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IEG Working Paper 2008/7

Anti-Corruption Reforms: Challenges, Effects and Limits of World Bank Support

Background Paper to Public Sector Reform: What Works and Why? An IEG Evaluation of World Bank Support

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This paper is available upon request from IEG-World Bank.

2008
The World Bank
Washington,
D.C.

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ISBN No. 13: 978-1-60244-096-8
ISBN No. 10: 1-60244-096-4

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Abstract

This study compares the evolution of the state-of-the-art in research and analysis of anti-corruption and transparency with World Bank practice. The first part of the paper reviews the theoretical and empirical approaches that have influenced the World Bank's and the donor community's thinking on how to diagnose and fight corruption. Also covered are interventions and diagnostic tools that have been developed to improve governance and assess corruption, as well as recent Bank-supported international initiatives to curb grand corruption. Thereafter, the paper analyzes experiences from the Bank's engagement in anti-corruption, drawing on the results of 19 country case studies covering developing and transitional countries. From the country cases it appears that anti-corruption measures are too often proposed by the Bank without considerations of the political economy and without clear strategies to win the support of a critical mass of key leaders who would help overcome the inevitable opposition of vested interests.

Evidence from the country cases are used to highlight past pitfalls and propose directions for future support to governance and anti-corruption reforms. First, the Bank needs to do more to understand corruption in the particular country context. The priorities for anticorruption efforts need to be based on an assessment in each country of the types of corruption most harmful to development. Second, direct measures to reduce corruption, such as the establishment of anti-corruption commissions, rarely succeed since they often lack the required support from political elites and the judicial system. Third, linking governance work with visible public service improvements may help build the credibility of reforms as from the point of view of citizens and government. Fourth, sustaining efforts to reduce corruption have better prospects when they emphasize making information public and building systems to reduce the opportunities for corruption.

This study was prepared as part of the Independent Evaluation Group's evaluation of World Bank support for public sector reform. The evaluation focuses on World Bank experience in the period 1999-2006, but also looks further back in the 1990s to cover the full trajectory of World Bank support for these reforms. The evaluation report *Public sector reform: What works and why?* can be downloaded from IEG's website http://www.worldbank.org/ieg/

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This paper represents the views of the authors and is not an official position of the Independent Evaluation Group (World Bank) or of the Chr. Michelsen Institute.

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Acronyms and Abbreviations

AAA	Analytical and Advisory Assistance
AC	Anti-corruption
ACC	Anti-Corruption Commission
ADB	Asian Development Bank
BEEP	Business Environment and Enterprise Performance Survey
BTC	Belgian Technical Cooperation
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CBO	Community Based Organization
CDF	Comprehensive Development Framework
CEM	Country Economic Memorandum
CFAA	Country Financial Accountability Assessment
CIDA	Canadian International Development Agency
CG	Consultative Group
CPAR	Country Procurement Assessment Report
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment
CSMP	Civil Service Modernization Project
CSO	Civil Society Organization
CSR	Civil Service Reform
DFID	Department for International Development (United Kingdom)
DPL	Development Policy Lending
DSC	Development Support Credit
EBRD	European Bank for Reconstruction and Development
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EP	Economic Policy
ESW	Economic and Sectoral Work
EU	European Union
FIAS	Foreign Investment Advisory Service
FP	Financial Policy
GAC	Governance and Anti-corruption
GBS	General Budget Support
GDP	Gross Domestic Product
GPRS	Growth and Poverty Reduction Strategy
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (Germany)
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICGR	International Country Risk Guide
IDA	International Development Association
IEG	Independent Evaluation Group
IFMS	Integrated Financial Management System
IGR	Institutional and Governance Review
INT	Department of Institutional Integrity
MDA	Ministries, Departments and Agencies
MinBuZa	Ministerie van Buitenlandse Zaken (The Netherlands)
NACSAP	National Anti-Corruption Strategy and Action Plan
NFGG	National Framework for Good Governance
NGO	Non-Governmental Organization
Norad	Norwegian Agency for Development Cooperation

QAG	Quality Assurance Group
PAF	Poverty Alleviation Fund
PAL	Programmatic Adjustment Loan
PEFA	Public Expenditure and Financial Accountability
PEIR	Public Expenditure and Institutional Review
PEM	Public Expenditure Management
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public Finance Management
PGR	Partnership for Governance Reform
PMIS	Project Management Implementation System
PREM	Poverty Reduction and Economic Management
PRL	Political Responsibility Law
PRPMO	Poverty Reduction and Public Management Operation
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
PSM	Public Sector Management
PSMAC	Public Sector Management Adjustment Credit
PSMRP	Public Sector Management Reform Program
PSR	Public Sector Reform
PWYP	Publish What You Pay
OECD	Organisation for Economic Cooperation and Development
QSDS	Quantitative Service Delivery Survey
RENLAC	Réseau National de Lutte Anti-Corruption (Burkina Faso)
ROSC	Reports on the Observance of Standards and Codes
SAC	Structural Adjustment Credit
SFAA	State Financial Accountability Assessment
Sida	Swedish International Development Cooperation Agency
SIERP	Sistema de Informacion de la Estrategia para la Reduccion de la Pobreza
StAR	Stolen Asset Recovery Initiative
TA	Technical Assistance
TI	Transparency International
TTL	Task Team Leader
UNCAC	United Nations Convention Against Corruption
USAID	United States Agency for International Development
VAT	Value Added Tax
WBI	World Bank Institute
WBG	World Bank Group
WDR	World Development Report
WGI	Worldwide Governance Indicators

Foreword

World Bank support for public sector reform has grown notably in recent years. To address the questions of what is working and why in this area, the Independent Evaluation Group (IEG) has examined Bank lending and other support for public sector reform in four areas: public financial management, administrative and civil service, revenue administration, and anticorruption and transparency. The main objective of the evaluation is to acquire insight that can contribute to more effective support to public sector reform by the Bank. The intended audience also includes government officials and other stakeholders with an interest for improved project and program design and for better using the Bank's support for public sector reform. The evaluation focuses on World Bank experience in the period 1999-2006, but also looks further back in the 1990s to cover the full trajectory of World Bank support for these reforms. The evaluation report can be downloaded from IEG's website http://www.worldbank.org/ieg/.

Background studies were conducted for each of the four main thematic areas of the evaluation. This paper provides background information to the evaluation on the anti-corruption and transparency theme. The study compares the evolution of Bank practice with the state-of-the-art on anti-corruption and transparency. Part I of the paper reviews the literature on anti-corruption reforms. It focuses on the theoretical and empirical approaches that have influenced the World Bank's and the donor community's thinking on how to diagnose and fight corruption. Entry-points for governance reforms are examined, including the Bank's approaches to anti-corruption. Also covered are governance interventions and diagnostic tools that have been developed to improve governance and assess corruption, including recent Bank-supported international initiatives to curb grand corruption. Part II analyses experiences from the Bank's work in this area, drawing on the results of 19 country case studies covering developing and transitional countries. It describes the patterns of success and failures of the most common approaches in the area of anti-corruption and transparency, and reviews the available evidence on the impacts of the Bank's engagement.

There are several limitations to this study. It focuses on corruption issues related to the country level, and does only to a limited extent discuss the wider international context, such as the relevant incentives and internal controls in the Bank, the role of multi-national companies (large and small) as potential bribe-givers, the role of Northern based banks, etc. These topics are important, but they are beyond the scope of this paper.

The paper is prepared by Odd-Helge Fjeldstad and Jan Isaksen from Chr. Michelsen Institute (CMI), Bergen, Norway. Markus Weimer (CMI) has provided excellent research assistance. The country case studies were compiled by members of the IEG Evaluation Team. The leader of the team, Steven Webb, gave useful suggestions. The usual disclaimers apply.

Executive Summary

Background

This study was prepared as part of the Independent Evaluation Group's examination of World Bank support for public sector reform. While the study focuses on World Bank experience in the 1999-2006 period, it also looks further back during the 1990s to cover the full trajectory of Bank support for these reforms. This paper provides background information to the evaluation on the themes of anti-corruption and transparency.

The paper is organized in two parts. Part I reviews the literature on anti-corruption reforms. It focuses on the theoretical and empirical approaches that have influenced the World Bank's and the donor community's thinking on how to diagnose and fight corruption. Entry-points for governance reforms are examined, including the Bank's approaches to anti-corruption. Also covered are governance interventions and diagnostic tools that have been developed to improve governance and assess corruption, among them recent Bank-supported international initiatives to curb grand corruption. Part II analyses experiences from the Bank's work in this area, drawing on the results of 19 country case studies covering developing and transitional countries. It describes the patterns of success and failures of the most common approaches in the area of anti-corruption and transparency, and reviews the available evidence on the impacts of the Bank's engagement.

