



Overseas Development
Institute

Background Note

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Corruption and anti-corruption efforts

Research, policy highlights and ways forward

Introduction

Attention to the problem and pervasiveness of corruption has grown significantly over the past decades - from the formative work of Transparency International and its extensive network of national chapters promoting greater awareness of corruption and anti-corruption efforts, to the World Bank's World Development Report 1997, which placed corruption and anti-corruption at the heart of a wider effective states and poverty reduction agenda. Ten years on and governance and corruption are even higher on the international development agenda. The 2005 Commission for Africa report points to the centrality of effective governance for addressing the development challenges in Africa. The latest DFID White Paper places state capability, accountability and responsiveness at the centre of its strategy for sustainable poverty reduction and addresses corruption as a key element in this. Perhaps the most significant shift, however, has been the focus given to the anti-corruption agenda by the incoming president of the World Bank, and its rapid rise to the top of the institution's development agenda.

This paper briefly takes stock of current research and policy knowledge relating to corruption and anti-corruption, with specific ideas on where the agenda is currently headed, some of the potential pitfalls and risks along the way, and key issues which could be the basis of a policy-research agenda going forward.

Defining corruption

Corruption is centrally linked to 'weak' or 'bad'

governance. As formulated by a recent OECD/DAC paper (2006): "[c]orruption is typically the outcome of a dysfunctional governance system in which the linkages between the various institutional elements operate or malfunction in particular ways." Most commonly, corruption is defined as the "abuse of public office for private gain", or for the gain of particular groups (for example, a political party or an informal patronage network). Corruption and weak governance are not synonymous, however. The World Bank recently notes that "Governance refers to the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services. Corruption is an important aspect of poor governance and can involve the abuse of public office for private gain; it can also take place among private sector parties."

Causes and effects – what the research tells us (and what it doesn't)

A substantial literature analyses the causes and effects of corruption, and the conditions under which corruption is more likely to emerge. Research points to a combination of deep structural causes and more recent social and economic phenomena, ranging from the importance of social norms and the relative acceptance of corruption at certain points in history and across cultures, to different socio-cultural traditions, colonial regimes types and



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the duration of democratic forms of rule, to per capita income levels and payment structures in the civil service.

When reviewing the econometric evidence the causes and/or effects of corruption need to be interpreted with caution. Results rely on indicators which are themselves subject to uncertainty (generally being perception based and often subject to large margins of error). Moreover, the construction of the models is limited by the lack of cross-country longitudinal data. We simply do not have data measuring the quality of governance of many countries stretching back for decades which would allow a direct and reliable analysis of the interactions between governance, corruption and income levels. Some of the findings about ‘governance’ and ‘corruption’ are therefore generalizations from rather narrow and uncertain or indirect sources of data.

A further challenge is that corruption has multiple channels of expression linked to pervasive poverty and/or inequality, the availability of rents (such as the presence of natural resources; or inflows of poorly managed aid), as well as the opportunities offered by a globalizing but highly unequal world. It can be difficult to disentangle whether societies are poorer because they are more accepting of graft, or whether the conditions of poverty make it more likely that corruption is seen as a ‘normal’ (if undesirable) part of life.

One of the ways of advancing our understanding of the causes of corruption is to distinguish between more distant and more proximate causes. For example, low pay in the civil service or lack of oversight mechanisms are proximate causes of corruption, while longer-range causes may be poverty, a history of repeated economic crises, or a short and troubled history of formal statehood. For the design of anti-corruption policies, more proximate causes tend to be more directly relevant; but it is important to consider also the deeper structural issues, and how these may be tackled. For example, promoting education and addressing inequality are likely to be critical to changing the structural context for corruption.

The causes of corruption are multiple and so are its effects. Studies point to a number of ways in which corruption impacts on development, including: negative effects on domestic and foreign direct investment; undermining government efforts at redistribution (both on the tax and on the expenditure side); or by giving greater preference to types of spending which allow decision-makers to capture the benefits from illegal payments or rake-offs (e.g. defence rather than education spending). Corruption, or at least certain forms of corruption – such as the demand for bribes to obtain services – is also assumed to harm the poor disproportionately, with consequences for both persistent poverty and inequality.

Some authors have considered the political effects of corruption, including potential positive as

well as negative effects. In some contexts corruption is seen as serving to stabilize political systems, while elsewhere it can undermine trust and threaten social and economic stability.

