



Challenges in the Next Stage of Anti-corruption

Daniel Kaufmann

It is a Thursday in October 1994, at the Kiev World Bank Resident Office weekly roundtable debate with the media, public officials and civil society. The topic this afternoon in this participatory post-Soviet fora is the ever-latent potential for economic reform and recovery. The newly appointed Vice-Premier in charge of the Economy, a reformist, is engaged in a heated discussion on the government intentions to reform, arguing that this time it is in earnest. The skepticism among many of the roundtable participants is palpable, and made rather explicit when one participant reminds the group of the continued poor record in implementing reforms—since independence in late 1991, in fact.

One of the most prominent journalists in the country challenges the Vice-Premier by pointing out that no matter what macroeconomic reforms the new Cabinet manages to implement, the prospects for growth remain dim. This, the journalist eloquently states, is because growth will only come from a thriving private sector. Yet no such prospects exist, he says, because of Ukraine's private Mafia, which extracts a high toll on any private enterprise.

The new Vice-Premier calmly concurs with the need to focus on small enterprises in the emerging private sector. Furthermore, he agrees that there is a private Mafia, which extracts a "tax" from pri-

SEPTEMBER 1998 139



Challenges in the Next Stage of Anti-corruption

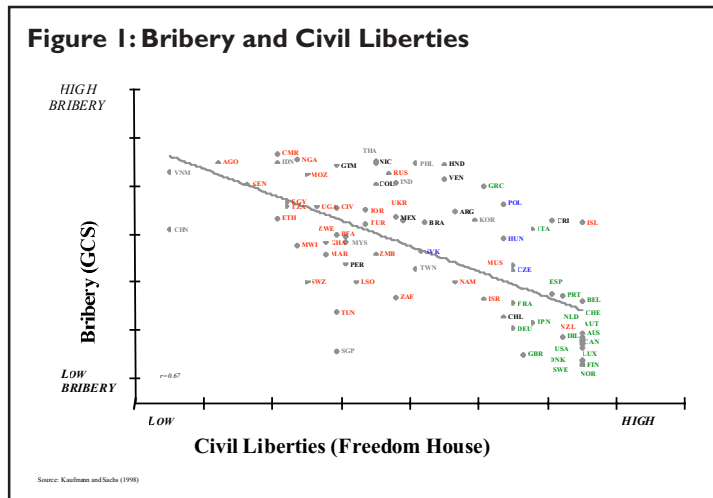
vate businesses. But he then takes an exception of sorts, stating that he has made “back of the envelope” calculations suggesting that on average such “tax” extracted privately by the Mafia is about 10 percent of a firm’s revenues. This, while far from negligible, he continues, pales in comparison with the predatory behavior of the “government Mafia.” His quick calculations indicate that such a “tax” by government officials and politicians on the private sector exceeds 50 percent!

Four years have since elapsed. Unfortunately, recent accounts suggest that such a depiction may still be relevant, and not only in Ukraine. The challenge of addressing government predation is not universal, but it is ubiquitous. At a much deeper level, however, it is worth pausing to consider the subtle wisdom in that Thursday’s roundtable response by the then Vice-Premier and ask whether the hidden advice has been heeded, or whether much of the challenge still remains to be addressed.

Upon reflection, there was a basic wisdom in his understanding of the power of transparency in a participatory public forum¹, admitting to such basic government fallibility so early in the post-Soviet era in the context of an open debate with civil society and the media. He also showed unusual foresight in conceptualizing corruption as a public sector developmental challenge, rather than merely as a private criminal activity. Additionally, he implicitly challenged us to quantify the problem at hand; generalized pronouncements on harm inflicted by one factor or another would not suffice. He had exemplified that non-empirical assertions diverted attention from the true problem—such as blaming the private Mafia instead of predatory politicians and bureaucrats.

And last, yet not least, he was hinting at the desirability of anchoring the understanding of corruption within a seemingly unconventional discipline, namely public finance—perhaps unwittingly challenging the many prevailing writings on institutional and legal “fixes,” or the myriad of soft ethical exhortations. In one bold stroke, by framing the problem in terms of “tax burden,” he suggested that we examine taxation, bribery, dwindling public revenues, and absence of rule of law in an integrated fashion. He was challenging us all to address corruption on a sounder analytical basis.





Undoubtedly, there has been progress in the struggle to combat corruption in many corners of the world, particularly due to the leadership and concerted awareness-raising efforts by organizations such as Transparency International, complemented by many domestic groups and other organizations over the past few years. As the writings in this compendium illustrate, knowledge on this crucial issue has advanced in recent times. Yet the lion's share of the broad challenge posed by the Ukrainian Vice-Premier's "salvo" four years ago is still before us. Participatory approaches still require more rigorous integration with concrete reforms of incentives, systems and institutions. And the role of in-depth and detailed empirical work needs to be furthered, while bribery and corruption need to be examined within a broader analytical framework—be it within public finance or other free-standing established disciplines, or through an interdisciplinary approach.