Key findings from the literature review (Part I)

Traditionally, it has been left to national governments and legal institutions to devise and enforce public accountability. The literature reviewed in Part I of the paper questions this one-sided approach. As the governments' roles and services have expanded considerably during the past decades, it has become apparent that conventional mechanisms, such as anti-corruption commissions, strengthening of audit functions and legislative reviews, may not have had the intended effect on reduction of corruption and encouragement of transparency. Collusion, organizational deficiencies, abuse of power, and lack of responsiveness to citizens' needs cannot easily be detected and rectified even with the best of supervision. When institutions are weak, as is common in many developing countries, the government's potential role as auditor and supervisor is even more constrained. The review suggests that corruption can best be tackled when political reform and regulatory restructuring are complemented by a systematic effort to inform the citizens about their rights and entitlements and increase their capacity to monitor and challenge abuses of the system. Breaking the culture of secrecy that pervades the functioning of some governments and empowering people to demand public accountability are two important components in such an effort.

The World Bank has been instrumental in developing new tools which may help improve transparency and societal accountability, such as the public expenditure tracking surveys (PETS) and quantitative service delivery surveys (QSDS). These tools need to be further refined for broader application by governments, development agencies and civil society organizations. Some of the instruments used by the Bank and bilateral donors for assessment of fiduciary risk have clearly been useful in identification of institutional weaknesses of the public financial management systems in developing countries, e.g. the Public Expenditure and Financial Accountability (PEFA) framework. However, the disregard of political and cultural factors in these analyses reflects a general weakness in Bank and donor approaches to anti-corruption.

The Bank has in recent years supported several international initiatives against grand corruption (state-capture), including the Extractive Industries Transparency Initiative (EITI), the Stolen Asset Recovery Initiative (StAR) and the United Nations Convention Against Corruption (UNCAC). Combined, these initiatives have the potential to improve government transparency and accountability, by also addressing the role of international financial centers and multinational companies in facilitating grand corruption. Generally, if a country has the appropriate 'infrastructure' of inquisitive media, opposition parties, and democratic budgeting, then EITI, for instance, could potentially have good effects on building transparency and reducing corruption. In most of the EITI signatory countries where the Bank has provided support considerable needs for institution building still remain. In particular, reducing corruption and increasing transparency in government finance depend largely on successful stimulation of domestic political demands for accountability and information and, not least, creation of mechanisms to secure transparency and enforce accountability. Such mechanisms are also required for assets repatriated through the StAR initiative. Efforts to fight corruption in poor countries require, however, more attention to the role of multinational companies, banks and finance institutions in facilitating corruption and embezzlement of public funds in developing countries.

A major concern for international aid policy during the last five decades has been to improve the living conditions for the poor in the poorest countries of the world. This endeavour requires close co-operation with the national governments in poor countries. Generally speaking, however, the governments in poor countries are also the most corrupt. One of the relatively clear empirical results from recent research on corruption is that the level of GDP per capita tends to hold more of the explanatory power than other variables used to 'explain' corruption. Consequently, if development agencies want to minimize the risk of foreign aid being contaminated by corruption, the poorest countries should be avoided. In this way corruption raises a basic dilemma for aid policy. Unlike international business most foreign aid organizations and international finance institutions have the largest part of their activities located in highly corrupt countries.

The pressure on the Bank and other development agencies to 'do something' to fight corruption is massive. The idea that the Bank will simply hold back loans and aid to poor countries until they improve their governance is in itself unrealistic, given the huge political pressure to disburse. This problem was highlighted by the *Portfolio Management Task Force* (the Wapenhans Report) 16 years ago. It is therefore not surprising that the question is raised whether the Bank and foreign donors are part of the corruption problem. So far, however, there is no consistent evidence from cross-country econometric studies that aid causes corruption. Case studies from various countries, on the other hand, suggest that in order to obtain other objectives, donors have in effect turned a blind eye to corruption.

Key findings from country case studies (Part II)

Although there are general lessons, experiences on what works or not - and why - with respect governance and anti-corruption reforms differ from country to country depending on historical, social, economic, institutional and political circumstances. From the country cases, however, it appears that anti-corruption measures are too often proposed by the Bank without considerations of the political economy and strategies to win the support of a critical mass of key leaders who would be able to overcome the inevitable opposition of vested interests.

A wide range of external factors, from financial and political crisis to countries' membership of regional bodies have been important drivers of governance reforms in several countries. In Eastern Europe, for instance, the European Union's accession process has probably been the single most successful effort to spread good governance and fight corruption. Membership is not granted until countries have satisfied EU's governance criteria after a long reform process. In contrast, the Bank - as an institution under strong pressure to lend – may be poorly structured to lead a fight against corruption. The Bank's mandate which prohibits intervention in recipient country politics, is likely also to blunt the Bank's analysis and knowledge of corruption realities in these countries.

The Bank needs to do more to understand corruption in the particular country context and market findings to the government and civil society. Moreover, the Bank's analytical and advisory assistance could have made stronger effort to quantify corruption and its negative impacts on the economy in order to increasing government incentives for reform. In some countries, e.g. in Albania, the Bank's somewhat myopic focus on analysis and policy formulation might have reduced the degree to which reform proposals have become operational and implementable.

It is, however, important to avoid that the Bank and donors become the sole drivers of anti-corruption, and start executing functions of government. In Tanzania, elements of such a situation is likely to have contributed to a reduction of the political will for governance and anti-corruption reforms. Instead, the process should be allowed to develop from within and facilitated by technical assistance from the Bank and donors. Further, it appears that the Bank needs to reduce the complexity of its triggers in the poorest countries, invest extra resources into supervision efforts and build capacity of local training institutions. Linking governance work with visible public service improvements may also help to build credibility of the reforms with citizens and governments.

Analytical and advisory assistance (AAA) has been a good entry point for anti-corruption reforms in several countries, even if not always explicitly recognized as such. Moreover, public finance management and taxation interventions have been more successful than civil service reform. Civil service reform is often politically sensitive and may delay other reforms if bundled. Moreover, civil service and anti-corruption reforms generally take longer time and need more long term support than what development policy lending provides. Investment lending or donor financed projects have therefore been important complements. For instance, in Bulgaria the Bank appears to have selected areas for intervention that have received most attention from reformers (tax, customs, business licensing), and these have typically shown more improvement. Areas which are more complicated or beset with conflicting objectives, such as civil service reform, procurement and reform of the judiciary, have shown less improvement. There is also a need to establish benchmark linkages to other donor programs, for example budget support operations, to increase leverage. Adjustment loans should be complemented with technical assistance loans to lay groundwork for policy actions.

Recommendations

Evidence from the country case studies highlights directions for future support to governance and anti-corruption reforms:

- Tailor the anti-corruption strategy to country specific circumstances.
- Before lending to support anti-corruption, do adequate political analysis and diagnosis of the corruption problem, including a proper assessment of the cost of corruption to development.
- Focus the initial support on sectors and issues where there is demand and capacity.
- In countries with severe governance problems and low state capacity, start public sector reform work with analytical and advisory assistance, including long-term technical assistance and economic and sectoral work, prior to policy reform lending. Focus efforts on strengthening systems auditors. Weak auditor general and parliamentary audit

functions may undermine otherwise ‘good’ anti-corruption tools (e.g. integrated financial management systems).

- Continuous training of public sector managers and technical staff should have priority.
- Work with mid-level staff when political commitment is absent.
- Success depends on government commitment.
- Direct measures to reduce corruption, such as the establishment of anti-corruption commissions, tend not to succeed when they lack the required support from political elites and the judicial system.
- NGOs and CBOs have increasingly played a role on the anti-corruption demand side and have also increasingly been supported by the World Bank. Yet, there is little research based evidence on the exact impacts of NGO and civil society organizations on corruption.
- Delivering, measuring and monitoring tangible results and disseminating them to key stakeholders and political actors as soon as possible are important to foster a wider understanding and support for the reform process.

1. Introduction

During the last decade corruption has become a major issue in the international development debate. However, behind the scene it has always been there, referred to as the ‘c-word’ in the policy environments of the development community. For the World Bank two factors in particular contributed to this policy change. First, strong evidence appeared that government weakness and corruption were keys to explaining the Bank’s project failures and the disappointing development record of the 1970s, especially in Africa. Second, the changing composition of Bank operations, reflected by a sharp rise in adjustment lending, drew the attention of the Bank and policymakers to the institutional constraints to successful adjustment.[1]

In the 1960s and -70s most development agencies largely avoided issues which were perceived to be ‘embarrassing’ for governments in developing countries, and, which might have a negative impact on the willingness to provide foreign aid. Similar considerations also led many researchers to shun the topic. The Swedish Nobel laureate in economics referred to this as ‘diplomacy in research’ (Myrdal 1968). For the World Bank, the quality of governance made its first significant appearance, as a central developmental issue, in the 1983 World Development Report *Management in Development* (World Bank 1983). The principal section in the report discussed the appropriate size, role and managerial efficiency of the state. In a box on corruption (p. 117), the report states:

> *All societies have corrupt features in the sense that some public money is illicitly diverted for private gain. The particular circumstances of developing countries – rapid social and economic change, strong kinship ties, new institutions, overlapping and sometimes conflicting views about proper public behavior – may be particularly conducive to corruption.*

In 1989, the Bank published the report *Sub-Saharan Africa: From Crisis to Sustainable Growth. A Long-Term Perspective Study*. This was a new effort to explain project and development failure in Africa. The study stressed the need to build African capacities and argued that growth required good governance:

> *The root cause of weak performance has been the failure of public institutions … Private institutions must go hand-in-hand with good governance – public service that is efficient, judicial system that is reliable, and an administration that is accountable. [World Bank 1989: xii]*.