Alongside quantitative analyses of corruption, there is also a large qualitative literature exploring its causes, mechanisms, and effects, often in specific areas. ODI has done some work on corruption in the context of disaster relief, while others have focused on corruption in the health sector, or in political party financing. This is a promising trend, with the potential to offer more detailed guidance about what can be done to tackle corruption on a sustainable basis. Moreover, even without fully understanding the general and longer-range causes of corruption, one can design policies to tackle corruption – as committed governments have done in a number of cases – and sector and issue specific analyses can play an important role in guiding such policies.

Corruption typologies

Effectively grappling with the multiple causes of corruption requires differentiating between various types of corruption. Recognizing that not all kinds of corruption have the same effects, researchers have suggested various ways of classifying corruption. A widely accepted distinction is that between petty (or street-level) and grand corruption (such as kickbacks in procurement contracts). Grand corruption can in turn be subdivided between “ten per cent” corruption and “predatory corruption”. While the former makes a road somewhat more costly to build, the latter means that in most cases, no road is built. Predatory corruption is widely seen as the form of corruption which is overall most damaging to development and to the prospects for sustainable poverty reduction. At the same time, petty corruption is most likely to confront people in their daily lives and be most immediately damaging for the poor.

A further relevant distinction can be made between centralized and predictable types of corruption, and more decentralized and erratic corruption. In some contexts, a bribe may be required to obtain a licence or to speed up an import procedure with the outcome being largely predictable. In other contexts, multiple agents need to be bribed and the outcome remains uncertain. The former is most often associated with centralised states with a limited set of power-holders. Dispersed and erratic corruption is often a marker of weak(ened) state capacity; and likely to require a different set of political and policy responses.

Clarity about the types of corruption prevalent in a country is important to target anti-corruption efforts. For example, combating petty corruption in social services may involve better financing of expanded services, campaigns to ‘follow the money’ (as in the education sector in Uganda), and better advertising of service entitlements and fees so as to empower

Table 1: Types of Corruption

	Petty corruption		Grand corruption	
Who is the bribe beneficiary?	Service providers (teachers, nurses/doctors), implementing agencies (e.g. tax and customs officials)		Decision makers; political and administrative elites	
Different sub-types	Get service that one is entitled to	Undermine the system	Ten per cent	Predatory
Examples	Jumping the queue; paying extra at hospitals	Bribing judges, e.g. in commercial disputes; paying for exam results	Take cuts on projects	Divert revenue streams – e.g. oil revenue
Who is most (directly/seriously) affected	the poor (more a nuisance for middle class); elites may use connections to receive the service	the private sector (entrepreneurs, land-owners, etc.), the middle class, the poor	all taxpayers	all citizens

citizens. Combating predatory grand corruption, in contrast, requires concerted action at the national and the international level, as it often involves international sources of funds (e.g. royalties, development aid, etc.), as well as international complicity in ‘hosting’ looted funds in Western banks. From a political perspective, grand corruption is most often pursued after changes in leadership; while a campaign against petty corruption may be less politically charged, but requires sustained effort and resources over a number of years. Currently, the most widely used indicators of levels of corruption (TI’s Corruption Perceptions Index, and the World Bank’s Governance Indicator) do not differentiate by type of corruption. More differentiating data may become increasingly available and will be useful to guide policy.

Anti-corruption efforts: directions and lessons learned

Anti-corruption efforts have intensified over the past ten years, at international, regional, and national levels. International efforts include stronger efforts to measure corruption, the development of international anti-corruption networks (Transparency International, U4, and others), and the adoption of anti-corruption and anti-bribery conventions at international and regional levels. These conventions include: the United Nations Convention Against Corruption (December 2003), the OECD Anti-Bribery Convention (1997), the African Union Convention on Preventing and Combating Corruption (July 2003), and the Inter-American Convention against Corruption (1996). A number of sector-specific initiatives targeting revenue streams from natural resources are also important: for example, the Kimberley Process (diamonds), EITI (oil, gas, and mining), and the Forest Law Enforcement and Governance and Trade process (logging), as well as efforts to curtail money laundering (e.g. the Financial Action Task Force and regional bodies).

