

# Anti-Corruption Approaches

## A Literature Review

Study 2/2008



**Norad**

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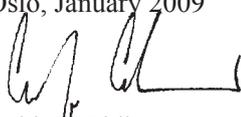
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## Preface

As part of the preparation of a joint evaluation of anti-corruption efforts, the Asian Development Bank (ADB), the Danish International Development Assistance (Danida), the Swedish Agency for Development Evaluation (SADEV), the Swedish International Development Cooperation Agency (Sida), the UK Department for International Development (DFID), and the Norwegian Agency for Development Cooperation (Norad) commissioned this literature review of current thinking and knowledge in the field.

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## Acronyms and Abbreviations

<b>Term</b>	<b>Meaning</b>
AC	Anti-Corruption
ADB	Asian Development Bank
CMI	Christian Michelsen Institute (Bergen, Norway)
CoC	Control of Corruption (World Bank Institute)
CPI	Corruption Perceptions Index (Transparency International)
CPIA	Country Policy and Institutional Assessment (World Bank)
CSO	Civil Society Organisation
Danida	Danish International Development Assistance
DFID	Department for International Development (UK)
DOC	Drivers of Change (analyses)
EITI	Extractive Industries Transparency Initiative
GB	Grameen Bank (Bangladesh)
ICAC	Independent Commission Against Corruption (Hong Kong)
KDP	Kecamatan Development Programme (Indonesia)
NGO	Non-governmental Organisation
NIS	National Integrity System
Norad	Norwegian Agency for Development Cooperation
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PSR	Public Sector Reform
SADEV	Swedish Agency for Development Evaluation
Sida	Swedish International Development Cooperation Agency
TI	Transparency International
UNDP	United Nations Development Programme
WB	World Bank



## Executive Summary

The literature review surveyed about 150 studies from an overall bibliography of nearly 800 studies: books, journal articles, and publicly available documents and reports from UN agencies, the World Bank, bilateral donors, NGOs and academics.

The literature can identify few success stories when it comes to the impact of donor supported anti-corruption efforts. Particularly the specialised anti-corruption interventions have registered little progress, though originally this was the approach preferred due to the positive results attained by Hong Kong's Independent Commission Against Corruption (ICAC). This, however, hinged on strong political support, legal frameworks and a court system that worked – the *will* and *capacity* to pursue corruption through *enforcement*. But it is exactly the absence of these factors that is seen as key challenges in many countries.

There is a bias in the bibliography since not enough studies from the perspective of the poor were available and voices from the South in general are insufficiently covered. There is also a lack of specificity in much of the empirical literature that points to important knowledge gaps that new evaluations and studies can contribute to fill.

### Structuring the Empirical Literature

The literature presents great diversity in issues and approaches. To reflect this, the review was structured according to different societal dimensions: (i) political-structural analyses, focusing on *systemic* corruption, (ii) Rule of Law and its attention to *control and prosecution* of corruption, (iii) public administration and systems improvements for *preventing* corruption, (iv) extractive industries and service delivery – *public sector* corruption, (v) non-state actors and the attention to *transparency and accountability*, and (vi) capacity building and organisational development and a society's *ability and capacity* to address corruption.

- The more general societal-political literature on neo-patrimonialism and state capture point to *structural* features of corruption, and in particular the forces at work that push systematic and large-scale rent extraction due to the need of a power system to reproduce itself. This leads the analyses away from the traditional attention on corruption as largely an individual choice issue.
- The Rule of Law approach provides an overview of the complex institutional arrangements that most countries have in place for prosecuting and enforcing Anti-Corruption (AC) mandates. The poor results so far seem to be the result of several factors. Many AC interventions are based on new institutions, often established by donors, which thus neither have legitimacy nor necessarily fit well in the local context. Timeframes are too short, so expectations are unrealistic. A particular concern is how well embedded new AC norms and laws are in local society and thus when these AC initiatives will take on local credibility.
- Most support may have gone to public sector and public finance management reforms (Public Sector Reforms - PSR, Public Financial Management - PFM), where PFM changes have had considerably more impact than broad-based PSR. This is in part because ministries of finance have strong reasons for supporting PFM and can “own” and lead most of the reform agenda. But despite all the statements about how improved PFM will lead to reduced corruption, primarily by closing down easy access to public resources, there seem in fact to be no empirical studies that can verify this linkage.
- The “resource curse” of extractive industries is based on grand corruption largely attributed to poor accountability and transparency – a situation deliberately created by the elites that benefit from this state of affairs. Corruption in service delivery sectors like health and water may cover the entire “value chain”, from grand corruption in the awarding of large infrastructure contracts, to petty corruption at the direct service delivery level. Analytical schemes for identifying the massive resources involved are helping disaggregate highly complex situations, but where there is need for more detailed data.

- Studies on non-state actors largely look at their role as rights holders and thus those who should demand accountability and transparency. The picture is more nuanced when it comes to the private sector, but also non-state actors like media and Civil Society Organisations (CSOs) need to be more critically assessed for their roles in neo-patrimonial systems in particular. It is also clear that if these actors are to play their attributed roles, access to information is not enough – education, training and empowerment in how to access and use the information is needed.
- Much of AC-relevant capacity building is for public institutions for their more general roles. AC-specific objectives may hence not be included. Yet a review of such capacity building for identifiable actors like Supreme Audit Institutions, especially in a neo-patrimonial environment, may generate insight regarding AC effectiveness and impact of such support.

Some of these issues were seen as more critical than others and are noted below.

### **Systemic Corruption and Political Will**

One reason why a head-on approach to fighting corruption seems to be failing is that it does not take into account the systemic yet specific nature of corruption in partner countries. The assumption is often that corruption happens because of individual choice, weaknesses in the institutional and legal frameworks, or lack of capacity to enforce existing rules and regulations. Consequently, institutional and legal reforms and capacity building are seen as appropriate responses. This has meant that anti-corruption measures in different countries have been quite similar. This standardised approach to anti-corruption is in contrast to the numerous reminders in the literature that the local context is critical.

More importantly, this context is often characterised by what is termed a neo-patrimonial political system or state capture. In a neo-patrimonial system, politics and governance are oriented towards maintaining control and influence through personal, commercial or financial bonds (or directly through controlling the state's repressive apparatus). State capture denotes a situation where business and political elites are able to influence policies and manipulate the state apparatus to their advantage. In either of these systems, which are not mutually exclusive, coming to power and the maintenance of power is resource intensive. The ability to remain in power is thus dependent on access to considerable resources, which are accessed through various rent extraction activities (corruption). The introduction of multiparty systems and elections may increase the cost of maintaining or gaining power, meaning corruption levels in fact can increase. Under these circumstances regimes have little or no interest in implementing an anti-corruption agenda, as the overriding objective of those in power is to remain in power, which takes precedence over the achievement of national development goals if there is a conflict between the two. The noted lack of political will to pursue an AC agenda is therefore a rational choice since the existing system is dependent on the continued reproduction of corruption.

Weaknesses of an institutional or legal character are tangible issues that donors can address with familiar reforms and capacity building programmes. Systemic corruption – “lack of political will” – is much more difficult to tackle. With the recognition that politics matter, the development discourse has embraced the use of political economy analysis. This is exemplified by DFID's “Drivers of Change” studies and Sida's “Power Analyses”. These studies set out to map and describe power and to identify the groups and the processes that define the political incentives in a country. One thing these studies show is that donors have far less influence than what is often assumed. More important is that donors generally do not have a good understanding of the local political incentives, that important drivers of change include groups often ignored by the donors, and that even when donors acquire good political insights they do not use these for programming their AC activities in a more coherent manner and in a more appropriate longer-term perspective

### **Capacity Building: Prosecution/Enforcement versus Prevention**

The importance of political will does not mean that traditional donor support for capacity building and institutional reform are not useful or necessary. Furthermore, the literature often distinguishes between building capacity for prevention versus prosecution/

enforcement as two alternative approaches, though in fact they are intimately linked since enforcement clearly has a preventative function, for example.

A typical preventative intervention is support to improving public finance management (PFM), where an important objective is to strengthen *financial* accountability (see later on this). There are cases where PFM performance has become much better as a result of donor support, but there is so far little evidence that this has translated into a reduction in corruption (or better development results for the poor for that matter).

The prosecution/enforcement approach (*legal* accountability) has been criticised for not producing tangible results. At the same time, this is a critical function for any society: it is not possible to achieve a high standard of integrity and accountability without a well functioning judicial system of courts, laws, police and public prosecutors.

One question that is raised in the literature concerns what the *time* required to get credible systems in place actually is. While the literature decries the lack of results, there is also a lack of comparison with conclusions found in “New Institutional Economics” literature that looks at how long it takes societies to put in place and embed new structures and procedures. This question is highly relevant to the AC debate, as clearly AC bodies will be facing considerable obstacles and realism regarding timelines thus needs to be considered more carefully.

Another issue is the concern that neo-patrimonial systems are likely to capture the legal system and thus pervert the intentions of donors when they finance the building of courts, professionalizing of the police, etc. The question is if it may still make sense to improve the courts and strengthen the police because these are long-term capacity building programs, whereas political will to apply them differently can change much faster (the most spectacular example being the end of *apartheid*). The literature provides no answer to which approach might be more realistic: those who argue that capacity should be built because it takes time and cannot be rushed and thus should be ready when political winds shift, or those who believe this will simply underpin an illegitimate state apparatus, and that once this changes the appropriate capacity can be better designed and put in place.

### **Service Delivery and Decentralisation**

An important part of the literature looks at corruption in public service delivery. This is in fact where most corruption takes place: from the kick-backs in large-scale infrastructure contracts to the demands for extra payments at the point of actual service delivery, whether it is for water, health care or educational certificates. The sums that are mentioned in sectors like water supply are astronomical. While service delivery is thus identified as a critical field, donors have so far provided little in the form of support to address corruption in the service sectors.

Linked to this is the issue of decentralisation. One argument for decentralising public services is that this would strengthen accountability and transparency by getting suppliers (public sector “duty bearers”) closer to the public they are to serve (“rights holders”). The actual experience is mixed, however, as the accountability relations and structures are more complex than originally thought. Particularly in neo-patrimonial systems, where local civil servants are protected by “the system”, local voice is stifled and rent extraction – corruption – may become *more* pervasive and intrusive when resources are decentralised.

### **Analytical Approaches**

Based on the findings above, this study is proposing a modified definition of corruption: “The abuse of entrusted authority for illicit gain”. This captures the complex and often highly political nature of corruption. From this follows also the general conclusion that *context* is critical to understanding the sources and scope of corruption in a given country.

This definition can cover all transactions between actors in state and non-state spheres where the structural or positional relation between the parties may influence the outcome, but still can take account of non-transactional corruption like forgery. The expression “entrusted authority” focuses on the ability to take decisions where both parties accept the legitimacy of the *position* to do so, whether formal (“power”) or informal (custom, norm). It covers individual as well as systemic corruption under neo-patrimonial systems and state capture.

The term *illicit* – “forbidden by law, rules or custom” (Oxford Concise Dictionary) – points to the fact that not all acts of corruption are necessarily illegal (against the formal law). But corrupt acts are clearly understood as not fair, so either information is withheld from the other party (information asymmetry is important to many forms of corruption), or the power relations are such that the other party cannot withdraw from or change the outcome of the transaction much. The focus is also on *gains*, which are understood to be financial or economic and thus in principle should be possible to operationalise and measure.

Various typologies are used to describe corruption: petty versus grand, bureaucratic versus political etc. These may help classify forms and scope of corruption, but do not represent an analytical scheme. The National Integrity Systems is an approach many actors use. It has a good institutional focus, but is missing the dynamic interaction between actors, and the political dimension behind neo-patrimonial and state capture situations.

Drivers of Change and Power studies are important new analytical tools, but donors do not seem to be using these to plan, implement and evaluate their AC interventions.

In order to measure better, much effort has gone into generating an array of corruption indicators. They are based on informants’ *perceptions* or more *factual* data, surveying different informant groups or based on expert assessments. Most are composite indices of underlying variables, often aggregated into a single summary figure that is often used to compare across countries or over time. This use of the indicators is highly contested. Nationally generated initiatives such as the Bangalore Report Cards and TI Kenya’s Urban Bribery Index have been more successful in providing incentives for change and connecting with the local context. Furthermore, while important gaps remain in the data and indicators collected, many countries have rich sets of data, but it is striking how little this is being used. The literature provides few examples of using the data for in-depth country analysis.

Debates on the corruption indicators address their *relevance, validity and reliability*. A key issue is to clarify what in fact actors want to measure, since some argue that it is more relevant to focus on *governance* rather than *corruption* – improving a “positive” rather than reducing a “negative”: corruption *per se* is not the chief concern but rather how to improve governance to ensure the parties deliver on the Millennium Development Goals.

There are questions regarding how to account for context when assessing corruption, and in particular the need for a thorough political analysis of the main forces at work. There is a lack of agreement on operational dimensions and which variables should be used to measure corruption. There are serious methodological challenges regarding aggregation, the use of subjective perceptions versus hard data and the costs of getting this kind of data since most informants are reluctant to provide them. And there is the problem of the appropriate timeframe: findings of failure may primarily reflect unrealistic expectations.

One analytical approach that was found highly useful at the level of sectors was applying a “value chain”: looking at how resource allocation decisions and actual resources flow from the political decision points down to where services are delivered to the end-user. This allows for identification of “vulnerability points” – steps in the decision-making chain where corrupt decisions and activities are most likely to occur – and amongst which sets of actors these transactions take place.

### **Looking Ahead**

Knowledge gaps still present formidable obstacles to better AC interventions. Little is known about the effects of using alternative channels and modalities for support. The implications of not having good approaches for supporting truly democratic political systems may be critical for addressing systemic corruption. The incentive environment when potentially corrupt acts are decided upon – sanctions and gains - needs to be better understood for the various “vulnerability points” in a value chain. Transforming knowledge and attitudes into actual behaviour and practices needs more attention since at the end of the day it is the multitude of corrupt choices by individuals that constitutes the problem.

It is interesting to note that the gender dimension seems – here as many other places – to actually be of importance, though very little empirical work has so far been done in this field.

It is also noteworthy that the international community has so far only just begun looking more carefully at corruption in the sectors, which is where the poor generally face the practical problems of corruption. Finally, a critical look at the international community itself – donors and NGOs – is in order, since even casual observation tends to identify lack of capacity and knowledge, and behavioural inconsistency, which undermines both the factual but even more the moral foundations for the international community to demand better performance and results in partner countries with regards to combating corruption. This includes how to ensure that initiatives such as access to information, support to the media, empowerment and awareness raising activities can lead to actual improvements.

Concerning the methodological challenges, these range from better understanding of context; review what exactly it is donors want to track – governance or corruption; review the validity and reliability of current approaches and indicators; and re-visit timeframes for what are realistic results.

The “lessons learned” therefore indicate that the international community should have a two-pronged approach to improving AC work:

- There is a need for more research-based knowledge regarding the political-systemic nature of corruption and its implications; about the methodological problems facing AC work and in particular the identification of better measures for tracking corruption levels and impact of corruption; and for addressing issues like realistic timelines, if there are particular assistance modalities that are more helpful, etc. Because these are large complex yet general concerns, a research-like program under DAC coordination may be useful;
- The other component is one-off evaluations, though it should be recognised that the corruption issue is of such dimensions that what is required is in fact a structured *program* of evaluations, to ensure that there is a systematic and cumulative learning and control effort running continuously alongside the actual support to AC activities.

# 1 Introduction

Anti-corruption efforts became a more visible and official part of the development community's agenda when then-President of the World Bank, Mr. Wolfensohn, addressed what he termed "the cancer of corruption" at the Bank's Annual Meeting in Hong Kong in October 1996. The general argument is summed up in UNDP's Anti-corruption Practice Note (2004): "*The negative impact of corruption on development is no longer questioned. Evidence form across the globe confirms that corruption disproportionately impacts the poor. Corruption hinders economic development, reduces social services, and diverts investments in infrastructure, institutions and social services. Moreover, it fosters an anti-democratic environment characterized by uncertainty, unpredictability and declining moral values and disrespect for constitutional institutions and authority. Corruption, therefore, reflects a democracy, human rights and governance deficit that negatively impacts on poverty and human security*". That is, corruption is rejected on efficiency and effectiveness grounds – it is dysfunctional to the attainment of the Millennium Development Goals. But it is also attacked from a rights perspective: corruption undermines democratic values and institutions, and in particular works against the interests of the poor.

Donor agencies have integrated both arguments by making the fight against corruption part of their larger governance agenda. As the activities have grown in size, scope and duration, the attempts at identifying results and lessons have led to a large body of reviews, studies and analyses carried out by a wide variety of actors.

## 1.1 The Bibliography

This Literature Review focuses on existing evaluations and research. The team asked the commissioning agencies to provide relevant evaluations from their own work. The responses were limited, in large part reflecting the fairly recent nature of a number of the AC activities.

The team therefore had to revert to the more general literature in order to identify the most relevant studies that could address the concern about "what works under what conditions". The team compiled a bibliography based on the literature lists that have been produced by the World Bank, Transparency International, UNDP, the U4-secretariat at the Christian Michelsen Institute (CMI), and recent studies on AC carried out for DFID and Irish Aid that contain extensive bibliographies. This bibliography was later supplemented by suggestions from others, a recent bibliography on corruption during humanitarian assistance and emergencies, and then more recent studies as this process evolved. The team thus ended up with a bibliography of nearly 800 titles.

From these, the team reviewed about 150 documents (bibliography enclosed). These were selected based on various dimensions, and the team also included material from different sectors (water as an infrastructure sector and health as a social service delivery sector); various levels of public administration; actors (media, civil society); studies of methodological issues and terminology; as well as material from the funding agencies participating in this study.

