Policy Brief

Look Before You Leap:
Notes for Corruption Fighters

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by

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1. "Nothing more important"

International development agencies now speak of the fight against public-sector corruption as a top priority. The World Bank, for example, describes corruption as a "cancer" on development and declares "there is nothing more important" than the fight against it.[2]

Although donor support for strengthening governance is not new, interventions openly targeted to corruption are recent. Donors are still learning how best to provide support in this area. They must contend not only with the fact that corruption has deep political and social roots, but also with the certainty that anti-corruption efforts will irritate if not threaten many powerful local stakeholders.

This Policy Brief describes a way for development practitioners to think about tailoring anti-corruption initiatives for maximum effectiveness.

2. Above all, be relevant

Corruption fighters have much to learn from donor experience in supporting governance, public sector reform and broader policy reform. The key lesson: avoid "blueprint" approaches that apply similar principles and tools to many countries.[3] Focus instead on *relevance*. Anti-corruption interventions are relevant to the extent that they are likely to produce desirable outcomes *within the local social, institutional and policy environment*. Relevant interventions have two defining characteristics. They target:

- the known causes of any given type of corruption; and

- forms of corruption believed to have a strong negative correlation with growth and poverty reduction.

Two factors are intertwined: *technical* and *welfare* relevance. For any form of corruption, one needs to assess whether a particular intervention is likely to have an impact on it ("technical relevance"). This requires a view on the local causes of the particular form of corruption. Second, one needs a view on the relative importance to poverty-reduction of the particular type of corruption being targeted ("welfare relevance").

An anti-corruption intervention might rank high on the one criterion and low on the other. This would be so, for example, if an intervention was well suited to the form of corruption in question, but the form of corruption was relatively unimportant in its impact on growth and poverty. This intervention would have *high* technical and *low* welfare relevance.

Reality on the ground often makes it necessary to pursue interventions that fall short from a technical and/or a welfare perspective. A proposed anti-corruption intervention that had high welfare relevance might be so politically sensitive – so threatening to vested interests – that it would inevitably fail in implementation. Therefore one might choose to trade off welfare relevance for technical relevance, focusing on activities promising to yield less in ultimate welfare impact, but which had a high probability of being well implemented and sustained.

Donors now take for granted the welfare relevance of anti-corruption interventions *in general*. A recent World Bank publication lists 50 studies showing evidence that reduced corruption (or other related governance improvements) is likely to produce positive economic outcomes.[4] We still have a way to go, however, to develop our understanding of the impact of *particular types of corruption* on poverty reduction.

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[2] World Bank, *Helping Countries Combat Corruption. Progress at the World Bank Since 1997*, Washington, 2000.
[3] Mark Schacter, "The Heart of the Matter: Donors, Development Assistance and Public Sector Reform," (IOG Policy Brief No. 10), Ottawa: Institute On Governance, 2001. S. Devarajan, et. al. (eds.), *Aid and Reform in Africa*, Washington: World Bank, 2001.

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[4] *Helping Countries Combat Corruption. Progress at the World Bank Since 1997*, Annex 4.

This paper focuses on the technical side of relevance, which is of immediate and practical interest to practitioners. How should a corruption fighter proceed when faced with a particular type of corruption in the public sector?

3. What does "relevance" look like?

Given *this* particular type of corruption, does it make sense to propose *that* anti-corruption intervention? That, and no more, is what relevance is about. It has to do with logical connections. It is found by looking for logical links between:

- what we know, or assume, about the causes of the particular form of corruption; and

- the assumed impact of the proposed anti-corruption intervention.

If it appears unlikely that the proposed intervention will have an impact on the major causes of the targeted form of corruption, then the intervention is not relevant.

Take for example the case of journalist-training programs. These have been supported by donors in the fight against public-sector corruption. The underlying logic would presumably be along the following lines:

1) An important cause of public-sector corruption in Country X is an inadequate flow of information to the public on corruption in the public administration.

2) The news media in Country X are potentially an important conduit of such information, but lack the capacity to fulfill this role.

3) Journalist training raises the capacity of the news media.

4) After training, journalists do a better job of reporting on public-sector corruption.

5) Better reporting generates public pressure on the government for honest public administration.

6) The government responds to pressure by undertaking to reduce corrupt practices.

7) Government action leads to reduced corruption.

The logical flow appears reasonable. In principle, a journalist training intervention looks highly relevant. In practice, relevance deteriorates if we discover that any of the assumptions is weak. For example, are we sure that inadequate information flows are a key causal factor? (Assumption 1). Will the journalist training program really lead to improved capacity? (Assumption 3). Will newspaper editors and publishers allow reporters to report on public-sector corruption? (Assumption 4). Will journalists, once trained, have sufficient access to information to enable them to report on corruption? (Assumption 4). Will better reporting motivate citizens to pressure the government? (Assumption 5). Will the government respond to pressure? (Assumption 6).