In this article, we discuss four broad challenges emerging from the lessons of our recent collaborative work, and illustrated in the above anecdote. These challenges share in common the "primacy of empiricism." Yet since the growing field of empirical investigation into causes, consequences and "cures" to corruption is still in its in-



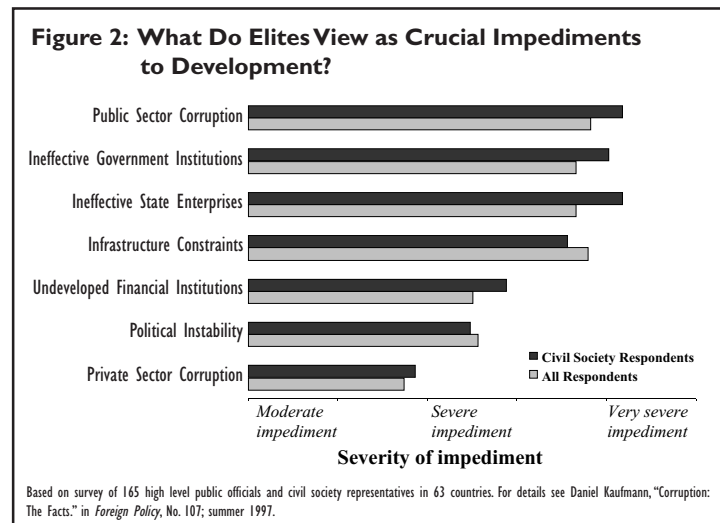
Challenges in the Next Stage of Anti-corruption

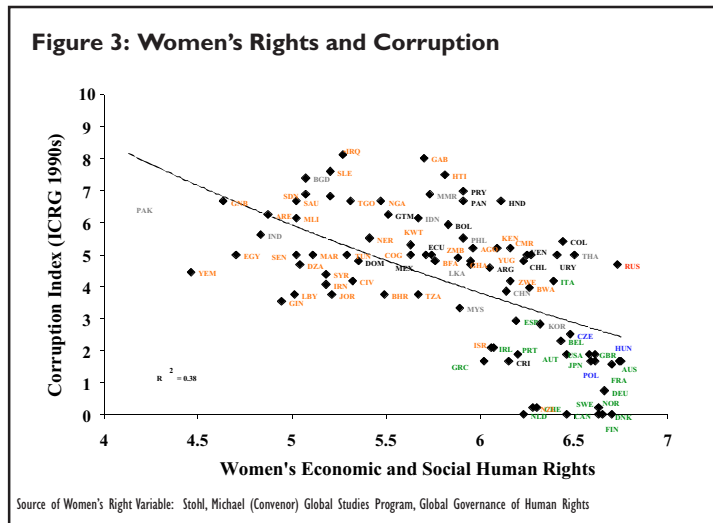
fancy, the intention here is not to present definitive answers, but to raise questions and issues on upcoming challenges in the field.

I. The Unfinished Agenda of Civil Society Participation

The growing involvement of civil society and NGOs in the fight against corruption is an undisputed fact, as is their role in increasing awareness and mobilizing support. But the progress is far from universal. The problem is that such involvement presumes a certain level of organization of civil society as such, i.e. the existence of civil society as a partnership or community sharing a common good or goal. Further, it is often taken for granted that civil society is not only sophisticated, but that it also operates in an environment where civil liberties are safeguarded. In many countries neither of these assumptions holds. Yet the evidence is clear about the importance of civil liberties: current empirical research indicates that countries with improved civil liberties are significantly more successful in addressing corruption (see Figure 1)—even after controlling for other determinants (Kaufmann and Sachs 1998).

Consequently, a major challenge for the next stage will be to promote approaches for civil society to operate more effectively where





there has been little tradition of so doing, and where civil liberties have not been fully guaranteed. In this paper we do not provide a full-fledged answer to such a challenge. Empirics help us, however, to raise six particular dimensions for further debate.

First, the need to recognize and fully utilize the “power of data and technology” as crucial instruments to help mobilize civil society and apply pressure on political structures. Technology today allows for sophisticated and rapid dissemination of data and empirical analysis. For instance, well presented and simple comparative charts illustrating findings on corruption can help mobilize and give voice to previously silent and disparate citizenry groups. The impact can be even greater where data dissemination is based on in-country, in-depth diagnostic surveys of enterprises, households and public officials. The follow-up to such technocratic diagnostic work are often public workshops and focus group discussions held in the country. When complemented by the involvement of the media and various societal stakeholders, these events serve to build momentum and spearhead new levels of activity by civil society and NGOs.²

