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## Controlling Corruption and Promoting Good Governance

A New Challenge for Aid Policy

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# Table of Contents

5	<b>Problems and Recommendations</b>
7	<b>Corruption As a Global Concern</b>
7	Awareness of corruption in national and international politics
10	The concept of corruption
10	Petty, grand and systemic corruption
11	Corruption damaging the political system
14	<b>Corruption and Aid</b>
15	<b>Focusing Aid on Corruption Control</b>
15	Strengthening public resource management
16	A culture of transparency and accountability
18	Fostering public institutions for oversight, control and sanctions
20	Centralizing anticorruption efforts: a step forward?
20	The role of NGOs, the media and civil society
22	Self commitment and integrity pacts
23	Success and pitfalls of measuring corruption
23	Rising awareness
24	Building reform agendas
25	Monitoring results
25	The tasks lying ahead and the support from aid
26	Diagnosing the integrity of institutions as a pathway for reform
29	<b>Good Governance As a Condition for Aid?</b>
29	Sanctioning greedy elites in recipient countries
30	Rewarding Good Governance
30	Performance driven aid as a complement rather than an alternative
32	<b>Aid Itself Is Not beyond Suspicion</b>
32	Does aid promote corruption in recipient countries?
33	Vulnerability of aid administration itself to corruption
35	<b>Necessity of a Coordinated Effort of Aid Agencies to Foster Corruption Control</b>
37	<b>Appendix</b>

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**Controlling Corruption and Promoting  
Good Governance.  
A New Challenge for Aid Policy**

For a long time, the abuse of public office for private gain—also known as “corruption”—was a part of public life in many countries. Nepotism, embezzlement and bribes were business as usual, a natural component of human nature or of political culture. Influenced by this context, politicians and academics met the debate about whether corruption was controllable with pessimism and skepticism.

Recent developments have changed this picture. Concerns about corruption control and good governance have grown in national and international politics. One reason for this growth is the rising public anxiety caused by corruption scandals in developing nations, transitioning economies, and in consolidated western democracies. Although different in scale and reach, these cases undermined the notion that corruption would fade away as soon as open markets and democratic societies gained ground.

Powerful stakeholders, including national governments crusading against corruption at home and/or defending commercial interests abroad, have also promoted awareness of corruption. Anti-corruption advocacy by civil society organizations played an important role in heightening awareness, most notably through Transparency International’s Corruption Perception Index, published annually since 1995. Negotiations about transnational cooperation against corruption in organizations like the OECD, OAS, European Council, UN, etc. also placed the issue of corruption at the forefront of international politics.

Its prolific growth begs the question: is corruption omnipresent, part of history, culture or human nature, or are reform strategies able to attack the problem systematically? The involvement of politics and reforms to address corruption poses an even greater question: How can corruption be controlled? This has become the central question challenging policy makers, activists and analysts. The arguments this question raises are many, such as: Whether there are specific ingredients within a political system capable of strengthening integrity in a sustainable way or if it is all up to the moral quality of leaders; whether corruption is just a moralist demand to governments in the South or a new version about

homemade obstacles to development; and whether corruption ought to be tackled by public policies and reforms, demanding strategies beyond moralist discourse and lip service. This paper argues that corruption control created a discussion on tools and strategies tied together by the policy goal of promoting good governance.

Corruption, as an impediment to development and growth, is an important component of the debate about aid policies. Concerns about the role of corruption and good governance in aid policy develop along three different paths. Corruption scandals in the South raised the question of what strategies and tools donors might offer to countries willing to fight corruption, and second, whether countries with an extremely poor governance performance should be cut off from aid? Finally, is aid itself corruption proof or should more preventive measures be taken to guarantee the integrity of resource flows?

The text below focuses on the question of corruption control in the discussion of aid policies. The following conclusions emerge:

1. Corruption control as a programmatic approach for aid policies is still a work in progress. The main tools available—diagnostic surveys, studies of institutional integrity—still need more conceptual groundwork and empirical testing in the field. These expensive and time-consuming efforts to measure corruption and identify systemic flaws should be carried out in a common approach of donor countries. They lay the foundation for multiple approaches of different donors, favoring different strategies to help countries combat corruption.

2. Sanctioning corrupt governments in poor countries, by withdrawing aid or rewarding countries with good performance on set, good governance indicators, are legitimate policies, based on the concept of efficient allocation of resources. However, recipient countries who do poorly on governance are not uniform in their internally and reformers in these countries need international support. Therefore, conditionality is rather complementary and cannot substitute aid to the poorest and most corrupt countries.

3. Aid projects need more protection against corruption. Project planning has to take into account the specific perils of private interests channeling resources to specific local clients. The training of experts should include a module on corruption control. Direct budget support increases the responsibility of donors to the integrity of resource allocation.

Earmarking national aid to national service providers should be labeled as improper procedure and banned.

## Corruption As a Global Concern

Until the 1980s, the discussion about corruption was limited to academics; and even in this small circle of experts, it was rather a marginal issue. Contributions from different branches of science were compiled in an anthology covering a broad range of approaches, from anthropology to economy, different areas of corruption and regions of the world.<sup>1</sup> Based more on theory than on evidence, it was taken for granted that corruption was caused by a few dominating factors: authoritarian rule, intervention in economy, and premodern cultural values and institutions. In this conception, corruption was a problem among poor countries in the south and of communist regimes. For the same reasons, corruption was supposed not to be an issue in North America, Western Europe or other countries following the model of modern western democracies.

In this view, macro level systemic changes—including shifting from authoritarian rule to more political liberalization and participation, from state-led economies to market-driven development and from traditional value systems to modern institutions—would suffice for the corruption problem to ease. Consequently, no efforts were made to develop specific anticorruption policies. The consensus was that corruption would disappear as a natural result of the modernization process of politics, economy and administration. Furthermore, corruption was considered a national problem completely unrelated to international politics.

Today, corruption is looked at from a different perspective. The discussion about corruption is no longer limited to theoretical model building, but is based on empirical evidence. Comprehensive datasets have been gathered to promote the measurement and analysis of corruption. Today, discussion of corruption transcends academic circles and is firmly established as an issue among policymakers. Recent incidents in several countries proved corruption scandals can flourish even after opening markets to free competition, liberalizing politics and modernizing public

administration. The concept of corruption withering away with the development of society was too optimistic. Instead, there is a widespread understanding among experts that corruption control is a permanent challenge to democratic and open regimes.

Corruption is conceived as a challenge to all countries, causing damage to every aspect of the social fabric. In many poor countries, it is the result of underdevelopment, responsible for inefficient allocation of economic resources, poor engagement of foreign investors and undermining confidence in public institutions. For rich countries, corruption is challenging, because it causes political instability abroad, undermines support for international aid, and has collateral effects in these countries themselves. Since grand corruption operates in international networks, the peril of contaminating society at home is real. The investment of corrupt money in banks in the North, involvement of multinational companies in corruption scandals in the South, and an increasingly critical public at home raising the standards for the integrity for their own political elite have turned corruption into an international concern.

### Awareness of corruption in national and international politics

Although corruption is a matter of national and international politics today, discussion of the issue is embedded into different contexts. The transition from authoritarian regimes to democracy in *Latin America and Southern Europe* since the 1980s led to open critique against longstanding forms of misuse of public resources. Since then, many presidents in Latin America have been elected on an anticorruption platform. However, even where the political will to fight corruption persists after the election, results do not appear naturally and setbacks are frequent. Anticorruption programs raise public awareness and create expectations of immediate sanctions of key figures, not prolonged institutional reforms and the gradual shifting of attitudes. Concomitantly, corruption scandals tend to rise because potential whistle-

<sup>1</sup> Arnold J. Heidenheimer (ed.), *Political Corruption. Readings in Comparative Analysis*, New York: Holt, Rinehart and Winston, 1970.

blowers perceive political will for change and come forward denouncing cases.

As a result of the government's will to fight corruption, new corruption cases may multiply beyond their ability to investigate and prosecute the cases in a reasonable timeframe. As assented by criminologists, serious investigations of specific cases often uncover whole networks of corruption, resulting in a multiplication of cases and persons involved in corruption. Finally, mass media tends to measure the will of the government against immediate results in these cases. In addition, those involved in corruption may artificially inflate this burden with flawed or misleading hints, creating an image of moral decay and chaos rather than the competent management of the crisis.

These odds against government success in fighting corruption may explain why political leaders elected on anticorruption platforms fail to honor their commitments once in office. Political will to fight corruption is an important point of departure, but laying the foundations for improved integrity is paved with risks and setbacks. However, there is also deliberate use of discourse against corruption and in favor of good governance without seriously implementing any concept or program. Former Brazilian President Fernando Collor de Mello, for example, elected in 1989 on an anti-corruption platform, was exposed as one of the most voraciously corrupt politicians and was impeached and sacked from office by Congress in 1992.<sup>2</sup>

*Transformation states* emerging from former communist countries face equally serious problems with corruption. However, the political and cultural entrenchment of corruption here is different, due to a more developed bureaucracy, higher industrialization, and a different cultural background stemming from communist rule, where black markets and privileged access to state resources favored corrupt conditions. With transition involving cases of corruption in privatization of state companies, a new group of powerful plutocrats with dubious moral standards emerged. On the other side, the process of EU enlargement challenges some of these countries with requirements for efficiency, transparency and accountability of public institutions. International aid to these coun-

2 Walter Little and Eduardo Posada Carbó (eds.), *Political Corruption in Latin America and Europe*, London: Macmillan & Institute of Latin American Studies, University of London, 1996; Joseph S. Tulchin and Ralph H. Espach (eds.), *Combating Corruption in Latin America*, Washington: Woodrow Wilson Center Press, 2000.

tries is closely linked to the domestic standards of good governance in the enlarged European Union.<sup>3</sup>

Corruption is an issue of international politics because efforts by national institutions to investigate and prosecute corruption are often confronted with limits of national sovereignty, today easily trespassed by criminal activities like drug trafficking and money laundering. Prosecuting these crimes requires the transnational cooperation of police, attorneys and tribunals, which do not exist or do not work efficiently among sovereign nations and states. Lack of cooperation leads to cases like the former Peruvian President Alberto Fujimori being charged for corruption, but enjoying legal shelter in Japan, where he fled. Peru and Japan do not have any agreement on extradition for criminal prosecution.

Similar to drug trafficking or money laundering, prosecuting perpetrators of grand corruption calls for *international cooperation* in investigation and data sharing, extradition of convicted offenders, and repatriation of stolen assets. Multilateral institutions have made serious efforts to have national prosecution keep pace with corruption and its global ramifications. Conventions on fighting corruption have been devised by the OAS (adopted 1996), OECD (1997), the European Council (1998), the African Union (2003) and, most recently, by the United Nations (December 2003). These conventions are an important step to close loopholes in anticorruption efforts on an international scale. Most of them include ambitious programs to adjust national institutions and law, providing for minimum standards of accountability and integrity. However, their immediate core value is a common definition of corruption and the coopera-

3 For a discussion in detail see: Duc V. Trang (ed.), *Corruption and Democracy: Political Institutions, Processes and Corruption in Transition States in East-Central Europe and in the Former Soviet Union*, Budapest: Institute for Constitutional and Legislative Policy, 1994; *Anticorruption in Transition. A Contribution to the Policy Debate*, Washington: The World Bank, 2000; Cheryl Gray, Joel Hellman, and Randi Ryterman, *Anticorruption in Transition 2. Corruption in Enterprise-State Interactions in Europe and Central Asia. 1999-2002*, Washington: The International Bank for Reconstruction and Development/The World Bank, 2004; Martin Tisné and Daniel Smilov, *From the Ground Up. Assessing the Record of Anticorruption Assistance in Southeastern Europe*, Budapest: Center for Policy Studies, Central European University, 2003.



tion of institutions investigating and sanctioning corruption.<sup>4</sup>

Preparation of these conventions for ratification helped increase the visibility of anticorruption efforts on the international stage. However, signing, ratifying and implementing these agreements are still in progress. Countries promptly signing conventions without taking additional steps for ratification or implementation are still suspect of paying lip service. Others taking this new approach of international cooperation seriously have engaged in regularly monitoring the implementation. A convincing strategy for the enlargement of this limited circle of countries involved in the effort to increase global anticorruption is still missing.

*Extremely poor countries* often feel the heat of the new demand for good governance first from international donors. For governments receiving substantial public resources—including loans and budget support from international donors—this external demand to combat the misuse of public funds has a more vital impact than claims from within the country. Civil society organizations, opposition parties and the press are either weak or their critical assessments are not taken into account by leaders of these countries. However, the readiness of governments to address new demands of aid policy to guarantee resource flow often lacks consistent diagnoses and strategies for the development of anticorruption programs with donors.<sup>5</sup>

Growing awareness about the problems linked to corruption might result from either deterioration of moral standards of officeholders or a higher sensitivity to the public or both. This may explain why corruption scandals in *consolidated democracies* caused by singular cases or involving small amounts of money cause damage to the credibility of public institutions equal or higher than scams of a larger scale in the south.<sup>6</sup> The improper use of “frequent flyer gratifications” by German politicians caused an impact com-

parable to cases of embezzlement of millions of budget dollars in corruption-prone countries.<sup>7</sup> This new sensitivity for the private abuse of public office may lie partly in the declining importance of political ideologies as guidelines of public policies. Today, political pragmatism has blurred the lines between ideological concepts of left and right. The values of efficiency, accountability and integrity gain greater importance in the assessment of political competitors. Competent and honest implementation is needed before the right political ideology can exist. Bad governance, including corruption as one of its mayor causes, is the antithesis of this concept of efficient and clean implementation of politics.

Besides this spontaneous awareness of corruption, initiatives to promote the issue deliberately, like the Corruption Perceptions Index (CPI) published annually since 1995 by Transparency International, have had a decisive role in raising awareness of the issue.<sup>8</sup> The CPI ranks countries on a scale from zero to 10, depending on the degree of integrity or corruption. Data for the CPI stem from various sources, mainly perception data from the business community. Perception data cannot be taken as empirical evidence on corruption. However, these limitations are outweighed by the enormous impact the CPI has had on international media and stakeholders in politics and business. The index was the first to allow international comparison, including 41 nations in its 1995 edition, rising to 145 in 2004. Long before the official adoption of an international Anti-corruption Day (December 9<sup>th</sup>, commemorating the UN Convention on Anticorruption), the CPI guaranteed international and national attention to the issue of corruption and bad governance. As a reaction to the CPI, governments came under pressure to respond to a previously ignored problem.

Today, because of spontaneous and deliberate incentives, the scourge of corruption is considered one of the most important problems in national politics.

4 The role of international conventions against corruption is not to be discussed in this document. For more information see [www.u4.no/themes/conventions/intro.cfm](http://www.u4.no/themes/conventions/intro.cfm).

5 UNDP/OECD (Eds.), *Corruption and Integrity Improvement Initiatives in Developing Countries*, New York: UNDP, 1998; Robert Williams and Robin Theobald (eds.), *Corruption in the Developing World*, Cheltenham, UK/Northampton, Mass.: Elgar, 2000.

6 UNESCO, *Corruption in Western Democracies*, Oxford et al.: Blackwell, 1996 (= International Social Science Journal, Vol. 48, No. 3, 1996); Donatella Della Porta and Yves Mény (eds.), *Democracy and Corruption in Europe*, London u.a.: Pinter, 1997; Paul Heywood, *Political Corruption: Problems and Perspectives*, in: *Political Studies*, Vol. 45, No. 3, 1997, pp. 417–435.

7 As a consequence of this affair, kicked off by media reports on the private use of bonus flights acquired by official travel with the German airline Lufthansa in 2002 two important German politicians resigned from their mandate: Gregor Gysi, member of the Legislative and a former secretary of the Government of the state of Berlin and Cem Özdemir, member of the German parliament.

8 Transparency International is the leading international civil society organization dedicated to combat corruption. It is headquartered in Berlin and has national chapters in over 90 countries around the world. See [www.transparency.org](http://www.transparency.org).

An international survey by Gallup (carried out for Transparency International in 64 countries) showed that corruption was seen as one of the most important problems by most citizens, with grand corruption on an average ranking slightly behind concerns about violence and unemployment, equal with inflation and poverty and before environment and human rights (Appendix 1, p. 37).

The picture varies considerably from country to country, but overall, the process of raising awareness has been successful in the last decade, and generated new demands on policymakers. However, in many countries the capacity to respond on the policy level to these new demands is still weak and produces evasive reactions, like discourse on morals and good intentions. Transforming corruption control and consolidation of good governance into public policy and institutional reforms is still a challenge.