### Logic and structure of the literature review

Some recent surveys do an excellent job of presenting current knowledge along different dimensions of the anti-corruption discourse (Tisne and Smilow 2004; Hussmann 2007; Kolstad, Fritz and O'Neil 2008). This short literature review has not repeated these, but instead the intention has been to find material that may highlight either new dimensions or further insights that can enrich the foundations for future evaluations regarding "what works and what doesn't" as far as AC activities are concerned. The Literature Review therefore contains four substantive sections:

- Section 2 provides a rationale for the structure of the literature review by looking at how corruption can best be described and understood;
- Section 3 looks at the empirical findings according to key societal dimensions;
- Section 4 looks at approaches used for analysing corruption, and the terminology and methodological issues that the approaches raise;
- Section 5 looks ahead to the upcoming evaluation process by looking at knowledge gaps and methodological challenges that the upcoming evaluation may have to address.

## 1.2 Early Successes and Later Revisions

One of the best-known success stories is Hong Kong's Independent Commission Against Corruption (ICAC) that was established in 1974 (see Klitgaard 1988). It was set up in response to the British authorities' concern at the large-scale and systematic corruption that was undermining their ability to manage the economy of the colony. ICAC was set up as a special unit with a strong mandate and well-paid and trained staff. It soon established a reputation for thorough investigations, successful prosecutions, and tough crack-down on large-scale corruption. With its continuous efforts, ICAC was able not only to win individual cases but to have an impact on the actual levels of corruption. It thus provided a model for how an enforcement approach to AC work could be structured.

Largely based on the Hong Kong experience, a number of countries set up various kinds of AC commissions or bureaus, developed national AC strategies, organised public awareness campaigns, and in general took a legal and enforcement approach to combating corruption.

The limitations to the Hong Kong model quickly became apparent, however. The ICAC was well resourced both in terms of funding and human resources. ICAC had strong and continued support from the colonial government, in large part because it answered more to London than to a local electorate and thus was not so concerned with popular support during electoral cycles. It could pursue an enforcement approach since Hong Kong had a legal tradition, a body of law and an independent court system that made this avenue viable: cases were brought to court in a reasonably timely manner, sentences were handed down based on the facts of the case, and prison terms actually had to be served. Hong Kong therefore had the ideal financial, administrative, political and legal frameworks in place to make ICAC work. Few if any poor countries face such favourable conditions.

What is seen as an alternative to the legal enforcement approach ("from above") is accountability from below. The point of departure is that the stakeholders who are to benefit from an activity have the greatest incentives to monitor performance, identify possible abuses, and take action to ensure correction and compliance with original objectives. One case widely referred to is the improvements to primary school funding in Uganda.

The background was the public funding for primary schools provided in the 1990s. The government funding was a "capitation grant" that each school received for operating costs based on enrolment levels. This was part of a unified block grant that the central government provided all districts and included a total of 24 different public programs. A 1996 World Bank Public Expenditure Tracking Survey of 250 schools during the period 1991-95 found that less than 13% of the capitation grants actually reached the schools, though the figure was rising and during the last year had reached 22%.

As a response to this situation, the government pushed for better funding to the schools, and one measure was to provide information through the media as a means of improving transparency and enabling local communities to demand results. A survey in 1999 found that schools were then in fact receiving about 90% of their capitation grants.

A follow-on study looked into the role the information campaign played. It found that schools with easier access to newspapers saw a relatively *greater* increase in the share of the capitation grants than for the average school, and that information was "a powerful deterrent to the diversion of grant funds at local level" (Reinikka and Svensson 2005).

A recent study claims that the real reasons for improved performance were others (Hubbard 2007). By 2001, central government instead of paying out one big block grant disbursed 22 separate entitlement payments into 22 different district bank accounts. The authorities

published the distribution of all district grants, audits were tightened, flow of funds studies were carried out to track disbursements and identify bottlenecks. At the same time, the pressures for accountability from below actually became weaker since parents did not have to contribute as much as previously and thus seemed to be less concerned.

Hubbard does not discount the value of the information campaign, but the main story was that the overall improvement was due to strengthened management from the centre: more transparent funds disbursements, tougher audits, greater demands for financial reporting, and more external verification activities. The differences between the average and the schools with better access to information were relatively small. Furthermore the better access to newspapers might reflect other more important access costs, so that the first study may have measured general transaction costs rather than simply the value of information.

### **1.3 What Does the Literature Look at?**

The above examples reflect the fact that our knowledge about what works and why is evolving. The examples also show some of the complexity of analysing and addressing corruption. It can be from a general societal level (Hong Kong ICAC) or community level (Uganda); looking at control and enforcement (ICAC) or demand for transparency and accountability (Uganda), focusing on the public sector and central level (ICAC), or civil society and local level (Uganda).

But these are not the only dimensions that are used when analysing corruption and the results from AC activities. There is the difference between a focus on the individual and corruption as an issue of rational decision based on a cost-benefit analysis, versus systemic corruption which is person-invariant and sees corruption as an integral part of the political system.

Some put forward a dichotomy between corruption *prosecution* and *control* through legal enforcement versus *prevention* through strengthening systems and controls. Other analysts see corruption as a governance deficit in terms of lack of accountability, and thus look at supply and demand factors for understanding the strength and structure of corruption.

Other documents are “vulnerability to corruption” studies that look at likelihoods or risk of corruption based on structural features. This is typical for sector studies that look at how decisions and resources flow *within* the sector, and thus where and why corruption is most likely to occur along the value chain or across the activity cycle.

There are studies that look at differences *across* sectors, where aspects like natural resources income (economic rent such as in the petroleum sector), or the occurrence of large contracts (such as for large infrastructure projects) explains cross-sectoral variation of corruption.

Political-societal analyses review the nature of the state, and these fall largely into two major categories. One looks at *categories* of nation-states, where key categories studied include various forms of fragile states (failed states, post-conflict societies) and transition states versus stable regimes. The other is concerned with the structural features of the relationship between politics and economics, where key categories are neo-patrimonialism and issues of state capture. These in turn may be linked with or enriched by studies that look more carefully at society-specific framework conditions, analysing the historical roots of the state; the social, ethnic and economic foundations of power and influence; the institutional frameworks such as norms, belief systems and values that can explain political choices and individual behaviour; and the forces and timeframes necessary for change to have an impact on the level and pattern of corruption.

### **1.4 The Empirical Foundations**

Regarding the bibliography that has been compiled, the team concluded that it had some limitations:

#### **Bias in the bibliography**

The first is that the literature lists that form the backbone for this study’s bibliography are largely focused on what donors have done or funded. The number of studies that have a genuinely partner-country foundation is relatively limited. This is changing, as national

institutes like *Research on Poverty Alleviation (REPOA)*, an NGO) in Tanzania are devoting more attention and getting more resources to address corruption and related issues. Civil society organisations are becoming better at addressing the issues and publishing their results, in part with support from actors like the International Budget Project. A number of trans-national NGOs like CIVICUS and The Reality of Aid are becoming more involved in fields that are closely linked with and contribute to our understanding of corruption, and will undoubtedly over time provide a stronger voice from the south.

The growth of NGO/CSO engagement in advocacy along a range of governance issues will furthermore strengthen the views of civil society actors in the debates on corruption. While NGOs/CSOs are increasingly important as actors on the ground, the recording of their experiences and critical assessments of their achievements is a recent phenomenon.

This bias in the literature could and should be addressed. While the literature from the south remains limited, there is more material available than this team collected, and a more structured effort in this direction would probably yield valuable additional insights.

### **Lack of specificity in results**

The second problem concerns actual results documented. One issue is that many forms of AC work are quite recent. Given the increasing consensus that many aspects of AC work require time to produce results, it means that results will be slow in emerging. Expectations as regards identifying attributable results over the short run may in many cases be unrealistic.

Another problem is an obvious one: corruption is largely hidden and therefore difficult and costly to identify and measure. The resources required to carry out in-depth analyses may therefore be considerably greater than the international community has allocated so far.

There are also major methodological problems, discussed in section A.5.3, when attempting to operationalise and measure corruption and the results from AC activities. The methodology debates themselves have contributed to uncovering a number of conceptual problems when it comes to addressing and understanding corruption – some inherent to the issue, others a result of the field being fairly new and actors are therefore testing out alternative tools to see which ones yield the better insights.

Perhaps as a function of the points above – the field is new and results in some areas are only now emerging, limited resources have been devoted to identifying and studying the results, and the methodologies are still evolving – there are relatively few careful reviews and evaluations of specific activities. Much of the literature is overview and compilations of general findings, leading to the impression that conclusions tend to be too general, too imprecise, at too high a level of aggregation, and often based on assumptions or theories that later may turn out not to be correct. There is thus a need for more precise, valid and relevant information, both qualitative and quantitative, for documenting actual achievements.

## **1.5 Structure of the Literature Review**

The documents reviewed have provided a rich but highly diversified view of the issues surrounding corruption and successful AC activities. The challenge has been to identify a framework for grouping and presenting the findings that would be comprehensive, coherent and clear and useful for the draft TOR.

The team chose a *multi-dimensional descriptive* approach in order to capture the diverse ways in which corruption is described in its societal settings, so as not to lose the richness of information.

The categories for the disaggregated descriptive structure are by necessity somewhat arbitrary. In the end, the team decided to use six categories that it is felt capture important aspects of the literature and hopefully the underlying AC work itself:

- *Political-Structural Dimension - Systemic Corruption*: This literature looks at overarching national frameworks as critical to understanding the nature, scope and reproduction of the dominant forms of corruption, in particular “grand” corruption, neo-patrimonialism and state capture

- *Rule of Law – Control and Prosecution of Corruption*: This field covers a wide range of actors but represents a critical sub-set of the larger governance agenda. It addresses difficult issues of relations between actors, the development of frameworks under which the individual actors (such as the courts or the police) work, as well as the development of the individual actors themselves. The literature tends to move from systems and process analyses to studies of individual actors or organisations, such as reforms of police or changes to laws;
- *Public Administration and Systems Reforms– Corruption Prevention*: This category is structurally similar to “Rule of Law” but at a somewhat lower level of abstraction. While “Rule of Law” essentially is a set of principles according to which the public sector should function, public administration is the actual administrative structures set up by the state to implement political decisions. While this still addresses linkages across organisations and the development of the individual organisations, focus is more downwards to issues of instruments and processes, such as public finance management policies and tools;
- *Resource Extraction and Service Delivery – Sector Corruption*: Some of the studies are sector-specific, given the assumption that some aspects of corruption are best understood as a function of the sector itself;
- *Non-state Actors – Transparency and Accountability*: While the four categories above focus on the state, and the latter only addresses the executive part, civil society is generally looked at from the point of view of addressing “failure of governance” – lack of demand for transparency and failure of accountability of the public sector to the electorate and civil society rights holders. This includes important issues like access to information and the role of media;
- *Capacity Building and Organisational Development – Ability to address corruption*: While the issues above tend to look at AC activities in a larger perspective, important parts of the literature look at capacity development as a key component of AC work, and in particular the development of specific actors that play an important role in any public sector accountability system.

The team found that these categories assist in the understanding of where our knowledge is today, and thus are useful for preparing further work to study and evaluate the results of AC efforts.

## 2 The Empirical Literature

The empirical literature was structured around the six societal/thematic dimensions noted above, and is presented in this way below.

### 2.1 Political and Societal Dimensions: Systemic Corruption

The literature is critical concerning the impact of donor supported anti-corruption efforts at overall societal level. Partner countries have been supported to put in place anti-corruption strategies and action plans, set up and build capacity of anti-corruption commissions and enact anti-corruption laws, yet results so far are disappointing.

One reason why the head-on approach to fighting corruption is seen to be failing is that it does not take into account the systemic yet specific nature of corruption in partner countries. The assumption is that corruption happens because of individual choice, weaknesses in the institutional and legal frameworks, or lack of capacity to enforce existing rules and regulations. Consequently, institutional and legal reforms and capacity building are seen as appropriate responses, which has meant that anti-corruption measures in different countries have been quite similar. This standardised approach to anti-corruption is in contrast to the numerous reminders in the literature that “context is critical”, and in particular the overall societal frameworks – the political economy of a country.

#### Neo-patrimonial systems and state capture

When analysing the political systems in partner countries, it was found that many of them could best be described as “neo-patrimonial”, or that the public sector was subject to “state capture”. In a neo-patrimonial system, politics and governance are oriented towards maintaining control and influence through personal or commercial/financial bonds (or directly through controlling the state’s repressive apparatus). State capture denotes a situation where business and political elites are able to define policies and manage the state system to their advantage. In either of these systems, which are not mutually exclusive, coming to power and the maintenance of power is resource intensive. The ability to remain in power is thus dependent on access to considerable resources, which are accessed through various rent extraction activities (corruption). The introduction of multiparty systems and elections may increase the cost of maintaining or gaining power, meaning corruption levels in fact can increase. Under these circumstances regimes have little or no interest in implementing an anti-corruption agenda, as the overriding objective of those in power is to remain in power, which takes precedence over the achievement of national development goals if there is a conflict between the two. The noted lack of political will to pursue an AC agenda is therefore a rational choice since the existing system is dependent on the continued reproduction of corruption.

With the focus shifting towards the politics of a country, new tools were developed to analyse and inform development policy making. The two best known approaches are DFID’s “Drivers of Change” and Sida’s “Power Analysis” approaches.

The Driver’s of Change studies grew out of a critical analysis of development and the governance agenda. The short timeframe of typical donor/partner government projects and policies and the donors’ failure to take country context as the point of departure have been criticised. Rather than grounding their intervention in a thorough understanding of the country, they tend to start with a pre-defined menu of policies and an agenda of institution building. A common advice to the donors has been to shift the focus from ‘what’ countries need to do to eliminate poverty, to ‘how’ best to support the processes of change involved.

Since 2003, DFID has produced Drivers of Change studies for 16 countries while Sida has so far commissioned Power Analyses for nine countries<sup>1</sup>. These studies have been succinctly described as “different approaches to analysing and understanding the political and institutional factors that shape development outcomes” (Sida 2006, 5). The studies were mostly initiated by the country offices. No common methodology has been adopted across the various studies (Sida 2006, Dahl-Østergaard et al 2005, Leftwich 2006).

Leftwich’s review of the Drivers of Change studies provides a useful summary of the insights provided by the studies of the characteristics of the states analysed (2006, 7):

- More or less pervasive forms of patron-client relations and neo-patrimonialism;
- ‘Corruption’, state capture, wealthy and dominant elites determined to hold on to state power, the politicization of businesses and the phenomenon of ‘shadow states’ (or polities);
- Personalistic political parties; weak, divided, deferential or impotent civil society organizations, (though some show potential for exercising pressure);
- Limited or weak political ‘demand’ for rapid or realistic institutional reform to improve conditions for growth, governance and service delivery;
- Minimal or non-existent ‘political will’ although the notion of ‘political will’ is not adequately defined;
- The relative absence in many cases of any clear and agreed overarching national economic strategy, project or set of socio-economic goals (other than in rhetoric);
- Low levels of ‘stateness’, and hence, governance, with demoralised and politicised bureaucracies, dubiously independent judiciaries and (sometimes) militaries.

These are obviously deeper and more fundamental problems than most of those one finds listed in Poverty Reduction Strategy Papers or project documents. One would struggle to find, for example, adequate types of capacity building activities to address most of the observed problems in order to bring about change. It is obvious that the characteristics described by the Drivers of Change studies provide significant challenges for the donors’ anti-corruption approaches.

The impact of the political nature of corruption was recently discussed in an editorial in the “East African”, a regional newspaper (see box 1). This presents, in very simple yet clear terms, what the practical issues and consequences of this politically-linked corruption are.

The Power and Drivers of Change Analyses have clarified key concepts regarding power relations in many of the donors’ partner countries. They have, among other things, documented how neo-patrimonial systems are structured and function, and the rational logic that lies behind them. While they clearly are exploitative and venal, they can also be quite sophisticated and reasonably stable, with a higher degree of embeddedness in society than is often recognized, to a large extent trying to take advantage of (distorted perceptions) of local traditions and historical loyalties (see Erdman and Engel 2006 for a thorough discussion of neo-patrimonial systems).

**Box 1: “Roadblocks keep EA govts rolling and bring our economies to a stop”**

By CHARLES ONYANGO-OBBO, “East African” 30 June 2008

The region’s Big Men gathered in Kigali last week for the first East African Investment Conference, and said many things about what it will take to make ours one big, happy, rich common market.

To many East Africanists, the question is: Why has it taken so long? I got an answer of sorts to this question a few weeks ago in Kigali. A senior official lamented that the biggest stumbling blocks to economic prosperity in the East African Community were “what might seem like small things.”

<sup>1</sup> The Drivers of Change studies are available on [http://www.gsdrc.org/go/topic\\_guides/drivers-of-change](http://www.gsdrc.org/go/topic_guides/drivers-of-change). A list of Sida’s Power Analysis studies can be found in Sida 2006.

One such “small thing,” he said, was roadblocks. The Rwandans actually counted the number of roadblocks along the highways that Kigali-bound trucks transporting goods from Mombasa in Kenya use. The total was a staggering 36. None of them in Rwanda. They are all in Uganda and Kenya.

At nearly all these roadblocks, the trucks have to stop for several minutes, and the drivers are shaken down for bribes by policemen and security officers. Driving through just two of the EAC countries, a trucker makes over 30 more stops than he would driving through 20 EU countries, where he doesn't have to grease any palms.

By the time the truck arrives in Kigali, the profits on the consignment will have been swallowed in kickbacks and other roadside extortions. To make a profit, the final seller builds the cost of the roadblock bribes into the price. Therefore, without roadblocks manned by corrupt police, prices in most of the East Africa would be far lower than they are today.