The World Development Report 1991, *The Challenge of Development*, dedicated a chapter to public sector management, including the sensitive issue of corruption. The report (p. 132) refers to historical and contemporary cases of corruption, and argues that

> *[c]orruption can rarely be reduced unless its large underlying causes are addressed. It flourishes in situations where domestic and international competition is suppressed, rules and regulations are excessive and discretionary, civil servants are underpaid, or the organization they serve has unclear or conflicting objectives.*

[1] Webb (2007) reviews the history of public sector reform work at the World Bank, including anticorruption, and is the main source for the remaining part of this section.

In 1992, the Bank's Task Force on Governance published its report on *Governance and Development*. This report was an effort to justify Bank involvement in matters of governance, particularly in its more sensitive, political aspects such as the rule of law, transparency, corruption and military expenditures. The topic of corruption, however, remained taboo for Board discussion. Soon after his appointment as president in 1995, James Wolfensohn expressed frustration at his inability to discuss the problem openly in the Board. A former member of the Task Force on Governance suggested that the Bank instead should support external evaluations of corrupt practices. The Bank then collaborated with *Transparency International*, which was started under the leadership of a former staff member, Peter Eigen, with the assistance of an official seconded by the Bank.[2] When a Latin American head of state protested to Wolfensohn that his country had been given a low rating by Transparency International, Wolfensohn was able to deny responsibility. In October 1996, Wolfensohn broke the taboo by speaking out against 'the cancer of corruption' at that year's Annual General Meeting, opening the way to a more explicit discussion of the subject within the Bank. Wolfensohn's visit to Indonesia in 1996 coincided with a banking scandal linked to large-scale corruption. Perhaps the biggest boost to the growing anti-corruption movement, however, came from the East Asian crisis of 1997-1998 where public opinion identified market failures with corruption, most notoriously in the case of Indonesia.

The WDR 1997 devoted a chapter to corruption (World Bank 1997a: 98-109). The same year the World Bank's Board approved a paper on *Helping Countries to Combat Corruption* that proposed specific measures (World Bank 1997b). Following these publications, other circumstances reinforced the governance agenda. One was the enthusiasm demonstrated by Wolfensohn in personally drafting a new strategic proposal, the *Comprehensive Development Framework* (CDF). Wolfensohn's view was that sustainable development required advances on all fronts, productive, institutional and social. In 1999 the G7 agreed to support an enhanced HIPC, tightly monitored to ensure that debt relief funds were spent honestly and applied towards poverty reduction. The operational translation of HIPC debt relief became the *Poverty Reduction Strategy Paper* (PRSP), partly modeled on Uganda's participatory development plan. HIPC and Wolfensohn's CDF became instruments for a fuller commitment to public sector reform, good governance, and anti-corruption efforts. In November 2000, the strategy paper *Reforming Public Institutions and Strengthening Governance* was published (World Bank 2000). It provided a road map for implementing the WDR 1997 agenda, highlighting the shift from past operations that focused on the institutional capacities related to specific projects or sectors. The strategy was based on a new focus on 'core public institutions', especially the civil service institutions, public financial management, legal and judicial reform, regulation of the private sector and decentralization. Corruption was to be 'explicitly taken into account', and new, programmatic lending instruments, better suited to the complexities and longer time requirements of institutional change would be developed.

The Bank's good governance agenda designed between 1997 and 2000 has mostly remained in place, with two important changes in emphasis. One is reflected in the increasing importance of the 'demand side', meaning citizen participation, voice and effective power in the conduct of government. This modification of the agenda was most clearly announced in the WDR 2004 *Making Services Work for Poor People,* which explored and illustrated the role of citizen and client power in the improvement of government services, and explored the different channels for the enlargement of that power (World Bank 2004). The second modification of the governance agenda consisted in greater attention to anti-corruption, especially during the brief presidency of Paul Wolfowitz. In March 2007, this culminated in

[2] While still a Bank staff member, Eigen had been an open campaigner against corruption, distributing anti-corruption leaflets at Annual General Meetings.

the approval by the Bank's Board of a reinforced governance and anti-corruption strategy, *Strengthening World Bank Group Engagement on Governance and Anticorruption* (World Bank 2007).

The OECD and the United Nations have also developed separate anti-corruption programs to assist governments in tackling the problem.[3] Several bilateral development agencies have followed and placed anti-corruption high on their development agendas, including DFID, Norad, Sida, and the USAID.[4] Improving governance and reducing corruption are today considered essential to helping poor people to escape poverty and countries to achieve the Millennium Development Goals (MDGs). This is an important change in focus of aid policy, but it remains to be seen whether it is possible for donors to find workable policy instruments to fight corruption.

[3] The United Nations Convention against Corruption (UNCAC), adopted in Merida, Mexico in 2003, represents the current most ambitious attempt for international anti-corruption efforts. With endorsements from more than 140 state signatories representing every region of the world, the UNCAC aims to offer a comprehensive, global framework for combating corruption (see www.unodc.org/unodc/en/treaties/CAC/index.html).

[4] DFID (UK), Norad (Norway), GTZ (Germany), and MinBuZa (Holland) established in 2002 the U4 Anti-corruption Resource Centre (www.U4.no) to strengthen donor coordination on anti-corruption. U4 provides donor staff with training courses, a help desk service and an array of online resources on anti-corruption. CIDA (Canada), Sida (Sweden) and BTC (Belgium) have recently joined the resource center.

PART I

Diagnosing and fighting corruption:
A brief review of the literature

2. Defining Corruption

Corruption is an important aspect of poor governance, and often defined as the *abuse of public office for private gain*. This is a widely used definition applied by the World Bank among others (World Bank 2007).[5] This definition includes various forms of interaction between public sector officials and other agents. Money is often involved, such as in bribery or kickbacks for public procurement contracts. In other cases, however, the private gain can be non-monetary, as in cases of patronage or nepotism (Blundo & Olivier de Sardan 2006; Chabal & Daloz 1999; Olivier de Sardan 1999). The definition also covers acts where there is no interaction with external agents or external agents are not explicitly implicated, such as the embezzlement of government funds, or the sale or misuse of government property.

Corruption can also take place among private sector parties. Hence, an alternative definition of corruption used by Transparency International (TI) is the *misuse of entrusted power for private gain*.[6] In contrast to the former definition which includes only acts involving public sector officials, TI's definition also includes similar acts in the private sector. For example, a subcontractor that bribes an official of another company to obtain a contract would count as corruption under the TI definition. In addition to public sector corruption, the latter definition thus includes private-private corruption. This type of corruption is understudied, despite the fact that it may reduce private sector efficiency and hence hamper development. Nor have the implications for the Bank and donors of this type of corruption been adequately examined. These topics are pertinent, but are beyond the scope of this paper which focuses on corruption involving public sector officials.

The definition of corruption as abuse of public office has been criticized as being (i) excessively legalistic and (ii) based on a Western ideal of separation of the public and private which does not fit the cultural context of many developing countries. As for the first criticism, the idea of abuse of office certainly implies deviation from some standard. It does not follow from the definition itself that the standard is a legal one, however. The standard could just as well be a moral one, where the proper role of office holders is derived from fundamental ethical principles. The definition therefore does not in itself depend on legal rules that may be incomplete or incidental. The criticism of a basis in Western ideals is a matter of application, although the way the definition is sometimes applied by donors has been informed by a Western idea of public office. However, the definition does not in itself refer to a specific idea of public office. In general, any well-functioning society must have some productive allocation of tasks, to reap the benefits of organization and specialization.

[5] A whole battery of definitions of corruption exists (see Thomas & Meagher 2004, and Chapter 2 in Andvig & Fjeldstad 2001). Corruption and rent-seeking, are not the same, though the two are often used interchangeably. Rent-seeking is the socially costly pursuit of rents (Svensson 2005:21), for instance in terms of monopoly rents or rents from natural resources. There is a degree of overlap, where some acts of rent-seeking would also qualify as corruption. However, rent-seeking does not necessarily entail misuse of position or power. In some borderline cases, these types of activities may for instance entail a legitimate pursuit of a redistribution of available rents.

[6] See http://www.transparency.org/news_room/faq/corruption_faq.

Corruption in this sense can thus be viewed as a violation of the basic norms of any well-ordered society.

Various typologies of corruption have been suggested. For the purposes of this paper, the commonly used distinction between political corruption (or state capture) and bureaucratic corruption is helpful. Political corruption takes place at the highest levels of political authority. It involves politicians, government ministers, senior civil servants and other elected, nominated or appointed senior public office holders.[7] In other words, political corruption is abuse of office by those who make the rules of the game, e.g. decide on laws and regulations, and the allocation of resources in a society. These types of acts may include tailoring laws and regulations to the advantage of private sector agents in exchange for bribes, granting large public contracts to specific firms, or embezzling funds from the treasury (Hellman *et al* 2000a, 2000b; Moody-Stuart 1997; Doig & Theobald 2000). The term grand corruption if often used to describe these types of acts, and reflects the considerable sums of money that are frequently involved.