### The concept of corruption

A contemporary definition describes corruption as the misuse of public office for private gain.<sup>9</sup> The notion of *public office* embraces officeholders recruited by merit, and politicians elected for the Legislative or Executive branch. Even when acting as a volunteer or honorary officeholder, or as an employee in a private organization responsible for management of public goods, this definition of public officeholder applies. *Misuse* is mostly defined as trespassing explicit rules, but may also include violating expected behavior when rules are not explicitly formulated. *Private gain* means direct benefits (money, goods and services), but also includes other resources, like access to social networks, social esteem or political power. Private gain also includes benefits for personal or political networks.

This definition is wider than the legal definition of corruption set by law.<sup>10</sup> Beyond the specific situation, where a civil servant receives (is offered, asks for) a benefit to favor a citizen or a company, corruption as abuse of public office for private gain includes nepotism, cronyism, and “clientelism,” party finance in exchange for future benefits, state capture, organized crime and complex networks of corruption.

<sup>9</sup> United Nations Office on Drugs and Crime [UNODC], *Anti-Corruption Toolkit*, New York 2002.

<sup>10</sup> This was the dominant concept during the 20<sup>th</sup> century, for example in Joseph S. Nye’s “Corruption and Political Development: A Cost-Benefit Analysis,” *American Political Science Review*, Vol. 61, No. 2, 1967, pp. 417–427.

Although the classical case of bribing an officeholder remains a central pillar of definitions of corruption in the real world, questions of technique are less important than the core definition: undue private gain from public office.

Concerns about corruption have been an issue since ancient times. When Aristotle or Machiavelli referred to “corruption,” they usually meant decay and subversion of a social order given by nature. With the emergence of modern statehood starting from the 17<sup>th</sup> century, a clearer concept of private vs. public interests and modern techniques of resource administration emerges. “Corruption” describes situations of undue transgression of recently drawn lines between personal and public interests. Practices like nepotism or private gain from office, which were an integral part of pre-modern (tribal, feudal) political regimes, were subsequently ruled out and replaced. Corruption scandals frequently helped extend this distinction between private and public interests into new areas. Thus was the case of public unease about vote buying running rampant in Britain in 19<sup>th</sup> century, which resulted in an electoral reform clarifying the line between political representation and private business. As Paul Noack, a German political scientist, stated: ruling out corruption is an inseparable aspect of the consolidation of modern democratic republicanism.<sup>11</sup>

However, the goal of controlling corruption was also used by authoritarian regimes justifying the limitation of civil liberties, democratic control and even coup d’états. The extraordinary powers of the anticorruption-control agency in Singapore is an example of limiting citizens’ rights for the sake of fighting corruption. Similarly, when the military seized power in Brazil in 1964 the argument of fighting rampant corruption was used as a means to justify the coup. Politicians and civil servants were prosecuted by special tribunals.

### Petty, grand and systemic corruption

An important issue concerns the question of the severity of corruption. There are several criteria used to classify situations of corruption. The popular concept of ‘petty vs. grand corruption’ suggests a distinction about the amount of money or political and economic power of actors involved in corrupt

<sup>11</sup> Paul Noack, *Korruption—die andere Seite der Macht*, München: Kindler, 1985.

transactions. Petty corruption includes everyday bribes for public services to citizens. Typically, it involves small amounts of money in single-service transactions. However, when corruption in education or health services is rampant, small bribes may add up to considerable resources. Grand corruption typically involves large-scale business transactions like public contracts, undue influence on the definition of new norms and regulations, important decisions by judiciary or government decisions with large impacts on the business community.<sup>12</sup>

Environments where bribes are an integral part of business are often described as suffering from “systemic corruption.” In such cases, the official system of rules and procedures may have been reduced to a façade. Usually, a whole network, including facilitators or agents, take over the difficult parts of corrupt transactions like negotiating, payment and delivery. Systemic corruption means the system works by rules different from those laid out by laws and regulations, representing a perfect order of shadow rules behind a façade of official norms and institutions. Corrupt networks hide away the causal nexus between official favor and private kickback, a vital element for criminal prosecution. Public officials participating in complex corruption networks have their favors accounted for as an investment and can count on payback in the end.<sup>13</sup>

## Corruption damaging the political system

Recent research and debate on corruption has focused on the question of direct economic losses by corrupt arrangements and the cost of corruption through inefficiency and dysfunctional incentives. Besides losses due to bribes speeding up bureaucracy or slowing down justice, corruption causes “rent-seeking” behavior in the private sector, thus hindering competition and innovation.<sup>14</sup> For the national economy, there may be an overall cost for inefficient resource allocation. Paulo Mauro proved that corruption correlates

negatively with economic growth and investment.<sup>15</sup> Interestingly enough, his database did not stem from academic research, but from risk consultancy for international investment. In the following years, analysis on the impact of corruption on economic performance was broadened to include socioeconomic development, growth rate, and foreign and domestic investment.<sup>16</sup> More sophisticated analysis followed. Vito Tanzi and Hamid Davoodi analyzed the impact of corruption on investment patterns investment and concluded investments went into new infrastructure rather than into the maintenance of existing facilities, due to the expectation of higher bribes in the former.<sup>17</sup> The World Bank Group sponsored several studies following this thread. Consequently, a critical mass of studies emerged on the issue of corruption, although they remained focused mainly on economic issues.

The political costs of corruption have not warranted the same attention. The assessment of systemic damage caused by corruption suggests a distinct treatment of corruption involving the design of institutions and rules, administrative implementation of politics, and oversight and control functions.

Thus, in a corrupt administration, slowing down bureaucratic procedures and surcharging users with a bribe causes costs comparable to an extra tax paid for by individual or corporate users. The amount of money spent on corrupt transactions may add up to considerable amounts and cause severe damage. Where public services are involved, the costs fall back on those most in need of public health, education and welfare programs. However, this type of corruption normally does not affect the social fabric, since the capacity for political reform and criminal responsibility remains in place. Once corruption scandals spur public awareness, criminal investigation can hold those involved accountable, or change their calculus of costs and benefits expected from corrupt behavior in the future. Reforms of laws and procedures may ensue, eliminating loopholes and consolidating preventive measures.

<sup>12</sup> Susan Rose-Ackerman, *Corruption and Government. Causes, Consequences, and Reform*, Cambridge, UK: Cambridge University Press, 1999.

<sup>13</sup> Jean Cartier-Bresson, “Corruption Networks, Transaction Security and Illegal Social Exchange,” *Political Studies*, Vol. 45, No. 3, special issue Political Corruption, 1997, pp. 463–476.

<sup>14</sup> Johann Graf Lambsdorff, “Corruption and Rent-Seeking,” *Public Choice*, Vol. 113, No. 1/2, 2002, pp. 97–125.

<sup>15</sup> Paolo Mauro, “Corruption and Growth,” *Quarterly Journal of Economics*, Vol. 110, No. 3, 1995, pp. 681–712.

<sup>16</sup> Johann Graf Lambsdorff, *How Corruption in Government Affects Public Welfare—A Review of Theories*, Goettingen: Center for Globalization and Europeanization of the Economy, University of Goettingen, Discussion Paper 9, January 2001.

<sup>17</sup> Vito Tanzi and Hamid Davoodi, *Roads to Nowhere: How Corruption in Public Investment Hurts Growth*, Economic Issues No. 12, 1998.

Corruption that damages the steering functions of the political system is a different breed. These include the condition of government leaders that design public policies or legislators who work out norms and regulations that have a deep impact on the social fabric. Some specialists describe these circumstances as “state capture,” meaning that whole branches of government are designed along private interests.<sup>18</sup> Investigations of corruption involving the Budget Commission in Brazil in 1994 revealed a sophisticated system whereby projects for public roads and infrastructure were shaped by private companies, then introduced in the budget by elected officials, and finally contracted out to the companies in question. President Collor’s campaign manager Paulo Cesar Farias, who coordinated a complex system of scams from 1990 to 1992, placed his appointees in strategic positions in public administration, thus setting up corruption from within the government.

When the design of public policies follows private interests, corrupt networks either influence the nomination procedures for key positions in public administration or remove diligent public servants who might cause trouble. Private interests drive lawmakers, ultimately paralyzing the steering functions of the state. In these cases, corruption transforms the state into a device serving its own purpose of private benefit. Besides a vigilant press and civil society oversight, preventive measures against state capture include sound campaign finance laws, efficient oversight and cutting off vicious links between private interests and political representation. Another landmark against state capture is merit-based systems of human resource management in public service, protecting public administration from political manipulation.

An area where corruption causes serious systemic harm includes cases where institutions of oversight, investigation and sanction are involved. Analysis of the influence of organized crime in small towns in the United States in the 1950s showed these had often lost their ability to combat corruption efficiently. Local institutions like police, attorneys or the legislative that were expected to react, were deeply involved in the network of corruption. The local political system

lost its capacity for self-recovery.<sup>19</sup> A similar situation was uncovered by a criminal investigation in the city of Rio de Janeiro in the 1990s, where organized crime kept on its payroll police departments, politicians, judges, journalists and civil society organizations. In such a situation, reforms may require pressure and support from outside.

The corruption of institutions for oversight and control has a negative impact on the capacity for self-regeneration. The system of criminal sanctions including police, attorneys and judges; oversight functions like auditing, customs and revenue services; or the overall legislative oversight on administration are important parameters for the behavior of social factors inside and outside the government. Where judges are susceptible to bribes or government audit offices are caught diverting funds, the impact goes beyond the institutions in question. The expectation of walking scot-free sets strong incentives for corrupt behavior in society. Citizens may commonsensically conclude that corruption pays off economically, while integrity depends exclusively on a firm stance on morals and values.

The dimension of systemic damage by corruption is difficult to measure—but nonetheless, has relevant consequences—and includes the impact on citizens’ trust in public institutions. Gunnar Myrdal pointed out corruption undermines the sense of statehood and thus, the very foundations of a community.<sup>20</sup> Even slight deviations by elected officials may cause public distrust. This is not only because of high visibility in the public, but also because they exert their role based on trust, not on rules. If the expectation of acting on behalf of public interest is tarnished by minor transgressions, it is difficult for citizens to maintain good faith concerning the overall picture.

While the impact of these cases involving high-ranking figures among the public depends to a certain extent on the filter of mass media, personal experience of petty corruption in day-to-day service delivery can have a similar impact on the perception of public institutions. The perception, that access to the state as a service provider is not ruled by equity, but dependent on good connections or on money, undermines

<sup>18</sup> Joel Hellman, Geraint Jones, and Daniel Kaufmann, *Measuring Governance and State Capture: The Role of Bureaucrats and Firms in Shaping Business Environment*, London: European Bank for Reconstruction and Development, Working Paper No. 51, June 2000

<sup>19</sup> Donald R. Cressey, *Theft of the Nation. The Structure and Operations of Organized Crime in America*, New York: Harper and Row, 1969; John A. Gardiner, *The Politics of Corruption. Organized Crime in an American City*, New York: Russel Sage Foundation, 1970.

<sup>20</sup> Gunnar Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations*, Vol. 2, New York, 1968.

democratic political culture. Citizens turn their backs on a state if it turns out to be just another sphere where inequality rules access to resources. In countries where state building is still underway, grand as well as petty corruption can be a mayor obstacle to building trust in institutions and establishing an idea of the state as a locus for public interest, *res publica*.

## Corruption and Aid

In the last two decades, the focus of the debate on the development of poor countries shifted from external to internal factors. Instead of questions of infrastructure, industrialization or human resources, the role of the state and public institutions—as a system of rules and incentives promoting development—has merited attention in recent debates.<sup>21</sup> Public institutions play an important role in economic development. When rules are sound and enforced, they enable the reduction of transaction costs and make economic investments more productive. This shift to “institutional economics” as the focal point of the development discussion occurred after the concept of structural adjustment programs gained prevalence in the 1980s. While the latter were based on macroeconomic policies—including trade liberalization, denationalization of the economy and austerity programs—the new approach has focused on sound institutions and responsible government. Transforming the state into an efficient regulatory institution and holding it more accountable have become the new tenets for sound and sustainable development of economy and society. Since corruption subverts the values of good governance, a strategy of anticorruption is an indispensable element of policy development.

Discussion about corruption and aid evolves on three different levels. The first level pertains to corruption control as a concept for aid policies. In the last decade, a number of tools have been developed to help countries identify corruption and implement reforms. The corruption debate has been brought up in traditional fields of development discussion, including discussion about state reforms, evaluation of resource allocation and public policies, and participatory approaches fostering the role of civil society. However, the number of instruments, cohesion of approaches and the set of new actors on this field suggest anticorruption has developed into a new field of public policy itself, framing the debate on good governance in a comprehensive way. A good governance development concept rests largely on anticorruption tools.

On a second level, aid discussion focuses on the question of whether aid is justified when domestic corruption runs rampant. A more aggressive stance suggests established standards of good governance as a precondition for aid through resource transfer. When local elites in poor countries squander public resources, should foreign aid transfers be put on hold? Some donors have in fact recently withdrawn aid from a number of countries based on this argument. Another approach, based on the same philosophy of conditionality, builds on positive incentives instead of sanctions. The United States launched an initiative that grants access to special aid funds (Millennium Challenge Account) to a select number of countries with good performance on governance indicators.

Aid administration and aid projects themselves are challenged by corruption. This third level of corruption, involving aid resources, creates a challenge for national and international aid agencies to strengthen governance structures in their own programs, which are subject to flaws and loopholes in corruption prevention like any other organization. However, a number of threats exist to fostering integrity, linked to asymmetric information between donors and recipients, poor control mechanisms for emergency relief and many others. Aid agencies are still trying to develop answers to some of these specific questions.

<sup>21</sup> *World Development Report 1997. The State in a Changing World*, Washington: The International Bank for Reconstruction and Development/The World Bank, 1997.

## Focusing Aid on Corruption Control

Transforming corruption from a question of fate of history into a phenomenon allowing for piecemeal solutions is the first step to tackle the problem. This requires raising awareness amongst citizens and building the political will of decision makers. But how does one create the will to clamp down on corruption into practice? Is it all about new laws and the application of sanctions?

A number of factors influence the decision of social actors to engage in or repudiate participation in corrupt deals. These factors include people's own values, communities' patterns and norms of behavior, and rules set up by public institutions. People's own values and beliefs are the first guidance to identifying opportunities of corruption and taking a stance for or against them. High moral standards can result in proper behavior even in a corruption-prone environment.

However, the truth of the matter is that while sometimes a portion of society places moral values above other considerations while others are ready to trespass any limits when pursuing their own interests, most citizens pragmatically take into account a number of factors—including the values they adhere to, the reaction of the community which they belong to, the sanctions they have to fear from institutions, and the possibility of being caught—all of which they weigh against the benefits expected from engaging in deviant behavior.

Nevertheless, most social actors take into account what others do and how their actions are judged by their fellow citizens. Thus, the patterns of behavior and social norms of a given community do influence the propensity of individuals toward corruption. People learn from each other, seek social esteem and try to avoid disapproval from their peers. Whether corrupt deals are looked upon as a smart way to do business or censored as a crime influences the behavior of social actors. However, social sanctions are soft sanctions and are not very uniform either.

Finally, rules and norms set by public institutions have a decisive impact on social behavior, aside from morals and social environment. Rules bundled in institutions set incentives and sanctions to guide behavior in society, politics and economy. Accordingly, the

design of institutions—including coherence of rules, oversight, sanctions and transparency—influences the propensity to engage in corrupt action.

Robert Klitgaard, one of the pundits of anticorruption policies, merged this analysis into a complex formula, based on the calculus of substantial and symbolic costs and benefits of agents, where values, norms and sanctions play a decisive role.<sup>22</sup> For the analysis of systemic risks of corruption he developed the equation  $[C = M + D - A]$ , where corruption (C) increases where bureaucracy has a monopoly position (M) and large discretionary power (D) and accountability mechanisms (A) are weak.<sup>23</sup>

Although corruption goes back to all three factors, chances for political intervention and reform are disproportionate. Influencing individual norms and changing cultures of social behavior is not a "mission impossible." But initiatives to engage in education and cultural change against corruption have to be looked at from a long-term perspective. Public institutions built around core values of explicit and enforceable rules, on the other hand, are subject to reforms in the short term. This does not mean that reform is an easy task, since changes in institutions need to be accepted and implemented in practice.