*If removing roadblocks can provide a major boost to East African livelihoods, why then don't governments get rid of them? It's because of the complexity of the politics of corruption.*

Corruption is an important subsidy and bonus, and while it undermines public administration, it often plays a crucial regime-stabilisation function. That, indeed, is the incentive for governments to tolerate it. As a subsidy, governments use it to buy and reward support. Thus a businessman with close connections to the ruling party will not have his trucks stopped at a roadblock and the drivers squeezed for money. In fact, they might even be escorted by the police. An opposition-leaning businessman, meanwhile, will not enjoy such breaks, which is calculated to persuade him to shift loyalties.

As a bonus, or top-up payment, bribes are important in keeping lowly paid workers in government employment. The way the system works is that the senior people pocket a lot of the money allocated to run their ministries and government programmes.

That leaves nothing for the employees further down the food chain. These then get their cut from roadblocks, like the policemen; extorting bribes to grant licences and process documents like passports; for helping a case file “disappear”; and for granting your child a place in a premier government school.

These illegal top-ups and bonuses make it worthwhile for people who couldn't live on their monthly wages to serve the government faithfully until they retire.

These corruption levies make border customs points an important outlet, even if they get in the way of regional trade. The roadblocks, and therefore the many days and millions of shillings in corruption fees that truckers lose, cannot be got rid of because then you would have to send hundreds of policemen home.

It also happens that in this region, the more corrupt a country is, the more roadblocks and more bureaucratic red tape it tends to have. For this reason, a reduction in corruption in real terms by 50 per cent could propel East African regional integration forward by 25 years. You won't ever hear anyone say that at an East African summit.

In these situations, there are significant differences between what things are supposed to be, and how the donors often perceive and describe them, on the one hand, and what they really are on the other. This has important implications for how best to approach anti-corruption and for determining which approaches are more likely to succeed. This means also that if the socio-political system works quite differently than donor AC models and programmes assume, it will be difficult to have much of an impact, especially in the short run (Cooksey 2003; Mungiu-Pippidi 2006).

Mungiu-Pippidi makes the important observation that donors tend to take a view of corruption as an aberration from a norm. In other words, corruption is defined as something exceptional. This is based in what Mungiu-Pippidi terms universalism. Society has universal values and

incidents of corruption go contrary to those. She then asks what if the norm is corruption. If the public administration system is built on corrupt structures and processes, how useful is it to define corruption as the exception? Pippidi refers to this as a system of particularism, where each transaction is executed according to personal decisions, and personal directives, without reference to a functioning system of impersonal rules.

Introduction of Anti-Corruption Commissions or the adaptation of anti-corruption strategies in this context is unlikely to yield results. She then asks what happens when one introduces multiparty politics in a previously one party system. This brings about what she terms competitive particularism, which implies going from a previous often reasonably stable system to a much more volatile situation of governance. What is often seen at this stage is that the level of corruption, which may have been high to middling before the introduction of competitive party politics, becomes very high. This is the result of the costs of running and winning elections, and of maintaining allies and supporters in a competitive field.

In the longer run, the hope is that the system will mature into one of universalism and rule of law, but in the shorter run things may get worse. Pippidi's observation that democratisation is likely to bring about a worsening of corruption is brought out by the Eastern European experience and also much of Sub-Saharan Africa. Malawi and Zambia both scored in the mid-level category on Transparency International's *Corruption Perceptions Index* before or early into multi-party politics, but both now score in the bottom rung.

Another study makes a similar point on the impact that democratisation has had on the political incentives in Malawi and Uganda: "Democratisation has fundamentally changed the formal rules of the game. Insecure incumbents – who face the threat of being removed from office by popular choice – have had to turn to more attention to maintaining power rather than running the country" (Cammack et al 2007, p. vii).

## 2.2 Rule of Law: Control and Prosecution of Corruption

Two aspects of Rule of Law are considered particularly relevant in the anti-corruption discourse: *Good Governance* and *corruption deterrence*.

Despite the obvious relevance of Rule of Law to anti-corruption objectives, the literature does not provide much material on donor support in this field (Carothers 2003, Pelizzo and Stapenhurst 2004, OSI Justice Initiative 2005, Stapenhurst, Johnston and Pelizzo 2006). Most of the interventions address two issues: support to the introduction of key *laws* such as anti-corruption legislation, and programmes and projects to strengthen the basic state *institutions of enforcement*, such as prosecutorial organs, the police, the courts; and more lately, to *special anti-corruption* entities.

### Rule of Law in a "Good Governance" perspective

Rule of Law<sup>2</sup> efforts in the development context are not recent (Carothers 2003). For more than a quarter of a century through the so-called "law and development" movement, donors have sought to encourage the growth of Rule of Law in developing countries as part of a wider governance agenda.

Much of the literature sees Rule of Law as a precondition, or a feature of, a healthy *democracy*: without Rule of Law the careful separation and balancing of powers in a democratic constitution is undermined, and the state machinery will be unable to provide *Good Governance* as intended, hindering development.

Accordingly Rule of Law has been a major component in Good Governance development cooperation strategies. It would appear that these strategies have sought to improve the *processes* (e.g. elections, legislation) and *institutions* (e.g. legislature, executive, judiciary) by which *public authority* is legally exercised in a country mandated in a democratic constitution. Concrete interventions have largely concentrated on strengthening the fundamental building blocks of the state apparatus, and in particular the countries' justice system institutions: the

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<sup>2</sup> Wikipedia explains Rule of Law as "in its most basic form, the principle is ...that no one is above the law... Perhaps the most important application of the rule of law is the principle that governmental authority is legitimately exercised only in accordance with written, publicly disclosed laws adopted and enforced in accordance with established procedural steps that are referred to as due process. The principle is intended to be a safeguard against arbitrary governance, whether by a totalitarian leader or by mob rule. Thus, the rule of law is hostile both to dictatorship and to anarchy".

courts (for dispute resolution, judgement), prosecutorial authorities (prosecution, investigative oversight), police (investigation, enforcement) and attorneys (independent watchdogs).

The literature emphasises the complexity of Western-style justice systems, with the various legal bodies across state branches, with all components being formally independent but functionally dependent on each other:

- At the core of the justice system lies the *judiciary*, a hierarchy of courts. In a democratic design, the judiciary is an independent branch of the state, functioning as a counterweight to the legislature and executive apparatus, i. a. by monopolising the authority to settle disputes, hear criminal trials and order punishment.
- A second component is the *prosecution service*. This is a hierarchy that oversees investigations and brings suspected criminals before the courts. It is often a powerful authority. Among other things, prosecutors can have people arrested, interrogated and put in detention. The constitutional affiliation of a country's prosecution service varies from country to country. It is often elevated to an independent or semi-independent state organ or otherwise made formally distinct from the executive branch, in order to minimise the risk of politically motivated processes. In some countries, the prosecutorial function is instead integrated into the judiciary.
- A third part is the *police*. Unlike the judiciary and prosecution service, the police is a part of the executive branch of the state, ultimately answerable to political authorities. Under a democratic design, the police has an extensive monopoly on physical force. Among its functions are maintaining public order, conducting criminal investigations, and enforcing legally valid decisions. Police criminal investigation teams are in many countries placed under the external direction of the prosecution service, in order to ensure conformity with the law.
- A last element of the justice system is the *lawyers*, especially criminal attorneys. Although most of them are not public servants they are often considered “part of the system”, with codified privileges and duties in legal processes. Some Good Governance and Rule of Law programmes include some degree of support to bar associations and lawyers as the literature acknowledges that a strong and independent legal profession is an important transparency and accountability watchdog within the justice system.

Successful law enforcement requires that the various state bodies are equipped not only with proper mandates on paper, but also with the *capacity* to fill their mandates in practice. But they must furthermore *cooperate* smoothly which in turn boils down to rules and practices across institutional boundaries. Properly functioning as a whole, this system is to balance the state organism, deter criminal behaviour in general, including corruption, as much as being an apparatus merely for punishing individuals.

Rule of Law programmes tend to emphasise judicial institutions, with the terms *judicial reform* and *Rule of Law reform* often used interchangeably (Carothers 2003). Support to the police often comes in separate Security Sector Reform programmes, sometimes with weak links to efforts targeting other elements of the justice system.

### **Rule of Law: the anti-corruption perspective**

Since the 1990s, with the emergence of anti-corruption as a field, Rule of Law is – in addition to the “Good Governance” perspective – also seen as an *anti-corruption* means: clear rules of correct behaviour in conjunction with deterring prospects of disclosure, criminal investigation, prosecution and conviction (enforcement) are held to prevent corrupt behaviour in the public sector.

Over the last ten years a generation of new interventions has come in addition to the larger, pre-existing Good Governance and Rule of Law efforts, namely the focus on the introduction of more specialised anti-corruption legislation (anti-corruption laws) and institutions (anti-corruption commissions). Some of these initiatives have been based on the need to put in place new and more modern organisations that are capable and have the mandate to address particularly difficult problems, such as economic crimes and corruption – specialised bodies that have become part of the Rule of Law system in many industrialised countries as well. But the rationale for many of these initiatives has also been to bypass existing but often corrupted ordinary police and prosecutorial systems. This has often led to conflicts over roles and mandates, created the impression that many of the new bodies are in fact donor-supplied and

to a large extent beholden to the international community rather than to the local political system, and thus has questionable legitimacy and credibility in the eyes of many local stakeholders. Within a neo-patrimonial context, however, it is not clear what other avenues are open for establishing within-the-state bodies that can begin addressing corruption.

## Results

Concerning Rule of Law interventions, some successes are recognised. Anti-corruption is becoming an integral part of donor policy frameworks. Awareness of corruption as a development problem and as a symptom of poor governance has increased. Many countries have signed the United Nations Convention Against Corruption and formally adopted anti-corruption policies, strategies and laws. Individual capacity-building efforts with some institutions or sectors will have caused improvements here and there.

Some countries also appear to have begun to successfully address corruption. EU membership has forced recent member states, many of which have suffered high levels of corruption, to step up their efforts to combat corruption along a number of dimensions. This is part of the EU accession and membership process, however, with strong incentives, tough sanctions and close monitoring of performance directly by the EU<sup>3</sup>. This set of circumstances cannot be found in other parts of the world.

Two other examples are Hong Kong and Singapore, both of which have benefited from effective anti-corruption commissions though without donor assistance. As noted previously, the consensus is that their experiences are in most cases not replicable.

A third set of “success stories”, according to the OECD DAC, are Botswana, Chile and Costa Rica, which are countries that have made important progress and thus potentially interesting as study cases, though as of 2006 such studies had not yet been undertaken (Lateef 2006).

In general, however, the literature laments the few results that can be shown for all the efforts. As a general observation, the formal institutions seem as riddled by influence-peddling, embezzlement and bribery as previously. Judicial and police reforms are complicated and have so far failed to make much difference. Capacity and capacity-building problems persist. Formal rules seem not to have changed the behaviour of key stakeholders. Corruption remains as widespread and entrenched as ever.

Similarly, the literature shows disappointing results from more specialised anti-corruption efforts. Anti-corruption legislation, new codes of civil service conduct and transparency acts remain paper rules. Anti-corruption commissions do not work. Maladies of the old system spill over into new institutions.

At the same time, the literature calls for better indicators and a much longer time horizon. There is an understanding that institutions as complex as a justice apparatus need considerable time to be built or transformed. The lack of immediate results is thus not a good argument for not continuing various forms of institutional development throughout the sector. As important parts of the literature explicitly recognizes the need for long timeframes and better indicators, the early assessments of failure in delivering on the Rule of Law may in large part be due to unrealistic timelines and expectations. The literature in fact notes that anti-corruption goals have often been unrealistic and ill-defined from the outset. Baselines were often not established so measuring change was difficult at best. Awareness-campaigns boosted expectations and when results did not materialise disillusionment set in.

Of equal importance, perhaps, is that too little is understood about the processes by which norms develop, change and then take root in a society. For new legal approaches and thinking to become effective, they must have wide acceptance as to their fairness and relevance to the situation of the country, and country context has been insufficiently accounted for in programming. Implementation mechanisms themselves suffer from systemic shortcomings with regard to delivery and learning capacity.

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3 As a note on how difficult these issues are, the EU in mid-July 2008 announced sanctions against Bulgaria and threatened similar against Romania, because these countries were not tackling corruption and mafia-style criminality seriously enough, and there was therefore fear that large amounts of EU funds might be mis-spent. The EU made it clear that this very public sanctioning was also meant as a warning to EU candidate countries in the Balkans that the problem of corruption is taken very seriously and will be monitored closely.

### **Recommendations in literature**

The literature underlines that capacity-building in the justice system – courts, prosecution, police, legal professionals – remains important. At the same time it warns that activities have often amounted to simplistic transplants of laws and institutions from Western countries. The more recent attempts at setting up specialised anti-corruption laws and institutions are seen as a variant of this tendency to ignore context and instead go for what is hoped to be “a new approach” yet usually poorly developed and not well integrated into existing institutional arrangements and legal thinking.

Regarding the ability of existing systems to cope with new arrangements or additional capacities, too little attention seems to have been paid to this dimension. The result is that much of the reform support has been donor supply-driven rather than accommodating more locally-owned and thus demand-based transformation. This often reflects the lack of capacity on the side of the donors to analyse and understand local pre-conditions and priorities.

Most of the support typically goes to the central level, but recently some resources have also been directed to sub-national entities, though so far without any clear indications about the results. The literature notes that Parliament, in its capacity as lawmaker but also as a political oversight watchdog and accountability mechanism, has been largely neglected in Rule of Law and anti-corruption efforts. Along with non-state actors like media and civil society organisations, Parliament and political parties are key components, isolated and together, in a country’s anti-corruption defence. In symbiosis, Parliament, media and civil society are potentially a powerful oversight and accountability mechanism, particularly at the level of political corruption, yet these linkages are seldom established or supported.

### **Findings and conclusions**

The literature reviewed is limited. It is particularly important to identify studies that see Rule of Law issues from partner country perspectives. Rule of Law is part of the fundamental framework of a country’s development, and what little literature there is points to how different country contexts can be. The impression is, however, that it is quite basic issues that need to be revisited: *expectations*, *timeframes* and *indicators* for tracking efforts:

- *What are realistic timeframes for improvements?* This question needs to be addressed in each country separately. It is doubtful if a classic evaluation process would be the most appropriate approach, but rather that this becomes a longer-term research-based effort to monitor fundamental but slow changes to a society’s institutional frameworks.
- *Realistic indicators:* Another problem is a lack of agreed-upon indicators for tracking changes to a country’s Rule of Law situation. This may be a process that will require some time, but where it should be possible to learn from the experience with the Public Expenditure and Financial Accountability (PEFA) indicators: agree on the generic objectives for a good “Rule of Law” situation; disaggregate this into key dimensions (perhaps the satisfactory functioning of most important institutions and some interaction dimensions); identify measurable indicators, perhaps even with a ratings scheme as the PEFA indicators have. This again is not a task that an evaluation team can address – this truly requires international cooperation to succeed and gain credibility.
- *Identify more realistic expectations:* Given the above points, the expected results need to be adjusted to align with what can be achieved with limited resources over a particular period of time.

## **2.3 Public Administration and Systems Reforms: Prevention**

Donor support for improving public administration has typically focused on two issues: public sector reform (PSR), and in particular better public finance management (PFM).

### **Public sector reform and the civil service**

A recent World Bank (WB) evaluation looks at its support to public sector reform (PSR), including AC (WB/IEG 2008a). The conclusions are quite positive as far as PFM is concerned (see section below) but more mixed when it comes to PSR and AC work.

It notes that direct measures to reduce corruption such as AC laws and commissions rarely succeeded since they usually lack support from political elites and the judicial systems. Indirect measures to reduce public sector corruption, such as simplifying procedures and

regulations, moving to e-government, and rationalizing and improving human resources management, were more successful. Even in these latter areas, however, there were weaknesses related to lack of diagnostic tools, poor tailoring of proposals to the specific situation on the ground, and therefore a lack of realism in terms of sequencing, speed and comprehensiveness of reform proposals: they tended to be too ambitious and thus exceeded the governments' capacities to implement. In addition, however, was the recognition that the major challenge was changing behaviour and corporate culture, and this requires time.

Carrying out more careful analytical work before moving to PSR funding was found to be helpful, in part because it would ensure greater realism in the design of downstream lending operations, but also because joint analytical work could build trust between the parties and more local ownership to the loan-based reform program.

Support for greater transparency, including access to information laws and the Extractive Industries Transparency Initiative (EITI), was seen as promising, though it was considered to be too early to assess actual results.

The final observation was that the findings do not support either the view "that PSR is too difficult to be worth trying or that public sector issues are so interlinked that only comprehensive solutions will work. Many PSR projects have succeeded, although usually not immediately" (p. xvii).

An important component in many public administration reform processes has been civil service pay and grade reforms. The argument is that a well-paid civil service based on merit-based appointments and promotions will improve efficiency and effectiveness in public service provision. More specifically, an important argument for pay reform is the finding that in many countries the salaries for lower-level staff in the public sector are competitive with the private sector, but at the higher levels they lag, sometimes badly.

This latter finding, if correct, undercuts the argument that petty corruption is driven by 'need': lower level staff like traffic police and utility workers are not badly paid compared with what they could expect elsewhere. It is rather their bosses that should be driven to corruption by a 'relative need' situation. In their study on gender, Swamy et al (2001) note that "It is often claimed that public officials are more likely to seek bribes when they are poorly paid... Civil service pay turns out to be unrelated to corruption in our regressions". It is unclear which level of civil servants the Swamy study actually included, but this study along with comments in some others question the popular assertion that poorly paid civil servants are a major reason for "petty corruption" (the "need" theory of corruption).