Second, and seemingly paradoxical, many in the public sector



Challenges in the Next Stage of Anti-corruption

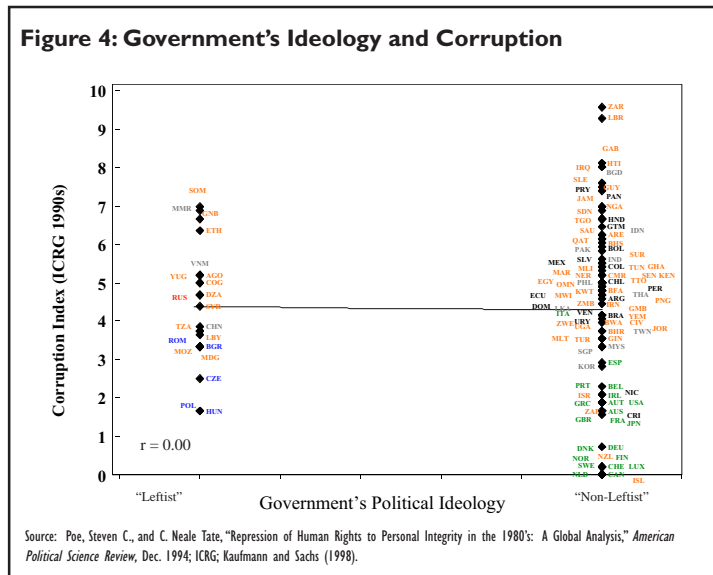
can become significant allies —however silently at first— in addressing corruption. Many public institutions may be afflicted by corruption, yet within them are caring and honest individuals —including some in high positions—who, with the right encouragement and support, are prepared to address the corruption in their midst. Particularly in settings where civil society is not fully developed, collaboration between reformist public officials and NGOs may be particularly productive.

In fact, survey results from over sixty countries, does suggest a remarkable degree of consensus between civil society and the public sector regarding the severity of the corruption challenge (Figure 2). Both civil society representatives and government officials were of the view that public sector corruption, and related to it, ineffective government institutions and state enterprises, pose the severest obstacles to development and growth in their countries. They both also concurred on the need and feasibility to take action to combat corruption, and explicitly agreed on what particular measures, if taken, are most likely to help control corruption.³ Indeed, incipient NGOs and activist citizens can build coalitions with reformists within government who are prepared to take action. The international donor community can in turn support their pursuit of common objectives.

Third, the empowerment of women to mobilize civil society, and particularly in the context of anti-corruption, needs further attention. Data analysis suggests that where women's rights are restricted, corruption is more prevalent (figure 3). While the statistical significance of this relationship requires further testing, this link may prove to be important. Is it that the lack of women's rights is an important "proxy" for the absence of overall civil liberties in a society? Or is it that women's participation can have a particularly inhibiting effect on society's tolerance for corruption?

Fourth, new tools and insights are emerging regarding participatory approaches to awareness raising and mobilization of support for governance and against corruption. A number of these tools, insights and approaches have recently been explored by others, such as Transparency International national chapters, NGOs in India (such as the citizens "scorecard" approach), etc.





Fifth, the intricate links between politics and civil liberties needs to be better understood in order to deepen our understanding of the roots of corruption. The degree of political liberties, i.e. democracy, is found to have a positive correlation with improved control of corruption, yet the relationship may be less potent than in the case of civil liberties. Where executive political will exists, the role of NGOs and civil society may be akin to being partners with government in the implementation of anti-corruption programs. Where such political will is absent, civil society's role takes a different dimension; it may need to engage in strategies fostering the politicians' and leaderships' willingness to reform.

Finally, how relevant is it to consider the political ideology of the ruling government in addressing corruption? Just as empirics can educate us in what may be important linkages to corruption, such data analysis also helps debunk notions conventionally held but rarely submitted to empirical tests. In fact, reviewing the evidence we find that a government's ideology is not a relevant parameter; on average there is no difference in the extent of corruption whether the govern-



Challenges in the Next Stage of Anti-corruption

ment is classified as having a left or right wing ideology (see Figure 4). The challenges lie elsewhere, as suggested previously.

II. The Challenge of Convergence between Process and Substance: Integrating the Participatory Process with Concrete Institutional Reforms

For too long we economists underestimated the central importance of participation in development. We regarded it as a “soft” notion, not subject to rigorous treatment or measurement, and at times driven by “politically correct” agendas. We proved mistaken. The evidence is clear that participation in developmental projects is key. Furthermore, there have been advances in the analytical understanding of participatory processes. In the context of anti-corruption efforts, major strides are taking place in developing and applying a well-structured “technology” to grass-roots participation. Such “technology” continues to develop as the process of awareness-raising and mobilizing of civil society spreads.