To be sure, even the best prepared anti-corruption intervention cannot provide guarantees on all points. We will always be working with incomplete information. Some things must simply be taken on faith if we are to do anything at all!

Nevertheless, anti-corruption interventions are no different from any other type of development intervention in that they should, *to the extent possible*, be based on reasonable assumptions about cause and effect. Being relevant means looking before you leap: "unpacking" and testing the assumptions that underlie any proposed anti-corruption activity. This is the only practical way to ensure that anti-corruption activities proceed from sound judgements about the key causes of corruption.

4. What do we know about fighting corruption?

Judgements about relevance must be based on assumptions about how corruption works. What do we know – or think we know – about fighting corruption?

⇒ *Corruption is a Symptom*

Public-sector corruption is not an independent phenomenon. It is a symptom of failed governance at the country level. Corruption depends therefore on factors such as the quality of public sector management, the nature of the accountability relationship between the government and its citizens, the legal framework for development and the degree to which public sector processes are accompanied by transparency and the dissemination of information. Efforts to address corruption that fail to adequately account for these underlying "drivers" are unlikely to generate profound and sustainable results.

⇒ *Corruption is Not Monolithic*

The literature and field experience suggest at least three broad varieties:

(a) "Petty" (Bureaucratic) Corruption. Many corrupt acts are isolated transactions involving individual public officials who abuse their office by, e.g., demanding bribes and kickbacks, diverting public funds, or awarding favors in return for personal considerations. This is often referred to as "petty" corruption even though, in the aggregate, the amount of public resources involved may be substantial.

(b) Grand Corruption. This involves the theft or misuse of vast amounts of public resources by a relatively small number of state officials who are usually members of, or associated with, the political/administrative élite.

(c) "State Capture".[5] This involves collusion by private actors with public officials or politicians for their mutual, private benefit. (The private sector "captures" the state apparatus for its own purposes.) The literature suggests that "state capture" co-exists with the conventional (and opposite) view of corruption, in which public officials extort or otherwise exploit the private sector for private ends.

⇒ *Corruption is Country-Specific*

"Blueprint" approaches that apply common principles and tools to a broad range of countries are likely fail.[6]

One needs to understand the local factors that encourage or permit public and private actors to be corrupt. Sometimes, as with petty corruption, much behavior can be explained by individual actors simply weighing the benefits of relatively minor acts of corruption against the risks of being caught, and, if caught, of being punished. But often, and especially in the case of state capture or grand corruption, one must probe deeper. Among other things, it is important to understand not only the motivation of corrupt actors, but also of other actors who do not (or do) act against corruption. Why, for example, are institutions of accountability in some countries unmotivated to act against corruption, or incapable of doing so? Why are some civic groups ineffective (or effective) against corruption? The answers are rooted in the governance environment, which determines how state power is exercised, decisions are made, and accountability is exercised.

Key governance and institutional factors that affect corruption include[7]:

• the incentive and management environment within which public servants operate;

• the quality of the "rule of law";

• the effectiveness of institutions of accountability in constraining public officials; formal institutions include the legislature, judiciary, auditors-general, ombudsmen; informal institutions include the news media, civic groups, labor unions, political parties, etc.

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[5] World Bank, *Anticorruption in Transition. A Contribution to the Policy Debate*. Washington, 2000.

[6] World Bank, *Reforming Public Institutions and Strengthening Governance. A World Bank Strategy,* Washington, 2000.

[7] Mark Schacter, "When Accountability Fails. A Framework for Diagnosis and Action," (IOG Policy Brief No. 9), Ottawa: Institute On Governance, 2000.

- the strength of civil society as a counterweight to the government;

- popular perceptions about state legitimacy;

- élite attitudes about corruption, accountability and transparency;

- rules and practices regarding information dissemination;

- the structure of the economy, including the concentration of economic power.

⇒ *Local Leadership is Essential*

If corruption is about governance, and governance is about the exercise of state power, then it follows that anti-corruption work includes a large element of local politics. Because of its intensely political nature, anti-corruption work demands strong local leadership and local ownership if it is to be successful and sustainable.[8]

5. Putting it into practice.

Consensus is still forming on how, under particular country circumstances, to operationalize the principles stated above in different country settings. Here is one highly stylized view[9], based on the literature and on lessons of experience.