### **Improving public finance management**

The 2008 WB/IEG evaluation found that two-thirds of the countries that borrowed for PFM showed improvement in this area. Tax administration also improved as a result of WB support. One of the reasons is that ministries of finance are often strong supporters of reforms in these areas, and that good diagnostic work, including by the IMF, helps develop good programs.

Public Expenditure and Financial Accountability (PEFA) studies that the WB supports are seen as having strengthened the analysis of PFM systems and therefore also PFM reform programs. But it was also found that the PEFA as well as two of WB's most important analytical tools, the Country Financial Accountability Assessment and the Country Procurement Assessment Reports, do not address the risks of corruption well enough, and also focus on the expenditure side and do not capture the revenue side. In this connection, corruption is often found to be worse on the revenue raising side – tax authorities, customs services – than on the expenditure side. This is a particular problem when it comes to natural resources income and the possible economic rents that accrue to the state.

Shah (2007a) provides a careful anthology on performance accountability and public finances. It addresses the intersection of political analysis with PFM, and like others underlines the need for situation specific understanding, to identify the structural problems, the real interests of the different actors, and thus designing accountability activities that have a chance of succeeding. It looks critically at different actors, and has a number of insights regarding

systemic corruption and the difficulties in addressing this. Overall, this volume provides a strong foundation for analyzing corruption in the PFM sector that an evaluation could build on.

While Shah lays out the complexities of PFM corruption, others point to characteristics of the sector that may explain why there is in fact more identifiable progress here than for example public administration reforms in general. Ministries of finance (MoFs) are often strong and effective supporters of PFM reforms. It is in their interest to improve their instruments in order to manage the relations with line ministries and other stakeholders, so ownership is often strong. MoFs are often led by technically competent ministers and tend to have better paid and trained staff than line ministries. PFM is an issue over which MoFs have almost full control so whatever they want can – at least at the central level – be put in place (implementation in line ministries and lower levels of the public administration is often a problem), so leadership can also be good. There is an active international dialogue on PFM among decision makers and technical staff across national borders, so there is considerable knowledge within an MoF of what is happening elsewhere as well as considerable (implicit) peer monitoring of performance. The donors have agreed to line up behind the World Bank and the IMF on PFM issues, so that advice and support regarding PFM reform are consistent and coherent, so the coordination and often the alignment concerns are in place.

The development of the PEFA indicators, as a key instrument for PFM reform monitoring, is in many respects also “best practice”. International working groups critically assessed the tools and instruments in place for assessing fiduciary risk and management, agreed on a set of overarching objectives for “good PFM”, developed a standardised set of indicators that could be applied globally with a transparent rating scheme, and then introduced PEFA reviews as a platform for dialogue, with host MoFs often taking over the PEFA processes to inform their own reform agendas (see [www.pefa.org](http://www.pefa.org) for reports and information).

### **Decentralisation and public finance management**

One particular aspect of PFM that is receiving increased attention is fiscal decentralisation and corruption. Kolstad and Fjeldstad (2006) walk through the arguments for fiscal decentralisation, which in fact often centre on issues that are meant to address corruption, namely greater proximity to end-users and beneficiaries and thus potential for more accountability, transparency, more local competition and preference setting. But they note that a number of pre-conditions need to be met in order for these assumptions to hold – and in particular the capacity of local stakeholders to hold local government accountable. They note that two studies in fact found significant correlation between fiscal decentralisation and levels of corruption. A case study from Tanzania pointed to the problems of complex tax structures, inadequate controls and capacity, and poorly paid staff as key reasons for high local corruption.

Shah (2007b) is more of a “how to” improve local public finance management. But this set of papers can be used to test the quality of local PFM systems as a starting point for verifying if the recommended “best practices” are in place, or if the kinds of weaknesses identified in Kolstad and Fjeldstad dominate.

### **Findings and conclusions**

The field of public administration and corruption is vast. The lessons learned from the larger PSR reforms seem to be disappointing, but also quite difficult to analyse and understand since there are a considerable number of factors involved. But one of the lessons from general PSR reforms is that in a weak-state context it often is better to carry out smaller but targeted reforms where there is a real will to make changes rather than try wholesale reforms that so far have not proven to provide much improvement. Translating this into the AC context means that the same pragmatic approach might be useful: to focus on identifiable tasks that are manageable and where local leadership has already shown a commitment to the reform.

The results in the field of PFM are somewhat more encouraging in terms of the reforms themselves. But it is not clear if improved PFM tools and systems necessarily has a positive impact on corruption. One problem is that typical PFM monitoring tools are generally seen as not sufficient for tracking corruption, even if they are good at prioritising the more corruption

vulnerable components of PFM (revenue raising, procurement, interest group capture on the planning/budgeting side).

Furthermore, most PFM studies tend to look at central public finance, often concentrating on the MoF itself. Since donors are now heavily engaged in building up local governance, the fiscal decentralisation and corruption debate is also relevant, but has proven to be fairly costly to analyse well. At the same time, without getting a better understanding of how to reduce corruption at lower levels in the public administration, many of the potential gains from a decentralised government may be lost.

The advantages of addressing PFM and corruption is that the matter to be looked into is fairly easily identifiable – it is the financial resources, whether how they are raised or how they are spent. There is a considerable body of both theoretical and empirical material to build on, and many of the methodological issues have either been addressed or have been identified. But so far the empirical literature cannot point to any clear improvements in terms of reduced corruption as a function of better PFM systems and procedures.

## 2.4 Extractive Industries and Service Delivery: Sector Corruption

There are two sets of sector issues that seem to dominate the corruption debate.

The first one is concerned with natural resources extraction. Focus has traditionally been on non-renewable resources like petroleum, gold, diamonds and mineral mining. But there are also studies that look at renewable resources like timber and fisheries.

The other has to do with sectors that provide services to the public: utilities (power and water) and social services (health and education).

### Natural resources income and corruption

What is now referred to as the “resource curse” is largely based on the experiences with natural resource-rich regimes that receive large rent (unearned) income from those who are extracting the resources. Instead of entering the Treasury in a transparent manner, the funds go into the pockets of individuals, groups and/or political organisations as illicit income.

The *Extractive Industries Transparency Initiative* (EITI) has been set up to address this issue through basic rules regarding accounting for payments. Adhering to the EITI is becoming an important “seal of approval” by governments that want to attract serious investors (see publications, standards, countries that are members etc on [www.eitransparency.org](http://www.eitransparency.org)).

EITI so far concentrates on non-renewable resources as does the *Revenue Watch Institute* ([www.revenuewatch.org](http://www.revenuewatch.org)). The George Soros-funded *Open Society Institute* has transparency and transparent budgeting as one component of its larger governance program ([www.soros.org](http://www.soros.org)).

Other groups look at renewable resources, in particular timber<sup>4</sup>, where *Global Witness* ([www.globalwitness.org](http://www.globalwitness.org)) appears to be the most comprehensive in its tracking of illegal logging and corruption.

Most of the work on the issue of extractive industries and corruption classify this as “grand corruption” since it usually involves the sale of licenses and other permits that need to be approved at national or at least at regional level when it comes to local logging and small-scale mining permits. But there are aspects of such corruption that often affect the poor as well. In the case of renewable resources like logging it often limits the local population’s access to the resource, but even more importantly may destroy entire habitats that particularly more vulnerable groups depend on for their livelihoods. Furthermore, licenses for mineral extraction and other permits provide the permit holders political protection by the state. This is often used by the permit holders to deny workers who are hired to work in the mines or the logging concessions their due rights.

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4 Most of the work on the fisheries sector is more concerned with the over-exploitation of the resource rather than the corruption surrounding things like sale of quotas, lax monitoring and non-prosecution of violations, etc, though these are known to be serious problems for a number of coastal countries, especially in Africa.

A number of studies point to the dynamics between large natural resource income and corruption, where the key is the lack of transparency in revenue raising (Kolstad, Wiig, Williams 2008). This makes corruption less risky and thus more attractive. It makes it harder to use incentives to make public officials behave cleanly. The incentives furthermore are not to attract the best officials but those who are willing to accept “the rules of the game”. The lack of access to information also gives the authorities an informational advantage that can systematically be manipulated to distort perceptions of what is going on. It provides more space for opportunistic rent-seeking by others who wish to share in the illicit gain and thus easily becomes a pillar in neo-patrimonial systems.

But the study also has some sobering observations regarding access to information. There is empirical evidence that the effect of access to information is dependent on educational levels. Furthermore, some government accountability must be present: if the government gets a lot of oil revenue there is less need for general taxes and hence less political pressure from constituencies. There is also a point (returned to below) that individuals tend to be more concerned with tracking performance of private rather than public goods provision.

### **Public sector delivery: the water sector**

A lot of attention has been paid to petty corruption in connection with public service delivery, but in the last few years a lot more information has also been produced regarding large-scale corruption. The water sector has in particular become the focus of attention. The sector is important due to its size and provides important lessons regarding service sector corruption in general. The poor here face the problems of corruption in a direct way, and it is discussed at some length below.

Transparency International’s (TI) most recent global corruption report (TI June 2008) focuses on water. It notes that 80% of health problems in developing countries can be linked to inadequate water and sanitation, leading to the loss of around 5% of GDP. It notes that the water crisis is one of governance and that corruption is a root cause, as it makes water inaccessible, unaffordable and undrinkable. It divides the larger water issue into four parts: (i) water resources management, (ii) drinking water supply and sanitation (WSS) services, (iii) irrigation; and (iv) hydropower.

The report notes that there are a number of structural features of the sector that make it vulnerable to corruption. Water governance spills across agencies and therefore there tend to be a number of regulatory and legal loopholes – both within and across countries – that are easy to exploit. Water management is viewed as largely a technical issue, so there is little political oversight of what many believe is an engineering sector. Water involves huge *stocks* and *flows* of public funds: “Water is more than twice as capital-intensive as other utilities. Large water management, irrigation and dam projects are complex and difficult to standardize, making procurement lucrative and manipulation difficult to detect” (TI 2008, p. xxvi). In addition come all the income flows from various water payment services, licit and illicit, where it is possible to “siphon off” at the top. Informal sector providers, who are vulnerable to corruption, continue to play a key role in delivering water to the poor. This links up with another aspect: corruption in the water sector tends to affect the weakest actors the most since they have limited capacity to react. Finally, fresh water is in practice a fixed resource so that its relative scarcity is increasing as demand, from all groups of users, constantly goes up. Since water is a basic necessity, the sensitivity to price increases is lower than for most other commodities/services. Corruption is thus likely to increase rather than decrease as time goes by since water is an easy resource to extract rent from.

## Box 2: Corruption in Water Provision in South Asia

A study from 2001-02 of water provision in South Asia showed that bribes ranged from 1-6% of contract value. Kickbacks paid during construction increased the costs by 11%. The formation of “sanctioned” cartels increased prices by a further 15-20% (monopoly rent), but these payments also facilitated failure since contractors were “protected” so shoddy work was accepted. Materials worth 3-5% of contract value was never delivered, where each dollar missing is estimated to lead to costs 3-4 times higher in terms of water networks’ shorter life and limited capacity. This adds a further 20% on top of already inflated contract prices. Total corruption costs thus add up to 25-45% of contracts.

Country work suggested that household connection costs were USD 400. The corruption pushes this to USD 500-580 – a significant cost difference in a densely populated and poor region of the world (TI 2008, p. 16).

Stålgren (2006) has a series of recommendations largely in line with the above, including (i) align anti-corruption measures with national governance reform, (ii) mobilize political support and engage leaders as constructive anti-corruption partners, (iii) corruption is systemic so target the system, (iv) but when corruption takes on systemic proportions it may mean that targeted action is not feasible so then look for indirect approaches, (v) ensure that you protect the needs of the poor: anti-corruption actions may in the short run marginalize and affect them negatively.

The World Bank’s draft sourcebook on “Deterring Corruption and Improving Governance in the Water Supply and Sanitation Sector” (World Bank 2008a) presents some additional issues. One is that piped water is a natural monopoly, so providers do not have to lower costs or prices for fear of competition. Coupled with the fact that water is a basic need, providers thus face a “captive audience”. The natural monopoly is furthermore the main reason for the highly political nature of the sector, so regulation and thus politicians have an important role to play. This gives them an opportunity to interfere in various ways, including rent extraction.

The sourcebook provides a series of lists and references to be used for developing water sector interventions. It is directed primarily to World Bank staff for the larger infrastructure projects the Bank typically funds. But the structure and thinking behind the lists for various intervention levels and sub-fields are useful more generally.

### Value chain analyses in water sector

Plummer and Cross (2007) provide an overview of corruption in the water supply and sanitation (WSS) sub-sector in Africa, noting that “corrupt practices are endemic to most WSS institutions and transactions in Africa” (p. 222). As far as empirical material is concerned, they point out that there is a notable lack of information on the scope, nature, impact, and costs of corruption in the WSS sector. Good diagnostic work is therefore critical, though they cite a 2002 report that found that if African water utilities were operating in a corruption-free environment, their costs could be reduced by 64% - nearly two-thirds!

Forms of corruption in the WSS sector span the entire scale from petty to grand to state capture. They point to the major variations that can be found across the continent in terms of framework conditions that impact the sector: governance capacities (fragile, emerging or capable); political systems (authoritarian, emerging democracies or established democracies); how the sector itself is organised (national versus decentralized, nature of regulatory and provider agencies with or without autonomy); and the various delivery models that may exist within a country (public or privately managed utilities, municipal and district water department, large and small towns, small local providers, and community management). This complex set of actors and relations means that contextual understanding is critical for identifying what works and what doesn’t in the water sector.

The authors apply two key dimensions for analysing corruption in the sector. The first is to identify the three “archetypical” forms of *interactions*: (a) among public officials; (b) between public and private sector actors; and (c) public officials and the consumers/households. An overview of corruption possibilities in the water sector in general is presented in table 4.1.

The authors then present these possibilities by looking at the *value chain* from planning to actual service delivery, applied to the WSS sub-sector. Their table 7.1 (pp. 230-231) identifies nine steps in this chain: (i) policy making and regulation; (ii) planning and budgeting; (iii) donor financing; (iv) fiscal transfers; (v) management and program design; (vi) tendering and procurement; (vii) construction; (viii) operation and maintenance; and (ix) payment for services.

As with table 1, they look at the three sets of stakeholder interactions. They then use this to take the analysis one step further by what they call “tackling hotspots” in each of the three sets of interactions. This includes early warning signs, and what the possible responses could be to these problems. Table 2 shows the public-to-public interactions, though only includes the first six of the nine steps in the value chain since the last three steps are more relevant to interactions between the public sector and the private sector and consumers.

The challenge is to identify the incentives facing the individuals and the organisations they represent at each point in the value chain. Plummer and Cross focus on the situation that the individual confronts, so do not really take into consideration the organisational interests and how this may affect individuals’ final choices. By and large systemic corruption implies that the individual will be protected and also has strong incentives for engaging in rent extraction, so the incentive picture tends to be considerably more negative than these authors and others generally point to.

Their general conclusions stand, however, that what is required is to shift the balance of incentives towards increasing the probability of getting caught, and the negative consequences if they are. This means largely pursuing a good governance agenda, where they list several dimensions.

The *demand* for improved performance can be increased by better diagnosis and measurement so that it is possible to verify level and trends of resource use in the sector. Transparency and access to information must be better so that stakeholders can monitor decisions and be informed of their rights as consumers. Accountability can be improved through increased transparency, professionalism, honesty and competence on the side of the public sector actors.

On the *supply* side, institutional and policy reform should be pursued, strong leadership and integrity promoted, and enforcement and regulation supported.

In addition come specific steps that the authors see as required to address each of the three interaction sets, such as for public-to-public interaction given in table 2, where the right-most column lists possible remedial steps.

But the general conclusion here, as elsewhere, is that prescriptive anti-corruption steps are not going to have much impact in countries where the rule of law is weak, the state has little legitimacy, institutions responsible for service delivery are not accountable, and the commitment of national leaders is questionable.

The efforts to improve the situation in the water sector must be linked in with the general governance agenda – just as the water sector will be affected by changes to governance. Policy reform and decentralization may have opened up space for more corruption, for example, as local officials who previously did not have access to resources or decision making authority now discover possibilities for rent seeking.

Table 1: Mapping of Corruption Forms and Interactions in Water Sub-sectors

	<b>Water Supply and Sanitation</b>	<b>Water Resources Management</b>	<b>Hydropower</b>	<b>Irrigation</b>	<b>Groundwater extraction</b>
<b>Public-public</b>	Interdepartmental collusion in selection and approval of water projects. Bribery to silence accusations of collusion with contractors. Bribery for oversight in monitoring and control of urban pipe systems. Distorted site selection in favour of a public official's residence. Bribery for promotions, appointments and transfers with public administration.	Interdepartmental collusion to cover up pollution of water resources. Bribery to obtain water permits. Bribery for promotions, appointments and transfers with public administration.	Bribery to silence accusations of collusion with contractors. Bribes to cover up embezzlement of public supplies for an official's private use. Bribery for promotions, appointments and transfers with public administration.	Corruption to distort site selection in favour of an official's residence. Bribery for promotions, appointments and transfers with public administration.	Distorted site selection of public official's residence. Bribery to obtain drilling permit. Bribery for promotions, appointments and transfers with public administration.
<b>Public-private</b>	Collusion in public procurement. Kickbacks for awarding large-scale contracts. Kickbacks to accept inflated bills. Preferential treatment of contractor who sites a water project in a public official's home area. Corruption to manipulate data for auditors.	Kickbacks to regulatory officials to cover up pollution of water resources. Bribes to cover up waste-water and pollution discharge.	Collusion in public procurement. Kickbacks for awarding large-scale contracts. Over-design of projects. Bribery to cover up failures to meet contractual obligations.	Bribery for diversion of water for commercial irrigation. Collusion in public procurement. Kickbacks for awarding large-scale contracts.	Kickbacks to favour costly, oversized, complex systems. Bribery to obtain drilling permit. Kickbacks to accept inflated bills.
<b>Public-consumer</b>	Corruption to falsify meter reading. Preferential treatment for services, repairs. Bribery to obtain access to water.	Bribery to silence public protest over water resource contamination.	...false metering, billing and collection, preferential treatment for services, repairs, connections...	Bribery for diversion of water. Corruption to falsify meter reading. Bribery for preferential treatment.	Bribes for excessive extraction. Corruption to falsify meter reading. Bribery for preferential treatment.

