

Information, Civil Society and Corruption: Evidence from a Randomized Control Trial in Guatemala*

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OVER the past 10 years, corruption scandals have caused the removal of presidents in Brazil, Guatemala, Perú and elsewhere. Indeed, ongoing corruption scandals continue to rattle civic space across many countries. Much programming and research has focused on disseminating information to citizens about government malfeasance as a means of promoting transparency and accountability. The results of those efforts have varied considerably; their efficacy seems to depend on citizens' baseline expectations about the incidence of corruption (Arias et al. 2022), how information is disseminated (Boas, Hidalgo, and Melo 2019), and the importance of corruption relative to other citizen priorities (Breitenstein 2019).

In this report we present preliminary results on a different approach. Instead of relying on a complex chain of accountability running from voters to politicians and civil society organizations (CSOs) to bureaucrats responsible for corrupt government contracting, we engage directly with CSOs and bureaucrats themselves. We test whether delivering information on corruption directly to either the CSOs responsible for mobilizing civil society or the bureaucrats involved in procurement provides a more direct means of reducing corruption.

Though data collection is ongoing, our preliminary findings suggest:

- Online purchasing data shows a very high rate of suspicious purchasing by municipal governments. 90% of contracts go to single bidders in uncompetitive procurement processes and nearly half go to firms with political connections to mayors.
- Both CSO leaders and bureaucrats severely underestimate the share of municipal purchases that are prone to corruption as measured by those that go to single bidders. Their estimates of the share of contracts that go to politically connected firms, on the other hand, are fairly accurate.
- Although results are partial, information about corruption *might* lead local civil society leaders to plan more citizen auditing and organizing to fight corruption, but only when that information shows that corruption is worse than the leaders had thought.

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- Exposure to information on corruption leads contracting bureaucrats to *reduce* the extent to which they prioritize legal documents, firm attributes, and a firm’s past experience when assessing bids for government contracts.
- But when the information indicates that corruption is worse than the bureaucrat’s expectations, they request more time for firms to prepare bids and for procurement committees to choose a contractor. It is unclear if this additional time would be used to route out corruption or better hide corruption in the contracting process.

All told, our preliminary results suggest an interesting, more direct, path for impacting corruption.

Corruption and Accountability: Related Research

Prior research on corruption and political accountability has focused on the link between citizens’ learning about malfeasance and their vote (e.g., whether they vote against corrupt incumbents). The expectation is that voters punish corrupt incumbents, but this simple expectation belies several complexities. First, *how* do citizens learn about the incumbent’s malfeasance? Previous research shows that media coverage (e.g., Chang, Golden, and Hill 2010; Ferraz and Finan 2008) and the credibility of information (Weitz-Shapiro and Winters 2017) are crucial for electoral accountability to work. When information about malfeasance is widely spread by a trustworthy source and/or the media, it is more likely to lead citizens to punish corrupt incumbents. Second, when is information about corruption sufficient to change citizens’ voting behavior? Voters may only punish corrupt incumbents when the information they receive sufficiently deviates from their prior beliefs about how corrupt the incumbent is (Arias et al. 2022). Even when this is the case, other factors such as party identification (Breitenstein 2019) or participation in clientelistic networks (e.g., Nichter 2018) may prevent citizens from voting against a corrupt incumbent. Only when all of these conditions are fulfilled will electoral accountability work to reduce incentives for corruption.

We take a different approach that emphasizes two key actors in monitoring and engaging in corrupt practices, namely civil society leaders and municipal workers responsible for contracting, rather than citizens more generally. We assess whether objective information about the incidence of municipal corruption impacts whether these key actors plan to engage in more anti-corruption behavior in their work – for NGO leaders that would imply more organizing around anti-corruption initiatives and for municipal workers it would imply tightening the standards by which they evaluate bidders. Given findings on the importance of “surprising” information in motivating behavioral change, we also examine whether NGO leaders and municipal bureaucrats who receive negative information, i.e. information that corruption is worse in their municipality than they expected, are especially likely to report that they intend to alter their behavior to reduce future corruption.