Most bureaucratic corruption takes place at the implementation end of public policies, although it may in some cases have its roots in the planning and budgeting stages that precede implementation (Isaksen 2005). It involves appointed bureaucrats and public administration staff at the central or sub-national levels. In simple terms, it comprises corrupt acts among those who implement the rules made by top officials. This includes interaction with private agents, such as demanding extra payment for providing government services, speed money to expedite bureaucratic procedures, or bribes to allow private actions that violate rules and regulations. It also includes interaction within the public bureaucracy, such as bribes or kickbacks to obtain posts or secure promotion, or mutual exchanges of favours. This type of corruption is often referred to as petty corruption, which reflects the small payments often involved, though in specific cases and in aggregate the sums may be large (Blundo & Olivier de Sardan 2006).

Political and bureaucratic corruption are clearly interrelated. There is evidence that corruption at the top of bureaucracies increases corruption at the lower levels (Campos & Pradhan 2007; Chand & Moene 1999). Political corruption is usually supported by widespread bureaucratic corruption, in a pyramid of upward extraction. And corruption in high places is contagious to lower-level officials, as these will follow the predatory examples of, or even take instructions from, their principals. However, there are also distinctions in the causes and consequences of political and bureaucratic corruption. The priorities and means by which to approach the two may therefore be different.

[7] See http://www.u4.no/themes/political-corruption/main.cfm, which also contains a discussion of definitions.

3. Entry points for Governance Reform

Governance is often defined as the manner in which public officials and public institutions acquire and exercise the authority to provide public goods and services, including the delivery of basic services, infrastructure, and a sound investment climate. Figure 3.1 captures common approaches or entry points to governance reform. The various entry points can be viewed in relation to the three dimensions of accountability commonly employed (Schedler *et al* 1999).[8] ***Vertical accountability*** refers to the methods by which the state is (or is not) held to account by non-state agents through the relationship between citizens and their political representatives. Vertical accountability can be subdivided in two dimensions: First, downward accountability of political leaders to citizens through electoral channels relates largely to the *electoral (or political) accountability* box at the top left of figure 3.1. Secondly, downward *societal accountability* to civil society and the media, which monitor and address actions of the state, are largely reflected by the top-right box.

Horizontal accountability refers to the intra-governmental control mechanisms between the legislature, the executive and the judiciary and between different sub-entities of the executive, including Cabinet, line ministries and lower level administrative departments and agencies. In addition to courts and parliamentary oversight functions, this includes special institutions of restraint such as the auditor general, anti corruption commissions, human rights commissions, and the ombudsman. Horizontal accountability where some government agencies oversee, control, redress and sanction other government agencies are related to the centre box of public sector management, i.e. the political-administrative system and. This includes accountability of bureaucrats/civil servants/public employees to the political leadership.

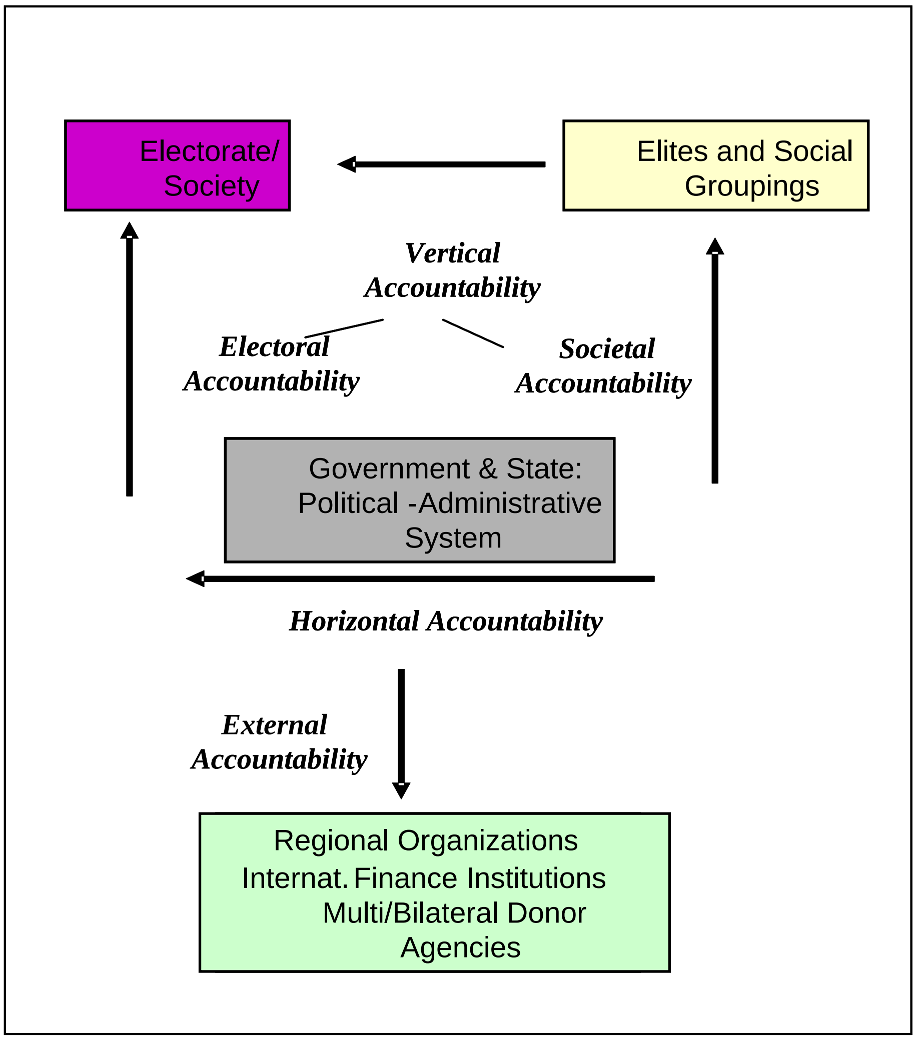
External accountability refers to the relationship between governments and international entities, including the World Bank and bilateral donors.

To a large extent, donor-supported anti-corruption efforts in developing countries have focused on creating and improving institutions of horizontal accountability, such as anti-corruption commissions, audit institutions, and so on (Kolstad *et al* 2008). The effect of these types of interventions in terms of reducing corruption has been rather disappointing (Svensson 2005). A main sticking point has been the unwillingness of corrupt governments to wholeheartedly implement reforms that reduce their own opportunities for enrichment. Case in point is experiences with independent anti-corruption commissions that have been set up in a number of countries. Outside of Hong Kong and Singapore, these have rarely been a success. A study of anti-corruption commissions in five African countries argues that the ability of any anti-corruption commission to tackle contemporary, high level political corruption is questionable (Doig *et al* 2005). As a consequence of limited results from effort to improve horizontal accountability, the World Bank and bilateral donors have

[8] In general terms *accountability* denotes a relationship between a bearer of a right or a legitimate claim and the agents or agencies responsible for fulfilling or respecting that right. See Box 3.1 for further elaborations.

begun to emphasize reform that strengthens other types of accountability relationships, such as societal accountability through civil society organizations and the media.

Figure 3.1 Dimensions of accountability



Source: Lawson & Rakner (2005)

Box 3.1 What do we mean by accountability?

In general terms *accountability* denotes a relationship between a bearer of a right or a legitimate claim and the agents or agencies responsible for fulfilling or respecting that right. The most basic accountability relationship is that between a person or agency entrusted with a particular task or certain powers or resources, on the one hand, and the 'principal' on whose behalf the task is undertaken, on the other. Accountability, simply put, is a two-way relationship of power. It denotes the duty to be accountable in return for the delegation of a task, a power or a resource.

This duty can be discharged in different ways, but the literature suggests that accountability mechanisms generally operate according to a logic based around three criteria:

- '*Transparency*' requires that decisions and actions are taken openly and that sufficient information is available so that other agencies and the general public can assess whether the relevant procedures are followed, consonant with the given mandate.
- '*Answerability*' denotes an obligation on the part of the decision-makers to justify their decisions publicly so as to substantiate that they are reasonable, rational and within their mandate.
- '*Controllability*' refers to the existence of mechanisms to sanction actions and decisions that run counter to given mandates and procedures. This is often referred to as a system of checks and balances or enforcement mechanisms. The checks may take many forms, including 'shaming' and praise. Impunity is the opposite of controllability: apportioning blame – and a corresponding punishment - for harm done is a crucial component of accountability.

Sources: Schedler *et al* (1999); Goetz & Jenkins (2005); and Gloppen & Rakner (2003)

3.1 The World Bank's approaches to anti-corruption

The World Bank is the organization that has developed the broadest and most elaborate set of policies aimed at reducing corruption. Huther & Shah (2000) mention four dimensions of the Bank's policy:

(a) Preventing fraud and corruption in World Bank projects.
(b) 'Mainstreaming' a concern for corruption in the organisation.
(c) Lending support to international efforts to curb corruption.
(d) Helping countries that request assistance to fight corruption.

While (a) and (b) are dimensions focusing on the Bank as an organization, and also relevant for most international aid organizations, (c) and (d) are focused on corruption as a general policy issue.