Source: Stålgren (2006), pp. 10-11, not all entries included.

Table 2: Tackling Hotspots in Public-to-Public Corruption

	Interactions	Early warning signs	Possible responses
<b>Policy making</b>	Bribery of decision makers to influence policy priorities.	Low tariff structures. Monopolies and a resistance to competition.	Policy and tariff reform.
<b>Regulating</b>	Influencing regulations and licenses. Bribery to bypass constraining regulations. Influencing appointment of regulator.	No division of regulator and provider roles. Renegotiation of contracts (frequency and timing)	Separation of regulator and provider roles, including private sector participation. Development and publication of minimum standards. Public oversight of negotiations with operators.
<b>Planning and budgeting</b>	Distortions in decision making by politicians. Corruption in national and sector planning and budget management (inter-ministerial bribery for fund allocation, collusion/ bribery in selection and project approval). Corruption in local budget management (fraud, falsification of accounts, village level collusion).	Lack of coordination between ministries of planning and finance. Speed and complexity of budget allocation. Overlapping roles, responsibilities in delivery stage. High share of spending on capital intensive and large projects. Use of inappropriate discretion by finance, planning officers.	Independent auditing of decisions made. Organisational and procedures change in budgeting and finance functions. Decentralisation of functions. Review options for alternative delivery systems. Citizen involvement and demand for accountability in planning and budgeting. Media involvement.
<b>Donor financing</b>	Donor-government collusion in negotiations to meet funding targets. Donor-government collusion/ fraud in progress and quality.	Unexpected change in donor support/ choice.	Transparency in negotiations, budgets, and proposed plans.
<b>Fiscal transfers</b>	Bribery and kickbacks to ensure fund transfers	Long process time for fund transfers. Unexpected release of funds.	Performance standards. Audits.
<b>Management and program design</b>	Corruption in personnel management. Appointments and transfers, salary perks. Distortions in decision making at and between central, local and village levels.	High number of unqualified senior staff. Poorly paid staff with significant extras, living beyond means. High no. unplanned transfers. Lack of local govt and utility management autonomy. Conflict of interest on board. Price Increase, informal water.	Staffing reforms promote competition, performance/ merit based career structure. Disclosure of assets. Transparent appointment of qualified admin leaders. Ring-fencing finances of utilities, separation of roles between local government and utilities.

Source: Plummer and Cross (2007), p. 242.

### Findings and conclusions

Sector analyses are higher on the AC agenda now since so much of actual rent extraction appears related to sector-specific characteristics. Two cases can be distinguished: sectors with extractive industries, and service delivery sectors.

High value extractive industries invite grand corruption due to licensing and high taxation involved. The “resource curse” of oil- and diamond-rich countries is well-known though renewable resources like timber and fish also invite abuse and corruption. Lack of transparency and accountability are seen as key problems. A number of international actors and agreements, like the EITI, have been established to address these issues though most initiatives are too recent to have produced conclusive impacts as of now.

Service delivery sectors like health or water supply and sanitation (WSS) have recently attracted more attention, where a “value chain” analysis reveals the numerous points within the public sector decision-making and service delivery chain vulnerable to corruption. A distinction is made between public-to-public, public-to-private and public-to-consumer interactions, highlighting the complexity of a complete sector review. Current studies reveal massive fraud and sums involved, but also a lack of detailed data and context knowledge.

General lessons are that: (i) it is more important to *prevent* corruption as cleaning up (prosecution) is difficult and expensive, (ii) it is critical to map and understand the local context otherwise reform efforts will fail, (iii) cleaning up corruption needs to be sensitive to the needs of the poor, and (iv) pressures for reform need to come both from above *and* from below. It is important to strengthen regulatory oversight since only government can address the overall issues facing a sector, but it is the beneficiaries who have the real incentives to demand improved performance. This requires that their access to information and their ability to use it must be strengthened. Transparency and participation should therefore be guiding principles in all sector governance.

## 2.5 Non-state Actors: Transparency and Accountability

From a rights-based perspective, rights-holders in civil society both have a right and an interest in holding the public sector, as duty-bearer, accountable for the use of public funds. There is therefore both an expectation but also a democratic imperative that civil society plays its role as the ultimate controller of the public purse.

Holding the public sector accountable covers a wide range of issues and levels, however. There are examples revolving around local-level development where the public goods dimension is important. There are the issues of petty corruption at individual level that may be linked to a public sector quasi-monopoly of service delivery in some infrastructure and social sectors. There are the concerns about overarching policy formulation and the preparations of strategy documents like Poverty Reduction Strategy Papers where civil society needs to engage to avoid or reduce the dangers of “state capture”. The literature studied covers for the most part the first dimensions.

### Community-level development and corruption

The *Kecamatan* Development Program (KDP) in Indonesia has received USD 825 million from the World Bank over the last ten years, reaching about 20,000 villages country-wide. It works in the context of a country with endemic corruption, a weak legal system, and a history of state capture by a political-military elite. Woodhouse (2005) looks at how KDP developed an AC strategy based on two principles: (a) change the *structural conditions* that breed corruption by removing local monopolies over information, resources and access to justice, and (b) prevent corruption by removing *incentives* for corrupt behaviour.

The AC strategy focuses on simplifying systems, making information public, holding decision makers accountable, and setting up independent channels for verification and complaints. While these steps have had some success, corruption persists in the KDP. The paper first reviews the forms of corruption, which is largely based on collusion to allow for budget mark-ups, bribes, and kickbacks to local officials. The stages most vulnerable to corruption are in proposal preparation; release of the funds; and implementation. The most important source of corruption was in procurement of materials. In general, however, since there are fewer steps in resource flow and decision making processes in the KDP than other projects, there is relatively less corruption.

The most important step, however, was a preventative one: to explain to the villagers their rights, and that the KDP was *their* project and *their* resources. This “rights-based” approach turned out to be a powerful tool for social mobilization and empowerment that gave villagers the confidence to challenge corrupt practices.

A more recent study (Olken 2005) finds, however, that classic external audits were more successful in uncovering corruption on roads projects in the KDP than the community participation approach. Community participation, it was found, had largely been captured by the local elites, but even when popular participation increased there was on average no

reduction in corruption. The paper argues that corruption can be measured as “missing expenditures”, and thus provides a way of getting quantitative data on a difficult subject. Olken also found that village participation was better at addressing corruption in private resource use than public resource and public goods production.

A study of community-based health sector monitoring in Uganda tells a somewhat different story (Björkman and Svensson 2007). It used a randomized experimental design with a control group, which is methodologically similar to Olken. The object was not corruption but just if more relevant information coupled with enhanced understanding of communities’ rights would improve quality of services and hence delivery results. The finding is that this is the case. What is noteworthy about this is that the project did not involve any increase in health resources, only that community action led to better performance of health staff – that is, households were willing to spend their own time addressing what is largely a public goods issue – though it did have direct health service consequences that all households would benefit from.

The study also comments on why Olken did not produce the same kinds of results. The authors believe this is because the KDP meetings were still largely dominated by local elites, and it is unclear if the other meeting participants got actionable information that would have allowed them to influence outcomes on the roads sector. Given these weaknesses, they are not surprised that the enhanced participation *per se* did not provide better results.

Microfinance Institutions (MFIs) generate funds at the centre of the organisation and then transfer loans all the way down to local households. They should thus be highly vulnerable to corruption since the transfers chain is long and with considerable transaction costs. However, through a set of tightly structured procedures and strong control from below, corruption is in fact very low. The best-known Microfinance Institution, Grameen Bank (GB) in Bangladesh, developed an approach where most costs and almost all the lending risks are in fact borne by the borrower, but where there is also full transparency and joint signing on all lending and savings transactions. GB has therefore achieved a repayment rate of 95-98%, which means that virtually no funds are lost to corruption – the losses have been where a borrower simply has not been able to repay. And this is in a country that ranks among the worst on corruption and where the formal banking sector faced major problems due to corruption and poor management.

The key explanation for this is that the funds in question all are private: the individual borrower of GB is very careful to track own savings and borrowings, and will therefore invest the time necessary to ensure that the numbers are correct. The control from below is thus largely tied to the private gains-aspect of the micro-finance transactions. However, GB members underline the importance to them of the public goods aspects of GB membership as well, which has to do with better and more structured access to information, building of relations of trust beyond the household, organisational learning and development, better access and appreciation of education etc. That is, the public goods linked with private goods, and in particular the *empowerment* that the organisational model that GB has developed, appears to have provided spill-over effects into concerns for also contributing to and monitoring the performance along the public goods dimensions.

### **Civil society and petty corruption**

A recent UNDP report on corruption in Asia and the Pacific notes that the total costs to poor families of petty corruption are in fact very high – and that aggregating all the small sums over large populations also adds up to huge sums for those extracting the bribes (UNDP, June 2008). In Bangladesh, 60% of urban households either paid money or exerted influence to get water connections, for example.

Other surveys like AfroBarometer (2006) and many of the corruption perceptions indexes note the percentage of households that claim they have had to pay bribes for favours, so the empirical basis for looking at the *extent* of corruption appears good. What is less known is what share of a household income goes to paying bribes, and what are the longer-term implications to poverty reduction because of this reduction in discretionary household income and the cost of the disincentives to engage in small-scale economic activities where there is extortion.

The UNDP report notes that while petty corruption may not appear so important since each individual amount is often so miniscule, it is this form of corruption that actually impacts directly on the daily lives and livelihoods of the poor, and thus is the form of corruption that to them matters the most.

None of the studies looked at have empirical material on the full implications of “petty” corruption at the level of the poor, but there is presumably a lot of case material in documents and reports prepared by local civil society organisations and umbrella NGOs such as *Voice* in Bangladesh or international ones like *ActionAid*, *Oxfam*, *Save the Children* and umbrella groups like *Reality of Aid* and *CIVICUS*.

### **Civil society and grand corruption**

It is known that donors have supported civil society organisations to become more involved in activities such as the Poverty Reduction Strategy Paper processes. The *International Budget Project* supports CSOs improve their ability to analyse budget documents and engage in the budget process as a means of ensuring that public resources are directed to poverty reduction objectives. The literature covered in this study has not found any conclusions regarding perceptions and results of these kinds of interventions. This is an area where it is important that studies and views by intended beneficiaries and stakeholders are identified and included, though it should probably be done on a country-specific basis because the framework conditions for non-state actors to engage appear to vary considerably from one country to another.

The ability of CSOs to engage depends to a large extent on the political space that is actually available. In more authoritarian regimes, where rent extraction is usually an important part of the power structure, this is normally systematically constrained. Here some donors have been able to assist civil society expand their reach and voice by providing *political* support rather than financial<sup>5</sup>.

### **Gender and corruption**

Swamy et al (2001) look at the gender dimension, and present evidence that (i) women are less likely to condone corruption, (ii) women managers are less involved in bribery, and (iii) countries that have greater representation of women in government or in the market have lower levels of corruption. This is based on micro-level data from the so-called World Values Surveys and an enterprise survey in Georgia as well as cross-country macro-data. These findings are in line with criminology studies that find that embezzlement per 100,000 white collar workers are higher for men than for women in all age groups, and that men have higher crime rates across age groups, countries, and type of crime. There are several theories put forward for explaining these differences, but the authors note that the data do not permit a verification of any of the theories.

### **Access to information and media**

Access to information is a key pillar in many AC strategies. Access to basic data on public finances and knowledge regarding the decisions on budget priority setting and other resource allocations are fundamental for accountability and transparency.

The access to information agenda is fairly wide. Some donors have focused their support around strengthening media as a general approach, such as training of journalists, including in particular areas like investigative journalism.

The *right* to information in the form of laws or similar is important to hold the duty-bearers in the public sector accountable. But it is actual implementation and ability of actors to demand compliance and get the information that is important. Media are often key in pursuing this avenue since they generally would have a vested interest in as broad an access to information as possible. One study presenting a multi-pronged AC strategy considers freedom of information and role of the media as two of the three most important components of civil society participation (World Bank 2000, p. xxii).

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<sup>5</sup> Denmark established an environmental programme in 1994 as a follow-up to the 1992 Rio conference. One of the key aspects was the involvement of CSOs. In Southeast Asia there was little tradition nor sympathy for that, yet Danish insistence overcame initial quite strong resistance. This was taken a step further when Denmark not only funded *Global Witness* in their logging monitoring in Cambodia but also provided political cover when this became politically controversial (Scanteam 2003).

Another issue is the nature and role of media themselves. Peters (2003) looks at the “Media Sustainability Index”, which contains five dimensions: quality of journalism; legal and regulatory environment; plurality of news sources; media’s financial sustainability; and development of media-related associations, NGOs and unions. The legal and regulatory environment, and the quality of journalism, were seen as most important for media being willing to address corruption.

But media themselves can be corrupt, lose their independence, or have an agenda that is not oriented to the common good. While reduction in state control of media has been important for increasing coverage of corruption, concentration of media ownership in the private sector stifles critical reporting. Even in highly competitive media markets like the US, the coverage of the UN-managed “Food for Oil” in Iraq with a possible USD 160,000 pay-off to a UN official got much more extensive reporting than USD 23 billion of US tax funds unaccounted for in Iraq.

In the Uganda education study, the role of media in providing information on the school grants was originally seen to be important for local communities to demand accountability. Hubbard (2007) notes that this was in fact less important than first thought, but Björkman and Svensson (2007) point out that communities both need to feel empowered to act on the information for it to be of any use, and also need information in a format that is directly relevant and understandable. Their project therefore included awareness raising on community rights as an important element, but also provided the information in a form that made it relevant to the health issues the communities were facing. The Olken study did not take this additional “information transformation and adaptation” step, which is seen as a reason the project saw no effect from popular mobilization<sup>6</sup>.

### **Findings and conclusions**

There is a growing body of literature on civil society, accountability and transparency at the level of individual, community and societal corruption. Much of this is qualitative in its assessments, but recent studies are applying more rigorous quantitative methodologies. Björkman and Svensson in Uganda and Olken in Indonesia both used randomized experimental design. But a sophisticated design cannot overcome poor conceptual understanding of the problem. If the criticism by Björkman and Svensson is correct, Olken’s findings may be *reliable* but not *valid*.

For the donors, efficiency and effectiveness of civil society demands for accountability and transparency and the resultant impact on corruption are critical issues. Most of these studies have so far been on community development itself, though some raise important questions about how good local communities have been in addressing distributional and corruption dimensions of public goods supply. What is not discussed is the extent to which non-state actors themselves may be part of the problem. Normally the issue is the role of private sector actors trying to use “state capture” to create protective barriers around own economic activities in order to extract rent or win contracts. Less is said and known about to what extent civil society actors – the presumed voice of rights holders – also engage in and benefit from large-scale corruption in neo-patrimonial political systems.

In this connection identifying the gender dimension is interesting, both because so far there is little data on gender-based consequences of corruption, but also because what little there is implies that the appearance and frequency of corruption may in part depend on gender.

Media are expected to fight for general principles of access to information and accountability of the public sector, and provide critical information to civil society. But in a situation of information overflow, what local stakeholders need and can use must be tailored to the issues they face. But having information is of little use if the communities are not aware of their rights and do not feel empowered to use the information to achieve own objectives.

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6 Zachary Karabell, in an article entitled “The Myth of Transparency” in Newsweek 7-14 July 2008, discusses the sub-prime housing loan scandal in the US, where lack of transparency is said to be a prime factor. He notes that “Transparency has come to symbolize good corporate governance... There is only one problem with this.... There’s little proof that it is actually true...Enron and Parmalat, two of the most significant examples of corporate fraud in recent memory...in both cases...disclosed massive amounts of data as required... Transparency was not the problem. Telling the truth was...(A) final uncomfortable truth: transparency has become a code word to use against non-Western companies. The veiled assumption is that Americans and Europeans have it and non-westerners don’t. Along with human rights and democracy, transparency has become another watchword that demonstrated the supposed moral superiority of the West over the rest...Enron and Parmalat are only two of hundreds of examples where the notes in one’s own eye are just as pronounced”.

An evaluation may look critically at how media address corruption, how they interact with different societal actors (government, CSOs etc). In countries like Tanzania and Kenya the role and space for critical media has clearly grown, though it may be limited to media forms that authorities consider less threatening (newspapers and magazines are read by a limited urban population).

## 2.6 Capacity Building and Organisational Development: AC Abilities

Considerable attention has been given to new initiatives for fighting corruption, as referred to earlier: national AC action plans, AC commissions and so on. Much of the support is in the form of capacity building and organisational development for these bodies, partly for preventative functions but much of the funding is also intended to support the investigation and prosecution of corrupt actors and enforcement of basic laws and regulations related to fiduciary responsibilities. However, all countries have existing institutions whose remit includes preventing or addressing problems like fraud and corruption. A number of donors such as the ADB, Sweden and the UK, provide support to bodies like supreme audit institutions, prosecutor-general's offices, the courts and national parliaments for improving their performance in these areas.

