and professional commitments are central in this regard: leaders of teachers' unions, heads of universities and chairs of PTAs can all play an important role. This is why particular attention should be paid to modes of selection of leaders, as well as to investment in the training of these leaders;
- *competition*. Monopolies within the education sector as in other sectors facilitate the development of corrupt practices. On the contrary, political objections, debates, investigations and economic competition are key elements to counteract monopolistic tendencies. The existence of independent neutral bodies in charge of assessment, selection, control, audit, etc. as well as of private actors within the education arena, can appear crucial in this context;
- *right to information*. Freedom of the press and access to information are key to transparency and accountability. The experiences of countries such as India (see *Box 46* below) that have progressively provided a legal basis for the right to information can prove extremely useful in this regard. They show indeed that in order to facilitate real access to information, a number of accompanying measures need to be taken, e.g. awareness campaigning, adequate training (both of administrators and citizens), the setting up of proper information systems, the design of penalty mechanisms to encourage administrators to provide accurate and updated information on time, etc.
- *collective action*. The battle against corruption cannot be won by a single player. This basically suggests that it is not merely the responsibility of the executive body, but rather that of a broad coalition, requiring a diversity of players, significant checks and balances, and responsibilities being held by many – including the parliament, courts and jurisdictions, unions, the private sector, civil society organizations, associations of parents, youth movements and the media, among others;
- *an integrated approach*, taking into consideration not only ethics in education but also ethical education, and trying not only to reduce corruption in education, but also in health and other public sectors. The rationale is that if corrupt practices are not eradicated in all sectors, including investments at grassroots level to strengthen participation,

empower the poor and women, and so on, strategies to reduce corrupt practices in education – a ‘cross-cutting sector’ – are likely to fail and be undermined by capture and leakage of resources in other sectors.

**Box 46. Implementation of the right to information in India**

In 1996, a group of peasants and workers called the Mazdoor Kisan Shakti Sangathan (MKSS), launched a 40-day agitation (dharna) in Rajasthan, demanding the right to information, using the slogan: “the right to know is the right to live.” The group demanded public audit of expenditure on development by the Panchayati Raj (a local self-government institution at village level). At a later date, the National Campaign for People’s Right to Information (NCPRI) was formed, comprised of NGO activists, bureaucrats, academics, lawyers and journalists. The main objective of NCPRI was to formulate and enact legislations at the State and Central levels and to support initiatives at the grassroots level for the demand and use of this right. In this context, Tamil Nadu and Goa became the first two states in India to pass the right to information (RTI) legislation, followed by Rajasthan in 2000. This served as an impetus for other states, such as Karnataka, Maharashtra, Assam and Delhi, to pass their own RTI Act.

Experiences however show that there are several difficulties faced by governments in enforcing RTI and in implementing changes at the grassroots level. These include: the lack of awareness of RTI among educators and the general public; government officials not following the prescribed rules and regulations strictly; the lack of freedom to introduce changes; the vested interests of politicians; concerned administrators not being active in making changes; the prevalence of a culture of secrecy within the educational administration; the lack of ethics within the educational administration; and low levels of literacy within the general population. On this basis, educators from both Karnataka and Rajasthan made a number of recommendations to improve the situation. Some of these are as follows:

- Involve the government, NGOs and other partners in spreading awareness of the RTI Act (through orientation and training programs), and in educating the citizens about the circumstances under which and how the RTI Act can be utilized to access information.
- Conduct training for all government personnel (including educational administrators and faculty) on the RTI Act, the accurate interpretation of the laws, implementation procedures and ethical behaviour in the educational sector.

- Facilitate time-bound disclosure of all information of use to the public, including its regular update, so that information is easily accessible to different types of users (e.g. the literate, the illiterate, people living in urban and rural areas); information systems should be strengthened accordingly.
- Encourage the officials providing information to do so expeditiously and in accordance with the rules (a monetary fine per day should be imposed on information officers if they fail to do so).
- Set fees for providing information which do not exceed the cost of reproducing or providing the information, including the postage cost, so as to reduce the opportunity for public authorities to use high application fees as a means to deny information.

Source: Adapted from Devi, 2003.