Parallel strides have been made in the understanding of economic and institutional reforms. Further, there is growing awareness of the relevance of such broad economic and institutional reforms in controlling corruption. Even compared with a few years ago, there is a much better grasp today of the extent to which corruption is a symptom of fundamental institutional weaknesses. Thus, instead of tackling such a *symptom* with a narrow intervention designed to “eliminate” (or suppress) it, increasingly it is understood that the approach ought to address a broad set of fundamental institutional determinants.

However, in spite of these important advances in both *process* and *substance*, these have largely proceeded in parallel, each one promoted by different groups with different views (and expertise) on what is important for anti-corruption. The challenge of convergence between both views has barely begun. Yet in reality these two approaches are essential complements to each other, not substitutes. Any participatory process, however sophisticated, ought to lead to concrete results beyond enhanced participation and heightened awareness. Equally important, the implementation of institutional reforms can benefit significantly from the particular participatory process that has been developed for anti-corruption.





Kaufmann

It would be easy to pay “lip service” to integration by merely having the “process” advocates be responsible for the first stage of any given anti-corruption initiative, whereby awareness-raising workshops are carried out first—and only subsequently the institutional reform experts are brought in. This would be a mistake: the challenge of convergence and integration necessitates the work of interdisciplinary teams from the outset. Such teams ought not necessarily be stacked with “anti-corruption fighters”, but with experts in participatory approaches, survey techniques, legal and institutional reforms, customs and tax administration, and the like.

Identifying the key institutional reforms in each particular country that undertakes this challenge, and mobilizing support for such reforms, ought to be fully integrated into the participatory process from very early on. Such early integration is likely to promote a better balance between prevention and enforcement measures in addressing corruption. Until recently, the pendulum was firmly in the “enforcement” corner. The gradual swing towards the middle ground has taken place due to the recognition of the limitations of ex post legalistic enforcement measures—particularly in societies where rule of law institutions themselves are currently part of the corruption problem.⁴

Increasing attention on prevention within a country requires a detailed review of the incentives and opportunities that lead to corrupt activities. This will include carrying out in-depth empirical diagnostic surveys and broader institutional analysis. In turn, this would promote an internal debate, early on, to identify and initiate the design of key institutional and structural reforms, as well as define implementation priorities and optimum sequencing. And to be effective, this internal discussion and program preparation—which would include identification of priorities for and substance of the agency-specific reforms, implies a time-consuming, participatory process. The preparation of prevention measures, therefore, by definition cannot be initiated at a late stage in this process.

Further, a sustainable participatory process, extending far beyond the initial awareness-raising and “mobilization” stages, is likely to prove crucial during the implementation of reforms. The experience of the scorecard method pioneered by Sam Paul, the public sector reform

SEPTEMBER 1998 147





Challenges in the Next Stage of Anti-corruption

specialist heading a local NGO in Bangalore, India, illustrates how powerful such integration can be. The periodic application of the scorecard evaluation of local public services by the citizenry (including reporting on bribery and extortion), as well as the discussion and dissemination following each survey, provides continuous input for governance improvement and reform at the municipal level.

Another example is provided by the reformist initiatives of the governor of Mendoza, Argentina. Among other innovations, civil society became involved in both the design of new public procurement approaches (participating in the decision-making on transparent rules that would govern public procurement), as well as in the execution of such institutional reforms regarding procurement (open public meetings and bidding procedures, transparent data dissemination, etc). Similarly, a number of localities throughout the world have embraced a participatory process in the adoption of municipal budgets, one which involves open public meetings, community decision-making and transparent and pro-active disclosure of information through electronic and print media.

III. Towards Methodological Rigor Relevant for Action: Insights from Public Finance?

Practitioners in the field of anti-corruption often feel that researchers tend to be removed from the real world, operating in a universe of abstract concepts—in contrast to the urgent needs for practical actions on the ground. The often abstract and non-empirical nature of much research in governance and related fields has perpetuated the notion of a “divorce” between researchers and practitioners. Yet recent empirical investigations into the causes of corruption provide new insights informing and influencing policy.

Further, advances in the field of survey diagnostics provide a bridge between research and action. Admittedly, this progress is still nascent; refining such instruments while additional countries are surveyed is an important short-term goal. This refinement promises to enhance our ability to translate such in-depth diagnostic tools and data analysis into concrete anti-corruption program and policy options. Such empirical progress in the study of corruption does not suffice, however: analytical frameworks backing such data analysis





Kaufmann

are important for enriching and detailing the link between data and policy recommendations.

It may at first appear unrealistic to aim for such concrete and direct operational results from research on corruption. Some argue that operational program design is best left to “policy wonks” or enforcement experts with long operational experience. Yet, particularly in the field of corruption, such a view may amount to missing an opportunity. Serious “anti-corruption” action programs are in their infancy, still populated by a number of myths and misconceptions regarding strategies and policy implications. Such misconceptions often result from the absence of in-depth analytical and empirical underpinnings for the proposed anti-corruption actions. The prevalence of advice given to governments to create Commissions Against Corruption (whether modeled after Hong Kong ICAC or not), is just one example.