Development partners have also invested heavily in national level anti-corruption efforts in devel-

oping countries, supporting the creation of (more stringent) anti-corruption legislation, setting up specialised anti-corruption agencies and sponsoring anti-corruption campaigns. These are linked to wider efforts at reforming public sectors. Significant anti-corruption efforts have also taken place in the context of EU-accession; and have been promoted by governments seeking to contain corruption (e.g. in China, and a recent revival of this agenda in Russia).

Comparative evidence of the impact of these national anti-corruption efforts is still limited. Assessments of specialised Anti-Corruption Agencies (ACAs) tend to agree that they have been largely ineffective in reducing corruption – pointing to severe resource as well as to political constraints. Available data also suggest that corruption is ‘sticky’ over a medium term time horizon, making it difficult to link short term results to donor supported actions in this area. Aid is also acknowledged to be part of the problem in some contexts, hence donors are becoming increasingly serious about strengthening accountability mechanisms around the provision of aid.

Most donors now agree that anti-corruption efforts need to be comprehensive and sustained over a considerable time-period. This involves a combination of public administration reform, better oversight laws and institutional mechanisms (including better political checks and balances), and greater transparency and accountability. Furthermore, donors are becoming increasingly aware of the need to coordinate their strategies (OECD/DAC 2006).

Challenges and risks in combating corruption

While there is broad agreement about the negative development impact of large scale and predatory corruption, there are a number of challenges and risks related to the anti-corruption agenda. Firstly, some of the goals of the international development community entail the potential risk of increasing cor-

ruption. Second, anti-corruption efforts themselves entail political and other risks.

On the first count, reform processes undertaken without adequate attention to the accountability context entail risks of increasing corruption, or opening up new areas of corruption. Democratization processes often entail the movement from an authoritarian to a hybrid regime (rather than to a fully functioning democracy); which means that democratic horizontal and societal accountability mechanisms remain weak. Democratic regimes can also be prone to corruption related to political party and campaign financing; and in poor countries, sources of legitimate party financing are often particularly scarce. Decentralization reforms can also pose risks when checks and balances are relatively undeveloped at regional and local levels compared with national levels (e.g. audit offices, independent press, etc.).

There are also risks inherent in anti-corruption campaigns which should not be neglected. Political risks include the prosecution of members of the political opposition under the banner of 'anti-corruption' (e.g. Belarus and Russia); contributing to political instability; and provoking public cynicism when prominent anti-corruption campaigns and their proponents fail to live up to declared standards (Kenya). A further risk is that anti-corruption efforts are costly: anti-corruption studies, campaigns, agencies and the prosecution of high-level anti-corruption cases can consume considerable funds in poor environments; and additional controls and auditing can create new burdens on already stretched public sectors. Assessing what works and designing focused and institutionally compatible anti-corruption efforts are critical lessons in going forward.

Some suggestions for the way forward

One of the striking features about the work on corruption is that while ten years of attention and

efforts have increased awareness and understanding about corruption, relatively little progress has been made in rolling back corruption. In moving forward development partners might want to consider the following:

1. Evaluation/further research

- Find out more about the causes of different types of corruption, including the underlying political and social factors. Develop more differentiated measures as a crucial basis for designing more targeted anti-corruption measures
- Evaluate more rigorously what works, undertaking comparative reviews both of anti-corruption initiatives and the link with governance reforms.

2. More effective design of anti-corruption efforts

- Encourage stronger and more transparent incentives for countries to improve governance and to seriously tackle corruption. Seek to gauge the political economy of anti-corruption efforts and commit to funding for at least the medium term.
- Seek to promote accountability in multiple ways and mainstream explicit measures for strengthening accountability into reform efforts (such as decentralization, privatization, expansion of services).
- Ensure realistic goals for anti-corruption efforts..

3. The credibility of aid

- Focus aid on holistic approaches to accounting, monitoring, and auditing which are mutually owned by aid recipients and donors.
- Focus on results but not at the cost of long term institution building.
- Ensure that anti-corruption efforts do not conflict with efforts at harmonization and alignment and do not impose unsustainable or unnecessary costs.

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ODI portal on Governance and Corruption - meetings, publications, projects www.odi.org.uk/whats_next_portals/governance

Study on corruption in disaster relief financing

Corruption and governance as part of a large project supported by Irish Aid

An Innovation Fund proposal to develop an ODI work stream on corruption.



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