## 2. Regulation, management and ownership: the ‘virtuous triangle’

Three major strategic axes for improving transparency and accountability in the management of the education sector have been discussed in previous chapters, namely the creation and maintenance of transparent regulatory systems, the strengthening of management capacities for greater accountability, and encouraging enhanced ownership of the management process:

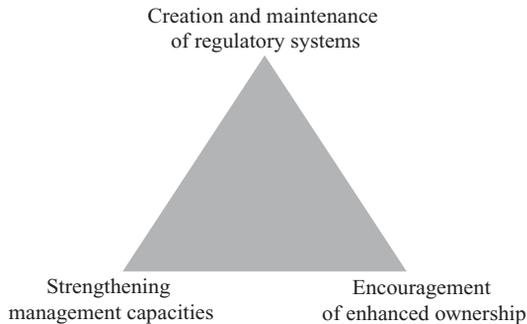
- the ***creation and maintenance of regulatory systems*** involves adapting existing legal frameworks so that they focus more on corruption concerns (rewards and/or penalties), designing clear norms and criteria for procedures (with regard to fund allocation or procurement, for instance), developing codes of practice for the education profession, and defining well-targeted measures, particularly for fund allocation;
- the ***strengthening of management capacities*** to ensure the enforcement of these regulatory systems. This involves increasing institutional capacity in various areas, particularly information systems, setting up effective control mechanisms against fraud and promoting ethical behaviour; and
- encouraging ***enhanced ownership of the management process***. This involves developing decentralized and participatory mechanisms,

increasing access to information, particularly with the use of ICTs, and empowering communities to help them exert stronger ‘social control’.

This is summarized by the following formula equation and by *Figure 9.2*.

$$\begin{aligned} \text{Accountability in education} &= f(\text{transparent regulations, social control by users}) + \text{system of penalty} \\ \text{Education free from corruption} &= f(\text{accountable management, ownership, education programme against corruption}) \end{aligned}$$

**Figure 9.2 Regulation, management and ownership: the ‘virtuous triangle’**



These three axes can be deduced from the lessons drawn in the various chapters of this book on financing and teacher management and behaviour, among others. They are summarized in *Table 9.2*.

**Table 9.2 Regulation, management and ownership: the ‘virtuous triangle’**

Areas	Regulation	Management	Ownership
<ul style="list-style-type: none"> <li>• Financing</li> <li>• Allocation of specific allowances (fellowships, subsidies, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Equitable and transparent allocation formula</li> <li>• Clear financial procedures (guidelines)</li> <li>• Standardization of the format of financial reports</li> </ul>	<ul style="list-style-type: none"> <li>• Computerized/automated process</li> <li>• Training of principals and administrative staff in financial procedures</li> <li>• Budget scrutiny</li> <li>• Independent mechanisms of control</li> <li>• Internal and external audits</li> <li>• Sanction of fraud (penalties)</li> </ul>	<ul style="list-style-type: none"> <li>• Social mobilization</li> <li>• Information to the public</li> <li>• Training of stakeholders</li> </ul>
<ul style="list-style-type: none"> <li>• Construction, maintenance and school repairs</li> <li>• Writing, production and distribution of textbooks</li> <li>• Distribution of equipment, furniture and materials (including transport, boarding, canteens and school meals)</li> </ul>	<ul style="list-style-type: none"> <li>• Clear legislation and regulation on procurement procedures (guidelines)</li> <li>• Standardized policies for school maintenance and repairs</li> <li>• Clear policy for equipment/materials</li> <li>• Clear copyright and book policy</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed and transparent contract specification</li> <li>• Pre-qualification of suppliers</li> <li>• Computerized/automated process (e-procurement, linear models)</li> <li>• Procurement scrutiny</li> <li>• Internal and external audits</li> <li>• Sanction of fraud (penalties)</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement of ministry of education</li> <li>• Information to the public</li> <li>• Peer monitoring/control (integrity networks)</li> <li>• Citizen oversight committees</li> </ul>
<ul style="list-style-type: none"> <li>• Teacher appointment, management (transfer, promotion), payment and training</li> </ul>	<ul style="list-style-type: none"> <li>• Open competition for teacher recruitment</li> <li>• Clear and objective criteria for teacher management (including promotion and transfer system)</li> </ul>	<ul style="list-style-type: none"> <li>• Cleaning the list of teachers</li> <li>• Computerized/automated process</li> <li>• Adequate incentive systems</li> <li>• Control of absenteeism</li> <li>• Reporting of anomalies</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement of trade unions</li> <li>• Information to the public</li> </ul>