Our Approach

We test the efficacy of an anti-corruption information campaign with two competing treatment arms across 140 municipalities in Guatemala. Guatemalan municipalities are an ideal

setting for such a campaign for at least two reasons. First, Guatemalan municipal governments are autonomous units that vary enormously in their capabilities and perceived levels of corruption. Municipal politics tend to be fairly independent from national politics, with mayoral candidates changing political affiliations whenever it suits them. Municipal autonomy also entails that they have a great deal of political control over municipal bureaucracies and discretion in the management of municipal bureaucrats in charge of municipal procurement. Second and relatedly, local civil society is usually involved, directly through the *Sistema Nacional de Consejos de Desarrollo* or indirectly through NGOs and other organizations, in local development projects; this municipal-level involvement echoes large-scale civic mobilization at the national level that has periodically shaken politics in response to corruption scandals. The fact that local civil society already has way of engaging in this manner makes it possible that a well-designed anti-corruption information campaign could lead to an increase in civic activism. Third and finally, Guatemala has an excellent, donor-funded online procurement system – Guatecompras – that makes it possible to design an information campaign based on the analysis of objective, publicly available data on procurement.

The two treatment arms have two different targets: local civil society leaders and procurement bureaucrats. Local civil society leaders, by virtue of their work within society, are better equipped to consume and act upon information about malfeasance. Learning about specific measures of corruption in their municipality may prompt them to audit their municipal government’s expenditures and purchases and/or organize anti-corruption campaigns at the municipal level. Municipal workers, on the other hand, have experience in procurement and know the ways in which corruption impacts the allocation of municipal contracts. Learning that an independent organization is using publicly available data to assess the incidence of suspicious contracting in their municipalities may lead them to reduce corruption in procurement processes.

In order to compare the efficacy of information about municipal corruption when given to civil society leaders versus municipal procurement bureaucrats, we divided the 140 sample municipalities into 46 triplets and 1 pair. We then randomly assigned each of the municipalities in the triplet to the civil society information treatment group (CSO), the municipal worker information treatment group (MW) or to the control group. With the help of a local think tank, ASIES, we identified and contacted 6 local civil society leaders and 6 municipal workers with experience in municipal procurement in each municipality. The CSO leaders and municipal bureaucrats were invited to participate in a 15 minute online survey. CSO leaders and bureaucrats assigned to municipal treatment groups received information cards detailing: (a) the legal competition requirements for contracts above Q90,000 (around \$11,450), (b) the use of Guatecompras as a transparency tool, and (c) the incidence of contracts at risk of corruption – defined as the share of contracts awarded when only a single firm presented a bid– in their municipality in 2022. The practice of awarding contracts to single bidders is associated with strategies to favor politically connected firms and firms who pay bribes (Auriol, Straub, and Flochel 2016; Baldi et al. 2016), and it is widely use as an indicator of corruption in public procurement (Fazekas, Tóth, and King 2016). The anti-corruption information is the product of a massive effort to scrape and process each municipal purchase in the 2013-2022 period above Q25,000 (around \$3,250): a total of 95,954 contracts.

Results

We present two sets of preliminary results.¹ First, we present descriptive results comparing perceptions of corruption in public procurement among local civil society leaders and municipal workers to its actual incidence. We rely on two measures of the incidence of corruption: the share of awards 1) made under single bidder contracts, and 2) made to politically connected firms. Using data from Guatecompras and a method to identify mayors' political networks and bidders' contracting activities with members of that network (Romero 2023), we are able to compare respondents' perceptions to objective facts.

Second, we look at the effect of receiving objective information about the incidence of corruption on local civil society leaders' and municipal workers' self-reported likelihood of engaging in subsequent anti-corruption behavior. In the case of civil society leaders, we focus on auditing municipal expenditures, organizing with other groups to fight corruption, and protesting. In the case of municipal workers, we focus on whether they propose to change the way in which they participate in procurement events in ways that are conducive to reducing the risk of corruption.