Until recently, much of the Bank's analysis and policy approaches to anti-corruption strategies were rooted in the principal-agent theory (Riley 1998:135). Especially Robert Klitgaard's (1988) popularization of this theory has been widely promoted and applied in a number of developing countries since the late 1990s. At the theoretical level Klitgaard explains how public officials almost by necessity have a number of incentives and opportunities for engaging in corrupt transactions. At the more practical policy level the approach indicates that the policy instruments may be fruitfully divided into those that influence the number of corruption opportunities, and those that influence the incentives.[9] The latter include policy instruments that influence the expected (gross) gain of the corrupt act, the probability of being caught and the size of the penalty if detected. If expected gains are higher than expected costs, the civil servant (the agent) will, according to the theory, choose to be corrupt. For example, the expected gain for public officials is higher when they have wide discretionary powers and considerable monopoly power in their jobs. The expected probability if detected is reduced by decreased accountability. The approach is designed to provide incentives and impose constraints on individual decision-makers, so as to ensure less uncertainty in the behavior and organizational outcomes. In particular, the principal-agent framework illuminates the potential of hiring, firing and promotion mechanisms, and different wage incentive systems in improving the efficiency of public agencies (Besley & McLaren 1993; Klitgaard 1997; Mookherjee & Png 1995; Mookherjee 1997; Rauch & Evans 2000).

Following this approach, a representative World Bank policy formulation in 2000 prescribed that an effective anti-corruption strategy should (World Bank 2000: 21):

(1) encourage the reduction of rents by means of economic liberalisation, deregulation, tax simplification, de-monopolisation and macroeconomic stability;
(2) reduce discretion through administrative and civil service reform, including meritocratic recruitment and decentralisation; and
(3) increase accountability by building up institutions such as auditing and accountancy units and through legal reforms such as judicial strengthening.

While (1) and (2) are mainly believed to affect the number of corrupt possibilities arising in an economy and to reduce the gross gain, (3) influences the expected probability of being caught. We may add that the Bank's advocacy of *wage increases* in the public sector also is based on principal-agent theory. The Bank's advocacy of scaling down the public sector to core areas will, according to theory, reduce the number of corrupt opportunities.

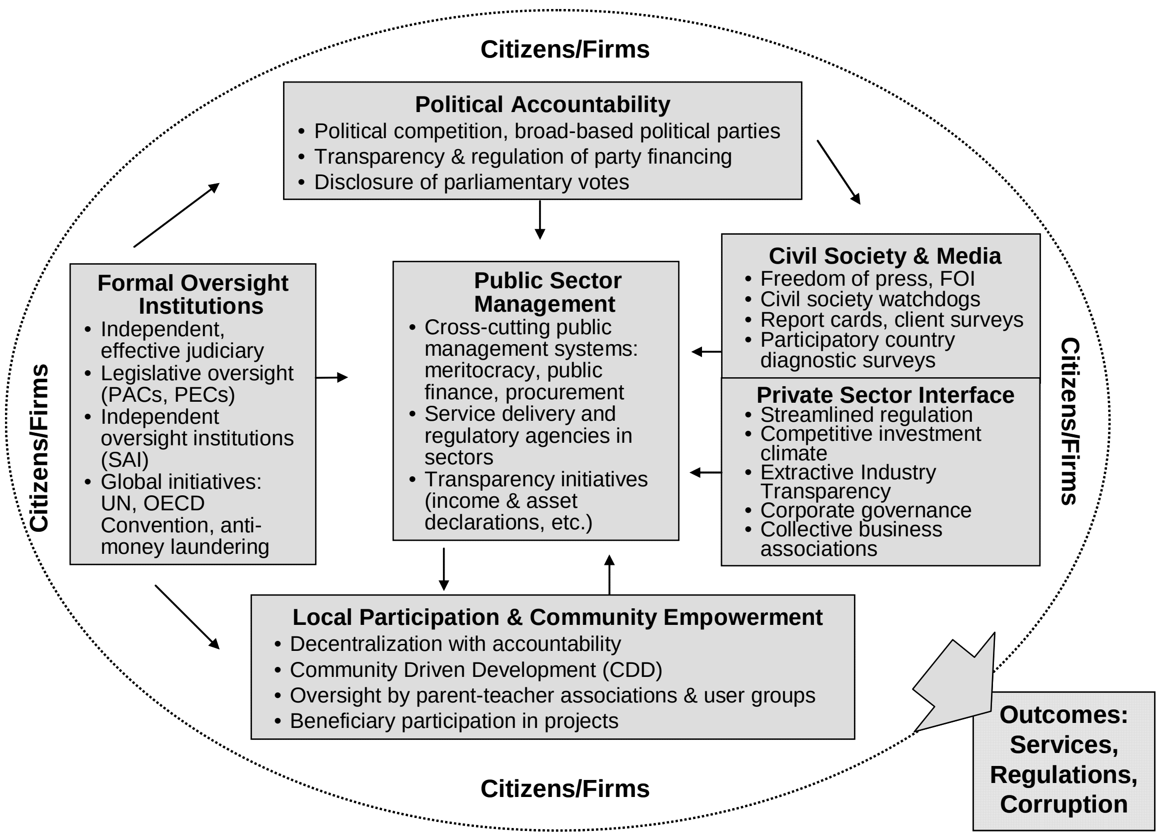
The World Bank has been criticized for playing down more indirect means of reducing corruption such as the strengthening of civil society and media, community empowerment and local participation. This approach has been advocated by, for instance, Transparency International, and the World Bank Group seems to have accepted it partly. Although the governance agenda designed between 1997 and 2000 has mostly remained in place, two changes in emphasis are reflected in the current governance and anti-corruption strategy (Webb 2007: 34). First, the importance of citizen participation, voice and effective power in the conduct of government (i.e. the demand side) is highlighted. This modification of the agenda was most clearly announced in WDR 2004, *Making Services Work for Poor People*, which explored and illustrated the role of citizen and client power in the improvement of government services, and explored the different channels for the enlargement of that power.

Second, anti-corruption in general is given greater attention in the governance agenda, culminating in the March 2007 Board approval of a reinforced governance and anticorruption strategy, *Strengthening World Bank Group Engagement on Governance and*

[9] According to the multiple equilibria type of models (Andvig & Moene 1990; Bardhan 1997), this neat division is somewhat misleading since they indicate that the number of possibilities influence the expected profitability of each single act.

Anticorruption (World Bank 2007). According to the strategy, anti-corruption is part of the overall governance agenda and an intermediate objective for the Bank as a means to improve prospects for growth and poverty reduction. The entry points for governance reforms advocated by the Bank's current strategy are outlined in Figure 3.2 and mirror to a large extent the three dimensions of accountability summarized in Figure 3.1 above. Vertical accountability of political leaders to citizens through electoral channels relates largely to the political accountability box at the top of Figure 3.2. Horizontal accountability where some government agencies oversee, control, redress and sanction other government agencies are related to the left-most box of formal oversight institutions, but also to the centre box of public sector management. Societal accountability where civil society and the media monitor and address actions of the state is largely reflected by the bottom and right-most boxes.

Figure 3.2 World Bank entry points for governance reform



Source: World Bank (2007)

The current strategy lays out seven principles for the Bank's work on governance and anti-corruption:

1. The World Bank Group (WBG's) focus on governance and anticorruption (GAC) follows from its mandate to reduce poverty - a capable and accountable state creates opportunities for poor people, provides better services, and improves development outcomes.

2. The country has primary responsibility for improving governance. Country ownership and leadership are key to successful implementation, and the WBG is committed to supporting a country's own priorities. A country's government remains the principal counterpart for the WBG.
3. The WBG is committed to fight against poverty, and to seek creative ways of providing support, even in poorly-governed countries – 'don't make the poor pay twice'.
4. The form of WBG engagement on GAC will vary from country to country, depending on specific circumstances. However, while there is no 'one-size-fits-all', the WBG will adopt a consistent approach towards operational decisions across countries, systematically anchored in national strategies, supported by WBG Country Assistance Strategies. There will be no change in the performance-based allocation system for IDA countries or the IBRD resource allocation system.
5. The WBG will engage systematically with a broad range of government, business, and civil society stakeholders. This is seen as key to GAC reform and development outcomes. Consistent with its mandate, the WBG will scale up existing good practices in engaging with multiple stakeholders in its operational work, including by strengthening transparency, participation, and third-party monitoring in its own operations.
6. The WBG will strive to strengthen, rather than bypass, country systems - better national institutions are the more effective and long term solution to governance and corruption challenges and to mitigating fiduciary risk for all public money, including that from the Bank.
7. The WBG will work with donors, international institutions, and other actors at the country and global levels to ensure a harmonized approach and coordination based on respective mandates and comparative advantage. The WBG should not act in isolation.