**Table 9.2 (continued)**

<ul style="list-style-type: none"> <li>• Teacher behaviour (professional misconduct)</li> </ul>	<ul style="list-style-type: none"> <li>• Professional and ethical standards/codes</li> <li>• Basic norms (private tutoring)</li> </ul>	<ul style="list-style-type: none"> <li>• Training</li> <li>• Private tutoring complementary to mainstream education</li> <li>• Adequate incentive systems (including teacher salaries)</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement of the profession (design, enforcement of the codes)</li> <li>• Peer monitoring/control of the codes</li> <li>• Implementation of the codes</li> <li>• Information to the public</li> </ul>
<ul style="list-style-type: none"> <li>• Information systems</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of reliable education management information system (EMIS)</li> <li>• Report cards</li> <li>• Tracking surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Computerized/ automated process</li> <li>• Training</li> <li>• Adequate incentive systems</li> <li>• Independent mechanisms of control of the reliability of data</li> <li>• Periodic audits of information</li> <li>• Sanction of fraud (penalties)</li> </ul>	<ul style="list-style-type: none"> <li>• Information to the public (information displayed on public boards, available through the main newspapers, the internet, etc.)</li> </ul>
<ul style="list-style-type: none"> <li>• Examinations and diplomas</li> <li>• Access to universities</li> <li>• Institution accreditation</li> <li>• Cross-border movements (overseas students, franchised courses or institutions)</li> </ul>	<ul style="list-style-type: none"> <li>• Clear anti-academic fraud policy</li> <li>• Transparent rules and procedures for being admitted to universities</li> <li>• Transparent criteria for obtaining accreditation</li> <li>• Design of international guidelines on cross-border education</li> </ul>	<ul style="list-style-type: none"> <li>• Confidentiality of exam content and anonymity of candidates</li> <li>• Computerized exam management</li> <li>• Mechanisms to detect fraud (use of statistical tools)</li> <li>• Sanction of academic fraud (penalties)</li> <li>• Design of standardized national exams</li> <li>• Outsourcing the management of exams and accreditation procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of standards of academic integrity by the profession</li> <li>• Adoption of honour codes by the profession</li> <li>• Establishment of reliable and user-friendly information systems on recruitment procedures, list of graduates, accredited institutions, accrediting agencies, etc.</li> </ul>

### 3. ‘All against corruption’

In the long run, curbing corruption requires changing the attitudes and behaviours of both the operators and users of the educational system, with a view to improving transparency and accountability in the management of the system, mobilizing society against corruption and, hopefully, paving the way for deep social transformation. Two main approaches can be considered in this regard, namely: (i) anti-corruption education; and (ii) anti-corruption movements.

#### *Anti-corruption education*

Anti-corruption education is especially useful in countries where there is no tradition of transparency, and where raising awareness on corruption topics contributes to building knowledge and intolerance of corruption. Anti-corruption education can be quite diverse: It can target different categories of stakeholders, e.g. civil servants, teachers, primary and secondary pupils, university students, or more globally speaking, society as a whole through information campaigns; it can deal with the public and/or the business sector; it can be quite prescriptive, or, on the contrary based on practical situations and exchanges; it can be delivered either by public bodies or civil society institutions. In any case, it differs from ‘moral’, ‘ethic’ or ‘civics’ education, which does not address corruption issues directly and thoroughly. As mentioned by Palicarsky, the objective of anti-corruption education is “not to teach people to be good, but certainly to teach them skills to follow certain standards of conduct” (Palicarsky, 2006).

There is a wealth of experiences in the area of anti-corruption education which the IIEP has not analyzed in depth, as this is beyond the scope of its current programme. However, a quick review of the information available notably in the former Soviet-bloc countries illustrates the variety of initiatives underway in countries such as Bulgaria, Kazakhstan, Lithuania, Moldova or Ukraine. In Bulgaria, for instance, a special expert group on anti-corruption education was set up within the framework of Coalition 2000, with the task of preparing an anti-corruption education manual.<sup>40</sup> This manual deals with corruption as a social phenomenon, anti-corruption strategies, the role of civil society in curbing corruption, and international practices in this area (IIEP/

40. Coalition 2000 is the alliance of civil society organizations acting to curb corruption and promote transparency and accountability in Bulgaria.