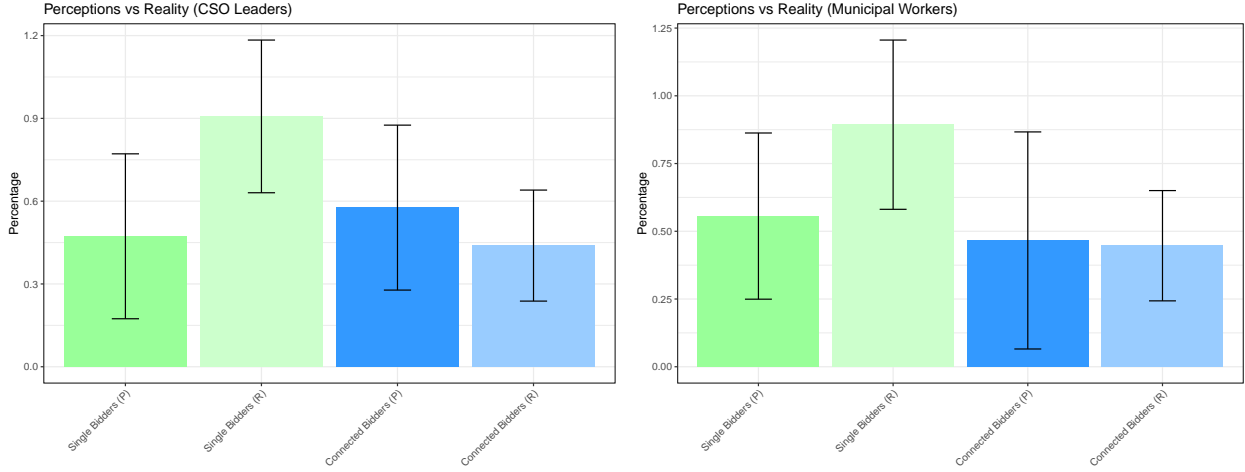
Perceptions vs Reality

Figure 1 shows the relationship between the perception of the incidence of contracts given to single bidders and to firms with political connections and reality for both CSO leaders (left-hand side) and municipal procurement workers (right-hand side); in the figure, the y-axis labels (P) refer to perceptions and (R) refer to 'reality', i.e. the objective measures described above. Focusing first on CSO leaders, they seriously underestimate the true incidence of single-bidder contracting. The figure shows that 90% of municipal contracts are awarded to single bidders. Indeed, about half of the municipalities allocated *all* contracts above Q90,000 (around \$11,450), through auctions with a single participant in 2022. Yet, on average, civil society leaders reported that they thought only about half of the contracts in their municipality were given to single bidders. On the other hand, CSO leaders slightly overestimate the share of contracts given to politically connected bidders.

Turning to municipal workers on the right-hand side, they correctly estimate almost exactly the incidence of contracting to politically connected firms. But they too seriously underestimate the incidence of contracts to single bidders. One reason behind this discrepancy could be that they strategically underestimate due to fear that mayors or other superiors might discover their answers. While we ensured the anonymity of all responses, the survey was conducted during an election year and corruption was considered by many to be a sensitive issue.

¹Note that at the time this report was written data is still coming in. We report results using data from 112 municipalities (631 respondents) for the survey of CSO leaders, and from 108 municipalities (605 respondents) for the survey of municipal workers.