The importance of rules as co-determinants of social behavior and their susceptibility to reform are reasons the discussion of corruption control should focus on institutional design and reform.

### Strengthening public resource management

One approach to controlling corruption by institutional reform is a systematic effort to integrate

<sup>22</sup> Klitgaard's formula for the expected utility of a corrupt agent is  $[EU = U[R(x) + p(x-f) + (1-p)x]$ , where x stands for the bribe, f for the penalty, p for the probability of being caught and R for the moral cost of getting caught. Translated into text version this reads "I will be corrupt if: the bribe *minus* the moral cost *minus* the probability I am caught *times* the penalty for being corrupt is *greater than* my pay *plus* the satisfaction I get for not being corrupt." (Robert Klitgaard, *Controlling Corruption*, Berkeley: University of California Press, 1988, p.70).

<sup>23</sup> Idem.

and improve the performance of public resource management. This connects with public sector reform programs promoted by a number of international organizations, including the UNDP, the OECD and the World Bank Group. The driving force behind these programs is the idea of reducing the state to its core functions and augmenting its regulative capacity in these fields.<sup>24</sup> Modernization of resource management—including reforms of the revenue service, tax reforms, integrated management systems of budget and assets and modern audit techniques—are vital elements of these public sector reform programs. The idea is to combat the syndrome of corruption in sensitive areas of budget management caused by an environment of inconsistent and unclear rules and regulations and low-paid, unskilled and unmotivated public servants.

Besides the lack of systematic evaluation provided by government audit institutions, basic and timely information for the effective supervision of the bureaucracy is unavailable even to good-intentioned top managers. A minister without precise and timely information on budget expenses of his office, on the number of servants that are under his guidance, or the companies his office has signed contracts with, has a limited capacity to supervise the administration effectively—not to mention the problem of making his organization an effective tool for policy implementation. In awareness of the necessity of adequate finance management systems, multilateral aid organizations have assessed the soundness of financial management and developed specific programs to overcome the deficiencies detected in various countries.<sup>25</sup> Today, integrated systems of resource administration, using modern information technologies, allow for real-time oversight of resource administration and are a powerful preventive tool against corruption.

<sup>24</sup> *World Development Report 1997* [Fn. 21].

<sup>25</sup> The World Bank's program to strengthen Public Finance Management Systems (PFM) is based on diagnostic instruments including Country Financial Accountability Assessments (CFAA) and Country Procurement Assessment Reports (CPAR). UNDP has worked out Country Assessments in Accountability and Transparency (CONTACT), allowing for a self-assessment of a country's need of assistance in this area. OECD is working on Performance Indicators on Public Financial Management and has established a joint venture with eight partner countries to participate in this effort. The IMF issued a Declaration of Principles on Good Practices on Transparency in Monetary and Financial Policies in 1999, and adopted a revised version as Code of Good Practices on Fiscal Transparency in 2001.

Improving the managerial capacity of the state by strengthening the mechanisms of internal transparency and control is an important tool for reformers in top positions. However, coherent rules, supervision and efficiency are not enough. State reform projects focusing on these priorities are incomplete without a new focus on strengthening the role of transparency and external oversight by legislators and society. Budget transparency indicators, toughening the oversight of parliament over the budgeting process, and the role of government audit and of civil society or academic institutions providing independent expertise, are important complements to state oversight. Reforms are more sustainable when several institutions in and outside the state push for change.

External oversight requires commitment, expertise and access to information. The International Budget Project, a network of NGOs dedicated to budget oversight, builds civil society capacity in this field. A subgroup of Latin American NGOs linked to this network recently launched an Index on Budget Transparency from a vantage point outside the government.<sup>26</sup>

### **A culture of transparency and accountability**

An important tool for improvement of public sector integrity is transparency, a principle embracing different meanings depending on context. In the field of public services delivered to citizens and businesses, transparency includes intelligible information on how to interact with public institutions when requiring a service, applying for a permit, or responding to a demand. In many countries, information on due process when interacting with bureaucracy is either difficult to obtain or is not available at all. In the case where unclear regulations virtually block access to state bureaucracy, collection of information is time-consuming and professional facilitators are likely to crop up. Although these expeditors or "go-betweens" aren't necessarily involved in illegal activities or corruption, they do block civil society's access and oversight over the administration. Facilitators have a strong interest in keeping direct citizen-state inter-

<sup>26</sup> The International Budget Project, founded in 1997 within the Center on Budget and Policy Priorities, is headquartered in Washington ([www.internationalbudget.org](http://www.internationalbudget.org)). The results of the index on Latin America containing a comparison of ten countries have been published as Briseida Lavielle, Mariana Pérez & Helena Hofbauer (org.), *Latin American Index of Budget Transparency*, Mexico, D.F., October 2003.



action complex and diffuse enough to stimulate demand for their professional support.

This set of diffuse rules, slow procedures and facilitators' smoothing out of difficulties has a corrosive impact on the integrity of public institutions. Bribes may be limited initially to speed up legitimate access to public services. However, voracity for extra payments often entails additional bureaucratic obstacles, thus producing new opportunities for extra payments. Administration is slowed down in a vicious cycle, since inefficiency results in augmented remuneration. Kaufmann and Wei were the first to come up with empirical evidence against the utilitarian justification for bribes called "speed money." Data from international surveys showed that managers using bribes to smooth things out spend more time solving administrative issues than others who deny doing so.<sup>27</sup>

In some countries, the opaqueness of bureaucratic procedure has reached a point where communication between branches of government does not work and facilitators have filled the gap. This was the case in Brazil, a federal state where municipal governments have access to resources from national and state governments. There is a special program for virtually any need a local government may have. However, small municipalities often do not have the capacity to access the whole range of subsidies, because they lack information, the capacity to comply with requirements, and the political power to have these applications pushed through the federal administration. In the 1990s, the role of facilitators who helped municipalities obtain access to subsidies from the central government, using a mix of legal and illegal procedures and charging exorbitant fees, was uncovered and caused a scandal. The system was then changed, improving transparency considerably.<sup>28</sup> But Brazil still has a long way to go to guarantee smooth communication between its different levels of government.

Establishing or restoring citizens' direct access to services is a powerful tool for improving the quality and integrity of public administration. Some solutions include modern technology, providing services online and via Internet. But the use of new technologies is not fraud or corruption proof, giving rise to new ways of

ripping off the state, which demand new solutions. Solutions based on technology might be counterproductive, since new communication technologies have introduced a new digital divide in many poor countries. Other low-tech solutions may be more helpful to increase access to services and citizen oversight. The state of São Paulo in Brazil revolutionized public service delivery by creating Integrated Services Centers centralizing all public services in one building, imposing short deadlines for service delivery and placing emphasis on face-to-face information for users. This allowed citizens to access public administration without an intermediary, an outstanding exception in Brazil.<sup>29</sup>

Transparency is not limited to informing single users about public services. It is also the right of citizens to have access to information on public administration. A number of institutions outside the state engage in public oversight of administration, including the press, political parties, associations, trade unions, interest groups and NGOs. Their capacity to follow up systematically on specific aspects of public policies lies far beyond that of individual citizens. A number of these institutions improved oversight tools and established observation of specific areas of public services, such as political finance or the budget process. Some produce their own new data; others analyze official information and share it with the public. The right to access information, therefore, is a cornerstone in the debate on integrity and corruption control.

A number of countries have introduced laws on access to information or have had this right guaranteed in the constitution. The national interest or the preservation of privacy as reasons not to disclose information are no longer insurmountable obstacles. Modern laws regarding the provision of information and requests for information from the state establish this as a basic right. It is up to the administration to provide evidence as to why this right should not or cannot be granted in a specific case.

However, there is still a long way to go to implement these new principles of transparency. Legal regulations are insufficient. Accountability is a set of practices, including an inclination by officeholders to

<sup>27</sup> Daniel Kaufmann and Shang-Jin Wei, *Does "Grease Money" Speed Up the Wheels of Commerce?*, IMF Working Paper, WP/00/64, 2000.

<sup>28</sup> Interestingly enough, some of the facilitators did not have any influence at all. Their privilege was to have access to information about when funds were transferred to the municipalities, thus faking influence to their clients.

<sup>29</sup> These institutions in São Paulo called *Poupa Tempo* (Save Time) as well as on similar initiatives in other states in Brazil are discussed in: Rodrigo Jose Pires Soares: *Brazilian e-Government. Analysis of Technical and Social Aspects*, Paper, Fall 2004, Washington: The Minerva Program, George Washington University, 2004.

be held accountable for their decisions, of civil society to commit to systematic oversight, and of citizens to demand efficient and clean service delivery. In order to establish a solid change in the direction of a new culture—of a transparent and accountable government—procedures, rules and institutions have to be redesigned. Furthermore, the key actors for change inside and outside the government need support. International aid can help with the technical aspects, as well as foster social entrepreneurship in this field.

### **Fostering public institutions for oversight, control and sanctions**

Control and oversight over public resource management are classic functions of the modern state. Public institutions regularly involved in oversight include the legislative branch, government auditing agencies (internal and external), public prosecutors and courts, ombudspersons and special units of the police, customs, revenue, etc. A number of countries have set up special institutions for corruption control.

The legislative branch exercises its role of oversight through its solicitation of information on other branches' activities, by means of hearings and parliamentary investigations, and based on reports of government auditing. In many transitioning countries, the legislative branch is weak due to the limited constitutional power given to lawmakers, the poor quality of staff and advisors, or a diminished interest of lawmakers to act on behalf of the public. Governments frequently undermine the independence of representatives by trading political support for resource allocation to the deputies' electoral districts or by filling influential government positions with parliamentarians' nominees. Private interests may also truncate the will and independence of lawmakers to oversee the actions of governments in a critical and objective fashion. Lobbying activities and campaign finance can undermine the independence of representatives as well.<sup>30</sup>

<sup>30</sup> OECD Report on parliamentary procedures and relations, Organisation for Economic Co-operation and Development, Paris, January 22, 2001, PUMA/LEG(2000)2/REV1; Nick Manning and Rick Stapenhurst, *Strengthening Oversight by Legislatures*, Washington: The World Bank, October 2002, Prem Notes No. 74; *Controlling Corruption. A Parliamentarian's Handbook*, The Parliamentary Centre, Canada, and World Bank Institute, Second edition, 2002; *Report on Parliamentary Procedures and Relations*, Paris: OECD, PUMA/LEG(2000)2/REV1, 22.1.2001.

The line between legitimate political tug-of-war and undue abuse of office for private benefit is not always set by explicit rules and may vary depending on political culture. Nevertheless, it does exist. Thus, when the government's or business interests reach far inside the legislative branch, it leads to the ruin of vital oversight functions.

When political obstacles are overcome, parliaments often lack the professional capacity to provide elected representatives with the necessary expertise and resources. A corps of permanent technical staff and professional advisors are critical to help representatives control the machinery of the government. When nepotism and cronyism hinder the development of a body of professional advisors, qualified control cannot be activated. Parliamentary investigations are easily disqualified as the political tussle for power ensues, with allegations of serious misconduct leading to a loss of credibility.

Government auditing is a main component of public oversight of resource administration. Again, investigative authority, institutional design and professional skills are important prerequisites for audit institutions to have an impact on the standards of integrity in resource management. In most countries, the government has a say on the appointment of the head of government audit institutions; but at the same time, directorship is protected from removal and its tenure extends beyond election cycles, in some cases to lifetime tenure. Yet in many countries, audit institutions have limited authority to control all branches of resource management. Timely presentation of auditing results is blocked by either non ex-post auditing or results from sluggish procedure. Technical knowledge and the skills to carry through modern audits covering efficiency and effectiveness of public policies are yet to be disseminated.<sup>31</sup>

Still, the insertion of government auditing into the system of checks and balances of powers varies.

A noteworthy new initiative in this sector is the Global Organization of Parliamentarians Against Corruption (GOPAC), founded in 2002 and headquartered in Canada, [www.parlcent.ca/gopac/index\\_e.php](http://www.parlcent.ca/gopac/index_e.php).

<sup>31</sup> Kenneth M. Dye and Rick Stapenhurst, *Pillars of Integrity: The Importance of Supreme Audit Institutions in Curbing Corruption*, Washington: Economic Development Institute, World Bank, 1998, EDI Working Papers; Rick Stapenhurst and Jack Titsworth, *Features and Functions of Supreme Audit Institutions*, Washington: The World Bank, October 2001, PREM Note No. 59.

Inherited models range from audit institutions either providing advice to government or preparing technical expertise to the legislative branch. Some audit institutions have prosecuting powers, while others are “knights without a sword,” reporting serious offenses to prosecuting authorities in charge. Thus, even when audit institutions themselves provide valuable results in a timely fashion, these need to be taken up by the government, the legislative branch or the justice system.

As pointed out above, institutions responsible for criminal sanctions play a central role in the protection of public resources. In many countries, a combination of factors has increased the demand for judicial solutions as a consequence of transition to democracy and strengthening the rule of law. At the same time, the capacity of the justice system—including attorneys, judges, justice administration, education and codes of law—has not been developed. Overload of processes, slow procedures and even judicial corruption results in procrastination of decisions for years and even decades. “Justice delayed is justice denied,” with the sense of impunity having a deep impact not only on corrupt offenders, but also on society at large. One of the main problems is court congestion. When courts run a backlog, corruption becomes an urgent issue. Corruption is hard to detect and if detected, it is hard to convict; if convicted, sanctions are soft; and finally, there is no guarantee sanctions will be applied.<sup>32</sup>

In addition to classical institutions of oversight and control, new complementary tools have been implemented. Ombudspersons are a recent addition to an institution’s fight for oversight, taking the citizens’ perspective. Offices have been established for different branches of government that work solely based on information and complaints provided by citizens. Ombudspersons may report either to parliament or to the government. However, at the core of ombudsman offices is the role of direct communication between citizens and the head of public institutions. Shortcutting the channels of communication between citizens and heads of public management helps revitalize the

political system and incorporates citizens’ voices as a powerful tool for fighting corruption.<sup>33</sup>

International aid projects concentrate on several of these institutions. They focus mostly on technical advice concerning training and instruction of professional skills in the areas of oversight bodies. Countries receive advice on the reform of codes of law; auditors are trained in modern audit techniques; special police units receive training in sophisticated techniques of investigation to crack down on equally sophisticated forms of crime, like money laundering and other white-collar crimes.

There are no blueprint solutions for the establishment of an efficient system of control and oversight of public resources. In most cases, combating corruption requires guarantees of oversight and control independent enough to take forward investigations, even when it means calling powerful interests into question. Institutions engaged in oversight, investigation and sanction must be sufficiently committed and trained to follow the professional standards accepted and taken up by peer institutions. Efficient institutions need adequate funding to make authority and skills work in practice. It is self-evident that control institutions must comply with high standards of integrity. Getting involved in corruption scandals undermines the reputation and credibility of their work.

Underperforming control is often linked to the poor institutional design of organizations. Engaging in reforms of organizations or improving interaction between these organizations requires political will and a sustained effort to fight for stepwise improvement. Where independence of audit institutions is not guaranteed, valuable audit findings are not taken forward. Legislative reform is built on sand, with campaign finance allowing for undue economic influence on lawmaking. And corruption control without international cooperation is artificially limited.

However, inherited traditions and the cultural and political context have to be taken into account when institutional engineering is at stake. Supporting reforms in these areas is not an easy task, since considerations of national sovereignty are a sensitive issue. International cooperation often avoids these highly politicized issues and rather focuses on less controversial areas of cooperation, like technical cooperation in the field of infrastructure, instruction

32 J. Clifford Wallace, “Resolving Judicial Corruption while Preserving Judicial Independence: Comparative Perspectives,” *California Western International Law Journal*, Vol. 28, No. 2, Spring 1998, pp. 341–351; Edgardo Buscaglia, Jr., *Judicial Corruption in Developing Countries: Its Causes and Economic Consequences*, Washington: Hoover Press, 2000, Hoover Essays in Public Policy 7/99.

33 Nick Manning and D. J. Galligan, *Using an Ombudsman to Oversee Public Officials*, Washington: World Bank, April 1999, PREM Note No. 19.

and consultancy. Institutions with expertise in this field are political party foundations, networks and organizations of professionals, and international NGOs. Not being linked to government-to-government cooperation, they are free to engage in projects in this sensitive area. When focusing on issues of political reforms fostering governance, structures and integrity systems, these institutions need support from development agencies. Additionally, questions of institutional design that call for more integrity need academic support. Comparative studies on control institutions and their impact on governance in the public sector are a much-needed foundation for evidence-based reform initiatives.