UNDP, 2003). Similarly, the Centre for Modern Didactics in Lithuania has designed an anti-corruption manual, which has been translated into different languages and diffused in several states (IIEP and UNDP, 2003).

A study conducted on the Bulgarian experience provides quite useful inputs for the different programmes to be considered within this framework (Palicarsky, 2006). Indeed, the approach followed by Bulgaria, which is quite comprehensive, comprises the following initiatives:

- *general public awareness campaigns.* These aim at raising public awareness on the dangers and consequences of corruption and at deterring corruption among several specific groups (police, customs, medicine, universities). Their general aim is to deliver one or two simple messages; and at times to provide citizens with information on how to react when a bribe is solicited. Most campaigns are carried out by NGOs.
- *secondary schools education.* The objective of this training is to build age-specific knowledge and to lay the foundation for acquiring sound civic competence by high school students. The anti-corruption classes are included in the curriculum as an optional subject for students grade 9 to 12. The syllabus is developed jointly by the Ministry of Education and Science, the Anti-corruption Commission and the Coalition 2000 experts. The classes taught combine theory and good practices. Various NGOs, local governments and mayors also contribute to the process.
- *university classes.* The specialization of tertiary education allows for a much more targeted approach. It makes it possible to diversify the messages – the skills and the knowledge delivered. A course taught to a future manager is thus quite different from the one taught to a future lawyer or a student in public administration or in public sector management. The main problem here is the lack of university professors that are knowledgeable in the topics and the unwillingness of universities to join the initiative.
- *professional ethics for public servants.* The main objective here is to equip public servants with practical tools to recognize and solve ethical dilemmas; to provide input for their solution; and to guarantee the socialization of the professional group. It is designed to be as practical as possible, focusing on the real problems in the public service and proposing possible solutions to some of these problems. The public

servants are taught in a most practical way to apply existing codes of ethics, internal rules and procedures, etc.

Transparency International has contributed considerably to promoting and diffusing such experiments (Transparency International, 2004). However, evaluation studies are required to better assess their quality, relevance, and impact. In this connection, the Bulgarian experience shows very clearly that, in order to be successful, anti-corruption education should rely on a collective endeavour (see *Box 47* below), involving both public and private actors. It also demonstrates that it needs to be very practical, and refer to concrete cases. As emphasized by Palicarsky, “for the trainings to be effective though, they must not be a mere repetition of ‘enchancements and spells’. They need to be practical; to connect the performance of the public servant with adherence to the standards set by the codes of ethics; to equip the public servants and the managers with the tools to recognize and solve ethical dilemmas; and to be able to effectively counteract corruption when confronted” (Palicarsky, 2006).

**Box 47. Anti-corruption education in Bulgaria**

The government and the former Anti-corruption Commission were the driving forces behind the efforts to introduce anti-corruption education in Bulgaria within the public administration. The Ministry of Education and Science was instrumental in introducing the necessary changes into the school curricula. The IPAEI, which is subordinate to the Minister of Public Administration and Administrative Reforms, is an important actor in providing training to the public servants. As to judicial training, the National Institute for Justice is responsible for delivering anti-corruption training to judges, prosecutors and investigating magistrates. Most of the programmes were developed in close co-operation with civil society; the Coalition 2000 participated actively in developing the syllabus for the secondary school anti-corruption training, while the National Chapter of Transparency International contributed to the ‘Professional ethics and anti-corruption’ training within the public administration.

Source : Palicarsky, 2006: 14.

***Anti-corruption movements***

As regards anti-corruption movements, there is also a diversity of initiatives, which are at times supported by international organizations, such as Transparency International or the Open Society Institute. The

‘Corruption fighters’ tool kit” published by Transparency International is thus a compendium of practical civil society anti-corruption experiences, which highlights the potential of civil society to create mechanisms for monitoring public institutions and demanding accountable and responsive public administration. There are many other experiences that are worth mentioning here, such as the youth anti-corruption movements which have arisen in Lithuania, Moldova, Serbia, Ukraine, and many other countries. *Box 48* showcases an interesting project conducted by the Lithuanian Debate Centre, which consists of helping youngsters develop clear arguments against corrupt practices in their country. The key role played by young people in some of these movements provides hope for the future. Obviously, some of these movements are politicized. Their achievements may still be uneven and their success will take time. However, when they are properly monitored, they can undoubtedly contribute to accelerating change towards greater democracy and a better future.