The Bank's cluster of policy measures to fight corruption initially rested on the assumption that the principal's objective was to reduce corruption. This is not a reasonable assumption in the most corrupt countries. In its current anti-corruption strategy the Bank has modified its policies to accommodate this fact (World Bank 2007). According to Webb (2007: 35), the World Bank staff, the Board, and governments recognized that the effect of this strategy will depend less on the broad principles than on the specifics of its implementation. The plans for implementation which were developed in 2007 emphasise 'learning by doing'. Policies have to be different in highly corrupt and medium-corrupt regimes. However, long before it was incorporated in the Bank's governance and anti-corruption strategy, this simple fact was addressed by staff in the Independent Evaluation Group (IEG). For example, in their discussion of the World Bank anti-corruption policies, Huther & Shah (2000) argue that it makes little sense to invest foreign aid resources on special anti-corruption investigative units in highly corrupt societies. Such units are likely to become corrupt themselves, they argue. And even if such units are able to stay honest, their efforts are likely to be wasted if the judiciary system is corrupt. Huther and Shah also make the reasonable modification that a high-wage policy is not likely to reduce corruption in highly corrupt countries.

The World Bank's work to bring forth information about corruption and initiate public discussions on corruption issues is likely to support any conceivable national anti-corruption policy. However, there are reasons to question other aspects of the Bank's specific policy proposals. First, the anti-corruption strategies and policies seem to assume that the Bank knows what works or not, which is not the case. Second, it sometimes appears that the Bank uses as an argument (often superficially) that controversial aspects of its general macroeconomic and sector policies also help reducing corruption.

The empirical foundation for this critique can be found in the Bank's own studies. For example, one aspect of its advocacy of decentralization is development of *performance contracts* where public sub-units simulate some aspects of market behavior. One of the most extensive empirical studies of how performance contracts works in developing countries is entitled *Bureaucrats in business*, published by the World Bank (1995). This study focuses on incentive schemes for managers in state-owned companies in 12 developing countries. The study found that performance contracts did not improve performance. In some cases they actually exacerbated the incentive problems because performance contracts failed to address major performance problems: First, they did not reduce the agents' information advantage. Instead agents were able to use their knowledge to negotiate soft targets that were easy for them to reach. Second, such contracts rarely included rewards and penalties that could motivate the agents to put more effort into their jobs. For instance, when bonuses were offered they had little effect because they were not linked to better performance. Third, the leadership (principals) proved little commitment to the terms of the contracts, giving the agents incentives to use their information advantage to negotiate soft targets.

Moreover, significant above-market rate wages in specific public institutions in order to reduce neglect of duty and corruption may imply that one gets two prices for the same type of service. This may in general make fertile ground for corruption and rent seeking. In a high-corrupt environment, attractive jobs are likely to be sold. Thus, by inflating the wage levels in some public institutions, consultancies etc., donor agencies, and in particular the World Bank itself, may have had an unhealthy influence on the public administration of the poorest countries.

Wage schemes to curb corruption may work properly when combined with rules that make it easier to fire public employees and/or improved monitoring. However, the rationale behind high public-sector wages is to reduce the asymmetric information problem which also makes it difficult to prove that any agent is involved in a corrupt act. Hence, the demands for proof are likely to be relaxed if the probability of being detected is to increase. This means that the standard principal-agent approach requires that the security of employment for public officials has to be lowered. This approach fits well with the ideas of the *new public management* in which the public sector is to be made more like a private business. However, the approach weakens one of the Weberian principles for creating an honest, non-corrupt and efficient government, which also, as far as we know, is supported by historical experience from Germany and the Nordic countries (Rothstein 1998), and in an econometric study by Rauch & Evans (2000) for a sample of developing countries. Here it is shown that increased insecurity for public officials goes together with increased corruption.

The recent use of market simulation in the public sector also aimed at reducing corruption and improving the efficiency in the public sector. It might, however, produce the opposite result. For example, when public activities are partitioned in such ways that the sub-sectors are headed by directors with short-term tenures 'selling' administrative outputs to other units of the same kind, this may lead to a situation where all the directors are competing for political patrons to protect themselves against the new forms of insecurity in the public sector. Such re-centralization of the state may occur under the guise of decentralization, where all the new 'cash-points' created give new opportunities for bribing between sub-units of the public sector, and between the new type of political patrons and their clients.

3.2 Anti-corruption and the nature of the state

The World Bank describes corruption as a symptom of deep-seated economic, political and institutional weaknesses. Consequently, to curb corruption relevant measures include economic, political and institutional reforms, and reforms of the incentive schemes in the public administration. Political will is considered a necessary condition for implementing the reforms.

Policy measures, however, cannot be addressed properly without including the larger question of the nature of the state that is supposed to implement the anti-corruption policies. The analytical framework of neo-patrimonialism developed by French political scientists working on Africa provides a pessimistic view on the issue of political will to implementing reforms (Blundo & Olivier de Sardan 2006; Bayart *et al* 1999; Chabal & Daloz 1999). Within this analytical framework corruption is understood as an integrated part of the dominant elites' extraction and rent seeking practices. Because neo-patrimonial elites are the main profiteers of widespread corruption, they have limited will for reform. Thus, any lasting effects of institutional and administrative reforms may be doubtful. In this context, such reforms may even be aimed at securing the political and economic power of the ruling elites. However, to assume that all states and political leaders are 'predatory', as in the literature referred to above and also in much of the public choice literature in the context of developing countries, does not help in understanding why corruption is more extensive in some countries than in others, in spite of fairly similar extent of state interventions. Neither does it explain why countries with seemingly similar aggregate levels of corruption, differ with respect to productivity and economic growth.

Bardhan (1997) argues that some African states in recent history have become predatory in their rent extraction not because they are strong, but because they are weak. The state cannot enforce the laws and property rights that provide the minimum underpinnings of a market economy, leading to disloyalty and theft among public officials. In sharp contrast stand the strong East Asian states with their centralized rent seeking machinery and their encompassing network with business interests, although the level of corruption is quite substantial also in these countries (Khan 2006; Khan & Jomo 2000). Credible commitments to both domestic and foreign business interests may be an important feature of the strength of these states. Acknowledging these differences between centralized and decentralized corruption (Shleifer & Vishny 1993), and the importance of predictability (Wedeman 1996; Campos *et al* 1999), getting rid of many of the public dysfunctional regulations remains a major first step in anti-corruption policy, whatever the nature of the state. Furthermore, both economists and political scientists seem to emphasize the importance of institutionalizing various kinds of accountability mechanisms at different levels of the government. However, it is important to recognize that some conditions are profoundly difficult to change. In order to improve the chances of making a positive difference in countries with weak governance and severe corruption, it is important to acknowledge that:

- Political will is often partial, qualified and temporary.
- Economic resources are usually seriously inadequate.
- Governance institutions often have significant weaknesses, and may require a long time to improve.

Therefore, to make inroads on corruption the Bank should concentrate its attention on those factors that it can influence and that have an impact on the effectiveness of governance and anti-corruption reforms. This simple insight is reflected in the Bank's current governance and anti-corruption strategy (World Bank 2007). The strategy also reflects more realism than before on what the Bank can do and on the time needed to achieve governance reforms (p. 47):

> *...attaining high overall standards of governance is a long-term endeavour requiring sustained reform efforts in which the focus is most usefully on performance trends. The trajectory of change will vary from one country to another, depending on both the initial political impetus and the longer-term historical processes that can shape and constrain political and institutional reform.*

3.3 Context matters

The general message of the anti-corruption reformers, until recently, has been that corrupt countries should replicate the institutions of clean countries. Thus, many countries have adopted various Western institutions. The ombudsman, for example, is a Scandinavian institution that has been reproduced in many developing countries, often with limited success. There is now a growing consensus between researchers and development practitioners on the importance of tailoring reforms to the particular country context. Thus, the Bank's current governance and anti-corruption strategy states that the 'scope, sequencing, and speed of governance reforms must be tailored to country context'.

These insights imply that there is no 'best practice' anti-corruption reform that could be uniformly applied to all countries, and that there is no single cross-country model of reform: The context matters. Local economic conditions, institutional constraints, administrative capacity, culture and history are important factors that must be taken into consideration when designing and implementing anti-corruption reforms.

So what can policymakers do to combat corruption? According to Shah & Schacter (2004) the answer lies in taking an indirect approach and starting with the root causes. To understand why, they suggest a model that divides developing countries into 'high', 'medium', and 'low' incidences of corruption. They assume that countries with 'high' corruption have a 'low' quality of governance, those with 'medium' corruption have 'fair' governance, and those with 'low' corruption have 'good' governance (see Figure 3.3).

Figure 3.3 One size does not fit all

Table 1: Country Types- Country Strategies

Corruption	Governance	Priority Anti-Corruption Efforts
High	Poor	• Consolidate rule of Law; • strengthen institutions of accountability • rationalize government intervention
Medium	Fair	• Decentralization and Economic Policy reforms; • results oriented management and evaluation
Low	Good	• Anti-Corruption agencies; • strengthen financial management • raise public and officials awareness; • no bribery pledges, high-profile prosecutions, etc.