### **Centralizing anticorruption efforts: a step forward?**

One promising solution to foster the fight against corruption is the creation of anticorruption agencies. The idea behind these institutions is to centralize anticorruption efforts in one agency. However, there are different ways to implement the idea. A first approach is to concentrate authority and provide the anticorruption agency with extraordinary power. Examples for this type of institution are anticorruption agencies in Singapore or Hong Kong. In both countries, agencies are directly subordinate to the executive branch and the president appoints their directors. They have special powers to investigate and prosecute public servants suspected of corrupt offenses. There are doubts, however, as to what degree the concentration of power in such a “super agency” is compatible with the norms of rule of law and democratic accountability.<sup>34</sup>

Another model of an anticorruption agency focuses on demonstrating political will and coordinating anticorruption efforts within the different branches of government. Since sustainable anticorruption efforts depend on the initiatives of different branches of government, orchestrating the efforts of the executive, legislative and judiciary branches can improve the sustainability of anticorruption efforts. The Independent Commission of Anti-Corruption in the province of New South Wales (Australia), established in 1992, followed this example. The commission developed research on corruption in the public sector, thus

<sup>34</sup> Anticorruption agencies in Malaysia and South Korea follow a similar concept.

providing valuable input for public sector reforms to fight corruption.<sup>35</sup>

Many other countries have created anticorruption agencies. Not all cases were successful. Instead of creating political will, effective coordination or prosecuting powers, many anticorruption institutions instead deteriorated. The case of South African anticorruption agencies is symptomatic. An analysis of anticorruption initiatives concluded 14 different institutions were involved in the fight against corruption. An expert survey concluded that the official anticorruption agency enjoyed less credibility than all other organizations.<sup>36</sup>

Thus, building anticorruption agencies to demonstrate political will to internal and external stakeholders is a debatable strategy. Clear objectives and critical evaluation of their efficiency can avoid the above mentioned perils of inefficiency and meaninglessness.<sup>37</sup>

### **The role of NGOs, the media and civil society**

Besides horizontal oversight by state institutions, vertical oversight by civil society stakeholders plays an important role in modern anticorruption efforts. One of the oldest institutions is the mass media. In modern societies, most citizens do not know about public issues from first-hand experience. Radio and television are central institutions for critical monitoring of public affairs and keeping society informed. Thus, freedom of speech is a necessary condition for the media to comply with the expectations of critical

<sup>35</sup> For more information on the Independent Commission Against Corruption of New South Wales, Australia, see [www.icac.nsw.gov.au](http://www.icac.nsw.gov.au) and Appendix, box 3, p. .

<sup>36</sup> Public Service Commission [Republic of South Africa], *A Review of South Africa's National Anti-Corruption Agencies*, August 2001; Lala Camerer, *Corruption in South Africa: Results of an Expert Panel Survey*, Pretoria: Institute for Security Studies, 2001, ISS Monograph, No. 65.

<sup>37</sup> For more positive evaluations see: Alan Doig and Stephen Riley, “Corruption and Anti-Corruption Strategies: Issues and Case Studies from Developing Countries,” *Corruption and Integrity Improvement Initiatives in Developing Countries*, New York: UNDP, 1998, pp. 45–62, and Jeremy Pope/Frank Vogl, “Making Anticorruption Agencies More Effective,” *Finance and Development*, Vol. 37, No. 2, June 2000, pp. 6–9. For a critical assessment of anticorruption agencies in Africa see: Alan Doig, David Watt, and Robert Williams: *Measuring ‘Success’ in Five African Anti-Corruption Commissions—The Cases of Ghana, Malawi, Tanzania, Uganda & Zambia*, Bergen, Norway: Utstein Anti-Corruption Resource Center, May 2005.

information being disseminated to the public. Complementary elements like a trained and critical corps of professional journalists and a solid, pluralist structure of media companies are additional elements that support independent oversight by mass media. Investigative journalists have demonstrated how media can play a decisive role in fighting corruption. Coverage in print media or electronic media can exert political pressure so that government agencies take action on corruption cases when the political will to carry on investigations fades away.<sup>38</sup>

Although free from the external political constraints of censorship, even in an open society journalists can suffer constraints coming from media ownership. In many countries, media owners are closely linked to the political elite. In the case of TV and radio channels, which often depend on a public concession, politicians themselves often own media companies or are closely connected to the owners. To a large extent, daily newspapers depend on advertising from the private sector and government. When media companies depend on economic subsidies or loans from the government, economic constraints can limit independence. Still, the competitive nature of news coverage can push media to the point of hunting for scandals at any costs. Even if there is a tradeoff with long-term credibility, the damage caused by false allegations against persons, institutions or companies is often irreversible. The media is one of the most important stakeholders of the public interest in promoting a clean and efficient government. But the path of critical oversight is lined with obstacles and pitfalls.<sup>39</sup>

In the last decade, a number of civil society organizations (CSOs) engaged in activities to raise awareness and fight corruption. Transparency International

(TI), headquartered in Berlin, is the most important anticorruption network, developing activities on an international level. On the national level, a number of organizations have followed this trail; most of them are linked to Transparency International.<sup>40</sup> The International Anti-Corruption Congress (IACC), which has TI as its lead organization, is held biannually and is the most important international forum of civil society organizations in the field of anticorruption.<sup>41</sup>

However, the art of successfully engaging in and transferring knowledge between CSOs is a difficult one. Differently from state institutions, civil society organizations do not derive their strength from written rules and formal procedures. Recent initiatives focus on overcoming this difficulty through the documentation of successful examples of civil society oversight. There are also information centers and a number of networks that allow CSOs to augment their capacity to follow-up on government critically. "Observatories" on the budget process, on legislative activities or on political finance, amongst others, are examples of sustained critical oversight by CSOs. Innovation, independence and qualification are important landmarks for credibility. CSOs are driven by a limited circle of activists and supporters engaging in advocacy for a cause. However, their credibility does not depend on their constituency, but on a credible commitment to public interest.

Successful replication of local experiences can be illustrated by the campaign finance monitoring project developed by *Poder Ciudadano*, a CSO in Argentina. The organization engaged in a project to shed more light on the process of political finance. Since the law in Argentina does not require candidates to render accounts on political finance, the organization challenged the candidates to render accounts showing their commitment to the values of transparency and accountability. In conjunction with this challenge, *Poder Ciudadano* monitored actual campaign spending. Confronting data on collection and spending of

<sup>38</sup> Rick Stapenhurst, *The Media's Role in Curbing Corruption*, Washington 2000 (World Bank Institute Working Paper); Frank Vogl, *A Free Press in an Era of Corruption. The Crucial Role of the Media in the Quest for Greater Transparency and Accountability*, 1997, TI Working Paper.

<sup>39</sup> A number of national and international organizations focus on the issue of media independence. One initiative is the Media Sustainability Index, developed by the Washington based IREX (International Research & Exchanges Board), measuring media independence in countries in Eastern Europe and Asia, [www.irex.org/msi](http://www.irex.org/msi). Reporters Without Borders is a nonprofit organization monitoring censorship, killing and imprisonment of journalists abroad, [www.rsf.org](http://www.rsf.org). Media's ethics, fairness and political independence are a growing concern of national watchdogs, focusing on content analysis of media production.

<sup>40</sup> Today, Transparency International has affiliate organizations in about 90 countries. Due to a policy of allowing for only one representation per country (and a number of prerequisites concerning a common philosophy and standards for action), not all organizations can affiliate with Transparency International.

<sup>41</sup> International Anti Corruption Conferences under the auspices of Transparency International have been held in Lima, Peru (8<sup>th</sup>; 1997), Durban, South Africa (9<sup>th</sup>; 1999), Prague, Czech Republic (10<sup>th</sup>; 2001) and Seoul, South Korea (11<sup>th</sup>; 2003), [www.transparency.org/iacc](http://www.transparency.org/iacc).

campaign resources showed the amounts spent on TV ads alone were far beyond the officially reported numbers of the candidates. The experience in Argentina has been emulated successfully in a number of other countries. Recently, a handbook on campaign finance monitoring was published, summing up several experiences of CSOs on campaign finance monitoring.<sup>42</sup>

CSOs can also engage in seeding and promoting new values. International attention to corruption itself has emerged because of a deliberate effort to raise public attention to the issue and to create a new demand for integrity and clean government. This new concept spread to a number of specific fields, like the demand for responsible management in the private sector or the effort to establish a basic understanding on a complex issue, like party and campaign finance. After raising the issue and building awareness of its importance, Transparency International published a list of minimum standards for political finance.<sup>43</sup> International standards, although tentative and subject to criticism, can orient reformers when laws on party and election finance are discussed. And even when standards are not binding by law, they can also express a constituency's demand to competitors in popular elections. Voters can press candidates for transparency on campaign resources and refuse candidates who are largely dependant on a few powerful donors.

Civil society organizations are important stakeholders in the fight against corruption and viable partners for aid development. But they are also subject to abuse, including non-transparent resource administration, nepotism and personalization of power. Scandals and abuses of CSOs for private profit challenge the reputation of a whole sector that depends on credibility. Therefore, after good governance in the public sector and the subsequent discussion of good governance in the private sector, the discussion on the principles of good governance in civil society organizations is long overdue. A number of characteristics on which CSOs base their own strength are susceptible to abuse. Since the strength of these organizations is *pro bono* engagement and informal solutions, good

resource management criteria have long been neglected. Activism based on informal, personal engagement rather than on institutions is a strength, but it may bar new members from becoming engaged. As a result, many CSOs are still neither transparent nor open to participation—not to mention the cases where special interests are the driving forces behind CSOs to access international resources or to siphon away public resources.<sup>44</sup>

Aid development plays a great role in helping CSOs reach high standards of transparency, responsible resource management and democratic accountability. A few rotten apples can damage the credibility of a whole sector. On the other hand, transparency and integrity can be a factor of competitive advantage for CSOs who need *pro bono* engagement, but also need resources from local donors. Since CSOs depend to a large extent on external aid, international donors could help them hold or achieve high standards of integrity. Much like the public sector, standards on accountability and democratic structure can be the criteria for resource allocation by international donors to initiatives that stem from civil society.

### Self commitment and integrity pacts

Anti-corruption initiatives also build on self-commitment as a means to fight bribery, embezzlement and nepotism. Differently from external regulations based on incentives, prohibitions and sanctions, self-commitment builds on the idea of reinforcing the will to behave properly (i.e., in accordance with existing value systems). Although sanctions are not excluded, the primary strength of self-commitment lies in explicitly reassuring values and due process, clarifying gray areas and avoiding risks.

One variant of self-commitment are standards established by professional associations for the exercise of duties within a profession. Professional groups like auditors have established codes ranging from technical standards to due process in conflict situations. In these codes, professionals define due process independent from state regulation. Professional codes are more flexible in incorporating new

<sup>42</sup> *Monitoring Election Campaign Finance. A Handbook for NGOs*, Open Society Justice Initiative, New York: Open Society Institute, 2005.

<sup>43</sup> "Transparency International's Standards on Political Finance and Favours," in: Robin Hodess (ed.), *Global Corruption Report 2004*, Berlin: Transparency International, 2004, pp. 16–17.

<sup>44</sup> Volkhart Finn Heinrich, "Transparency and Corruption within Civil Society Organizations," in: Robin Hodess (ed.), *Global Corruption Report 2003*, Berlin: Transparency International, 2003, pp. 271–273.

techniques and developments, and are an important reference for regulatory frameworks set by the state.

The public sector and private companies have also established standards, often in the form of ethic codes. They build on prevention rather than on new rules and sanctions. Besides illustrating the will to address the problem of corruption, these additional commitments aim to provide positive advice based on values and risk assessments.

A more complex set of self-commitment mechanisms is involved in the concept of integrity pacts, which Transparency International promotes within the context of public procurement. Game theory shows public bidding tends to be rigged even when the majority of competitors would be better off if the bidding was clean. If there is reasonable doubt about the integrity of one competitor, all other bidders are forced to either abandon the competition because the chance of winning without a bribe is minimal, or offer a bribe themselves to stay in the game. This vicious cycle can only be broken if competitors can overcome mutual suspicion and distrust and persuade each other they will not use corrupt methods. Integrity pacts allow for a form of cooperation where competitive bidders are better off, because all bidders would be better off without the bribe tax. The practicality and efficiency of this concept, with all its critics and defenders, has yet to be tested.<sup>45</sup>

## Success and pitfalls of measuring corruption

Anticorruption efforts require solid testing by empirical research. Measurement of corruption and diagnosing institutions are two main fields where academic research has provided valuable input to fighting corruption. Measuring corruption is an exercise not limited to academic purposes; it plays a central role on the long path to defining public policies and reform agendas.

Today, anticorruption policies are closely linked to empirical evidence on and measurement of corruption. First, measuring corruption plays an important role in increasing public awareness of the problem. Data on the extent of corruption, the amount of

bribery, and economic costs are frequently used in public campaigns to build political will and back reformers. Second, measuring corruption is important to define reform priorities and identify good practices. Survey data exposes corruption-prone branches of government and instigates further research on causes of relative integrity in other areas. Thus, measurement is an important contribution to define reform priorities. Third, continuous measurement of corruption is an important tool to monitor and evaluate the success and failure of reform. The adjustment of reform strategies based on empirical evidence is part of the business in public policies.

## Rising awareness

Interestingly enough, the earliest empirical datasets on corruption go back to a demand from business. Traders and investors in emerging markets were the first to be interested in information about corruption, in countries where new business opportunities were bundled with risks stemming from economic and political instability. One of these factors that could inflict additional costs to investment was corruption, since the abuse of public office at large, specifically bribery, could undermine contracts and property rights, and inflict additional costs on all kinds of business with the government. As a result, in the early 1980s risk consultants started gathering information on bribery and corruption in countries within the southern hemisphere for their clients. Although not public at that moment, awareness of the corruption factor in the business community was growing.<sup>46</sup>

In the 1990s, civil society organizations started using empirical evidence on corruption to raise awareness. Surveys amongst citizen were used frequently to reflect public awareness about the problem of corruption and put pressure on public managers and politicians to take action. During the 1990s, organizations in a number of countries have engaged in efforts to trace corruption in public services such as police, customs, justice, education and healthcare. A number of

<sup>45</sup> Transparency International, *The Integrity Pact. The Concept, the Model and the Present Applications*. A Status Report as of December 31, 2002, Berlin 2002; For a critical view on this tool: Cláudio Weber Abramo, *What If? A Look at Integrity Pacts*, Washington: Washington University, 2003, Economics Working Paper Series, No. 310008.

<sup>46</sup> Business International (later integrated into the Economist Intelligence Unit) included questions concerning corruption into the country risk assessments as early as 1980, covering nearly 70 countries. Paulo Mauro built his pioneering study on the negative relation between corruption and macroeconomic indicators on these data. Paulo Mauro, "Corruption and Growth," *Quarterly Journal of Economics*, Vol. 110, Issue 3, 1995, pp. 681–712.

these surveys have been conducted following an approach of social monitoring, a blend of data gathering and social mobilization.<sup>47</sup>

Awareness raising and agenda setting went global when Transparency International launched its Corruption Perceptions Index (CPI) in 1995, based on data from the aforementioned business surveys. Reaction by the media was immediate. The CPI's design ranked countries on a scale similar to school grades (from 1 to 10). The comparative approach covered a large number of countries and the worldwide annual launch contributed to the success of the CPI as a means to raise corruption awareness (Appendix 2, p. 38).

As far as methods were concerned, most of these first-generation datasets were based on the perception of citizens or businesspeople. Possible distortions stemming from false perceptions did not hinder organizations from raising awareness to the costs and consequences of corruption. Despite criticism, data supported the purpose of campaigning against corruption. The CPI's impact on the media helped reformers get the ear of policymakers when advocating for reforms.<sup>48</sup>

## Building reform agendas

One of the critiques against these first-generation indicators was that little room was given to the question of where to start and what to do once corruption had been unveiled. There was a growing demand for more "operational indicators" on corruption.<sup>49</sup>

<sup>47</sup> Among the organizations first engaging in corruption measurement was CIET ([www.ciet.org](http://www.ciet.org), a group of epidemiologists and social scientists who developed a concept of 'social audits' on petty corruption, applied in several countries (Nicaragua and Uganda in 1995; Bolivia and Tanzania in 1996; South Africa since 1997; the Baltic States in 2002).