**Box 48. The ‘Youth against corruption’ project in Lithuania**

The Debate Centre is a non-governmental organization, which focuses on debate as a formal educational method. Supported by the Open Society Fund Lithuania (OSFL), it promotes critical thinking through various debate-related activities such as seminars for teachers and students, summer camps, tournaments and students’ congresses. Moreover, it provides schools with informational assistance. Its final objective is to help the young Lithuanian generation to become socially aware citizens, involved in dealing with the problems facing the country and the world, and finding solutions for a better future. In doing so, it can help achieve positive social results.

The ‘Youth against corruption’ project is one of the projects developed by the Debate Centre in co-operation with the Ministry of Education and various NGOs. Initiated in August 2000, it has now reached its final stage. Its main goal was to involve young people in an active campaign against corruption. It focused not only on high school students or university students, but also on local community leaders, official civil servants, local authorities and national governmental institutions. It was hoped that this would encourage stronger co-operation between the younger generation and governmental institutions, and strengthen the fight against corruption in the country. The project included various anti-corruption actions, but concentrated mostly on discussion and debate.

Source: Scoota, 2003.

#### 4. Twelve recommendations to policy-makers and educational managers

In conclusion, to achieve ‘good governance’ and hence combat corrupt practices, there is a need to combine transparency, accountability and participation. The 12 recommendations below, targeted at policy-makers and educational managers, are formulated on this basis.

*To achieve ‘good governance’ there is a need to combine transparency, accountability and participation.*

##### ***Creation and maintenance of transparent regulatory systems***

1. To combat corruption, there is a need for clear norms and regulations, transparent procedures and an explicit policy framework specifying, for each of the steps involved, the distribution of responsibilities between different stakeholders in the allocation, distribution and use of educational resources.
2. Great care should be taken not to build in incentives for distorted practices in the design of these norms, regulations and procedures. On the contrary, incentives should be conceived to make institutions and individuals more accountable, more transparent and more ‘meritocratic’, rewarding good work. Similarly, risks of collusion and conflict of interest should be carefully avoided.
3. Standardization of financial procedures, homogeneous staff management regulations, harmonization of procurement rules, and adoption of an agreed format for the production of financial reports at the school and intermediate authority level can play a great role in promoting transparency in the system.
4. The design of ethical standards and codes of conduct targeted at the education profession (in particular teachers) can greatly contribute to the establishment of a more favourable educational environment, thus directly influencing the quality of education and the learning of ethical values by the future generation.

***Strengthening management capacities for greater accountability***

5. Improving skills in management, accounting, monitoring and audit are basic requirements for reducing corruption in education. Better training not only of administrative staff at the different levels involved, but also of other stakeholders in the system, such as Parent-Teacher Associations, unions and other relevant civil society organizations should be considered accordingly.
6. Use of computerized information and automated systems constitute an important tool for improving and monitoring transparency in management. Indeed, they can help reduce individual interference in the regular operation of the system.
7. Mechanisms of control of school resources and data must be frequent and independent of administrative staff. External audits, in particular, should be characterized by their autonomy, neutrality, regularity and credibility, so that any deficiency can be detected early and remedial action taken immediately. They should go hand in hand with a system of penalties.
8. In a corrupt environment, decentralization of educational management can only contribute to decentralizing opportunities for corrupt practices to a greater number of stakeholders. As a result, decentralization should only be considered when clear norms have been established and stakeholder capacity to enforce them strengthened.

***Enhancing ownership of the management process***

9. A reform strategy based on the principle of social mobilization and control ('bottom-up approach') that emphasizes participation at the grassroots level and builds ownership by direct involvement of stakeholders both in the design of the policy and its implementation, can contribute to increasing transparency and improving accountability.
10. Access to information of the public at large is indispensable for building participation, ownership and social control. As a result, those closest to the point of delivery – the school – must be sufficiently well informed to be able not only to detect fraud, but also to claim what they are entitled to.

11. Peer monitoring, including self-control by the profession (adoption of 'honour codes' by universities, self-regulation of private tutoring and establishment of integrity networks for textbook production) can stimulate social involvement and control, and contribute to reducing opportunities for corrupt practices.
12. More specifically, to ensure their credibility and ownership, teacher codes of conduct should be established through a participatory process involving the teaching profession. A minimum target to achieve is the organization of awareness-building exercises, information sharing, capacity building and efforts towards 'mainstreaming participation'.