Figure 1: Malfeasance in Public Procurement: Perceptions vs Reality



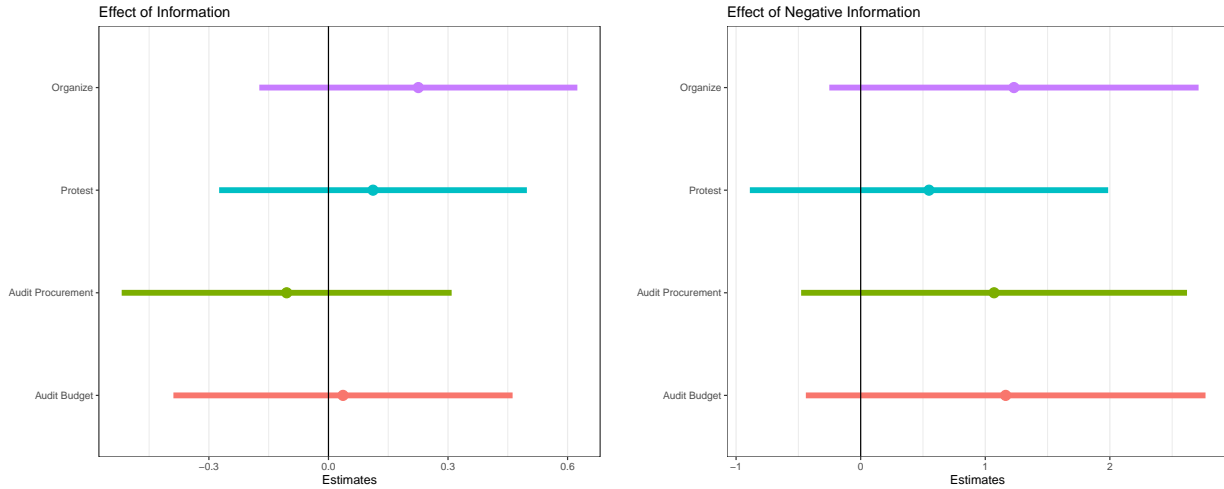
The Effect of Information

We asked civil society leaders how likely they were, on a scale from 1 to 10, to organize with other CSOs to fight corruption, to participate in an anti-corruption protests, or to attend municipal government meetings to audit the allocation of public procurement contracts or the execution of the budget. We hypothesize that those who were randomized into receiving information on corruption would report greater intention to engage in these anti-corruption activities, particularly if they received objective information that corruption is worse than they had suspected.

Figure 2 presents preliminary evidence suggestive that negative information *might* increase the anti-corruption intentions of CSO leaders. The figure graphs the point estimates and 90% confidence intervals of the impact of information on four types of civic activism. When confidence intervals cross zero they indicate that the findings are statistically insignificant. Given that data collection is incomplete and we have small sample sizes, we cautiously interpret confidence intervals that barely cross zero as suggestive.

With that caveat in mind, the overall effect of any information on corruption on the likelihood of engaging in anti-corruption activity is zero (see the figure on the left-hand side). However, the results on the right-hand side suggest that those who received *negative* information (i.e., those who found out that the true incidence of contracts at risk of corruption in their municipality was higher than their reported perceptions) are more likely to want to organize with other CSOs to fight corruption (on average, their answer increases by 1.2 points from a mean of 4.11 on the 10-point scale), and *perhaps* are also more likely to attend municipal government meetings to audit either the allocation of procurement contracts (on average, their answer increases by 1.05 points from a mean of 3.75) or the execution of the budget (on average, their answer increases by 1.2 points from a mean of 4.20). With extreme caution do we interpret these results as suggestive that information about malfeasance *might* motivate CSO leaders to act, but only when they are informed that corruption is worse than what they thought.

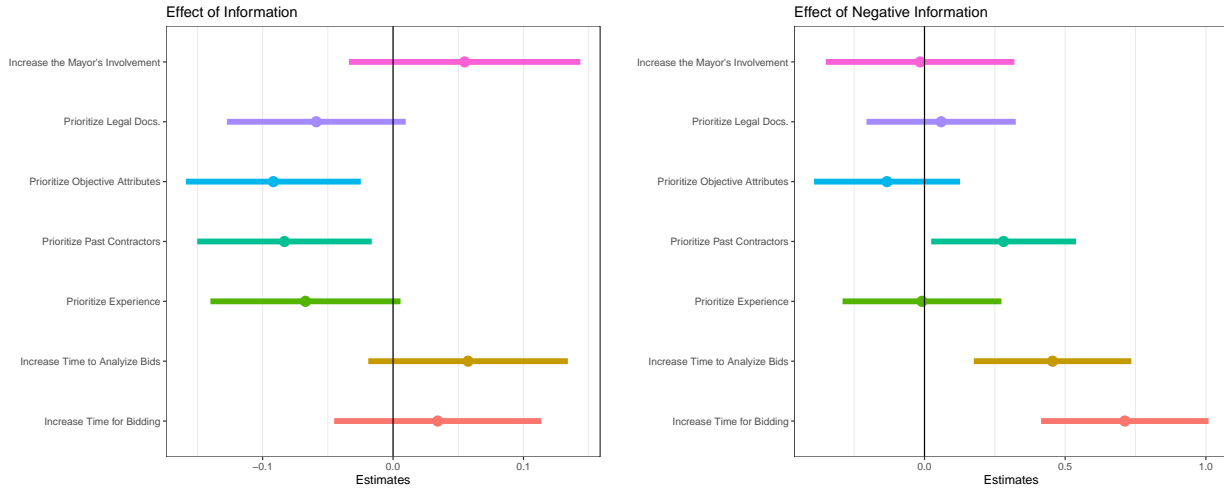
Figure 2: Effect of Information on CSO Leaders' Participation in Anti-Corruption Work