Source: Shah & Schacter (2004)

Because corruption is itself a symptom of governance failure, the higher the incidence of corruption, the *less* an anticorruption strategy should include tactics that are narrowly targeted at corrupt behavior and the *more* it should focus on the broad underlying features of the governance environment (ibid. p. 42). For example, support for anticorruption agencies and public awareness campaigns are likely to have limited success in environments where corruption is rampant and the governance environment deeply flawed. In such environments anticorruption agencies are prone to being misused as tools of political victimization (Doig *et al* 2005, 2007). Such interventions are, according to Shah & Schacter, more appropriate in a 'low' corruption setting, where the governance fundamentals are reasonably sound and corruption is a relatively marginal phenomenon.

Where corruption is high and the quality of governance is correspondingly low, it makes more sense to focus on the underlying drivers of malfeasance in the public sector - for example, by building the rule of law and strengthening institutions of horizontal accountability (Figure 3.1). In addition to courts and parliamentary oversight functions, this includes special institutions of restraint such as the auditor general.

In societies where the level of corruption lies somewhere in between the high and low cases, Shah & Schacter suggest that it may be advisable to attempt reforms that assume a modicum of governance capacity - such as trying to make civil servants more accountable for results, bringing government decision making closer to citizens through decentralization, simplifying administrative procedures, and reducing discretion for simple government tasks such as the distribution of licenses and permits.

It may of course be argued that the categorization of countries as high, medium and low corrupt is too broad and does not capture the large differences between countries within each category (Figure 3.3). This critique might be accommodated by further fine tuning the model suggested by Shah & Schacter, as illustrated in the next section. Their main message, however, is that context matters, and that anti-corruption reforms must be tailored to country realities.

3.4 Politics matters

With respect to anti-corruption reforms, we know at present more about what has not worked in the past than what is likely to work in the future. There are many cases of obvious failure, but few cases of unequivocal success. Why do so many anti-corruption initiatives fail? Shah & Schacter (2004: 40) argue that the lack of significant progress in fighting corruption can be attributed to the fact that many anti-corruption programs are 'simply folk remedies or one-size fits all approaches and offer little chance of success'. This is supported by Mungiu-Pippidi (2006: 91) who argues that '[t]he problem is that both the assessment instruments (which result in a descriptive "anatomy of corruption") and the resulting anti-corruption strategies seem to be simply replicated from one country to another'.

Corruption in developing and post-communist countries has often been treated as an 'engineering problem' – and as such a phenomenon to be addressed through technocratic 'toolbox' or 'textbook' solutions. There seems to have been an assumption that corruption and its solutions could be fully specified in advance, and the required measures implemented on a predictable timetable, over a fixed period. The technocratic approach, however, has overlooked the fact that anti-corruption reform, though it has important technical aspects, also is a social and political phenomenon driven by human behaviour and local circumstances. Many anti-corruption initiatives fail because they are non-political in nature, while most of the corruption in developing and post-communist countries is inherently political (Mungiu-Pippidi 2006: 86). Moreover, what is labelled corruption in these countries may not be the same phenomenon as corruption in developed countries. In the latter, the term corruption usually designates *individual* cases of infringement of the norm of integrity. In the former, corruption often means a mode of *social* organization characterized by the regular distribution of public goods that mirrors the distribution of power within such societies. Few anti-corruption campaigns dare to attack the roots of corruption in such societies as these roots lie in the distribution of power itself. Instead, anti-corruption strategies are adopted and implemented in cooperation with the very predators who control the government and, in some cases also the anti-corruption instruments (ibid. p. 87).

Corruption should therefore be understood in conjunction with the stage of development of a particular state or society. It makes little sense to discuss corruption in relation to a patrimonial or absolutist state, since the norm that applies within such societies is certainly not universalism (ibid). Only after the modernization of the West European and North American states was completed - and government became firmly based on the assumption that public goods, including law and order and jobs in the public sector, would be distributed equally and fairly *as a norm* - can we meaningfully begin to discuss governance in the West. Scholars and practitioners who ask why modernization and democratization seem to bring more corruption, and then look for answers in the process of modernization itself, miss the fact that prior to modernization, a universal delivery of public goods by the state existed only exceptionally. As Max Weber (1969: 159) puts it, only in the modern state is public office no longer considered a source of income to be exploited for rents:

> *[I]n exchange for the rendering of certain services, as was normally the case in the Middle Ages. . . . It is decisive for the modern loyalty of an office that, in the pure type, it does not establish a relationship to a person, like the vassal's or disciple's*

faith under feudal or patrimonial authority, but rather is devoted to impersonal and functional purposes.

The challenge is therefore to ensure that emerging democracies succeed in doing what the Swedes managed to do at the end of eighteenth century, and the British a century later: Build a government that is both accountable and fair, and construct societies that embrace universalism as the supreme principle governing relations between the people and government (Mungiu-Pippidi 2006: 96). Historically, it has been the political opposition, civil society, or even enlightened despots who have promoted the greatest strides forward. From a development agency's point of view, however, the issue of anti-corruption may become diplomatically delicate since at least some of the stakeholders who are handling the aid instruments in the partner countries, are likely to be part of the problem.

When are circumstances ripe for civil disobedience against political corruption and state capture? In situations where most people are content with existing arrangements and do not feel that they personally have anything to lose by corruption, one simply cannot fight state-capture. This also applies to situations where people feel powerless to change the system and do not want to get hurt trying.[10] Thus, it is best to attack such systems during economic crises or other periods of societal stress. Great political turning points can also provide a favorable environment. An example is the case of post-communist countries joining the European Union (e.g. Bulgaria), where groups are able to invoke EU conditionality in the fight against systemic corruption. Civil society is potentially a more effective auditor and a more credible ombudsman than public institutions in such societies.

[10] For example, see Diaz-Cayeros *et al* (2006).

4. Governance Interventions and Diagnostic Tools

Research has in recent years made important clarifications of likely general causes, set some of the agenda for defining the key issues and thereby prepared some of the groundwork necessary for formulating anti-corruption policies and programs. Analytical work by the World Bank and the World Bank Institute has been instrumental in this respect.

Governance ratings have become powerful tools in anti-corruption efforts (see Box 4.1). One of the Bank's first operational steps after the 1997 WDR was to strengthening the Country Performance and Institutional Assessment (CPIA) in 1998, as a tool for allocating IDA funds. The revised CPIA placed heavier weight on the quality of government management, including technical aspects of civil service and financial management as well as ethical and political aspects of governance, and created in that way leverage for the governance agenda (Webb 2007: 32). Fiduciary control was more directly addressed in 2004 by a multi-agency partnership, including the Bank, the IMF and several bilaterals who together developed PEFA, a Performance Measurement Framework targeted more narrowly at country financial management, with considerable weight given to transparency and accountability.

In another instance of donor coordination in 1998, the World Bank and the European Bank for Reconstruction and Development (EBRD), created the Business Enterprise and Environment Survey (BEEPS), which measures aspects of the business environment in 22 transition countries. Soon after, the Bank produced *Doing Business*, another set of business-environment indicators which now covers 175 countries, and also the World Bank Institute's *WBI Governance Indicators*, which pools a large number of indicators and ratings produced by both private and official sources. These newer diagnostic instruments complement existing diagnostic tools developed by the Bank during the 1980s and 1990s, such as the Public Expenditure Review (PER), the Institutional and Governance Review (IGR), the Public Expenditure Tracking Survey (PETS), and the Quantitative Service Delivery Survey (QSDS). The first of these was the PER, which started in 1979 and widely used during the 1990s. PETS and QSDS targeted expenditure controls and corruption. The IGR was an optional instrument, in part because it was designed to explore sensitive aspects of politics and culture that generally determine the prospects for institutional reform, and not all governments and country directors were willing to accept it. Indicators and diagnostic tools have multiplied in number. They serve as key instruments in Bank operations related to its governance agenda. But their role goes beyond that internal use, since they now constitute a globalized, measurement and ratings-oriented environment that acts as an incentive and a constraint on all governments, thus strongly reinforcing the potential impact of Bank operations.

4.1 Assessing fiduciary risk

Donors, including the Bank, have used a variety of diagnostic tools in order to identify institutional weaknesses in the public expenditure system of developing countries (Kolstad *et al* 2008). A harmonized framework for assessing fiduciary risk has now been developed by a Public Expenditure and Financial Accountability (PEFA) working group, which a number of donors have begun to employ. The PEFA framework consists of 31 high level indicators that assess the operational performance of partner country public financial management (PFM) systems, processes, and performance against six critical objectives: Credibility of the budget; comprehensiveness and transparency; policy-based budgeting; predictability and control in budget execution; accounting, recording and reporting; and external scrutiny and audit.

Box 4.1 Measuring corruption - governance indicators

The increasing emphasis on good governance as a determinant of development - and as a development objective in itself - has created demand for indicators to measure the quality of governance for aid targeting. By one recent estimate there are now some 140 user-accessible sets of governance indicators, comprising literally thousands of individual indicators. This has in turn led to the production of several governance-indicator 'manuals' or 'guides'. Commonly, these 'guides' distinguishes between governance indicators that are constructed from objective *facts* and indicators that are *perceptions* based. International investors, donors and decision makers generally tend to rely mainly on perception-based governance indicators. This is partly due to the fact that the data required to construct facts-based indicators are often lacking for developing countries, and partly because the numbers that exist for those countries are considered to be lacking credibility. Furthermore, the data that are used to construct facts-based indicators often only reflect on formal *de jure* realities, and not the very different *de facto* realities on the ground.