These projects generally have fairly broad capacity development objectives, for the most part with no specific reference to corruption. Focus has therefore been on their mandates which tend to be linked to Good Governance or Rule of Law. The reviews and evaluations so far seen have therefore little to say on achievements in the field of AC.

For future evaluations it may still be useful to include some capacity building case studies on existing institutions like Supreme Audit Institutions. One thing is that this would provide an insight into how such institutions function under conditions of for example neo-patrimonialism. It may begin giving some answers to the question about whether it makes sense to finance capacity development efforts under such circumstances, and what level of AC impact one might expect in the short and medium terms. This would also allow for a focused *actor analysis* as well as the issue of horizontal accountability in the public sector, and how well this works. The methodological problems of doing a Supreme Audit Institution assessment would also be considerably less than for larger systems reviews necessary for assessing support to Rule of Law efforts.

## 2.7 Summing Up and Conclusions

The literature presents great diversity in issues and approaches. To reflect this, this review was structured according to different societal dimensions: (i) political-structural analyses, focusing on *systemic* corruption, (ii) Rule of Law and its attention to *control and prosecution* of corruption, (iii) public administration and systems improvements for *preventing* corruption, (iv) extractive industries and service delivery – *public sector* corruption, (v) non-state actors and the attention to *transparency and accountability*, and (vi) capacity building and organisational development and a society's *ability* to address corruption.

The neo-patrimonialism and state capture literature point to the structural features of corruption, where Drivers of Change and Power Analyses reveal the key actors that must be borne in mind when trying to address longer-term change.

The Rule of Law approach provides an overview of the complex institutional arrangements that most countries have in place for prosecuting and enforcing AC mandates. The poor results so far are seen to be the result of several factors. Many AC interventions are based on new institutions, often established by donors, which thus neither have legitimacy nor necessarily fit well in the local context. Timeframes are too short, so expectations are unrealistic. A particular concern is how well embedded new AC norms and laws are in local society and thus when these AC initiatives will take on local credibility.

Most support may have gone to public sector and public finance management (PSR, PFM) reforms, where PFM changes have had considerably more impact than broad-based PSR. This is in part because ministries of finance have strong reasons for supporting PFM and can “own” and lead most of the reform agenda.

The “resource curse” of extractive industries is based on grand corruption largely attributed to poor accountability and transparency. Corruption in service delivery sectors like health and water may cover the entire “value chain”, from grand corruption in basic decisions, to petty corruption at the service delivery level. Analytical schemes for identifying the massive resources involved is helping disaggregate highly complex situations, but where there is need for much more detailed data.

Studies on non-state actors largely look at their role as “rights holders” and thus those who should demand accountability and transparency. The picture is certainly more nuanced when it comes to the private sector, but also non-state actors like media and CSOs need to be more critically assessed for their roles in neo-patrimonial systems in particular. It is also clear that if these actors are to play their attributed roles, access to information is not enough – education, training and empowerment in how to access and use the information is needed.

Much of AC-relevant capacity building is for public institutions for their more general roles. AC-specific objectives may hence not be included. Yet a review of such capacity building for identifiable actors like Supreme Audit Institutions, especially in a neo-patrimonial environment, may generate insight regarding AC effectiveness and impact of such support.

## 3 Analytical Approaches

This chapter presents various analytical approaches provided in the literature for understanding and evaluating anti-corruption efforts.

The first section discusses definitions of corruption and looks at some of the terminology used. The second looks at the analytical frameworks used and the theories of change that are increasing in popularity. The third section considers the challenges presented by measuring corruption and of measuring the impact of development policies that address corruption. The fourth section brings together some methodological questions that need to be addressed when designing systems for evaluating anti-corruption.

### 3.1 Definitions and Typologies

#### Definitions

The most commonly cited definition of corruption is the concise one used by the World Bank: *“The abuse of public office for private gain”* (World Bank 2006). Although corruption is often associated with the exchange of favours for bribes, the above definition includes non-monetary transactions, such as nepotism and influence peddling, and actions that don’t refer to exchanges, such as forgery and outright embezzlement.

The definition used by UNDP is more comprehensive: *“The misuse of public power, office or authority for private benefit – through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement”* (UNDP 2004).

A weakness of both the above definitions is that they limit corruption to the public sphere. The definition used by Transparency International opens up to include private sector corruption: *“The misuse of entrusted power for private gain”* (TI 2007).

Most development agencies use one of the above definitions or ones similar to them. But while the early years focused largely on the level of personalised transactions (e.g. Klitgaard 1988), it is now increasingly recognised that corruption is often a systematically ingrained political problem that transcends the individual level (e.g. Cooksey 2003, Mungiu Pippidi 2006). There is therefore a need to include this more systemic dimension of corruption and move away from the current focus on purely private gain. The suggestion here is for such a modified definition: *“The abuse of entrusted authority for illicit gain”*.

Like the World Bank and TI definitions, this one is short and clear. It can cover all transactions between actors in state and non-state spheres where the structural or positional relation between the parties may influence the outcome, but still can take account of non-transactional corruption like forgery. The expression “entrusted authority” focuses on the ability to take decisions where both parties accept the legitimacy of the *position* to do so, whether formal (“power”) or informal (custom, norm). It covers individual as well as systemic corruption under neo-patrimonial systems and state capture. The term *illicit* – “forbidden by law, rules or custom” (Oxford Concise Dictionary) – points to the fact that not all acts of corruption are necessarily illegal. But corrupt acts are clearly understood as not fair, so either information is withheld from the other party (information asymmetry is important to many forms of corruption), or the power relations are such that the other party cannot withdraw from or change the outcome of the transaction much. The focus is also on *gains*, which are understood to be financial or economic and thus in principle should be possible to operationalise and measure.

One weakness of this definition is that “abuse” may imply that this is seen as purely a personal choice outcome. As the political analyses note, however, much of the large-scale and systemic corruption is not person-dependent. It is rather an integral part of how the political

and administrative systems are structured and how the political actors therefore must act in order to ensure the continuation of the system and their own group's control of political and economic resources. This understanding of corruption has major implications for how some of the work on studying it needs to be structured.

### Typologies

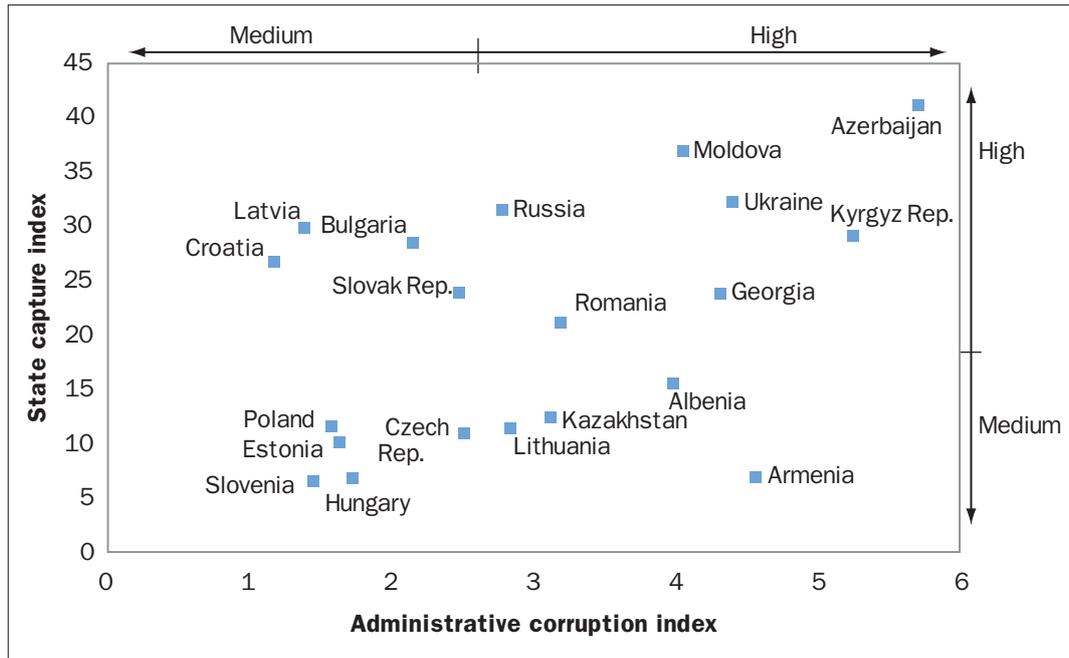
The literature distinguishes between different types of corruption, such as petty versus grand, administrative versus political (table 3). The terms petty and administrative refer to the smaller scale corruption involved in service delivery and can also refer to the type of extortion (e.g. by traffic police) or soliciting of "speed money" (e.g. customs officials). Grand corruption relates to transactions that involve larger sums of money, as for example in procurement and construction. Political corruption can refer to the same, but also encompasses what is commonly referred to as "state capture", when groups are able to influence the rules and regulations set by the state in ways that allows them to extract undue economic or political benefits. The terms, petty and bureaucratic/administrative on the one hand and grand and political on the other, are often used interchangeably.

*Table 3: Types of corruption*

Terminology		Characteristic	Sources
Need	Greed	Refers to motivation of the bribe taker	Warioba Comm. 1996
Petty	Grand	Refers to scale of the corruption	Warioba Comm. 1996
Bureaucratic	Political	Refers to context of the corruption	
Administrative	State capture	Same as above	WB 2000; Knack 2006

There are examples in the literature of the usefulness of distinguishing between different types of corruption, in terms of scale, cause, context and method. A good illustration of the usefulness of the last of the above distinctions, administrative corruption vs. state capture, is presented by the World Bank's analysis of the data from their Business Environment and Enterprise Performance Survey (BEEPS), which is based on interviews with 3,000 enterprise owners and senior managers in 22 transition countries in Central and Eastern Europe. The survey captures both personalised instances of corruption in transactions, which can be classified as administrative corruption, and experiences and perceptions of the extent to which there is collusion amounting to capture between the state and businesses. The findings, which are captured in the diagram below, give useful indications of the severity of the two types of corruption in the various countries.

Figure 1: Typology of Corruption



Source: World Bank 2000, xviii

The diagram shows a large degree of correlation between the two types of corruption. Countries like Slovenia, Estonia, Poland and Hungary have relatively low levels of corruption of both categories, while Azerbaijan, Kyrgyzstan and Ukraine score high on both. Interestingly though, not all countries lie close to the normal distribution line. Croatia and Latvia register low levels of administrative corruption but high levels of capture, while Armenia has among the highest registered levels of administrative corruption of the 22 surveyed countries, but close to the lowest level of capture. These findings would certainly suggest different strategies for different groups of countries. Programmes addressing capture would appear best suited for Croatia and Armenia, while programmes focusing on administrative corruption could be best suited for Armenia. The World Bank study does warn, however, that the data provides a static picture and that it may be more useful to look at a time series of data, where available, to see what direction a country is moving within the typology rather than the direction at any given time“ (World Bank 2000, p. xix).

As illustrated by the above example, there is value and utility in these typologies, as tools to generate more accurate analysis of the challenges and requirements for developing well-targeted anti-corruption interventions. Caution is still warranted, however, in applying these typologies in poorly understood contexts. At least two cautionary notes are in order.

First, it is important to keep in mind that the distinctions provided by the dichotomies presented above are not always clear. What may seem like small sums at the national level may be fairly substantial kickbacks at the local government or village level, as argued in a recent study on corruption in Asia (UNDP 2008). Also, if bribes are used to maintain administrative or political systems, it might not be useful to refer to them as petty or bureaucratic just because each transaction consists of relatively small sums.

The second point concerns the motivation for corruption (“need” versus “greed”). The table above shows the terminology coined by the “Presidential Commission of Enquiry into Corruption” in Tanzania, the so-called Warioba Commission. Warioba referred to petty corruption as being motivated by “need,” say a traffic police needing money to feed her family (though the empirical foundation for this causal claim, as noted above, seems increasingly dubious). Grand corruption in turn, was said to be motivated by “greed,” as in the Permanent Secretary who receives a kickback in a public tender, and uses his profit to build himself a large house. What this distinction misses is the similarities. Both acts can be seen as parts of the same system, as where the traffic police pays part of her takings to her superior from whom she also ‘bought’ her position in the first place, and the Permanent Secretary pays

the larger share of his takings to the chair of the tender committee, who in turn channels the money to the ruling party's campaign chest ahead of the upcoming elections.

These examples point to the fact that much of the corruption covered by the literature reviewed is part of a larger system, and that the distinction between petty and grand corruption is often not clear. Also, using the term "greed" to describe the motivation for so-called grand corruption misses the fact that such grand corruption maintains the system. If a political elite requires resources to maintain its power base, then it is not just greed for material gain which is the primary motivator, but the struggle to hang on to power. 'Greed' denotes an aspect of opportunism which is missing from much of the political corruption, which is systematic rather than episodic (see e.g., Hellmann et. al. 2000).

Most if not all the larger reviews reviewed for this report, conclude that context is important (e.g. Kolstad et al 2008; O'Neill et al 2007; Booth and Fritz 2008; Court et al 2007). A key dimension of this is exactly the political context. This means that the analytical tools developed to analyse corruption and to prepare anti-corruption policies and programmes may give a false sense of scientific rigour when the context in which they are applied are messy arenas of poorly understood political forces, rather than reasonably well understood systems but with some individuals selecting to engage in corrupt practices.

### 3.2 Analytical Frameworks

#### National Integrity Systems

Transparency International's (TI) National Integrity System (NIS) is one of the earliest and most influential analytic frameworks for anti-corruption. The NIS is visualised as a Greek temple where the roof of National Integrity rests on 16 "Pillars of Integrity":

Executive	Legislature
Political Parties	Electoral Commissions
Supreme Audit Institution	Judiciary
Public Service	Police and Prosecutors
Public Procurement	Ombudsman
Anti-corruption agencies	Media
Civil Society	Private Sector
Regional and Local Government	International Institutions

The pillars in turn stand on a foundation of public awareness and society's values. The acknowledged strength of this system is that it recognises that fighting corruption requires a holistic approach that engages all sectors of the state, specialised institutions and non-state actors<sup>7</sup>. In this way it has also functioned as check list for donors, who frequently use the NIS produced by national chapters of TI. These studies have provided useful analysis of the various components of a country's integrity system, although their quality has varied from country to country (Lateef 2006).

A weakness of the NIS as an analytical framework is that it does not capture well the interaction between the various institutions, all of which are copied from Western states. It is not surprising that it has appealed to the donors, however, as the clean division between various sectors and partner institutions fits well with the donors' own views of what needs to be done. A different way of viewing the pillars would be as the stovepipes of the donors' predominantly vertical programmes. Examples of these are Public Service Reforms, Public Financial Management Reforms and Local Government Reforms, all of which tend to have parallel programmes of implementation through the various levels of government from the national to the local. The absence of horizontal linkages at each level is not very visible to donor officials who are concerned with their own sector portfolios.

<sup>7</sup> The original NIS had eleven pillars, which are still often reproduced in depictions of the system as a Greek temple. The new "pillars" are Political Parties, Electoral Commissions, Police and Prosecutors, Public Procurement and Regional and Local Government. See [http://www.transparency.org/policy\\_research/nis](http://www.transparency.org/policy_research/nis) for more information on NIS.

So although the NIS provides a holistic framework in the sense that it captures the *actors* that are necessary to strengthen integrity, it does little in the way of capturing the *processes* of interaction between the actors and the dynamics of change in the way societal norms of integrity are formed and upheld (see Sampford et al 2005, cited in Lateef 2006). Instead it invites the evaluation of separate components of the integrity systems. This, in turn, provides the basis or rationale for setting up capacity strengthening programmes to individual components. The view of change conveyed by this approach is a positivistic one, where one strengthens integrity by strengthening all the pillars.

The view that “capacity building leads to change” runs a serious risk of missing out on the political dimension of change. Development is about change and the development of a country’s governance system is about the change in the way that a state operates and of the fundamental relationships between a people and its administrators and rulers. The issue of power and politics is at the core of this process. The governance and anti-corruption agenda and literature frequently advocates for empowerment of the people, the poor and the disempowered. One issue which is usually not addressed is that empowerment is largely a zero-sum game, where empowering one group entails that its relative ability to influence decisions increases. This relative increase must by definition mean that somebody else’s power is reduced. This presents contradictions for the donors who generally work together with the country’s governing elite to define and implement the reform agenda which in fact is trying to reduce at least parts of the relative power of this same elite. This may be a particular problem in the field of anti-corruption (Mungiu-Pippidi 2006).

### **Applying theories of change**

The challenge for someone who would like to evaluate the success of a large anti-corruption programme in a so-called transition country is obvious. Even if the programme is very well designed and executed, it is not unlikely that corruption will get worse even within the priority areas of the programme. This would suggest that any evaluation of anti-corruption programmes would need to be fully cognizant of the national historic and political context.

Mention should also be made of the sector specific analytical framework for AC that is presented in the literature. Many of the more prescriptive volumes reviewed provide detailed analytical breakdowns of chains of transactions or value chains, showing where they are vulnerable to corruption and suggesting ways in which to strengthen protection against corruption (see for example Stålgren 2006 for water and Vian 2008 for health). Although there is no question that this type of analysis can be useful for policy makers who seek to build stronger systems and for donors who want to design more robust projects and programmes, it still needs to be pointed out that these detailed and seemingly comprehensive diagrams generally fail to capture the political context.

The analytical frameworks reviewed are still in flux, and it could therefore be useful to look at how the recent fashion for political economy analysis or theories of change are informing donor policy.

A Sida study on its experiences with adapting the Power Analysis methodology made the following observation in its experience in Tanzania that following the Power Analysis: “there is now an increasingly shared position among both Tanzanians and development partners that power matters in development efforts, and thus a need to understand how it matters: how power is structured, exercised, and controlled; the role that power plays in setting national agendas; formulating and implementing policy as well as the legacy it leaves among citizens” (Sida 2006, p. 9).