To assess the impact of corruption information on the contracting preferences of municipal workers, we asked them about ways in which they believe the allocation of public procurement contracts should change. In particular, whether they believed more time should be given for firms to present bids or for bureaucrats to evaluate those bids, and whether the mayor should be more involved in the ultimate decision of the procurement committee. We also asked them about the factors that enter into the point system that ostensibly governs procurement awards. In Guatemala, points are given for objective bid attributes (e.g., price or time to completion), assessments of the quality or experience of the firm, and for properly presenting all required legal documents. In light of this system, we asked municipal workers whether more or fewer points should be given for each of the parameters described above.

Our preliminary results on the effect of information given to municipal workers appear in Figure 3. With the caveat about the small sample size in mind, the figure shows that those who received the information treatment are less likely to recommend that legal documents, a bid's objective attributes or the contractor's previous contracts and experience should be prioritized when allocating a contract in the future. There is also suggestive evidence that the information treatment encourages respondents to want more time for bureaucrats to evaluate bids. Collectively, these results might suggest that when bureaucrats receive information about corruption in their municipality, it underscores the fraudulence baked into the point system (i.e. they want all attributes to play less of a role in awards) and leads them to instead want more time and discretion to more rigorously assess bids.

Figure 3: Effect of Information on Municipal Workers' Participation in Procurement



Turning to the right-hand panel of Figure 3, we find suggestive evidence that receiving negative information substantially increases the probability that procurement bureaucrats will recommend increasing the time given to firms to present bids and to themselves to analyze bids – by 0.72 and 0.47 percentage points, respectively. These results suggest that municipal workers seek increased autonomy to allocate procurement contracts after learning that corruption in their municipality is worse than they expected. Intriguingly, however, municipal workers who receive negative information are also 0.26 percentage points more likely to recommend that a firm's past experience as a contractor in their municipality should be given more importance when allocating procurement contracts. This particular result suggests that municipal workers who received negative information may simply realize the extent to which corrupt practices dominate the contract allocation process and may *not* necessarily be inclined to attempt to change them.²

Conclusion

Our preliminary results shed light on the effects of information about corruption in public procurement when given to key actors in monitoring and (potentially) engaging in corrupt practices, namely civil society leaders and municipal workers. We find that information, especially when it shows that corruption may be a larger problem than respondents had thought, leads local civil society leaders to aspire to engage in more anti-corruption activities (e.g., protests, organizing and citizen auditing). On the other hand, municipal workers who received similarly negative information are more likely to ask for more time (and perhaps autonomy) in the process of assessing bids. It is unclear if such changes would lead to less corruption in the allocation of public contracts given that mayors have considerable

²Bribery, favor exchanges related to campaign financing, bias in favor of politically connected firms, lack of transparency and an insufficient number of firms willing to present bids were most often cited as the reasons behind the incidence of contracts at risk of corruption by procurement bureaucrats. Increasing the time firms have to prepare and present bids and increasing the time bureaucrats themselves have to examine them could potentially increase competition and dilute the power of connections and bribery.

political control over municipal bureaucracies (Charron et al. 2017; Dahlström and Lapuente 2017; Romero 2023). If these results become stronger as further data comes in, they suggest an important policy implication: to curb corruption, civil society organizations should be empowered –through greater access to information and capacity building– to demand accountability from elected public officials.

The preliminary results presented in this report focus on how information changes the desire to engage in anti-corruption activities. In future research we will evaluate how the information targeting these two crucial sets of actors impact their actual behavior, i.e. the amount of organizing CSO leaders do around corruption in the coming months as well as the incidence of suspicious municipal contracting allowed by municipal bureaucrats and as uncovered in Guatecompras in the latter half of 2023.

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