<sup>48</sup> For further information see Transparency International's website: [www.transparency.org/surveys/#cpi](http://www.transparency.org/surveys/#cpi), and on the Internet Center for Corruption Research of the University of Passau, Germany, [www.icgg.org](http://www.icgg.org). For a critical view Michael Johnston, *The New Corruption Rankings: Implications for Analysis and Reform*, Prepared for Research Committee 24, International Political Science Association, World Congress, Quebec City, Canada, August 2, 2000.

<sup>49</sup> Stephen Knack and Nick Manning, *Toward More Operationally Relevant Indicators of Governance*, Washington: World Bank, December 2000, PREMnote No. 49.

One of the first cases of building reform agendas based on systematic research was found in Australia's province of New South Wales, where an Independent Commission Against Corruption had been established as early as 1988. The ICAC systematically engaged in investigations into corruption cases. However, the aim was not to clarify the question of individual responsibility, but to help identify systemic risks and advise the government and parliament to take preventive action. From 1993 onwards, ICAC used comprehensive surveys to help identify causes of corruption and design preventive educational measures. The surveys revealed values and attitudes of citizen and public servants towards corruption, thus focusing on the question of motivation and self-commitment to honest behavior. The ICAC is arguably the institution with the most longstanding experience of using systematic empirical research for the sake of advice to reformers.<sup>50</sup>

The World Bank's decision in 1995 to tackle the corruption problem included offering support to those governments willing to fight corruption. Basic elements of the Bank's approach were institutional reforms, anti-corruption coalitions and comprehensive diagnostic surveys. None of these elements were genuinely new at that time, but the bundled concept rapidly developed into a trademark of the Bank in this area. The Bank's "Governance and Anticorruption Diagnostic Surveys" (GAC) were an important tool to assist countries willing to fight corruption define their priorities, build strategies for reform and monitor results. The diagnostic tools were based on surveys amongst the business community, public servants and citizen. Questions concerning virtually all aspects of government—from management to public contracting to campaign finance—allowed a holistic view of the state of corruption in different branches of government. Nevertheless, the surveys suffer from methodological shortcomings, since questions on attitudes, perceptions and experience are mixed and results offer a broad variety of possible interpretations.<sup>51</sup>

However, the purpose of diagnostic surveys goes far beyond measurement, including coalition building around an agenda of reforms. More than measurement tools, the diagnostic surveys are a highly sophisticated way of communicating the central issues of

<sup>50</sup> Fn. 35.

<sup>51</sup> The Banks Anti Corruption Diagnostic Surveys have been applied in about 20 countries. They are part of a larger anti corruption strategy, [www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html](http://www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html).



institutional support to stakeholders in government, business and society. Diagnosis leads to a reform agenda, defining areas of priority like customs, the justice system, service delivery or the health sector. Coalitions involving reformers in the public sector, business and in society, built around a set of policies and reforms, were meant to build political will to promote reform.

In the long run, few of these initiatives have proven to be sustainable. However, methodological shortcomings played a minor role. Changing political priorities were responsible for a number of these reform initiatives losing momentum and, ultimately, fading away.

## Monitoring results

Perception data may suffice when awareness raising or building of reform agendas is at stake. However, special situations demand more precise and fact-based data on corruption. Monitoring the results of anti-corruption policies requires precise measurement, including indicators of progress and impact on good governance and integrity. Since changes tend to be gradual, precision of indicators is a major issue. Another dimension where accuracy of indicators is called into question is the debate on conditionality of international aid. When governments are to be granted access to aid based on their performance and on the dimension of integrity and good governance, fact-based measurement is a precondition.

Official statistics on corruption offenses convey valuable insight, but they are not a valid indicator for corruption itself. Cases filed by police, indictments by attorneys or condemnations by the tribunals, by nature reveal only the tip of the iceberg, since they include only cases of corruption reported to oversight bodies. Thus, for more than a decade, criminology uses victimization surveys to complement and rectify official data. Survey methods are employed to collect fact-based information on criminal offenses committed in a population. The International Crime Victim Survey (ICVS) has been applied in European countries for more than a decade, allowing for a fact-based evaluation of criminal offenses, including the solicitation of bribes.<sup>52</sup>

<sup>52</sup> Data on crime victimization have been collected in a number of industrialized countries since 1989. For more detailed information on methodology, data and follow up surveys of the ICVS see [www.unicri.it/icvs](http://www.unicri.it/icvs).

Corruption fighters recently followed this trend of victimization surveys. Different national and international corruption surveys have built on this approach. They no longer focus on perceptions, but rather on citizens' and business people's own experiences with corruption, allowing for an estimate of corrupt offenses beyond official statistics. In Brazil, a number of surveys have been implemented to measure vote buying in popular elections. Bangladesh developed a method based on report cards to measure the extent of corruption in service delivery. The approach has been extended in a number of countries in the region.<sup>53</sup> Kenya implemented surveys measuring corruption experience in the urban areas, exploring information on corruption experiences in detail. Its Urban Bribery Index (UBI) allows for estimates of incidence of corruption, the size of bribes and the consequences of declining demands of bribes. Kenya's UBI has been edited in 2001, 2002, 2004 and 2005. One of its shortcomings is certainly the margin of error, due to limited sample size (Appendix 3, p. 46).<sup>54</sup>

Lastly, Mexico implemented two surveys on corruption based on the concept of measuring experience. The Mexican example was comprehensive since service delivery has been measured in detail. The questionnaire included questions on corruption experiences in 38 public services and was implemented in all 32 states, allowing for regional comparison. After a first panel in 2001, the survey was repeated two years later, thus allowing for detailed information on trends over time. The Mexican example shows how simple and standardized questions can map the intensity of corruption in different services and states. However, the size of the sample necessary to reach out to the state level makes this kind of experiment unaffordable for most organizations (Appendix 3, p. 46).<sup>55</sup>

## The tasks lying ahead and the support from aid

Measuring corruption by means of victimization surveys is not free from methodological shortcomings.

<sup>53</sup> Transparency International, *Corruption in South Asia. Insights & Benchmarks from Citizen Feedback Surveys in Five Countries*, December 2002.

<sup>54</sup> All Kenyan UBI surveys are available at [www.tikenya.org/publications.asp?DocumentTypeID=10](http://www.tikenya.org/publications.asp?DocumentTypeID=10).

<sup>55</sup> Survey results from Transparencia Mexicana are available at [www.transparenciamexicana.org.mx/ENCBG](http://www.transparenciamexicana.org.mx/ENCBG).

The proper concept of victimization only allows for a partial picture, since citizens are not always the victims of corruption. In addition, sample methods include margins of error and, therefore, are imprecise. In addition, the number of corrupt offenses or the amount of bribes might not always be an adequate means to measure the extent of corruption.

However, surveys based on corruption experiences are, by current standards, the most accurate measurement tools.<sup>56</sup> For countries where they are most needed, no data on corruption victimization has been available to date. This seems to reflect the transient interest of governments in the anticorruption issue. For the purpose of monitoring progress or setback of reforms, corruption measurement needs refinement, completion and, above all, standardization and continuity. International support for measurement is important in order to provide more reliable, fact based data on corruption in countries. Recently, the 2004 Global Corruption Barometer by Transparency International provided valuable data on corruption victimization rates for more than 60 countries (Appendix 2, p. 38).<sup>57</sup>

Availability seems to be the major reason why perception-based indicators are still broadly accepted to measure corruption. The World Bank Institute developed a set of indicators on governance, today used for decision making and resource allocation in international aid politics.<sup>58</sup> Although methodologically more sophisticated, the index suffers from the same shortcomings as the CPI: they are not based on hard data, but on the perceptions of businesspeople (Appendix 2, p. 38).

The use of current indicators on corruption for international resource allocation would ideally rely on higher quality data. A sustainable diagnosis requires considerable resources and needs constant development, free from current political convenience. A coordinated and sustained effort for diagnostic surveys, supported by international donors, would

prove to be a useful tool to monitor the success of anti-corruption policies. Fact-based data on victimization will have useful side effects on CSOs, government, oversight institutions and international donors. Providing resources and technical support for the standardized diagnosis of corruption is a valuable contribution for corruption control in countries where political will to fight corruption is still subject to major setbacks.

### **Diagnosing the integrity of institutions as a pathway for reform**

Measuring corruption does not answer the important questions of what reforms can alleviate corruption problems and how such reforms can be implemented. The demand for more policy-oriented advice beyond corruption diagnosis is increasing. An important tool responding to this demand is institutional analysis of oversight and control institutions. Institutional analysis focuses on the question of soundness of administrative rules and regulations and on the efficiency and integrity of institutions responsible for oversight and control. Where control institutions are inefficient or corrupt themselves, the probability of corruption in the areas they are supposed to oversee is even higher. Distinct from diagnostic surveys measuring the extent or severity of corruption, institutional analysis does address the risk of corruption.

An important insight institutional analysis must provide is to answer the question of whether the whole set organizations and processes provided to oversee efficiency and integrity of public administration is working together. Too often, institutions perform in an acceptable way if they are looked at as isolated institutions. However, their findings or decisions might be unaccepted, not taken into consideration or even known by other institutions in the political system. Comparable to the question of whether the system of checks and balances provides for a sound separation of power and power sharing, the analysis of institutional oversight and control has to provide insight as to what extent the interaction of control integrates into a system of oversight.

Jeremy Pope prepared and Transparency International promoted an integrated, systemic look at a set of institutions of resource management, oversight and control. The core contribution of this concept of "systems of integrity" is to provide a comprehensive vision of the entire system of institutions, resource

<sup>56</sup> Tina Søreide, *Estimating Corruption: Comments on Available Data*, Bergen, Norway: Chr. Michelsen Institute, December 2003.

<sup>57</sup> The *Global Corruption Barometer* is commissioned annually by Transparency International since 2003. Since the 2004 edition questions on corruption victimization are included [www.transparency.org/surveys/index.html#barometer](http://www.transparency.org/surveys/index.html#barometer).

<sup>58</sup> This refers to the use of this set of governance indicators (amongst others) to define the list of countries entitled to apply for funds from the Millennium Challenge Account of the US government, [www.mcc.gov](http://www.mcc.gov).

management and control. A society's risk of corruption is assessed by looking at the performance of a dozen of institutions and areas—the pillars of integrity. The whole system working together is the National Integrity System of a country, a sort of guideline of the most important areas inside and outside the state involved in preventive and control measures against corruption.<sup>59</sup>

Building on this concept—first presented in 1996 in the *Sourcebook on National Integrity Systems*—a number of initiatives have been undertaken. Analysts interested in identifying systemic failures and corruption risks have used the *Sourcebook* as a checklist for identification of loopholes and failures in the control system. In several countries, studies of National Integrity Systems have been undertaken, fostering the understanding of corruption risks, identifying the need to reform administrative practices, and focusing the attention on the question of integrity and efficiency of control institutions.

Comparative studies in this analysis of national integrity systems have collated a valuable compilation of different practices. Although these studies somewhat prematurely identified certain legal tools as “best practices,” they offer valuable insights on the menu of solutions accumulated in the field of corruption control. Comparative studies by Alan Doig has coordinated research for Transparency International on integrity systems, providing valuable information on corruption risks as a consequence from institutional weaknesses in 19 countries. In most cases, these studies helped develop a deeper understanding of institutional shortcomings in the national arena, and have fostered the anticorruption debate. On the level of international cooperation and aid, the integrity studies are a tool still to be discovered. Standardized information on the integrity and performance of oversight institutions offers hints on how to foster reform efforts that convey more integrity and a lessened risk of corruption in the long run (Appendix 3, p. 46).<sup>60</sup>

In a recent initiative, the Center for Public Integrity developed a project based on the concept of integrity

systems. The project pushed the idea of standardized information further and quantified the indicators on different areas of integrity. The study also includes more countries than previous approaches. The concept has the clear advantage of allowing for comparative ranking of institutions and countries.<sup>61</sup> However, methodological concerns about the soundness of these datasets remain (Appendix 3, p. 46).

Other initiatives do push for prescriptive conclusions, including recommendation of best practices or paradigms to follow. In many cases, these recommendations are based on common sense rather than on empirical research. Most of these approaches ignore the constraints set by historic traditions and the problems of the transfer of sets of norms and institutions into different contexts. A deeper understanding requires still more research in control institutions or, in the absence of time and resources, experimentation with stepwise reforms and improvements.

Despite an increasing demand for prescriptions and recipes for institutional reforms, the area of research on control institutions and systems of integrity is still in its infancy. One of the tasks lying ahead is to focus more clearly on the question of interaction of different institutions. The original promise of integrity studies that provide a picture of the interaction between different control institutions has not been fulfilled in most cases. Examples demonstrate that more control institutions do not necessarily solve the problem of corruption. Similarly, a number of countries with a rather incomplete “checklist” of possible control institutions do perform rather well in terms of corruption risk. This points to the more important question as to what extent institutions efficiently interact with each other when performing roles of oversight, investigation and sanction. There are a number of examples of cases in which overlapping competencies work in favor of corrupt offenders. In other cases, institutions do not accept each others' findings or decisions. This is the case when government audit institutions come up with important results, but the government ignores the findings and neither the legislative branch nor the public follows up.

Like diagnostic surveys to measure corruption, institutional analysis requires further development concerning methods and empirical evidence. Different

<sup>59</sup> This approach has first been presented as TI Source Book in 1996 (Jeremy Pope, *National Integrity Systems: The Transparency International Source Book*, Washington 1996). The volume was updated in 1998, 2000 and 2002 and is available under [www.transparency.org/sourcebook/index.html](http://www.transparency.org/sourcebook/index.html).

<sup>60</sup> As a result of this effort, national integrity systems studies are available for more than 60 countries worldwide. They are listed at [www.transparency.org/activities/nat\\_integ\\_systems/country\\_studies.html](http://www.transparency.org/activities/nat_integ_systems/country_studies.html).

<sup>61</sup> This project labeled Global Integrity extends to 25 countries worldwide, produced a Public Integrity Index and is available under [www.publicintegrity.org/ga/](http://www.publicintegrity.org/ga/).

from measurement tools, where standardized methods applied to a large number of countries yield return, assessing sets of institutions and their interaction requires profound country knowledge. For methodological and political reasons, prescriptive methods included in the concept of “best practices,” in most cases, are not recommendable. Elaborating analysis on the question of institutional design is a task deeply interwoven with historical roots and national identity. With the exception of situations of system breakdown when a new political system has to be built from scratch, the margins of institutional engineering in countries are narrow. Rather than radical transformation, reforms must be negotiated and adapted to local situations.

## Good Governance As a Condition for Aid?

Continued problems in poor countries after decades of aid cooperation have produced a periodic reevaluation of aid concepts, including a radical questioning of aid as an instrument of development itself. Aid is especially vulnerable to criticism when budget cuts affect social programs in donor countries. In light of media reports on third-world elites squandering public resources, there has been a growing concern in donor countries about the impact of bad governance on the legitimacy of aid policies themselves.

In addition, development funds reached their peak more than a decade ago and then slightly declined. With fewer resources available, the question of the effectiveness of resource allocation in aid becomes even more important. Some scholars even argue aid is intimately linked to the waste of domestic resources. Siphoning away of public resources in poor countries is compensated for by aid flows, thus diluting the social pressure for change and reform.

### Sanctioning greedy elites in recipient countries

In 2001, the Danish government announced the decision to stop its aid to Malawi, based on the argument that corruption and political intolerance did not allow efficient and clean cooperation. The relation of Malawi with Denmark went sour when in October 2001, Denmark ambassador Orla Bakdal had to leave Malawi after pointing out the misuse of Danish money by members of the political elite in Malawi.<sup>62</sup> The drastic step of the Danish was embedded in a context of general donors' discontent. The European Union decided to put their cooperation on hold due to an evaluation report revealing improper use of funds.

<sup>62</sup> Michael White, "Malawi's Limos Prompt Aid Corruption Clampdown," *The Guardian*, October 30, 2000; Raphael Tenthani, "Malawi Corruption Halts Danish Aid," *BBC News*, January 21, 2001; Raphael Tenthani: "Malawi Donors Suspend Aid," *BBC News*, November 19, 2001; IRIN News: MALAWI: "EU Demands Return of Aid Funds," August 1, 2002; IMF, *Malawi—The Food Crises, the Strategic Grain Reserve, and the IMF. A Factsheet*, July 2002; IRIN News: MALAWI: "Donors Wait for Results in Anti-corruption Drive," September 2, 2004.