But what does this mean? In Tanzania there was a simultaneous launching of Sida’s *Power Analysis*, DFID’s three *Drivers of Change* studies and the World Bank’s *Political Economy Study*. There is no evidence of any systematic follow up of the findings of any of the studies apart from high level discussions, there was no concrete plan in place at the time for how the studies would be followed up, and as far as is known there has been no follow up study to date. So while these studies may have attempted to map the political economy of change, they have not been seen as a tool for documenting *change*, as this is something one-off studies cannot do.

When it comes to “internalising” and following up on the Power and Drivers of Change analyses, it becomes evident that donors feel keenly a constraint of human resources. As observed in the Sida review, “Finally, as regards process, it remains to create clearer *incentives for staff* to plan and implement power analysis. A critical mass of qualified staff and management is critical. It is hoped that this compilation of value added and lessons learned may contribute to making the use of power analysis even more attractive” (Sida 2006, p. 11).

A wider review of Power and Drivers of Change Analyses concluded that “There is some evidence of positive impact on country strategies and programmes, especially at sector level, but their operational implications are often limited” (Dahl-Østergaard et al 2005). This also points to the problem of ‘What next?’ Leftwich, in his reviews of the Drivers of Change studies (DOC), notes that “these DOC studies, full and informative as they are, thus take us to a point where new work needs to begin, especially in defining, developing and deploying the concepts and theories which might reveal more fully the opportunities for change, the potential internal agents and oppositions, and hence where and how external agents might be able to act. A more comprehensive view of the politics and paths of development is needed” (Leftwich 2006, p. 22). It is relevant to note that the latest addition on the DFID’s web pages dedicated to DOC studies is dated 2006. According to people involved, there has been little follow up on the DOC process since the reviews conducted by Leftwich in 2006.

### 3.3 Governance and Indicators

The measurement of corruption and governance is one of the key challenges faced by donors in evaluating anti-corruption approaches. This is also an area where great strides have been made in the years since anti-corruption became a donor priority. There is an increasing number of governance and corruption indicators being produced.

#### Indicators

The best known are TI’s *Corruption Perceptions Index* (CPI) and the World Bank Institute’s *World Governance Indicators* (WGI). The WGI divides governance into six areas, one of which is *Control of Corruption*. Both the CPI and the WGI are composite indices, based on averages in the case of the CPI and weighted averages when it comes to the COC, of a large number of surveys that mainly refer to perceptions of levels of corruption. These indices have been produced for over ten years and are thus quite well established, the latest versions covering 180 countries in the case of the CPI and 212 in the case of the COC.

Table A.4 provides an overview of seven of the most commonly used indices related to corruption analyses, with the COC and CPI at the top. Three of these are produced by or for the business community. One is the World Economic Forum’s *Corruption Index*, based on a survey of over 11,000 business leaders and entrepreneurs. TI used the same informant base for the most recent version of its *Bribe Payers Index* that shows the propensity of foreign businesses to bribe when they work abroad. This covers companies from 30 different countries. The Political Risk Service group, a private firm, publishes its *International Country Risk Guide* covering 140 countries. This is also a weighted average of three underlying indices, but is prepared by its own staff rather than through external surveys.

Other indices that are based on internal assessments rather than surveys of informant groups are the World Bank’s *Country Policy and Institutional Assessment* (CPIA), Global Integrity’s *Global Integrity Report*, and the International Budget Project’s *Open Budget Index* (this latter is not included in table 5.2 since the UNDP report which the table is based on did not include it – see [www.openbudgetindex.org](http://www.openbudgetindex.org)). These indices are all premised on having some clearly identified dimensions or variables that are to be monitored with pre-defined “objective” criteria for assigning ratings, much like the Public Expenditure and Financial Accountability (PEFA) indicators do for the Public Financial Management assessments. The CPIA is put together by World Bank staff primarily as an exercise required by their internal “performance driven resource allocation” process, in order to decide, on the margin, if a given IDA country should receive more or less funding compared with the base allocations they are entitled to. The other two indices, however, are prepared by independent groups in the countries themselves, rating their government’s performance according to the same set of criteria across countries. In the case of the *Global Integrity Index* this is largely done by social scientists or investigative journalists, while the *Open Budget Index* is often done by NGOs (though in the

case of Norway it was done by a private firm, for example). Both of these indices include industrialised countries, which allows for a more interesting discussion both about methodology but also substantive concerns regarding the kinds and causes of corruption that are common across groups of countries.

Both the CPI and COC indicators are normally presented in tables that rank countries' performances relative to each other. This is done despite the fact that both institutions that publish these ratings – the World Bank and Transparency International – are very conscious of the fact that cross-territorial comparisons based on in-country subjective perceptions are problematic at best. But this has been the most popular and most powerful use of indices, to tell “how bad corruption is” in a country. Year on year changes *within* a country also attract considerable attention, and this is by and large a safer comparison to make.

The donors have found the indices to be useful in their own assessments of the state of corruption and governance in partner countries. There is little doubt that the rankings provided by the CPI and COC indicators exert influence on donors' decisions on how much aid to allocate to certain countries and in what form. This is particularly the case in relation to budget support. The US has gone furthest in the use of the indices, by making the ranking on the COC a hard conditionality for its *Millennium Challenge Account* (MCA), a fairly recent aid instrument that allocates large grants to countries that fulfil certain governance performance criteria. A country will only be considered for MCA support if they score in the top half in the region on the COC. It may be relevant to note in this connection that the WBI objected to their rankings being used in this way, arguing that it failed to take into account the considerable margins of error.

The influence, stated or not, that the indicators are having on donors' funding decisions has helped fuel a considerable debate around the measurements provided by the indices, where the COC has attracted the most attention (Knack 2006; Kraay and Mastruzzi 2007; Iqbal and Shah 2008; Devarajan 2008; and Kaufmann and Kraay 2008).

### **Problems with Indicators: Reliability**

The criticism of the indicators can largely be seen to centre around two issues: the accuracy of the measurement (*reliability*), and if they in fact provide a fair representation of what it is they are intended to measure (*validity*).

The debate on the accuracy of the data touches on a number of factors. The methodology to aggregate large number of data sets in order to improve the accuracy of rankings has been called into question. Iqbal and Shah, for example, argue that when the quality of the primary data is questionable, the benefits of aggregating many sources is uncertain. They also observe that interdependence between the data sets also means that there may be limited benefits realised by aggregating several data sets.

The comparability of data between countries can be compromised by this same bias of respondents since a large number of surveys are built on responses from expatriate business executives, and differences in the composition of the informant groups between countries may mean that one is comparing apples with oranges.

Table 4: Corruption-related Indicators/Indices

Indicator/index	Survey informants	Available for years	Countries	Scope
Control of Corruption Index (COC) (1)	Business leaders, opinion of general public and assessments by country analysts	1996,1998, 2000, 2002 to 2006	212 countries and territories in 2006	The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests
Corruption Perceptions Index (CPI) (2)	Business leaders, and assessments by country analysts	1995 to 2007	180 countries in 2007	CPI asks questions that relate to the misuse of public power for private benefit (bribery of public officials, kickbacks in public procurement, etc) or questions that probe the strength of AC policies, thereby encompassing both administrative and political corruption.
ICRG Corruption Risk Scores (3)	Assessments by staff	1984 to 2006	140 countries in 2006	Potential corruption risks to international business operations that include actual and potential corruption in the form of excessive patronage, nepotism, job reservations, “favour for favours”, secret party funding and suspiciously close ties between politics and business.
Corruption Index (4)	Executive opinion survey of over 11,000 business leaders and entrepreneurs	Yearly 1996 – 2007/08	131 economies in 2007/08	To the extent that corruption affects business (bribes for import and export permits, bribes for getting connected with public utilities, bribes in connection with annual tax payments).
Global Integrity Report (5)	Based on independent social scientists and investigative journalists	2006, 2007	76 countries in 2007	The index measures the existence and effectiveness of practices that prevent corruption
Bribe Payers Index (6)	11,200 business executives from 125 countries.	1999, 2002 and 2006	Ranks 30 exporting countries in 2006	Asked two questions about the business practices of foreign firms operating in their country (part of World Economic Forum’s Executive Opinion Survey 2006). Captures supply side of corruption – the propensity of firms from industrialized countries to bribe when operating abroad
Country Policy and Institutional Assessment (CPIA) (7)	Expert rating (World Bank staff)	Annual, latest is 2006	All IDA eligible countries, 77 in 2006	Transparency, accountability and corruption in the public sector, primarily used to link to IDA resource allocation

(1): World Bank, [info.worldbank.org/governance/](http://info.worldbank.org/governance/); (2) Transparency International, [www.transparency.org](http://www.transparency.org); (3) the Political Risk Service group, [www.prsgroup.com](http://www.prsgroup.com); (4) World Economic Forum, [www.weforum.org](http://www.weforum.org); (5) Global Integrity, [www.globalintegrity.org](http://www.globalintegrity.org); (6) Transparency International; (7) World Bank.

Source: Asia-Pacific Human Development Report, UNDP (2008), pp. 222-223.

Tracking development over time is problematic as respondents are influenced by extraneous factors, e.g. economic performance; changes in expert ratings often reflect correction of past interpretations rather than recent changes in the situation on the ground. There is furthermore the danger of “information contamination”: if the public debate on corruption is increasing and there is therefore more attention to the subject, informants’ opinions may be that there is now more corruption since it is being talked about a lot more, but the actual levels of

corruption may be the same or even lower than previously – the link between the subjectively perceived and objective reality, at least in the short- to medium-term, may not be very strong.

The above points and others have been answered by Kaufmann and Kraay, who vigorously defend their methodology of generating comparable measurements of governance and corruption (2008). Much of the debate on the accuracy of the data, and in particular Kaufmann and Kraay's defence, relies on sophisticated econometrics being able to overcome some of the problems of the underlying data, in part by being able to "wash out" random "noise". While the econometrics of doing so presumably are correct, the larger question remains if the data truly reflect the social reality they are supposed to measure.

### **Problems with indicators: validity**

More relevant to the discussion of this report than the reliability discussion above is thus the debate on what the indicators measure – the validity. One point in particular is the dominant use of the indicators as 'one-dimensional' comparators of the state of corruption or overall governance. Donors tend to refer to the aggregate score, whether for the COC or the CPI, without any further reference to the underlying data. This may be useful as an assessment of "how bad" corruption in a country is, though all the above criticisms of the accuracy of data apply. But such a uni-dimensional indicator is much less useful as a measure of what the governance problems are within the country in question.

Perhaps the debate is best summed up by the World Bank's Independent Evaluation Group's latest evaluation, "Doing Business: Taking the Measure of the World Bank-IFC *Doing Business* Indicators" (June 2008). It makes a damning indictment of the entire "*Doing Business*" indicator system when it notes that "the data are provided by few informants, with some data points for a country generated by just one or two firms" – that is, reliability is poor. Further, "*Doing Business* makes much of its country rankings. The rankings entail ... weaknesses. First, because most of the indicators presume that less regulation is better, it is difficult to tell whether the top-ranked countries have good and efficient regulation or simply inadequate regulation" – that is, validity is questionable, and perhaps to a large extent driven exactly by the kind of subjectivity and ideology that many developing countries accuse the donor community of: a single-minded focus on (in this case rather conservative) neo-liberal market-based societal models as the implicit ideal.

### **Improving relevance?**

Knack (2006) argues that the focus on aggregate scores is misplaced, as he sees more analytical and practical value in looking at the scores of the individual indicators. The recent contribution to this debate by Iqbal and Shah (2008) provides some particularly stimulating arguments, insights and suggestions. They go beyond the econometrics and look into some interesting details of the methodologies and findings of the WGI.

Their main argument is that the WGI is not built on a satisfying conceptual framework of governance. Much more weight is given to Western business perceptions than citizens' perceptions of quality of life. Examples are also given of a seemingly arbitrary collection of indicators that appears to be largely driven by which information is available.

They argue that the data provide a poor basis for comparing the state of governance in different countries due to differences in data sets, and differences in the appropriateness for many of the questions to different country's systems of governance. As examples of what can happen when using data in this way, they cite some of the statistical readings in the WGI. According to the WGI, Botswana is more politically stable than Norway or Sweden, and India is less politically stable than Rwanda and Sierra Leone. The WGI also shows that the state of Voice and Accountability is better in Zimbabwe than in China.

They believe that there is a need to shift the focus to *governance outcomes*. They propose a definition of governance as "all aspects of the exercise of authority through formal and informal institutions in the management of the resource endowment of the state. The quality of governance is thus determined by the impact of this exercise of power on the quality of life enjoyed by its citizens" (2008, pp. 4-5). They conclude by proposing a five-step methodology to generate more comparable indicators:

1. Build a consensus on conceptual framework that captures critical aspects of governance outcomes that are shared almost universally;
2. Identify a small group of key indicators that capture governance outcomes that matter most. The weights of these indicators should reflect their relative importance in determining governance quality;
3. Citizens in all countries should be surveyed using a stratified random sample and a uniform questionnaire consistent with key indicators;
4. This survey work could be supplemented by objective country based economic and social indicators that capture the quality of life of citizens;
5. If there is a need for an external perspective, then the methodology of assessment and names and credentials of the outside experts along with their judgments should be made public and open to scrutiny.

Such a citizens-centred approach on governance outcomes may be a better way of generating comparative data between countries. One question is, however, how much effort should go into improving cross-country reliability, or if actors should instead focus on improving in-country data but which capture a wider range of issues that are seen as important for designing AC interventions and tracking their results.

### **Ratings and rankings**

The literature on the indicators is dominated by discussions on the rankings. As stated above, this is also a good reflection of the way in which donors use the indicators provided by the COC and CPI. It is striking how few attempts there are to look in more detail at what the available indicators say about corruption and governance within a country.

In Tanzania, for example, the COC is based on 14 sources, ranging from the AfroBarometer, which is based on a questionnaire administered to citizens by a national research institution, to the Global Competitiveness Report, which is based on interviews with international business executives in a survey conducted for the World Economic Forum. The COC is generated from a weighted average of the 14 sources.

In the 2006 rankings published by the World Bank Institute, Tanzania COC score was for the first time above the median for its region. As a consequence of this positive development, Tanzania qualified for the Millennium Challenge Account, which brought about a grant of more than USD 700 million. Under such circumstances, it is not surprising that ratings and rankings are seen as important.

There is, on the other hand, a big difference between using indicators as an on-off switch and using indicators substantially to inform the policy process in a country. In Tanzania, there have been very few attempts at looking “under the hood” of the corruption indicators to see what the rich source of data actually can yield. One recent analysis of disaggregated COC data in Tanzania is provided by Brian Cooksey (2007). He looks at the various data sets that show the varying aspects of petty corruption, grand corruption, political corruption, money laundering and diversion of funds (he leaves out nepotism, extortion, patronage and collusive networks). He contrasts the apparent improvement in the corruption indicators with the publicly reported escalation in grand corruption scandals, and argues that the COC is built on incompatible sources and that there are large information gaps that have not been recognised. His conclusion is that the COC, despite its high profile, does not provide empirical data that contribute constructively to the policy debate in Tanzania: *“Until we begin to bridge the gap between (1) the often confused, confusing or meaningless numbers that we are invited to take as a close reflection of an underlying reality, and directions of change, and (2) that underlying reality and directions of change themselves, in all their messy, noisy empirical complexity, then we will never be able to engage in a meaningful debate on how best to proceed in combating corruption”* (Cooksey 2007, 14).

This connects with Knack’s argument, cited above, that composite indicators often obscure as much as they reveal, as they cannot be linked to any one actionable policy area. If, for example, there is a suggested improvement in corruption in service delivery, but an increase in political corruption, a composite indicator may show that, on average, things are unchanged.

Cooksey's point is also that generation of indicators should be seen as part of a process. Meaningful indicators that capture the public's attention can be likely to stimulate demand for change and provide incentives for change. There are a number of good examples of where national NGOs have designed surveys that capture citizen's perceptions and experiences of different sections of the state.

The Public Affairs Centre in Bangalore, India, pioneered the now famous Report Card methodology, which surveyed citizens, asking them questions relating to their experiences with different public bodies. They used this data to rank the citizen's satisfaction of different public services, and the findings were given wide coverage in the press. This not only provided useful indicators to the municipality on where there were problems, but also put forth considerable incentives for services to improve, due to the high publicity the annual rankings were generating (Ramkumar 2007).

Another example is the Urban Bribery Index developed by Transparency International's Kenya chapter. It surveyed citizens in different municipalities on their actual experiences of corruption. This data was used to prepare a ranking of services, utilities and municipal authorities according to the amount and frequency of bribes that citizens had reported paying to them (see [www.tikenya.org/documents](http://www.tikenya.org/documents)). Like in the Bangalore Report Cards example, this provided valuable information to the authorities and focused demands for improvement on the poor performers.

### 3.4 Summing Up and Conclusions

A modified definition of corruption as "The abuse of entrusted authority for illicit gain" seems to capture the complex and often highly political nature of corruption. From this follows also the general conclusion that *context* is critical to understanding the sources and scope of corruption in a given country.

Various typologies are used to describe corruption: petty versus grand, bureaucratic versus political etc. These may help classify forms and scope of corruption, but do not represent an analytical scheme. The National Integrity Systems is an approach many actors use. It has a good institutional focus, but is missing the dynamic interaction between actors, and the political dimension behind neo-patrimonial and state capture situations.

Drivers of Change and Power studies are important new analytical tools, but donors do not seem to be using these to plan, implement and evaluate their Anti-Corruption interventions.