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## Appendix 1

# Checklist for evaluating the quality of surveys

1. *Problem*
  - a. is stated clearly and understandable ;
  - b. includes the necessary variables;
  - c. has theoretical value and currency (impact on ideas);
  - d. has practical value and usability (impact on practice).
2. *Literature review*
  - a. is relevant and sufficiently complete;
  - b. is presented comprehensively and logically;
  - c. is technically accurate.
3. *Hypotheses or questions*
  - a. are offered, and in directional form where possible;
  - b. are justified and justifiable;
  - c. are clearly stated.
4. *Design and method*
  - a. is adequately described;
  - b. fits the problem;
  - c. controls for major effects on internal validity;
  - d. controls for major effects on external validity.
5. *Sampling*
  - a. gives a clear description of the defined target population;
  - b. employs probability sampling to ensure representativeness;
  - c. provides appropriate estimates of sampling error.
6. *Measures*
  - a. are adequately prescribed and operationalized;
  - b. are shown to be valid;
  - c. are shown to be reliable.
7. *Statistics*
  - a. are the appropriate ones to use;
  - b. are used properly.

*Appendices*

8. *Results*

- a. are clearly and properly presented;
- b. are reasonably conclusive;
- c. are likely to have an impact on theory, policy or practice.

9. *Discussion*

- a. provides necessary and valid conclusions;
- b. includes necessary and valid interpretations;
- c. covers appropriate and reasonable implications.

10. *Write-up*

- a. is clear and readable;
- b. is well-organized and structured;
- c. is concise.

*Source:* Wolf, 1993.

## Appendix 2

# Transparency International's minimum standards for public contracting

Transparency International's minimum standards for public contracting provide a framework for preventing and reducing corruption based on clear rules, transparency and effective control and auditing procedures throughout the contracting process.

The standards focus on the public sector and cover the entire project cycle, including needs assessment, design, preparation and budgeting activities prior to the contracting process, the contracting process itself and contract implementation. The standards extend to all types of government contracts, including:

- procurement of goods and services;
- supply, construction and service contracts (including engineering, financial, economic, legal and other consultancies);
- privatisations, concessions and licensing;
- subcontracting processes and the involvement of agents and joint-venture partners.

Public procurement authorities should:

1. Implement a code of conduct that commits the contracting authority and its employees to a strict anti-corruption policy. The policy should take into account possible conflicts of interest, provide mechanisms for reporting corruption and protecting whistleblowers.
2. Allow a company to tender only if it has implemented a code of conduct that commits the company and its employees to a strict anti-corruption policy.
3. Maintain a blacklist of companies for which there is sufficient evidence of their involvement in corrupt activities; alternatively, adopt a blacklist prepared by an appropriate international institution. Debar blacklisted companies from tendering for the authority's projects for a specified period of time.

4. Ensure that all contracts between the authority and its contractors, suppliers and service providers require the parties to comply with strict anti-corruption policies. This may best be achieved by requiring the use of a project integrity pact during both tender and project execution, committing the authority and bidding companies to refrain from bribery.
5. Ensure that public contracts above a low threshold are subject to open competitive bidding. Exceptions must be limited and clear justification given.
6. Provide all bidders, and preferably also the general public, with easy access to information about:
  - activities carried out prior to initiating the contracting process;
  - tender opportunities;
  - selection criteria;
  - the evaluation process;
  - the award decision and its justification;
  - the terms and conditions of the contract and any amendments;
  - the implementation of the contract;
  - the role of intermediaries and agents;
  - dispute-settlement mechanisms and procedures.

Confidentiality should be limited to legally protected information. Equivalent information on direct contracting or limited bidding processes should also be made available to the public.

7. Ensure that no bidder is given access to privileged information at any stage of the contracting process, especially information relating to the selection process.
8. Allow bidders sufficient time for bid preparation and for pre-qualification requirements when these apply. Allow a reasonable amount of time between publication of the contract award decision and the signing of the contract, in order to give an aggrieved competitor the opportunity to challenge the award decision.
9. Ensure that contract 'change' orders that alter the price or description of work beyond a cumulative threshold (for example, 15 per cent of contract value) are monitored at a high level, preferably by the decision-making body that awarded the contract.