On the other extreme of the spectrum, many analytical papers on corruption conclude with only a perfunctory paragraph with rather generic “policy implications” (which often are also debatable, such as “caution” against rapid liberalization, “care” in sequencing reforms, “tailoring” programs to country culture, “warning” against privatization, etc.). Thus, a more explicit linkage between empirical research and practical and implementable policy actions in the field is called for.

Past advances in the research areas of commercial trade and in macroeconomics may help place the nexus with the more practical “what to do” about corruption in some perspective. From the late seventies through the late eighties there was a “revolution” in research and thinking about trade policy, resulting in a consensus on the benefits of fairly liberalized trade regimes. A similar consensus emerged during the eighties and early nineties on the benefits of austere stabilization policies, that is, on the interplay between disciplined fiscal and monetary policies, a stable exchange rate regime and low inflation.⁵ Research played a critical role in developing the consensus on policy advice, in turn influencing economy-wide reforms in these areas throughout the world over the past dozen years. Moreover, it was often the academic researchers who played a pivotal role in promoting this new policy consensus.⁶

SEPTEMBER 1998 149



Challenges in the Next Stage of Anti-corruption

To an extent, the parallel may apply here: the state of the art in terms of “what to do” about corruption is today where our understanding of policy options stood in macroeconomics and international trade about fifteen years ago. At such an incipient stage, the value added of rigorous research can be considerable. Yet in an important sense, the parallel with the economic fields is far from perfect: corruption is more complex and more difficult to address given its interdisciplinary nature, its historical and political roots, and the wide range of topics and issues that are usually subsumed under the umbrella of “corruption.” Consequently, for it to be relevant, research in corruption will need to probe further not just into empirics from an economic standpoint, but also into its multi-disciplinary facets.⁷

Furthermore, a rather basic challenge —not addressed yet—refers to how best to approach corruption as a *field of inquiry*. Should it aim to be a freestanding field of investigation and academic training, consistent with its belated yet acknowledged importance for development and social welfare? Or, since corruption is increasingly recognized as an important *symptom* of fundamental institutional weaknesses, should it be integrated within existing fields of inquiry—which heretofore have not paid sufficient attention to corruption? If the latter, into which fields of inquiry should corruption be mapped?

Among others, Institutional Economics, Sociology, Political Science, Public Choice and Microeconomics have provided some tools and intellectual space for studying corruption. Yet, as suggested by the Ukrainian Vice-Premier’s remarks, there is also a strong case to be made for deepening the treatment of corruption within a Public Finance framework. By so doing, a better understanding is likely to emerge on a variety of important questions:

- How onerous is corruption as a “tax” (on the citizen or enterprise), and, more concretely, what types of corruption are more costly than others? In this context, the tax burden literature can provide tools and insights, and help us distinguish between prevalence of corrupt transactions of particular types and their costs to society.
- How can the costs and benefits from different government interventions be rigorously evaluated, particularly those that may increase or reduce the opportunities and incidence of corruption?





Kaufmann

- What are the losses to public finances (revenue leakages and expenditure waste) resulting from corruption? How do such losses undermine the provision of rule of law, and in turn further fuel corruption and loss of public revenues?
- How can we deepen our understanding of the relationship that exists among different regulatory regimes and corruption and governance? Public finance provides powerful tools to understand the role, costs and benefits of regulatory interventions, which in turn have been shown to interrelate with corruption in many settings.
- What type of incentives can be used to complement OECD and other such international treaties and resolutions that discourage bribery by foreign investors? Eliminating the tax deductibility of bribes incurred abroad, and its criminalization by fiat may constitute the easier first stage, analytically speaking (although not in terms of execution). The upcoming challenge is to devise and put in place more comprehensive incentive structures against transnational bribery. This may include, for instance, differential penalties to the party involved in a corrupt transaction who reports first, and structuring incentives for collective action among business associations, NGOs and government agencies to reduce bribery.
- What is the link between the level and arbitrariness of taxes and regulations, the resulting corruption and bribery, and the evolution of the shadow economy? What is the relationship between such a shadow economy, the soundness of the public finances in a given country, and the country's ability to provide official rule of law?
- How can public finance agencies best be reformed? Much of the challenge of implementation in the next phases of anti-corruption work will need to focus on concrete action within such agencies. Revamping customs and tax administration has emerged as a priority in anti-corruption action programs developed by a number of countries. While there is some clarity regarding what type of improved agency is desired; there is considerably less understanding on how to make this happen.
- What kind of budgetary instruments can be used to effectively combat corruption? Particularly where rule of law institutions

SEPTEMBER 1998 151



Challenges in the Next Stage of Anti-corruption

are woefully inadequate, anti-corruption initiatives that circumvent such legal institutions are needed. Public finance institutions provide some opportunities for “circumvention”; for instance in-depth study of unit costs in publicly procured goods give the ministry of finance a powerful tool to identify waste and diversion of funds, and thus to restructure budgetary allocations.