The EU asked the government of Malawi to return \$8 Million as a condition for further aid. At the same time, the U.S. and British development agencies took similar steps. Britain's Ministry for Cooperation came under pressure after rumors that British money in Malawi had been used to purchase 37 Mercedes Benz limousines.

The case of Malawi illustrates how integrity as a criterion for aid allocation has led to temporary holds on aid or even the withdrawal of donors in a number of countries.<sup>63</sup> However, the case also illustrates how sensitive the issue of aid cuts is for both donor and recipient countries. Denmark's decision to pull out of the country was criticized by NGOs whose work largely depends on foreign aid flows. Cutting aid disbursements is the equivalent of throwing out the baby with the bathwater. Development cooperation, although formally anchored in government-to-government agreements, is not always supportive of those in power.

Another problem was that the donor community did not react consistently. While Denmark phased out its aid programs, Norway announced it was not concerned about the integrity of resource administration and even stepped up its aid. The Malawi government challenged the Danish, arguing other Africa countries with even higher levels of corruption continued to receive aid flows.

Then there is the argument of emergency situations requiring urgent relief, overruling any conditionality. During the starvation crisis in 2002, international donors were virtually forced to resume the aid flow, some going as far as to reduce Malawi's foreign debt. Notwithstanding, the issue of corrupt or inefficient resource administration reappeared during the crisis. One of the reasons for the food crisis was that Malawian government agency managing the strategic food reserve of Malawi's staple diet maize sold virtually all the stock by 2001, allegedly at below market prices, to politically well-connected members of the elite.

<sup>63</sup> Other examples of aid embargoes are Kenya, Angola, and Ivory Coast.

Aid embargoes are too blunt an instrument to bring change. They are not based on clear criteria of good governance, but rather on scandal-driven decisions. Additionally, they are based on the notion that aid indirectly supports the corrupt elite, but neglect the fact that poor people benefit directly from aid projects.

## Rewarding Good Governance

Another strategy for strengthening good governance that plays an important control in recent discussion about aid and corruption is offering positive incentives for good governance rather than sanctions for corrupt behavior. The Millennium Challenge Account, a new initiative by the Bush administration in the field of aid policies, follows this strategy. The program establishes clear criteria for countries to qualify for access to resources, and good governance indicators play a central role. The approach is based on quantitative datasets covering several dimensions of good governance and ranking each country on a scale. As a result, in the first year, 16 countries were eligible to submit proposals to the program.<sup>64</sup>

Since the program is still new, it may be premature to evaluate it in light of its achievements. However, a few conceptual shortcomings stand out. First, measurement of governance performance indicators is still elusive. The techniques and methodologies for measurement of corruption levels available today produce either a blurred overall picture of corruption or zoom in on a specific aspect of the phenomenon. Quantitative data are neither precise enough nor sufficiently reliable to use to decide the future of a developing nation. At best, governance indicators offer rough orientations. Since the Millennium Challenge Account allocates resources based on quantitative governance indicators, it is open to this type of criticism.

A second limitation of current governance indicators being used as criteria to pre-qualify for aid is the snapshot pictures they rely on. Measurement does not take into account the political will to change or opportunities for reform. Even if a precise picture of the status quo was available, an analysis of the actors in motion is necessary to identify efficient resource

allocation. Conditionality, when rigidly applied to poorly performing countries, could produce vicious circles of governments performing bad and worse. To improve governance indicators in poorly performing countries, aid must support the will to change in any sector of society and foster groups and institutions willing and able to implement reforms.

## Performance driven aid as a complement rather than an alternative

The connection between aid and integrity has been analyzed empirically in a number of studies. Alesina and Weder found that the integrity of recipient countries did not have a clear influence on the allocation of resources by the main national and international donor agencies.<sup>65</sup> Donors neither favor nor sanction corrupt countries. In fact, when breaking down the analysis to single donor countries, some interesting results show up. The U.S. gives more money to corrupt countries; Scandinavian donors favor clean countries. International agencies have a more balanced approach. But academic research on this topic is not unchallenged. Depending on the indicators of good governance or the scope of countries included, the results vary from a positive correlation between aid and development to the opposite.

In addition, aggregate data allow for a number of conclusions concerning the connection between aid and good governance. On one hand, aid in the past may not have been too concerned with good governance and may have even tacitly sanctioned corrupt leaders. On the other hand, all recent programs focusing on good governance, by nature, are deployed in countries suffering from corruption. In the aggregate analysis, resources following these contradictory motivations are accounted for as support to corrupt countries.

Rewarding good governance by means of access to more resources promises a better value-for-money ratio. But neither the sanctioning of violators of minimum standards on good governance nor rewarding positive examples are reasonable criteria for aid allocation. Even when corruption scandals in poor countries mobilize public opinion in the North,

<sup>64</sup> Armenia, Benin, Bolivia, Cape Verde, Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Nicaragua, Senegal, Sri Lanka, and Vanuatu.

<sup>65</sup> Alberto Alesina and Beatrice Weder, *Do Corrupt Governments Receive Less Foreign Aid?*, Cambridge, Mass.: National Bureau of Economic Research, 2000, NBER Working Paper No. 7108, revised.

making sanctions inevitable, the groups benefiting from aid projects may not have much influence on the behavior of an aid-recipient country's elite. This solution does not offer a prospect for deeply corrupted countries trying to find a way out from patterns of bad governance.

The philosophy of setting positive or negative incentives for countries depending on their performance on governance is based on a monolithic picture of the overall quality of governance in a given country. However, levels of integrity are not homogenous, and public sector performance and integrity vary from one agency to another. Consequently, possible partners and projects for cooperation exist even in countries with an overall bad performance.

The conclusion to be drawn from the discussion of the governance factor in aid is that countries with low-governance performance should be stimulated to solve their problems in this area. This can include supporting government as well as nongovernmental institutions. Aid can help to show that anticorruption efforts in these countries can count on support from the international community.

## Aid Itself Is Not beyond Suspicion

As in any other field of public policy, aid policies are confronted directly with attempts of bribery, embezzlement and fraud. Aside of being vulnerable to corruption attempts, aid may influence the environment in favor of or against corruption. Both of these possibilities are regularly lobbed at development cooperation, the latter being more popular and presented in a number of variations.

### Does aid promote corruption in recipient countries?

From the time the corruption issue was raised in the aid discussion, critics argued that bilateral as well as multilateral development agencies have been part of the problem long before anticorruption programs and other solutions for recipient countries began. The accusation ranges from donor agencies having neglected the corruption issue to aid policies having actively contributed to deepening corruption in recipient countries.

*Aid policies*, like structural adjustment programs and their derivatives (e.g., privatization programs or downsizing of the state sector), are subject to criticism from the perspective of possible contributions to corruption in recipient countries. Hanlon notes that downsizing the state apparatus and cutting down salaries of bureaucracy increased the risk of corruption in Mozambique.<sup>66</sup> As a result, the government lost its management capacity and ethical standards in public service have eroded. Privatization, another element of adjustment programs, includes voluminous public-private transactions that have created new opportunities to hurt the public interest. In the end, outsourcing public services increases the interface of business transactions between the state and private service providers, augmenting the risk of corrupt deals.

Another example of policy criticism is the lending policy to poor countries. Many critics argue that one of the main reasons for the vicious levels of indebtedness of many countries today can be found in

improper and ineffective use of these resources. International institutions—thus the argument—have a joint responsibility in the destination of these funds once placed in the hands of corrupt leaders. After chasing corrupt elites out of power, the burden of debts is left with the people. However, most of these accusations are rather speculative and not based on evidence.

A second more fundamental critique that follows the same thread focuses on the overall impact of aid on recipient countries. A number of pundits argue that aid fosters *rent-seeking behavior* in poor countries, thus strengthening local elites and promoting patterns of behavior that hinder development. The resource flow from international aid is available to government rather than to society and business, thus endorsing a state-centered pattern of development and neglecting stakeholders outside the state apparatus. As a consequence, aid can either be siphoned away by elites with access to these resources or used for patronage by allocating resources to local constituencies. Critics also argue that aid sets wrong incentives by setting up a local group of elite consultants with access to high salaries, while the routine tasks of administration are neglected.<sup>67</sup>

Donors are also identified as co-responsible for corruption at large in recipient countries, based on the argument of *fungibility of aid*. External resource flows—thus the argument—plug the holes caused by endogenous corruption and, therefore, protect corrupt elites from discovery. This last argument applies especially to loans and budget support rather than to grants involving technical cooperation. High-aid dependency of poor countries fosters corruption, wastage of resources and rent-seeking behavior, thus destroying the fundamentals of sound development.

The impact of specific aid policies or of aid itself on the corruption propensity of countries is open to debate. However, most scholars do not blame donors in the sense of imputing a deliberate strategy of supporting corruption. Aid dependency and its disruptive effects on countries is rather the result of a chain of

<sup>66</sup> Joseph Hanlon, *Are Donors to Mozambique Promoting Corruption?*, Open University, August 2002, Working Paper No.15.

<sup>67</sup> Jakob Svensson, "Foreign Aid and Rent-seeking," *Journal of International Economics*, Vol. 51, 2000, pp. 437–461.



consequences, which are later supported by strong vested interests among donors and recipients.<sup>68</sup>

Finally, there are concerns about integrity being explicitly overruled by other criteria for aid allocation. This includes national commercial interests and foreign policies, and applies mostly to bilateral aid. History tells the story about the consequences for efficiency of aid projects when aid is a subsidiary of foreign policy. During the Cold War, aid allocation was often subordinated to geo-strategic alliances, allowing governments to receive funds from donors regardless of their record of systematic abuse of public resources for personal enrichment. The end of the bipolar world opened a window of opportunity for revisiting criteria for aid allocation, including the governance issue. But since September 11, 2001, the global war on terror reintroduced a new political imperative for international cooperation. The peril that aid allocation will be streamlined to fit these policies is all too evident today.

Another field of conflicting interests includes foreign commerce and international aid. Bilateral organizations are often tempted to mix up aid with the promotion of national commercial interests or with specific companies.<sup>69</sup> Some donors still earmark funds and limit provision of aid-related supplies or services to national contractors. This clearly violates the principle of government procurement free from political influences. While preaching the principles of integrity in their programs, those donors give a bad example in practice. In the end, this mix of donor commercial interests and international aid raises doubts about the driving force behind development projects themselves.<sup>70</sup>

## Vulnerability of aid administration itself to corruption

Aid itself as a branch of public administration is subject to corruption risks. There are problems common to any administration. Harald Mathisen

<sup>68</sup> Brian Cooksey, "Can Aid Agencies Really Help Combat Corruption?," *Forum on Crime and Society*, Vol. 2, No. 1, December 2002; idem, *Aid and Corruption: A Worm's-Eye View of Donor Policies and Practices*, Paper for the 11th International Anti-Corruption Conference, Seoul, South Korea, May 26–29, 2003.

<sup>69</sup> Kunda Dixit, "Kleptocrats and Development Aid," *Oxfam Horizons*, April 1995.

<sup>70</sup> Roberto Provera, *Fighting Corruption in Development Aid. Supply tenders*, London 1998.

concludes in a risk assessment of corruption in bilateral donor agencies that these were less subject to corruption attempts due to a consolidated bureaucracy, including sound rules, committed human resources and active oversight.<sup>71</sup> In fact, few cases of corruption involving donor agencies have been reported. This is not the case in international organizations, where corruption scandals are more frequent.

However, specific perils for the integrity of aid projects allow for misapplication or the diversion of projects for private interests. This includes kidnapping of projects for patronage, cronyism and client networks on the donor side. The natural interests of contractors and suppliers of aid projects, from North or South, must be kept in mind critically.

One specific problem in aid projects is *asymmetric information* between donors and recipients. Careful planning and preparation of aid projects can partly diminish this gap, but the hidden interests of actors and groups involved with the projects are a constant threat capable of taking control of whole projects. Reports about project allocation following the logic of political patronage in donor countries are frequent. Recipients, consultants and even donors can have a hidden agenda. Most of these problems with a skewed project design or loose implementation can be limited by improving information flow, starting with careful project design and due diligence on project implementation.

Bilateral aid projects, with ownership shared between donors and recipients, normally involve careful preparation and evaluation of progress and results. Aid is probably one of the most evaluated sectors of public policy. But these checks and balances, mostly in the form of internal audits on performance and impact, cannot substitute for *oversight in recipient countries*. Even carefully managed projects are subject to abuse when project implementation occurs in distant regions, where donors have no permanent representation in the country and end users are separated from project management by barriers of language and status. Since many aid projects face an especially long chain from management to end users, they are especially vulnerable to misuse.

Concerning budget support or loans, critics argue that oversight mechanisms in recipient countries are normally weaker than government audits on ordinary

<sup>71</sup> Harald W. Mathisen, *Fighting the Bug within—Anti-corruption Measures of the Utstein Development Agencies*, Bergen, Norway: Chr. Michelsen Institute, September 2003.

budget resources. Aid projects are generally not subject to parliamentary oversight and government audit in donor countries. If loans and budget grants are not subject to public oversight in recipient countries, the responsibilities of donors increase. This is especially the case because loans have to be repaid by the people, not the decision makers in charge when debts were contracted.

Insiders argue that certain traits of the *culture of aid allocation* by donors tend to foster abuse of aid funds. Over-funding of projects and subsequent pressures for disbursement are cited as common problems. Similarly, the focus on large-scale infrastructure projects offers opportunities for corruption.

Finally, aid delivered in *emergency situations* suffers a serious threat of being misused or frittered away. More than any cultural or moral rationale, the lack of time to build up reliable institutions to govern and oversee emergency relief is responsible for the existence of multiple opportunities to siphon away a portion of aid flows for private gain. The damage from media reports on misused resources or bribes to customs officers grows exponentially, and is particularly damaging when emergency support relies on spontaneous private donations, which are often rapidly withdrawn when scandals appear.

## Necessity of a Coordinated Effort of Aid Agencies to Foster Corruption Control

The abuse of public office for private gain is responsible for the loss of valuable resources, weak institutions and poor development. One important result from recent discussions on governance issues is that fraud, embezzlement, bribes or other manifestations of the abuse of public resources for private gain are no longer accepted as fate or as the result of an undeniable heritage. Corruption can be controlled, through empirical diagnosis of the extent of the problem and the elaboration of a strategy for reform. Anticorruption has evolved from a moral appealing concept to a debate about public policies and institutional reform.

Corruption control and good governance have become the new topics of aid projects as a consequence of a growing body of empirical evidence on the close relationship between good governance and development. In order to help countries willing to control or contain corruption, concepts for diagnosis and reform strategies must be developed and tested in practice. The tools presented here—diagnosis based on surveys and reforms drawing from institutional analysis—are important steps forward to an evidence-based approach of corruption control. Based on these tools, reformers in a number of countries have collected important data on the extent of corruption in different sectors and pinpointed the need for institutional reforms.

Both approaches have been developed separately. Their role as complementary tools for analysis and reform are still unexplored. Different governance indicators have begun to play an important role as instruments of political pressure that buttress demands for reform. However, diagnostic instruments need upgrading from awareness-raising tools to instruments that permit more objective measurement of the incidence of corruption. This would allow the use of measurement tools for the necessary task of evaluating the effectiveness of current anticorruption strategies and reforms.

Analysis of integrity systems, based on the concept of institutions shaping social behavior, offers valuable information on missing or flawed oversight mechanisms, loopholes in control, or institutions with overlapping jurisdictions canceling each other out. Unlike standardized quantitative measurement tools, analysis

on integrity systems is based on the knowledge of local traditions and sector expertise. Many control institutions are still poorly understood in contemporary research, including auditing, internal control mechanisms, parliamentary oversight or procurement. New comparative sector knowledge has to be built. Knowledge of traditions and historical constraints is important, because institutional reforms cannot be planned from scratch.

Integrating diagnosis and reform requires academic support and coordination. Common benchmarking by empirical corruption measurement tools and institutional reform could give fresh impetus to a coordinated initiative of European development agencies that will lead them to stronger coordinated efforts in this field. Sector-specific and country-specific diagnosis and analysis is an input necessary for any systematic effort to foster corruption control by aid. It is necessary groundwork for different concepts of aid to be built on. Burden sharing in this area would be an interesting concept for European donors to coordinate their efforts in this field, without giving up the national autonomy of allocating funds and projects to projects following their own approach.