10. Ensure that internal and external control and auditing bodies are independent and functioning effectively, and that their reports are accessible to the public. Any unreasonable delays in project execution should trigger additional control activities.
11. Separate key functions to ensure that responsibility for demand assessment, preparation, selection, contracting, supervision and control of a project is assigned to separate bodies.
12. Apply standard office safeguards, such as the use of committees at decision-making points and rotation of staff in sensitive positions. Staff responsible for procurement processes should be well trained and adequately remunerated.
13. Promote the participation of civil society organisations as independent monitors of both the tender and execution of projects.

*Source:* Eigen, quoted by Transparency International, 2005: 4-6.

### Appendix 3

## Code of good practice in the provision of transnational education (Section II. Principles)

1. ***Transnational arrangements*** should be so elaborated, enforced and monitored as to widen the access to higher education studies, fully respond to the learners' educational demands, contribute to their cognitive, cultural, social, personal and professional development, and comply with the national legislation regarding higher education in both receiving and sending countries. In the case of collaborative arrangements there should be written and legally binding agreements or contracts setting out the rights and obligations of all partners.
2. ***Academic quality and standards*** of transnational education programmes should be at least comparable to those of the awarding institution as well as to those of the receiving country. Awarding institutions as well as the providing institutions are accountable and fully responsible for quality assurance and control. Procedures and decisions concerning the quality of educational services provided by transnational arrangements should be based on specific criteria, which are transparent, systematic and open to scrutiny.
3. ***The policy and the mission statement*** of institutions established through transnational arrangements, their management structures and educational facilities, as well as ***the goals, objectives and contents*** of specific programmes, sets of courses of study, and other educational services, should be published, and made available upon request to the authorities and beneficiaries from both the sending and receiving countries.
4. ***Information*** given by the awarding institution, providing organization, or agent to prospective students and to those registered on a study programme established through transnational arrangements should be appropriate, accurate, consistent and reliable. The information should include directions to students about the appropriate channels for particular concerns, complains and appeals. Where a programme

is delivered through a collaborative arrangement, the nature of that arrangement and the responsibilities of the parties should be clearly outlined. The awarding institution is responsible for and should control and monitor information made public by agents operating on its behalf, including claims about the recognition of the qualifications in the sending country, and elsewhere.

5. **Staff members** of the institutions or those teaching on the programmes established through transnational arrangements should be proficient in terms of qualifications, teaching, research and other professional experience. The awarding institution should ensure that it has in place effective measures to review the proficiency of staff delivering programmes that lead to its qualifications.
6. Transnational education arrangements should encourage the awareness and knowledge of the **culture and customs** of both the awarding institutions and receiving country among the students and staff.
7. The awarding institution should be responsible for the **agents** it, or its partner institutions, appoint to act on its behalf. Institutions using agents should conclude written and legally binding agreements or contracts with these, clearly stipulating their roles, responsibilities, delegated powers of action as well as monitoring, arbitration and termination provisions. These agreements or contracts should further be established with a view to avoiding conflicts of interests as well as the rights of students with regard to their studies.
8. **Awarding institutions** should be responsible for issuing the qualifications resulting from their transnational study programmes. They should provide clear and transparent information on the qualifications, in particular through the use of the Diploma Supplement, facilitating the assessment of the qualifications by competent recognition bodies, the higher education institutions, employers and others. This information should include the nature, duration, workload, location and language(s) of the study programme leading to the qualifications.
9. **The admission** of students for a course of study, **the teaching/learning activities, the examination and assessment requirements** for educational services provided under transnational arrangements should be equivalent to those of the same or comparable programmes delivered by the awarding institution.

10. ***The academic workload*** in transnational study programmes expressed in credits, units, duration of studies or otherwise, should be that of comparable programmes in the awarding institution, any difference in this respect requiring a clear statement on its rationale and its consequences for the recognition of qualifications.
11. ***Qualifications*** issued through transnational educational programmes, complying with the provisions of the present Code, should be assessed in accordance with the stipulations of the Lisbon Recognition Convention.

Source: UNESCO/Council of Europe, Riga, 6 June 2001, [www.cepes.ro/hed/recogn/groups/transnat/code.htm](http://www.cepes.ro/hed/recogn/groups/transnat/code.htm).

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