- Decentralization, “Municipalization,” and Fiscal Federalism are related areas where key challenges also abound. What is the appropriate set of incentives and allocation of fiscal and public expenditure responsibilities between the center and the localities, and how do different modalities affect efforts to control corruption?

Further, tools from newer academic fields (related to public finance) are also likely to provide important insights in delving deeper into the analytics of corruption. Recent theoretical breakthroughs in the areas of corporate finance and contract theory (Grossman and Hart) provide new approaches to understand the theory of the firm and its applications. Such a framework and tools deals inter alia with the firm’s control rights, as well as its cash flow rights, incentives to optimize performance, and the role and alternative arrangements of supervisory boards and shareholder rights.

With the appropriate modifications, this framework can also be applied to governance in the public sector, to understanding why bureaucrats and politicians behave the way they do (and not always in the broader public interest, see Shleifer and Vishny), and to further our analytical understanding of how “supervisory board” and “activist shareholding” functions can (to a significant extent) be performed by civil society and also specialized institutions such as Parliamentary audit agencies. In turn, this overall corporate governance framework may help us understand more specifically which public sector governance incentive structures are more prone to face high corruption and weak performance, and thus to evaluate in a technocratic fashion the various policy reform options.

The recent advances in the field of auction theory and its applications (e.g. for telecommunications spectral bands in the US) may also offer opportunities to optimize transparency and minimize rent seeking in bidding processes. Similarly, new approaches being developed to bid for infrastructure concessions by way of the private sec-





Kaufmann

tor (e.g. highway construction franchising in Chile—see Engel, Fisher and Galetovic), utilizing cost-benefit tools, suggest that there may be payoffs to collaboration between those involved in anti-corruption and researchers working on frontier analytical issues related to design of auctions, procurement and concessions.

IV. The Empirical Challenge: The Empowerment of Data.

It was not long ago when the notion that corruption by its “intrinsic nature” was impossible to measure was accepted as a truism. This view delayed the emergence of serious empirical analysis on corruption. As a result many myths were perpetuated about its prevalence (“Africa as a continent is hopelessly corrupt”), about its causes (“cultural,” “absence of anti-corruption law,” “privatization and liberalization”), and about its consequences (“the grease that oils the wheels of commerce in over-regulated developing countries”).

Furthermore, the absence of sound empirical work provided corrupt governments with a convenient “cover,” since the plethora of writings and reports on corruption were relatively easy to refute or ignore as long as empirical evidence was lacking. With the advent of a myriad of new surveys and other data gathering techniques and approaches, such an era is over. A rich empirical body of data is emerging on governance variables and government performance in general, and on corruption in particular.

The challenge ahead is to substantially broaden and deepen the gathering, analyzing, and disseminating of this body of new data. During the awareness-raising anti-corruption stage the reliability and rigor of data on corruption was not scrutinized. Whether the estimates provided by a particular corruption index were accurate (or methodologically sound) or not was of lesser concern during this recent period—as long as it was put to use sensitizing civil society to the corruption challenge, and mobilizing heretofore indifferent or disparate groups.

The expectations of methodological and empirical rigor, however, have been raised. Increasingly, the media and opposition politicians are utilizing and interpreting these indices as if they provide an accurate account of a worldwide corruption ranking (even though typically only about fifty countries or so are covered by most indices,



Challenges in the Next Stage of Anti-corruption

and the margin of error in the ranking of a particular country can be very large). Thus, sounder survey data and methodologies are called for in order to concretely and responsibly assist in making choices on detailed action programs to control corruption. Where the methodologies and measurements lack rigor the data has proven too general to build relevant programs.

Fortunately, improvements are possible in the measurement of corruption, in the construction of composite corruption indices, and in the design and implementation of surveys. Additional surveys containing more specific and better framed questions about bribery and corruption are becoming available. Therefore, in the near future we can expect to have an improved and more reliable data bank on these governance indicators. Yet the challenge of continuing to improve in this area, while transparently acknowledging the shortcomings of the data and methodologies at hand, still remains.

Indeed, the recognition of the limits of each single corruption indicator or index does point to the desirability (for researchers and policy-makers alike) of always applying a multi-pronged empirical approach in investigations and informed advise in this field. A finding based on a lone indicator, regardless of its prominence, cannot suffice. An initial research finding linking women rights to controlling corruption (as discussed above), for instance, requires further support using various independent measures (and appropriate statistical controls).