Aside from the new programmatic focus on aid, good governance also plays a growing role as a condition for aid allocation. From casual blacklisting of countries by one or several donors to systematic resource allocation following governance indicators, governance criteria have gained momentum and importance. Imprecision of measurement tools and the need for a differentiated view of corrupt countries suggest that these concepts should be handled very carefully. Binding aid to governance indicators is not solely based on an obsolete concept of aid fostering good governance. In addition, the concept does not offer any prospects for corruption fighters in badly governed countries.

Aid itself is subject to specific threats of corruption and mismanagement. Development agencies ought to build up specific answers, preparing project teams for this specific risk, allowing for local oversight, and improving communication channels from end users to management. Practices of earmarked supplies ought to be abandoned, thus protecting aid from the

criticism of double standards. Although stealing of public resources by elites in poor countries might cause an outrage among the constituencies in donor countries, this unethical behavior is rarely connected to aid immediately. However, where aid projects or foreign resources themselves are the object of corruption attempts, funding cuts are a valid solution.

# Appendix

## Appendix 1

**Table 1**

**Anticorruption on citizens' agenda**

**Transparency International: Global Corruption Barometer 2004**  
**Survey conducted in 64 countries with more than 50.000 citizens**

	<i>% of citizens responding petty/ administrative corruption is...</i>	<i>% of citizens responding grand/political corruption is...</i>
...not a problem at all	3	2
...not a particularly big problem	16	10
...a fairly big problem	32	28
...a very big problem	45	57
Don't know/no answer	3	3

Source: Robin Hodess and Marie Wolkers, *Global Corruption Barometer 2004*, press release, Berlin: Transparency International, December 9, 2004.

## Appendix 2

### International surveys measuring corruption

Measuring corruption is an important tool to raise public awareness, define reform priorities and monitor results of anticorruption efforts. Several institutions have compared the performance of countries on governance and anticorruption issues. These global comparisons differ widely in coverage, focus and methodology.

#### **Corruption Perceptions Index (CPI), Transparency International**

The CPI is an index of indexes, developed by Johann Graf Lambsdorff for Transparency International. The index draws on several sources, mostly from country risk evaluation for investors and economic reports on competitiveness. Data are based on polls amongst investors, managers and consultants in the international business community. They consist mostly of perceptions of corruption. Although subjective, these perceptions are responsible for important economic decisions. Transparency International has published the index annually since 1995. More than 18 different polls are integrated into a single scale, ranging from 0 to 10, with higher scores standing for more integrity. In order to counter-balance the volatility of perceptions the CPI is based on polls from the three previous years and includes a minimum of three sources. Starting in 1995 with 41 countries, the 2004 edition of the CPI covered 145 countries.

Data available at [www.transparency.org/surveys/index.html#cpi](http://www.transparency.org/surveys/index.html#cpi).

#### **Governance Indicators (GI), World Bank Institute**

Drawing on 37 opinion polls of businesspeople, much as the CPI does, this set of indicators has been developed by Daniel Kaufmann et al. from the World Bank Institute. Based on a broader set of sources and a different methodological approach, Kaufmann unbundled the concept of governance into six separate indicators (voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law, and control of corruption). The GI index ranges from -2,5 to +2,5, with positive results standing for cleaner governance and 0 as the average. Biannual Governance Indicators have been available since 1996. More aggressive in covering

countries with few sources are available, the 2004 GI covers 204 countries. Governance Indicators are used as a source for the Millennium Challenge Account of the US Government.

Data available at [www.worldbank.org/wbi/governance/govdata/](http://www.worldbank.org/wbi/governance/govdata/).

#### **Global Corruption Barometer (GCB), Transparency International**

The GCB is an annual survey of corruption issues, conducted by Gallup on behalf of Transparency International. It combines several approaches, ranking of corruption on the political agenda of countries, perception of corruption and corruption experiences. It compares citizens' view of corruption in the context of national problems, their perception of corruption in different branches of government, and their experience with public servants who solicited or accepted bribes. The GCB, launched in 2003, included data from 64 countries in its 2004 edition.

Data available at [www.transparency.org/surveys/index.html#gcb](http://www.transparency.org/surveys/index.html#gcb).

#### **International Crime Victim Survey (ICVS), UNICRI**

This initiative goes back to the 1980s when criminologists started using surveys to gather crime statistics, since official records tend to underreport the incidence of crime. The concept surveying citizens about their experience with criminal offences, including corruption, has been labeled as 'victimization' survey. Data are available for 1989, 1992, 1996 and 2000, but coverage is limited to only 35 industrialized countries. The use of victimization rather than polls measuring perceptions or attitudes towards corruption has been followed by national polls on corruption.

Data available at [www.unicri.it/icvs/](http://www.unicri.it/icvs/).

#### **Bribe Payers Index (BPI), Transparency International**

This initiative was launched by Transparency International and focuses on the supply side of corruption in international business transactions. Ranking refers to industrialized countries and multinational companies. Following the approach of the CPI, the BPI uses perception data from the business community to

assess the propensity of multinational firms to use bribes to conduct business abroad. The survey, conducted in 15 emerging markets assesses, the propensity of companies from 21 leading exporting nations to engage in corrupt practices. The nations are ranked from 0 to 10, with higher scores representing a greater propensity of companies from these countries to pay bribes. So far the survey has been conducted in 1999 and 2000. Meant to counterbalance the CPIs focus on poor countries, it has not had as much impact. Data available at [www.transparency.org/surveys/index.html#bpi](http://www.transparency.org/surveys/index.html#bpi).

**Table 2**  
**Comparing international surveys measuring corruption**

<b>Europe</b>		<b>CPI 2004</b>	<b>BPI 2002</b>	<b>GI 2004</b>	<b>ICVS 2000</b>	<b>GCB 2004</b>
		<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Experience with bribes</i>	<i>Experience with bribes</i>
		<i>Range: 0–10</i>	<i>Range: 0–10</i>	<i>Range: –2,5–2,5</i>	<i>Range: 0–100%</i>	<i>Range: 0–100%</i>
		<i>High integrity: 10</i>	<i>High integrity: 10</i>	<i>High integrity: 2,5</i>	<i>High integrity: 0</i>	<i>High integrity: 0</i>
Northern	Denmark	9.5		2.38	0.3%	2%
	Finland	9.7		2.53	0.2%	3%
	Ireland	7.5		1.61		1%
	Norway	8.9		2.11		3%
	Sweden	9.2	8.4	2.20		
	United Kingdom	8.6	6.9	2.06	0.1%	1%
Western	Austria		8.2	2.10		
	Belgium	7.5	7.8	1.53	0.3%	
	France	7.1	5.5	1.44	1.3%	2%
	Germany	8.2	6.3	1.90		1%
	Netherlands	8.7	7.8	2.08	0.4%	2%
	Switzerland	9.1	8.4	2.17		2%
Southern	Italy	4.8	4.1	0.66		2%
	Portugal	6.3		1.23	1.4%	2%
	Spain	7.1	5.8	1.45	0.2%	2%
	Greece	4.3		0.56		11%
Southeastern	Albania	2.5		–0.72		31%
	Bosnia & Herzegovina	3.1		–0.54		13%
	Croatia	3.5		0.08		9%
	Macedonia	2.7		–0.52		9%
	Serbia & Montenegro	2.7		–0.48		
	Slovenia	6.0		0.97		
Eastern	Estonia	6.0		0.82		6%
	Latvia	4.0		0.23		18%
	Lithuania	4.6		0.36		33%
	Belarus	3.3		–0.91		
	Bulgaria	4.1		–0.04		6%
	Czech Republic	4.2		0.30		23%
	Hungary	4.8		0.65		
	Moldova	2.3		–0.86		34%
	Poland	3.5		0.16	5.1%	6%
	Romania	2.9		–0.25		29%
	Russian Federation	2.8	3.2	–0.72		22%
	Slovakia	4.0		0.39		
	Ukraine	2.2		–0.89		28%



<b>America</b>		<b>CPI 2004</b>	<b>BPI 2002</b>	<b>GI 2004</b>	<b>ICVS 2000</b>	<b>GCB 2004</b>
		<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Experience with bribes</i>	<i>Experience with bribes</i>
		<i>Range: 0–10</i>	<i>Range: 0–10</i>	<i>Range: –2.5–2.5</i>	<i>Range: 0–100%</i>	<i>Range: 0–100%</i>
		<i>High integrity: 10</i>	<i>High integrity: 10</i>	<i>High integrity: 2.5</i>	<i>High integrity: 0</i>	<i>High integrity: 0</i>
North	Canada	8.5	8.1	1.99	0.4%	1%
	United States	7.5	5.3	1.83	0%	
	Mexico	3.6		–0.27		20%
Central America and Caribbean	Costa Rica	4.9		0.78		14%
	Cuba	3.7		–0.62		
	Dominican Republic	2.9		–0.50		
	El Salvador	4.2		–0.39		
	Guatemala	2.2		–0.74		18%
	Haiti	1.5		–1.49		
	Honduras	2.3		–0.71		
	Jamaica	3.3		–0.52		
	Nicaragua	2.7		–0.34		
	Panama	3.7		–0.06		
	Puerto Rico			–0.88		
Trinidad & Tobago	4.2		0.02			
South America	Argentina			–0.44		6%
	Bolivia	2.2		–0.78		30%
	Brazil	3.9		–0.15		11%
	Chile	7.4		1.44		
	Colombia	3.8		–0.16		
	Ecuador	2.4		–0.75		28%
	Paraguay	1.9		–0.99		
	Peru	3.5		–0.35		15%
	Uruguay	6.2		0.50		10%
	Venezuela	2.3		–0.94		9%

<b>Africa I</b>		<b>CPI 2004</b>	<b>BPI 2002</b>	<b>GI 2004</b>	<b>ICVS 2000</b>	<b>GCB 2004</b>
		<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Experience with bribes</i>	<i>Experience with bribes</i>
		<i>Range: 0–10</i>	<i>Range: 0–10</i>	<i>Range: –2.5–2.5</i>	<i>Range: 0–100%</i>	<i>Range: 0–100%</i>
		<i>High integrity: 10</i>	<i>High integrity: 10</i>	<i>High integrity: 2.5</i>	<i>High integrity: 0</i>	<i>High integrity: 0</i>
North Africa	Algeria	2.7		–0.49		
	Egypt	3.2		–0.21		18%
	Libya	2.5		–0.91		
	Mauritania			0.02		
	Morocco	3.2		–0.02		
	Sudan	2.2		–1.30		
	Tunisia	5.0		0.29		
West Africa	Benin	3.2		–0.34		
	Burkina Faso			–0.35		
	Cameroon	2.1		–0.78		60%
	Chad	1.7		–1.14		
	Gabon	3.3		–0.58		
	Gambia	2.8		–0.61		
	Ghana	3.6		–0.17		29%
	Guinea			–0.81		
	Guinea Bissau			–0.71		
	Ivory Coast	2.0		–1.01		
	Liberia			–0.86		
	Mali	3.2		0.52		
	Niger	2.2		–0.87		
	Nigeria	1.6		–1.11		35%
	Senegal	3.0		–0.40		
Sierra Leone	2.3		–0.88			
Togo			–0.92			
Central and East Africa	Central African Rep.			–1.36		
	Congo	2.3		–1.02		
	Congo, Democr. Rep.	2.0		–1.31		
	Burundi			–1.16		
	Eritrea	2.6		–0.64		
	Ethiopia	2.3		–0.85		
	Kenya	2.1		–0.89		38%
	Rwanda			–0.36		
	Somalia			–1.58		
	Tanzania	2.8		–0.57		
	Uganda	2.6		–0.71		

<b>Africa II</b>		<b>CPI 2004</b>	<b>BPI 2002</b>	<b>GI 2004</b>	<b>ICVS 2000</b>	<b>GCB 2004</b>
		<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Experience with bribes</i>	<i>Experience with bribes</i>
		<i>Range: 0–10</i>	<i>Range: 0–10</i>	<i>Range: –2.5–2.5</i>	<i>Range: 0–100%</i>	<i>Range: 0–100%</i>
		<i>High integrity: 10</i>	<i>High integrity: 10</i>	<i>High integrity: 2.5</i>	<i>High integrity: 0</i>	<i>High integrity: 0</i>
Southern Africa	Angola	2.0		–1.12		
	Botswana	6.0		0.86		
	Lesotho			–0.05		
	Madagascar	3.1		–0.15		
	Malawi	2.8		–0.83		
	Mauritius	4.1		0.33		
	Mozambique	2.8		–0.79		
	Namibia	4.1		0.18		
	South Africa	4.6		0.48		3%
	Swaziland			–0.95		
	Zambia	2.6		–0.74		
Zimbabwe	2.3		–1.01			

<b>Asia</b>		<b>CPI 2004</b>	<b>BPI 2002</b>	<b>GI 2004</b>	<b>ICVS 2000</b>	<b>GCB 2004</b>
		<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Experience with bribes</i>	<i>Experience with bribes</i>
		<i>Range: 0–10</i>	<i>Range: 0–10</i>	<i>Range: –2.5–2.5</i>	<i>Range: 0–100%</i>	<i>Range: 0–100%</i>
		<i>High integrity: 10</i>	<i>High integrity: 10</i>	<i>High integrity: 2.5</i>	<i>High integrity: 0</i>	<i>High integrity: 0</i>
Middle East	Armenia	3.1		–0.53		
	Azerbaijan	1.9		–1.04		
	Georgia	2.0		–0.91		6%
	Iran	2.9		–0.59		
	Iraq	2.1		–1.45		
	Israel	6.4		0.79		2%
	Jordan	5.3		0.35		
	Kuwait	4.6		–0.71		
	Lebanon	2.7		–0.51		
	Oman	6.1		–0.78		
	Saudi Arabia	3.4		0.15		
	Syria	3.4		–0.74		
	Turkey	3.2		–0.23		6%
	United Arab Emirates	6.1		1.23		
West Bank			–0.60			
Yemen	2.4		–0.84			
Central Asia	Afghanistan			–1.33		
	Kazakhstan	2.2		–1.10		
	Kyrgyzstan	2.2		–0.92		
	Tajikistan	2.0		–1.11		
	Turkmenistan	2.0		–1.34		
	Uzbekistan	2.3		–1.21		
South Asia	Bangladesh	1.5		–1.09		
	Bhutan			0.69		
	India	2.8		–0.31		16%
	Nepal	2.8		–0.61		
	Pakistan	2.1		–0.87		25%
	Sri Lanka	3.5		–0.16		
Southeast Asia	Cambodia			–0.97		
	Indonesia	2.0		–0.90		13%
	Laos			–1.15		
	Malaysia	5.0	4.3	0.29		3%
	Myanmar	1.7		–1.49		
	Philippines	2.6		–0.55		21%
	Singapore	9.3		2.44		1%
	Thailand	3.6		–0.25		
	Timor			–0.29		
	Vietnam	2.6		–0.74		

<b>Asia II</b>		<b>CPI 2004</b>	<b>BPI 2002</b>	<b>GI 2004</b>	<b>ICVS 2000</b>	<b>GCB 2004</b>
		<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Perception of corruption</i>	<i>Experience with bribes</i>	<i>Experience with bribes</i>
		<i>Range: 0-10</i>	<i>Range: 0-10</i>	<i>Range: -2.5-2.5</i>	<i>Range: 0-100%</i>	<i>Range: 0-100%</i>
		<i>High integrity: 10</i>	<i>High integrity: 10</i>	<i>High integrity: 2.5</i>	<i>High integrity: 0</i>	<i>High integrity: 0</i>
East Asia	China	3.4	3.5	-0.51		
	Hong Kong	8.0	4.3	1.57		1%
	Japan	6.9	5.3	1.19	0.0%	1%
	Korea, North			-1.46		
	Korea, South	4.5	3.9	0.17		6%
	Mongolia	3.0		-0.51		
	Taiwan		3.8	0.64		1%
Oceania	Australia		8.5	2.02	0.3%	1%
	New Zealand	9.6		2.38		
	Papua New Guinea	2.6		-0.90		

### Appendix 3 National surveys and regional comparison

In addition to these standardized corruption surveys, several countries have conducted corruption surveys, each of them with its own profile. Most of them focus on specific areas of public administration or service delivery.

Polls have proven powerful tools in complementing data from official statistics, media reports or case studies. However, careful interpretation is necessary, depending on the focus of surveys on perception,

experience of, or attitudes towards corruption.