In order to measure better, much effort has gone into generating an array of corruption indicators. They are based on informants' *perceptions* or more *factual* data, surveying different informant groups or based on expert assessments. Most are composite indices of underlying variables, often aggregated into a single summary figure that is often used to compare across countries or over time. This use of the indicators is highly contested. Nationally generated initiatives such as the Bangalore Report Cards and TI Kenya's Urban Bribery Index have been more successful in providing incentives for change and connecting with the local context. Furthermore, while important gaps remain in the data and indicators collected, many countries have rich sets of data, but it is striking how little this is being used. The literature provides few examples of using the data for in-depth country analysis.

Debates on the corruption indicators address their relevance, validity and reliability. A key issue is to clarify what in fact actors want to measure, since there are reasons for focusing on *governance* rather than *corruption*. There are questions regarding how to account for context when assessing corruption; lack of agreement on operational dimensions and which variables should be used to measure; serious methodological challenges regarding aggregation, the use of subjective perceptions versus hard data and the costs of getting this kind of information; and the appropriate timeframe: findings of failure may reflect unrealistic expectations due to incorrect analyses based on poor causal methodology.

## 4 Looking Ahead

This chapter looks at the lessons learned concerning both the contents and methodology dimensions regarding AC analyses before reviewing some possible knowledge gaps.

### 4.1 Lessons Learned and Questions Remaining

The major theme in the literature is that donor-funded AC interventions have not lived up to expectations. Some of these conclusions are undoubtedly valid, but there may also be some other reasons for this apparent consensus.

#### **Political and societal dimensions**

At the overarching level, national AC strategies and organisations have by and large not succeeded. Donors have supported such interventions in countries where corruption is seen as a big problem yet they do not seem to understand the structural (neo-patrimonial) nature of the state. Regimes may therefore formally have agreed to AC activities but not actually supported them. Failure is thus largely a result of the mismatch between the technocratic approaches and the political nature of the issue (Hussmann 2007, Shah and Shacter 2004, Kaufmann 2005). Where AC commissions have succeeded in prosecuting large corruption cases, it usually has been as part of a regime's attacks on its enemies (Doig et. al. 2005, Heilbrunn 2004, Mungiu-Pippidi 2006).

Is lack of analytical rigour and understanding of the situation the main problem, or would improved knowledge still not make it easier to find better ways of intervening? From the discussions at the beginning of this decade of why donor conditionalities by and large failed, the main conclusion was that donors have little influence when regimes believe that adapting and implementing new policies are not in their own best interests: external actors have little impact on *political will*.

Studies hence need to identify better the concerns and incentives for continuity and change in a given context. Even though neo-patrimonial regimes may be dominant in many poor regions, there are numerous permutations. New analytical instruments such as Drivers of Change studies may help produce a more realistic picture and thus point to better approaches even at the level of overarching AC interventions. These questions are probably better addressed through longer-term research efforts than one-off evaluations, however.

An evaluation or study could, however, document what is known about the governance systems in the countries to be covered, and try to identify what are seen as causes for possible successes and failures of AC interventions at this level.

#### **Rule of Law: control and prosecution**

Rule of Law addresses longer-term institutional developments in a country – not just the capacities of individual organisations, like Supreme Audit Institutions, but the relations between them and the legitimacy of their functions. Donors by and large do not have a holistic and realistic understanding of the larger Rule of Law picture, and often resort to introducing new bodies rather than strengthening existing organisations and systems.

Taking an enforcement approach based on AC laws has been seen to fail unless the state is strong, legitimate, and has the resources to pursue what are often time- and skills-demanding cases. These framework conditions are by and large absent in poor partner countries.

While Rule of Law organisations may largely be integrated and part of neo-patrimonial systems, they have a legitimacy and role that goes beyond regime type. The question is at what point it is meaningful to strengthen a body and system that under an existing regime primarily functions to protect and defend corrupt practices. The trade-off between general

capacity development – a long-term and costly undertaking that, however, will only succeed if the parties stay the course – and political performance under differing political systems appears once again a subject for longer-term research attention.

An evaluation or study could produce a mapping of the Rule of Law system in the countries, identify activities undertaken to strengthen the various parts, and assess to what extent they are successful, and in particular appear to be relevant from a longer-term AC perspective. This, however, is a major task that will require substantial resources.

### **Prevention through public administration and systems reforms**

Addressing AC through prevention rather than prosecution is a general recommendation in numerous studies. Public Sector Reform (PSR) and Public Financial Management (PFM) reforms have this as one of their objectives, where PFM reforms by and large are seen as more successful than PSR activities.

PFM reforms have tended to focus on those parts that are the direct responsibilities of ministries of finance, while wider PFM systems – in line ministries and lower administrative levels – have so far been given less attention.

While these are critical issues for any AC evaluation, they are usually addressed jointly with the international financial institutions, since these are seen to have a comparative advantage in these fields.

### **Sector corruption**

What could be termed “sector corruption” may perhaps be the most important form. This is where “grand corruption” takes place through the specific agreements linked to extractive industries, or through allocations and contracts for large-scale infrastructure programs in key service delivery sectors. This is also where rent is extracted from consumers and small businesses at the point of service delivery. It is also at this level that individuals actually can be held accountable for their decisions and actions.

Donors seem so far to have paid insufficient attention to the issues at sector level. The exception is the increasing focus on the problems surrounding extractive industries, but even there action remains fairly sporadic and uncoordinated.

For the future, having a sector focus may help make the exercise concrete and at the same time generate relevant information on how exactly corruption works and how it affects different stakeholder groups. One could review one or two sectors, using tools such as the “value chain” approach to identify points vulnerable to corruption, and at these points identify the levels and forms that corruption takes.

### **Non-state actors**

There are three main sets of non-state actors normally looked at: civil society organisations, the media, and the private sector. The literature looked at has had little to say about the private sector except as an important informant source for corruption indices (this is one of the weaknesses of this bibliography that should be corrected for in the future).

As far as civil society and media are concerned, the literature by and large treats these actors as “the good guys” and important for strengthening accountability and transparency. There does seem to be a fair amount of naivety regarding the actual ability and commitment to play these roles well, however, and thus also a lack of realism in terms of the support required for civil society actors to really take on this task with any impact. Steps like access to information are important, but actors need the capacity to both understand and critically assess the veracity of information provided – which are time and skills intensive activities, and thus require considerable external support. There is a need to understand better the extent to which civil society actors have the right incentives to pursue public goods provision and corruption that takes place in this connection. In general, there needs to be a lot more realism on the side of the donors regarding the time, funding and skills inputs that are required to provide the kinds of organisational capacity development needed. The experience from donor support to CSOs in fragile states situations is particularly poor: donors tend to have short time-horizons, with a

project focus, rather than thinking long-term accountability-strengthening exactly under conditions where weak states provide ample opportunities for massive corruption – which clearly is happening in many instances (Scanteam 2008a). There is furthermore a lack of realism when it comes to what kinds of capacity should be built and that this is likely to take many years for any kind of sustainable own capacity to be in place (Scanteam 2008b). This presumably is even more the case when a civil society actor is expected to actually confront the resources of the state with advocacy based on independent documentation and assessments.

### **Capacity development**

The issues here are classic organisational development questions: how clear were the original objectives, was there a baseline against which progress can be measured, what has been achieved so far, and what specifically was expected as far as AC was concerned. Regarding the latter, this could be implicit as well as explicit, as long as the objectives have formulations that are operational and can be related to a larger AC agenda.

The capacity development issue can be addressed by looking at one (or more) institutions that are important to the Rule of Law. One logical proposal is to focus on a country's supreme audit institution since the roles, responsibilities and structures of these are generally recognizable across countries. This is furthermore an institution that a number of donors have supported in a range of different situations. It should both be familiar and represent an important pillar donors wish to aid.

## **4.2 Methodological Challenges**

There are a wide range of methodological challenges that have been noted in the literature and which any evaluation will need to take into consideration for the design and implementation of the exercise:

- *Operational Context:* One common theme in literature is that context is important. While the international community now has better instruments for understanding context – Drivers of Change and Political Analyses in particular – it has so far proven difficult to apply the insights into the formulation of new AC programmes and activities. It is not clear from the literature if the problems are conceptual and methodological, or more a question of having the right skills and sufficient time to walk through the revision and planning process properly.
- *Measure corruption or governance?* There is a need for greater clarity on what it is that the international community wants to track when it refers to results of AC interventions. While the definition of corruption may be better now, it remains multi-faceted, and corruption remains a “closed box” that is going to be difficult to open and measure. Some have argued that instead of trying to measure corruption (or reduction in corruption levels) directly, one should focus on governance, both as an indirect measure but also as the more important issue. This would also make it easier to capture the wider range of activities that donors are funding that do not have explicit AC objectives but which donors and others agree are important for reducing corruption. These tend to be linked to good governance concepts, and at least at the results level are easier to capture in this way.
- *Measuring social “bads” versus “goods”?* Linked to this is the issue of whether it makes most sense to try to measure the reduction in a social “bad” – corruption – or if one is more likely to get the information needed and thus better data if one is looking for a public “good”, like improved governance. The additional costs of trying to measure the stated objectives directly may become high.
- *Validity I:* This still leaves the issue of what exactly the expected results are that should be monitored – the validity issue. The efforts that have gone into developing new and better indicators have led to a wider range of concepts and measurable variables. The experiences with collecting and analysing data have also led to a better understanding of what it is that we in fact are looking at, and what we have not been good at capturing. But the literature makes it clear that there is still some way to go before (i) all the key dimensions of corruption have been operationally defined, and (ii) there is agreement on which variables should be used to measure them.
- *Validity II:* Most corruption measures are composites of various indirect indicators or measures of corruption along different dimensions (occurrences in different sectors, different ways in which corruption manifests itself, etc). Aggregating a number of such

sub-components, often with differentiated weights, requires (i) that there is great rigour and logical clarity in each and every linkage, (ii) there should be empirical estimates justifying the weights – whether these are equal or differentiated – accorded the different sub-components; (iii) there must be independence of information sources for the different sub-components, otherwise the assumed aggregation weights are distorted. What the literature shows is that in most cases none of these requirements are met, so more work is required to ensure that we measure what we want – and understand what the numbers mean that we are looking at.

- *Validity for Accountability*: Actors use the aggregate measures to compare across countries, but some studies note that there is more variation *within* population than *across* populations, a finding in line with much of the general literature on social phenomena. Particularly for the donors and AC programme design, an aggregate national index number is useless. When looking at validity, the methodological challenge thus is to identify those key dimensions of corruption in that particular country context that identifiable actors can be held accountable for improving.
- *Reliability of Perceptions*: Which role should perceptions play in tracking corruption? Information on informants’ subjective views on an issue that often contains strong emotive components poses particular challenges, both in formulating the questions and in recording the data. There are potential “contamination” sources that may generate volatility in the answers from one period to another, or from one place to another, that may have little to do with actual levels and forms of corruption. On the other hand, perceptions are powerful forces in society, so if one wants to measure *perceptions* and not necessarily claim strong links to *reality*, there is no problem. In most cases, however, the perception indices are used to say something about the underlying social reality, and this link is not always equally well documented.
- *Reliability of Facts*: If one wishes to move more towards “hard facts” – actual values of corrupt transactions, frequency, relative costs etc – this requires great care and may require more skills. The reliability of the answers provided will need to be reviewed, in part as a function of the larger incentive environment (what are the penalties honest respondents will face if discovered, etc?). So moving from subjective perceptions to objective facts may not always provide more reliable data given the sensitivities that surround the subject.
- *Reliability of Corrupt Informants*: There is a shame and reluctance to admit that oneself has engaged in corrupt activities. There is sometimes an unspoken assumption that corrupt individuals are “the others” while the informants are the objective observers and victims of corruption. The tendency among informants is to hide own corrupt practices and thus bias the overall information, generating an unknown error term as far as reliability of estimates are concerned.
- *Timeframe*: Over what time period does one expect to see results? This requires some understanding of how AC activities are expected to work their way “through the system”. Those who benefit from current corrupt practices have a number of power levers that can be used to block or distort the workings of AC interventions. Methodologically this requires both an understanding of the more complex power and resource flows and decision points in a system (such as done in Drivers of Change and Power Analyses), but also some feel for the time lags that are likely to occur. Proclaiming failure too early may be a result of incorrect analysis based on poor methodology.

### 4.3 Some Knowledge Gaps

There are a number of information gaps that are apparent in the literature – some because they do not seem to have been addressed, others because this review team may not have identified the appropriate studies.

- *Modalities and channels*: Donor support is provided in a number of different ways. It can strengthen the “software” side of AC by promoting knowledge and organisational know-how through technical assistance, twinning, training and education, salary support, and knowledge and information sharing. It can support the “hardware” of AC work by providing infrastructure and equipment – a support modality that is beginning to come back in vogue again. It can assist through financial support. And particularly in fragile states situations, donors often pool funds through mechanisms like multi-donor trust funds (MDTFs) administered by a multilateral agency. There is little knowledge about the effects of these alternative modalities. Because AC has so much to do with knowledge, attitudes and empowerment, presumably the “software” side merit particular attention, while the

tendency by donors has been to choose modalities that are administratively cheap, by simply providing funding. MDTFs are also a modality that may have some interesting aspects because of the pooling of resources and the need for harmonization and alignment this entails, but also the opportunities for joining up donor knowledge resources better.

- *Political parties and elections:* A key aspect of good governance, in the model that Western donors tend to promulgate, is multi-party free elections. The international community has been willing to fund quite costly elections in a number of countries – but by and large does not fund the continuing costs of a multi-party system. Just as there is a lot of naivety when it comes to what it takes and how much it costs to ensure that civil society has the capacity to fulfil its accountability functions, there seems to be little concern or awareness about what it actually takes to ensure that a multi-party system functions over time, and not just as a formality during election time. As long as there is no clear funding model and burden sharing regarding this, many poor countries do not see alternative funding mechanisms for establishing and maintaining political parties and their machineries except for rent extraction. While political parties in many countries clearly are bloated favour-buying bodies, there is little that can be done to address this unless and until the political system and its constituent parties have a more transparent yet realistic and sustainable funding in place (and even then Western donors often do not have a lot of “best practices” themselves to point to).
- *Corruption and incentives:* It is recognized that change in behaviour will depend on a change in the incentive environment. But one of the key dimensions here is the interplay between the individual and the structural. The notion that “petty corruption” is a function of “need” does not seem to be borne out, as noted above, particularly if one tries to link levels of corruption with levels of poverty – presumably the foundation for “need”. But this relation seems to be one of the most popular notions, and thus merits more attention. If, on the other hand, individual graft is more a function of the larger system such as neo-patrimonial, then this also needs to be understood better, in part to see how much leeway an individual in fact does have.
- *Knowledge – Attitude – Practice:* Typically the most difficult challenge development interventions have is transforming new knowledge (“this is what corruption is and does”) into new attitudes (“corruption is bad”) and from there to new behaviour or practices (“I will no longer engage in corrupt practices”). The last step in particular is a very slow and cumbersome process that over time has to be ingrained in local norms and culture to stick. Once in place, that norm has to be continuously reproduced. There seem to be examples of such transformations being possible – most individuals realise that corruption is wrong – but the literature talks very little about this, and there are few studies about how this can be brought about, under what circumstances, at what levels, and what the best instruments for doing so are. Yet at the end of the day, while the systemic analysis of corruption has laid bare some of the key structural features and mechanisms, corruption is still an act that requires individual decisions by identifiable persons at particular decision and interaction points. It therefore has to do with how individuals actually behave – and the incentive field including morals, relations, positions, and power seems poorly understood.
- *International actors:* The literature indicates that the donors themselves may not always be as knowledgeable as they should be, and that in particular they do not have a coherent approach to corruption. There is considerable cynicism about donors making a lot of speeches but very unwilling to take the confrontation in a country or on an activity if they fear it may create problems in their general relations with a regime. Internal controls and procedures may also be poor so their ability to uncover and address corruption may be an internal issue as well, though this seems to have improved considerably over the last years. It is also not clear if international NGOs have good procedures and are good partners for local CSOs when it comes to addressing corruption in a constructive yet forceful way.

#### 4.4 Summing Up and Conclusions

The “lessons learned” from the literature indicate that the international community should have a two-pronged approach to improving AC work:

- There is a need for more research-based knowledge regarding the political-systemic nature of corruption and its implications; about the methodological problems facing AC work and in particular the identification of better measures for tracking corruption levels and impact of corruption; and for addressing issues like realistic timelines, resource levels required, if there are particular assistance modalities that are more helpful, etc. Because these are large

complex yet general concerns, a research-like program under DAC coordination may be a step in the right direction;

- The other avenue is one-off evaluations, as is foreseen here. It should be recognised that this issue is of such dimensions that what is required is in fact a structured multi-year program of evaluations, to ensure that there is a systematic and cumulative learning and control effort running continuously alongside the actual support to AC activities.

Concerning methodological challenges, these range from better understanding of context; review what exactly it is donors want to track, governance or corruption; review the validity and reliability of current approaches and indicators; and re-visit timeframes for results.

Knowledge gaps still present formidable obstacles to better AC interventions. Little is known about the effects of using alternatives channels and modalities for support; the implications of not having good approaches for supporting truly democratic political systems may be critical for addressing systemic corruption; the general incentive environment needs to be better understood; transforming knowledge and attitudes into actual behaviour and practices needs more attention since at the end of the day it is the multitude of corrupt choices by individuals that constitutes the problem. Finally, a critical look at the international community itself – donors and NGOs – is in order, since even casual observation tends to identify lack of capacity and knowledge, and behavioural inconsistency, which undermines both the factual but even more the moral foundations for the international community to demand better performance and results in partner countries with regards to combating corruption.

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