Similarly, it does not suffice to obtain only citizen perception data on public service delivery in order to infer that a particular judiciary or tax institution ought to be the first priority in an anti-corruption campaign. Instead, the consistent finding of similar (yet more detailed) data results identifying corruption in, say, the judiciary through the use of additional surveys of enterprises and public officials, and complemented by “hard data” collected through jurimetric analysis of processing time and backlogs in courts (Buscaglia), significantly enhances the reliability of the empirical evidence and the credibility of the actions it suggests.

Furthermore, we need to move beyond the challenge of merely attaining improved empirics through a multi-pronged approach to surveys, to one of constructing a framework linking the analytical





Kaufmann

and empirical research with operationally relevant utilization. We need to effectively utilize empirical analysis in the design and implementation of action programs. So far we have merely suggested some of the elements in this empirical framework for concrete policy-making; much of the challenge still lies ahead. At present, with colleagues at the World Bank-EDI (and in collaboration with TI and local NGOs) we are developing and field-testing a particular methodological approach integrating within one empirical framework the various components. This framework is being applied in select transitional economies—starting with Georgia, Albania and Latvia, soon to be expanded to other countries. Given the limitations of space here, and the ongoing nature of such investigation, the details of the proposed framework and of the ongoing implementation challenges will be presented in detail elsewhere⁸. As a diagrammatic synthesis of the overall empirical approach being developed, see Annex A below, which depicts its various interlinked components.

Conclusion: The Challenge of Concrete and Informed Action

The challenges discussed here are by no means exhaustive. Further debate and writings will focus on other challenges, such as the related yet broader challenge to understand why there is a relative dearth of successful public sector reform in developing countries. And where it appears that successes have taken place, the challenge becomes one of identifying what particular measures and institutions account for the lion's share of such success. Poland may be an interesting case study to undertake in this context: a country where governance and economic performance have been rather remarkable during the transition, particularly so in contrast to many other countries in the region. Reform was courageously undertaken in some areas, but which were in fact the specific areas that produced the lion's share of the remarkable results? In other areas reform efforts lagged; how were the potentially negative effects of so doing attenuated? Indeed, what actually accounts for the remarkably superior governance performance of Poland as compared to neighbors to the East, including the former Vice-Premier's home, Ukraine?

A comparative study of Poland and Ukraine could answer some of these questions. Similarly, elsewhere, there are many possible pair-

SEPTEMBER 1998 155



Challenges in the Next Stage of Anti-corruption

wise country comparisons where a rigorous study of governance may provide valuable insights. Extending the concept of “pairing” to a micro-institutional level also holds promise. Why is it, for example, that one country manages to run an honest and effective customs service, while a similar country suffers a customs service rife with corruption? This same in-depth comparative case study approach can be used to compare the institutional performance of ports, judicial institutions, or public watchdog agencies, where effectiveness differs notably. Similarly, comparisons between two contrasting public institutions within the same government, one that has successfully reformed, the other which has not, can yield insights.

More generally, in this paper we have made a case for significantly expanding the overall empirical approach in furthering the goals of controlling corruption and improving governance. We need to continue to probe, explore, and innovate, recognizing that we are only in the midst of a fast pace learning process. What we do know is that working in partnership with local institutions and experts is essential. Citizens of the country—be they in or out of government—know their context better than outsiders. At the same time, the data and lessons gathered from experience worldwide are beginning to provide some very clear insights that need to be disseminated confidently and widely. These insights, if effectively adapted to country conditions and complemented by political will, could prove decisive in yielding concrete results. The challenge of successful results on the ground is still largely ahead of us.

In order to address such challenge, we need to embrace new expertise into this field, collaboratively joining forces with institutional experts, as well as statisticians and other skilled professionals within and outside government. The time is ripe for this technocratic expertise to make an important contribution—even if they were not involved during the first generation of anti-corruption. Indeed, these technocrats may not be “anti-corruption experts.” Yet their potential impact in the next stage may be as important as that of the first generation anti-corruption visionaries and activists—whose enormous accomplishments so far would multiply *many fold* in the next phase through a close partnership with technocrats. We submit that in the next stage of anti-corruption, reform of key judiciary institutions, or





Kaufmann

in public procurement, or of a dysfunctional regulatory agency (or, say, demonopolization of telecommunications), will be worth much more than many “high level” (and generic) corruption conferences or anti-corruption papers. The challenge regards concrete and informed action on difficult institutional reforms. ❖

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The use of outside agency indices and data in no way constitutes official World Bank endorsement of their precise country ratings in the variables enclosed herein.