For simplicity's sake, we divide developing countries into three broad categories, "High," "Medium" and "Low", reflecting the incidence of corruption. We assume, for simplicity's sake, that countries with "High" corruption have a "Low" quality of governance, those with "Medium" corruption have "Fair" governance, and those

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[8] House of Commons (UK), Select Committee on International Development, *Fourth Report*, London, 2001; Aid *and Reform in Africa.*

[9] From Jeff Huther and Anwar Shah, "Anti-corruption Policies and Programs: A Framework for Evaluation" (Policy Research Working Paper No. 2501), Washington: World Bank, 2000

with "Low" corruption have "Good" governance (see Table 1).

Table 1: Country Types – Country Strategies		
Corruption	**Governance**	**Priority Anti-Corruption Efforts**
High	Poor	- Consolidate rule of law; - strengthen institutions of accountability; - rationalize government intervention
Medium	Fair	- Decentralization and economic policy reforms; - results-oriented management and evaluation
Low	Good	- Anti-corruption agencies; - strengthen financial management; - raise public and officials' awareness; - no bribery pledges, high-profile prosecutions, etc.

Because corruption is a symptom of fundamental governance failure, *the higher the incidence of corruption, the more an anti-corruption strategy must focus on the underlying attributes of the governance environment that make it possible for corruption to attain endemic proportions*. As a matter of priority, therefore, efforts to control corruption in "High" corruption settings should focus on the rule of law, the capacity and role of key institutions of accountability (formal and informal) and the role of government.

By contrast, in a "Low" corruption setting, one can take for granted (more or less) that the governance fundamentals are sound, and that corruption is a marginal phenomenon. Under these circumstances, it makes sense to focus on highly corruption-specific interventions such as anti-corruption agencies, awareness-raising, high-profile investigations and prosecutions of corrupt politicians and bureaucrats, etc.

In the intermediate case, priority should be given to governance reforms such as decentralization and results-oriented management that assume

that a basic level of governance capacity is already in place.

6. Avoiding the "C" word

Public-sector corruption is a highly charged subject, both from a political and a social perspective. A heavy-handed approach risks not only failing in its own right, but also damaging relationships between donors and developing countries. To be sure, in some cases it will certainly be feasible for donors to deal with corruption "head on." But when an indirect approach is more appropriate, it is helpful to remember that "corruption" can be addressed without ever uttering the word. Donors can address corruption via other entry points that will lead to the underlying governance-based drivers of corruption. For example:

Service Delivery Improvement. Any serious effort by a government to improve public service delivery will force it to address corruption and its causes. Improvements in service delivery are also more readily measurable than changes in corruption. Service delivery performance data provide a proxy measure of progress in the battle against corruption.

Information Dissemination. Information is a powerful anti-corruption tool. Information about how governments spend money and manage programs is a key ingredient of accountability, which in turn is an important brake on corruption. Recent experience in Uganda with "expenditure tracking surveys" provides an excellent example[10].   The more influence that donors can exert on governments to release timely, complete and accurate information about government operations, the better the prospects for reducing corruption.

Institutional Strengthening. Strengthening of core governance institutions will inevitably affect public-sector corruption. Examples include: (i)

reinforcement of rule-, merit-, and results-based practices in the public service; (ii) support for a capable and impartial judiciary, backed by credible enforcement; (iii) empowerment of watchdog agencies such as auditors-general. Above all is the need for embedding a culture of accountability in public life. If leaders don't feel compelled to answer to the public interest, then the gains to be had from building up formal institutions will be limited. [11]

Economic Policy Reform. Trade and financial liberalization has reduced opportunities for corruption by limiting possibilities for rent-seeking, limiting the situations where officials might exercise unaccountable discretionary powers, introducing transparency and limiting public-sector monopoly powers.

7. Conclusion

Corruption is the tip of an iceberg: the visible sign of underlying governance dysfunction. This provides a challenge and an opportunity. The *challenge* is that corruption cannot be addressed in an analytical or operational vacuum. Efforts to combat it must be locally *relevant*, built on an understanding of local governance and institutional factors that encourage and make possible public-sector corruption. The *opportunity* is that corruption fighters have a wide range of options. A "head-on" approach is not always necessary or even advisable. There are many indirect "entry points" – service delivery improvement, information dissemination, institutional strengthening and economic policy reform are examples.

The key lies in understanding the roots of corruption. The rest is a matter of creativity, opportunity and commitment.

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[10] Emmanuel Ablo and Ritva Reinikka, "Do Budgets Really Matter? Evidence from Public Spending on Education and Health in Uganda," (Policy Research Working Paper No. 1926), Washington: World Bank, 1998.

[11] "Institutions" are informal as well as formal constraints on behavior. A norm such as a "culture of accountability" qualifies. See Douglass C. North, "Economic Performance Through Time," *American Economic Review*, Vol. 84 (1994).