The anticorruption agency ICAC of New South Wales, **Australia**, measured the values and attitudes of public servants regarding corruption. The 1993 study was repeated in 1999, showing an increased awareness of situations involving abuse of public office for private gain.

Data available at [www.icac.nsw.gov.au](http://www.icac.nsw.gov.au)

**Table 3**

**Attitudes towards corruption in Australia**  
**Independent Commission Against Corruption, New South Wales, Australia**  
**Survey on attitudes towards corruption, conducted with public servants**

	<i>% of respondents considering behavior as corrupt</i>	
	1993	1999
A government employee is offered \$300 from a company to accept a tender which is before him. He takes the money to put towards a new stereo system.	96.4	98.5
A government employee occasionally takes a box of note pads and pens from the office stores cupboard to donate to the local community centre.	62.5	68.1
To avoid the hassle of advertising, a government employee appoints a colleague to a vacant position. She has the reputation of being the best person for the job.	60.8	65.6
Each year, a government employee accepts a leather bound executive diary from a firm of consultants whom she occasionally engages for use by her section.	20.4	24.2
A government employee, responsible for buying office equipment, takes a second job selling stationery to his own department.	73.7	80.3
To hasten the process, a government employee bypasses tendering procedures and selects a company known for its excellence, to provide a \$100,000 computer training package.	56.2	63.2
A government employee uses her position to get a friend a public sector job.	64.4	68.1
A government employee threatens to dismiss another staff member, if he 'blows the whistle' on fraud within their section.	94.8	97.1
A government employee often gives confidential information about department clients to a friend who works in a private insurance company.	92.9	93.4
A government employee is offered \$300 from a company to accept a tender which is before him. He only takes the money to cover his child's hospital bills.	93.6	96.9
A government employee regularly spends part of the day using office facilities, to organize his private catering business.	76.7	79.3
A government employee regularly adds extra days onto her business trips to visit friends. She claims the extra days as part of her travel expenses.	92.2	95.3

Amongst the studies that have adopted following the victimization approach is the Urban Bribery Index (UBI) Kenya, published annually since 2001. The UBI focuses the frequency of corruption experiences, the

pressure to engage in corruption and the amount of bribes paid in different branches of public administration.

Data available at [www.tikenya.org](http://www.tikenya.org)

**Table 4**

**Corruption pressure in Kenya**

**TI Kenya: Kenya Urban Bribery Index (UBI) 2005**

	<i>Frequency (% interaction including solicitation of bribes)</i>	<i>Severity (% refusal to bribe resulting in denial of service)</i>
Kenya Police	81.6%	44.9%
Nairobi City Council	79.2%	20.8%
Judiciary	69.6%	26.1%
Ministry of Lands	65.7%	36.3%
Registrar of Persons	62.2%	13.3%
Immigration Department	61.5%	23.1%
Local Authorities	58.9%	23.4%
Kenya Revenue Authority	57.6%	15.2%
Teachers Service Commission	57.6%	21.2%
Provincial Administration	54.7%	23.1%
Central Government	48.1%	25.5%
Ministry of Culture, Gender and Sports	48.0%	16.0%
Ministry of Health	45.7%	8.6%
National Social Security Fund	44.4%	4.4%
Kenya Power and Light Company	44.0%	10.4%
Ministry of Water Development	40.7%	9.3%
Ministry of Agriculture/Livestock	40.7%	11.6%
State Corporations	38.5%	14.7%
Public Hospitals	38.2%	9.8%
Ministry of Education	37.5%	14.1%
Cooperatives	37.4%	12.9%
Public Universities	32.7%	7.3%
Private Sector	31.5%	10.1%
Public Colleges	24.2%	7.8%
NGOs/CSOs	22.7%	7.1%
International Org./Dip. Missions	20.5%	6.8%
National Health Insurance Fund	20.0%	0.0%
Kenya Tea Development Fund	17.4%	6.5%
Public Schools	16.2%	6.6%
Coffee Board of Kenya	13.0%	5.6%
Financial Institutions	11.9%	2.2%
Postal Corporation	11.1%	2.8%
Kenya Commercial Bank	6.4%	0.0%
Religious Organizations	5.0%	1.6%

Another noteworthy example based on the same approach of victimization surveys is the **Mexican** 'Índice de Corrupción y Buen Gobierno' (ICBG). The example is outstanding for covering 32 states and

38 public services. Two subsequent panels in 2001 and 2003 allow for analysis of trends. Data available at [www.transparenciamexicana.org.mx](http://www.transparenciamexicana.org.mx)

**Table 5**  
**Service delivery and corruption in Mexico**  
**Transparencia Mexicana: Índice de Corrupción y Buen Gobierno (ICBG)**

Province	% interaction including bribes on total interaction with public services		Province	% interaction including bribes on total interaction with public services	
	2001	2003		2001	2003
Baja California Sur	3.9	2.3	Baja California	5.7	6.0
Quintana Roo	6.1	3.7	Querétaro	8.1	6.3
Colima	3.0	3.8	Veracruz	7.9	6.4
Hidalgo	6.7	3.9	Jalisco	11.6	6.5
Aguascalientes	4.5	3.9	Oaxaca	7.4	6.8
Chiapas	6.8	4.0	Tabasco	8.5	6.9
Coahuila	5.0	4.4	Tlaxcala	6.6	7.8
Sonora	5.5	4.5	Morelos	7.7	8.3
Michoacán	10.3	4.8	Guanajuato	6.0	8.9
Yucatán	6.8	4.8	Nuevo León	7.1	9.9
Tamaulipas	6.3	5.1	San Luis Potosí	5.7	10.2
Sinaloa	7.8	5.5	Guerrero	13.4	12.0
Zacatecas	6.2	5.6	Durango	8.9	12.6
Campeche	7.3	5.7	México	17.0	12.7
Chihuahua	5.5	5.7	Distrito Federal	22.6	13.2
Nayarit	6.4	5.8	Puebla	12.1	18.0
			National mean	10.51	8.54

Several of these initiatives have regional outreach. A report card methodology, following an initiative developed originally in Bangladesh, has been applied to a regional survey of corruption in five countries of

**South Asia.** The survey measures corruption pressure and main manifestations in seven branches of the public service.

**Table 6**  
**Corruption in branches of public administration in South Asia**  
**Transparency International: Corruption Experience in Service Delivery**  
**Percentage of respondents reporting corruption when interacting with branches of public administration**

	Education	Health	Power Sector	Land Administration	Tax Administration	Police Service	Justice
Bangladesh	40	58	32	73	19	84	75
India	34	15	30	47	15	100	100
Nepal	25	18	12	17	25	48	42
Pakistan	92	96	96	100	99	100	96
Sri Lanka	61	92	-	98	-	100	100

Source: Corruption in South Asia. Insights & Benchmarks from Citizen Feedback Surveys in Five Countries, Berlin: Transparency International, December 2002.



Another regional initiative covers the **Balkans**. This initiative has developed a set of indicators, the Corruption Monitoring System (CMS), covering citizens' attitudes towards, their involvement in, the spread of corruption, and expectations concerning future trends of corruption in the region. The

initiative examines each branch of the public administration, allowing for detailed comparison of institutions. Values range from 0 to 10, in ascending order of integrity.

Data available at [www.seldi.net](http://www.seldi.net)

**Table 7**  
**Different aspects of corruption in the Balkans**  
**Coalition 2000, Bulgaria, Corruption Monitoring System**

	<i>Albania</i>	<i>Bosnia &amp; Herz.</i>	<i>Bulgaria</i>	<i>Macedonia</i>	<i>Romania</i>	<i>Croatia</i>	<i>Serbia</i>	<i>Montenegro</i>
<b>Acceptability</b> (level of social acceptability of different corruption practices)	2.4	2	1.4	2.4	1.9	2.2	2	1.5
<b>Susceptibility</b> (tendency of citizens to make compromises with their values under pressure of circumstances)	4.5	2.9	2.5	3.0	3.7	2.6	2.7	2.6
<b>Corruption Pressure</b> (frequency of the attempts of public sector employees to directly or indirectly to receive money, gifts or services)	3.4	2.5	1.4	2.3	1.9	1.4	2.2	1.8
<b>Personal involvement</b> (level of participation of respondents in different forms of corrupt behavior)	2.0	1.5	0.7	1.6	1.1	0.6	1.4	1.0

Since the **World Bank's** decision in the mid 1990s to incorporate anticorruption strategies into its assistance packages, it has developed 'Anti-corruption Diagnostic Surveys.' These surveys are a first step for countries to engage in anticorruption programs with the Bank's support. These standardized surveys ask questions on perceived corruption, experiences with corruption and attitudes towards corruption.

Questionnaires are administered to citizens and public servants. These surveys are part of a larger

anticorruption program. The standardization of the data allow for cross-country comparisons.

[www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html](http://www.worldbank.org/wbi/governance/capacitybuild/diagnostics.html)

Corruption and governance issues are also covered by regional initiatives and through polls like *Latino-barometro*, *Afrobarometer* or *Asiabarometer*.

## Appendix 4

### Diagnosing institutional risks

Apart from individual morals and cultural context, institutional environment is a factor in propensity for corruption. The analysis of institutions, the clearness of rules in the social environment, the role of transparency, oversight and sanctions are important elements of an ethically sound institutional environment.

Initiatives dedicated to institutional assessment are part of the efforts of state reform centered development policies. However, the focus on governance and anticorruption efforts has led to specific initiatives.

### National Integrity Systems (NIS), Transparency International

After outlining the branches of anticorruption policies and institutions, as documented in the *Sourcebook on National Integrity Systems*, 19 country studies have been carried out, identifying the legal and practical shortcomings of regulatory and oversight institutions. NIS studies provide a panoramic view of loopholes and shortcomings in the institutional environment that need to be tackled in order to prevent corruption. Data available at [www.transparency.org/activities/nat\\_integ\\_systems/country\\_studies.html](http://www.transparency.org/activities/nat_integ_systems/country_studies.html)

**Table 8**  
**Comparing the pillars of national integrity**  
**Transparency International**  
**National Integrity Systems Country Studies**

	Argentina	Bangladesh	Botswana	Brazil	Bulgaria	Canada	Colombia	Fiji	Ghana	Jordan	Kazakhstan	Lithuania	Mexico	Mongolia	Nepal	Netherlands	Senegal	Republic of Korea	Trinidad and Tobago
Primacy of Parliament	P	N	P	P	P	Y	P	N	P	P	N	Y	P	P	P	Y	P	P	P
Peaceful Transfer of Power	Y	Y	Y	Y	Y	Y	Y	N	Y	P	P	Y	Y	Y	Y	Y	Y	Y	Y
Active Party Choice	Y	Y	P	Y	Y	Y	Y	N	Y	P	P	Y	Y	Y	Y	Y	Y	Y	Y
Rules on Party Funding	P	P	N	Y	P	Y	P	-	P	P	P	Y	Y	P	N	Y	N	Y	N
Rules Governing Conduct of Public Officials	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Parliamentary Oversight of Budget and Accounts	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Office of Auditor General	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Anti-Corruption Agency	P	Y	Y	N	P	N	N	N	Y	Y	N	Y	Y*	Y*	P	N	N	N	P
Ombudsman	Y	Y	Y	N	N	N	Y	Y	Y	N	N	Y	Y	N	N	Y	Y	Y	Y
Formal Judicial Independence	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Rules on Procurement	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Independent Media	Y	P	Y	Y	P	Y	Y	P	Y	P	P	Y	Y	P	P	Y	Y	Y	Y
Active Civil Society	Y	P	P	Y	Y	Y	Y	Y	Y	P	P	Y	Y	P	P	Y	P	Y	Y
National Anti-Corruption Plan	N	N	N	N	Y	N	Y	N	N	P	P	Y	Y*	Y*	N	N	Y*	Y	N

Y = In Existence (Y\* = Proposed) N = Not In Existence P = Only Partially in Existence, or Not with Full Functionality (for example, a minority independent press, or an anti-corruption agency without investigative powers).

Source: Alan Doig et al., *National Integrity System Country Studies Report*, Global Forum II, The Hague 2001.

**Public Integrity Index, Center for Public Integrity**

An initiative spearheaded by the Center for Public Integrity, a Washington-based NGO, translated the qualitative assessment of the political and administrative system into quantitative categories. The results rank institutional risk of corruption from 0 to 1, where

1 represents a corruption-free institutional environment. The study was published in 2004 including assessments on six topics (civil society, electoral process, civil service, branches of government, oversight, anti-corruption mechanisms) in 25 countries. Data available at [www.publicintegrity.org/ga](http://www.publicintegrity.org/ga)

**Table 9****Comparative measurement of national integrity (Center for Public Integrity: Public Integrity Index 2004)**

	<i>Civil Society, Public Information and Media</i>	<i>Electoral and Political Processes</i>	<i>Branches of Government</i>	<i>Administration and Civil Service</i>	<i>Oversight and Regulatory Mechanisms</i>	<i>Anti-Corruption Mechanisms and Rule of Law</i>
Argentina	0.76	0.78	0.69	0.77	0.89	0.78
Australia	0.91	0.80	0.75	0.67	0.96	0.92
Brazil	0.74	0.83	0.81	0.69	0.71	0.72
Germany	0.85	0.91	0.77	0.63	0.95	0.89
Ghana	0.79	0.70	0.73	0.36	0.87	0.81
Guatemala	0.65	0.59	0.59	0.21	0.80	0.59
India	0.66	0.68	0.66	0.69	0.58	0.72
Indonesia	0.71	0.73	0.63	0.49	0.85	0.55
Italy	0.93	0.82	0.73	0.65	0.97	0.92
Japan	0.87	0.78	0.71	0.48	0.70	0.75
Kenya	0.62	0.62	0.62	0.59	0.57	0.66
Mexico	0.77	0.96	0.77	0.45	0.86	0.71
Namibia	0.70	0.58	0.67	0.49	0.89	0.62
Nicaragua	0.76	0.50	0.65	0.65	0.73	0.79
Nigeria	0.61	0.74	0.65	0.66	0.76	0.73
Panama	0.67	0.71	0.63	0.60	0.81	0.68
Philippines	0.82	0.64	0.88	0.81	0.89	0.75
Portugal	0.93	0.84	0.78	0.86	0.90	0.84
Russia	0.63	0.63	0.54	0.49	0.85	0.57
South Africa	0.89	0.65	0.84	0.69	0.96	0.81
Turkey	0.75	0.68	0.62	0.58	0.63	0.55
Ukraine	0.77	0.70	0.74	0.41	0.81	0.62
United States	0.97	0.88	0.97	0.85	0.73	0.88
Venezuela	0.73	0.81	0.66	0.59	0.90	0.59
Zimbabwe	0.58	0.39	0.51	0.52	0.69	0.50

**Monitoring of Anticorruption Conventions, OECD and European Council**

A similar approach of systematic assessment of preventive institutions and procedures against corruption has been used in the monitoring processes of international anticorruption conventions. These conventions, signed by the OAS, OECD, the European Council, the African Union and the United Nations, include commitments to adopt common standards of preventing and penalizing corruption. Two of the Conventions (European Council and OECD) include a

timeline for implementing necessary reforms and have established a formal mechanism of enforcing compliance with these commitments. The reports produced by evaluation missions on institutions to prevent corruption and on continued risks follow the approach of integrity systems.

More information on European Council Monitoring: [www.greco.coe.int](http://www.greco.coe.int) and on OECD [www.oecd.org/document/21/0,2340,en\\_2649\\_34855\\_2017813\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/21/0,2340,en_2649_34855_2017813_1_1_1_1,00.html)

## Abbreviations

BPI	Bribe Payers Index
CFAA	Country Financial Accountability Assessments
CMS	Corruption Monitoring System
CONTACT	Country Assessments in Accountability and Transparency
CPAR	Country Procurement Assessment Reports
CPI	Corruption Perceptions Index
CSO	Civil Society Organization
GAC	Governance and Anticorruption
GCB	Global Corruption Barometer
GI	Governance Indicators
IACC	International Anti-Corruption Congress
ICBG	Índice de Corrupción y Buen Gobierno
ICVS	International Crime Victim Survey
IMF	International Monetary Fund
NGO	Non-Governmental Organization
NIS	National Integrity Systems
OAS	Organization of American States
OECD	Organization for Economic Co-operation and Development
PFM	Public Finance Management
PREM	Poverty Reduction and Economic Management
TI	Transparency International
UBI	Urban Bribery Index
UN	United Nations
UNDP	United Nations Development Program
UNICRI	United Nations Interregional Crime and Justice Research Institute