Notes

1. The political economy circumstances (and poor policy-making) that prevailed in Ukraine since until late 1994 were not consistent with IFI lending. Thus, a conscious effort to carry out a (non-lending) public education effort took place; it involved all stakeholders in society in a participatory fashion. The weekly roundtables with the media, policy makers and civil society was one of many components in this effort.
2. Data is far more than a passive research tool. When well gathered, analyzed and presented, survey data complemented by hard financial information, is virtually impossible for authorities to ignore (see details below).
3. See figure 2 and explanatory text in Kaufmann and Gray chapter in this Volume.
4. For an eloquent exposition of the limitations of enforcement measures, see the writings of Luis Moreno Ocampo, as well as Roberto de Michele. Their knowledge and role in assisting the province of Mendoza in their transparency-oriented reforms is also noteworthy. See also this author’s “Beyond Rule of Law: New Anti-Corruption Initiatives” (1998).

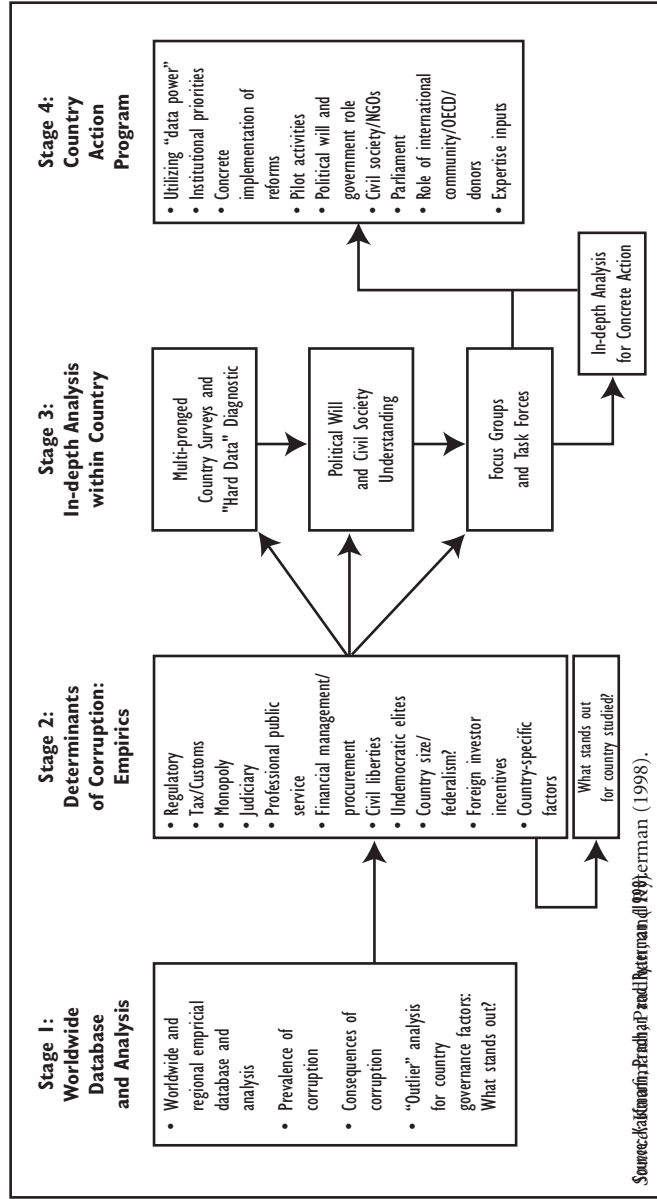
SEPTEMBER 1998 157



Challenges in the Next Stage of Anti-corruption

5. The broad consensus of the first stage has not been fundamentally challenged in spite of the fact that second-generation issues have emerged in both fields—such as the mild and sporadic interventionist implications of “strategic” trade policy, fixed versus floating exchange rate regimes, and the precise degree of fiscal “austerity” and interest rate levels desired (particularly controversial in the case of the recent East Asia crisis).
6. B. Balassa, A. Kruger, J. Bhagwati, and M. Corden, for example, on the opening of trade regimes, M. Bruno and S. Fischer on macro-fundamentalism, J. Sachs and R. Dornbush on both areas the above issues as well as on the exchange rate regime linkages.
7. Among other things, improved rigor in understanding what constitute corruption, its costs and consequences are likely to reveal that improvement in the measurement of corruption indicators is much needed.
8. See Kaufmann, Pradhan and Ryterman (1998) for further details. This work is of an interdisciplinary nature, involving close collaboration between researchers, economists, public sector management, civil society and political economy experts throughout the World Bank and other agencies. Many in addition to the paper authors have contributed to this ongoing work, particular mention is due to ACER institute in Albania, GORBI in Georgia, as well as A. Mukherjee, P. Keefer, N. Manning, P. Zoido-Lobaton, S. Paul, J. Anderson, S. Bloemenkamp, K. Henderson, Z. Preci, M. O’Donnell, E. Sutch and others.

Annex A: New Empirical Frontiers in Anti-corruption: Diagnostics and Action Programs



Kaufmann



Challenges in the Next Stage of Anti-corruption

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Kaufmann

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SEPTEMBER 1998 161



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Kaufmann

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SEPTEMBER 1998 163