'Facts' based governance indicators

- The EBRD-World Bank *Business Environment and Enterprise Performance Survey* compiles the experiences of more than 10,000 firm managers in 1999 and 2002 (the data are available at www.ebrd.com/pubs/econ/beeps/main.htm). The managers were asked to estimate the share of annual sales 'firms like yours' typically pay in unofficial payments to public officials.
- The *International Crime Victim Survey* (ICVS) is designed to produce comparable data on crime and victimization across countries, using a combination of computer-assisted telephone interviewing techniques in developed countries and face-to-face surveys in developing countries (www.unicri.it/wwd/analysis/icvs/index.php). Since 1989, more than 150 surveys have been done in over 80 different countries. The ICVSs only provide information on the incidence of corruption from a household perspective.

Perception based governance indicators

The most widely used perception-based governance indicators, which cover a large number of countries, are:

- The *International Country Risk Guide* (ICRG) provides ratings for 140 countries based on financial and economic risk assessments, and assessments of political risk. It also offers one-year and five-year assessments with projections in 'best case' and 'worst case' scenarios. www.prsgroup.com/
- *Freedom House* provides annual ratings of political rights and civil liberties in 192 countries. It rates both a country's political rights and its civil liberties on a scale from 1 ('best') to 7 ('lowest'). www.freedomhouse.org/template.cfm?page=5
- The *Corruption Perception Index* (CPI) is published annually by Transparency International. The 2007 index includes 180 countries. The CPI assesses the degree to which public officials and politicians are believed to accept bribes, take illicit payment in public procurement, embezzle public funds, and commit similar offences. The index ranks countries on a scale from 10 ('completely clean') to zero ('completely corrupt'), according to the perceived level of corruption by business people and country analysts. It is a composite index drawing on corruption-related data from expert and business surveys carried out by a variety of independent institutions. www.transparency.org/policy_research/surveys_indices/cpi
- The *Country Policy and Institutions Assessment* (CPIA) is produced annually by the World Bank's country teams. The purpose is to assess the quality of the borrowing countries' policy and institutional frameworks for fostering poverty reduction, sustainable growth and effective use of development assistance. These assessments have been used since 1977 to help guiding the allocation of interest-free loans and grants by the Bank's IDA to the poorest countries. The Bank's country team gives a score of 1 to 6 to a country for each of in total 16 criteria. To enhance consistency of ratings across countries, the Bank now provides the assessment teams with detailed questions and definitions for each of the six rating-levels. Moreover, before the country ratings are finalized, an extensive Bank-wide benchmarking and vetting process is used to avoid bias and to counterbalance the natural tendency of country teams to make their countries look better. http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTDATASTA/0,,contentMDK:21115900~menuPK:2935553~pagePK:64168445~piPK:64168309~theSitePK:2875751,00.html
- The *Worldwide Governance Indicators* (WGI) produced by the World Bank Institute since 1996 (often referred to as the KKZ Indicators named after their creators). Alongside with Transparency International's CPI, the WGI have played a leading role in putting governance and corruption on the agenda in developing countries. Due to the large number of sources used to developing the WGI, the country coverage is very large (212 countries and territories in 2007). www.govindicators.org

For discussions on uses and abuses of governance indicators, see Arndt & Oman 2006; Kaufmann & Kraay 2007; Kaufmann *et al* 2006a, 2006b; and Knack 2006.

The PEFA framework was not explicitly designed to capture corruption, nor does it include any indicator of corruption in the PFM system. It does, however, contain some indirect indicators of corruption. Some of the PFM characteristics captured by the framework will in part determine whether corruption is likely to flourish or not. Comprehensiveness and proper classification of the budget and fiscal information implies that officials will find it harder to divert or misuse public funds. Transparent and good fiscal information available to the public are expected to make misuse easier to detect, and increase the accountability of public officials to the general public. The effectiveness of internal and external control through accounting and audits clearly influences the possibility of detecting corruption.

Nevertheless, the PEFA framework falls short of adequately capturing corruption. Important determinants of corruption are left out and the indicators are therefore insufficient to judge whether corruption is likely to be high or low in the country assessed. In particular, the indicators of central government accountability focus largely on the characteristics of control mechanisms rather than the ability of other agents to sanction government officials where misuse of funds occurs.[11] The PEFA framework is by and large a technical summary of the PFM system of a country. It therefore also leaves out political and cultural characteristics that may influence corruption. An assessment of corruption in partner countries should therefore be conducted in addition to a PEFA analysis.

The absence of political and cultural factors in the PEFA analysis also illustrates a general problem in donor approaches to improving public expenditure management in partner countries. Diagnostic tools tend to focus on identifying weaknesses in the *formal institutions*, and donors have often sought to address these through technical assistance and capacity building. Though improving formal institutions is important, what decides how public funds are actually spent are often informal processes behind the scenes. A study from Malawi points out, for instance, that the budget process provides no realistic estimate of revenue or spending, rather it is a theatre that masks real distribution and spending (Rakner *et al* 2004). The *informal processes* frequently undermine the functioning of the formal system, and therefore also reduce the effectiveness of interventions to improve how the formal system works. In many cases, these informal interactions will include corrupt dealings. Both to improve the general effectiveness of allocation processes, and to address the problem of corruption, it is therefore important to analyze the interests and interactions that actually drive allocation of expenditures in a partner country.

4.2 Public expenditure tracking surveys (PETS)[12]

Policymakers in developing countries often have little up to date information on actual public spending at the service facility level or by program. The public expenditure tracking survey (PETS) methodology is therefore designed to track the flow of resources through the administrative system (Gauthier & Reinikka 2006; Reinikka & Svensson 2006). Public funds often pass through several layers of government bureaucracy on the way to the service outlets, which are charged with responsibility of exercising the spending. A PETS tracks the flow of resources through these government strata, on a sample survey basis, in order to determine how much of the originally allocated resources reach each level. It is therefore useful as a method for locating and quantifying political and bureaucratic capture, leakage of funds, and problems in the deployment of human and in-kind resources, such as staff, textbooks, and drugs.

[11] See Kolstad (2005) for further details.

[12] Section 4.2 and Section 4.3 draw on Reinikka & Svensson (2006). See also Gauthier & Reinikka (2006) for a detailed review of various micro level approaches and methods for the study of service delivery.

A typical PETS consists of a survey of frontline providers (e.g. schools and clinics and their staff) and local governments (politicians and public officials), complemented by central government financial and other data. The PETS recognizes that an agent may have an incentive to misreport. These incentives derive from the fact that information provided, for example by a school or a health facility to local governments, often determines its entitlement to public support. In cases where resources are used for corruption, the agent involved in the activity will most likely not report it truthfully. In short, the PETS deals with these data issues by (a) using a multiangular data collection strategy where information from different sources are combined; (b) considering which sources and respondents have incentives to misreport; and (c) identifying data sources that are the least affected by such incentives. This data collection strategy serves to cross-validate the information obtained separately from each source. The PETS allows observation of the outputs and performance of service providers, and thereby provide new information to policymakers and beneficiaries on the complex transformation of budgets to public services.

Uganda was the first country to do a PETS in 1996. The study was motivated by the observation that despite a substantial increase in public spending on education, the official reports showed no increase in primary enrolment. The hypothesis was that actual service delivery, proxied by primary school enrollment, was worse than budgetary allocations implied because public funds were subject to capture by local politicians and public officials and did not reach the intended facilities (schools). To test this hypothesis, a PETS was conducted to compare budget allocations to actual spending through various tiers of government, including frontline service delivery points, that is, primary schools (Ablo & Reinikka 1998).

The first Ugandan school survey provides a bleak picture of public funding on the frontlines. On average, only 13% of the annual capitation grant (per student) from the central government reached the school in 1991–95 (Table 4.1). Eighty-seven percent was captured by local officials for purposes unrelated to education, yet there was no evidence of increased spending in other sectors. Most schools received nothing. Although there was indirect evidence that part of the observed leakage was theft, as indicated by numerous newspaper articles about indictments of district education officers after the survey findings went public, anecdotal evidence suggested that funds were largely used for patronage politics and the funding of political activities. Information collected during the survey suggested that funds were used to increase allowances for councilors and local officers. Moreover, on the day funds actually arrived in the district, well-connected citizens and local politicians got together with the district officials to decide how these should be used. However, while the PETS data can usefully quantify capture of funds in a public program and shed light on where in the hierarchy such capture takes place, the data do not determine what actually happens to the funds after they have been captured.

Table 4.1 ***Leakage of non-wage funds in primary education: evidence from public expenditure tracking surveys***

Country	Year	Mean (%)
Uganda	1991-95	87
Ghana	1998	49
Peru	2001	30
Tanzania	1998	57
Zambia	2001	76

Source: Reinikka & Svensson (2006)

Later, several other countries have implemented public expenditure tracking surveys in education and health care. In primary education, these studies include Ghana, Peru, Tanzania, and Zambia (Table 4.1). Leakage of non-wage funds - defined as the share of resources intended for but not received by the frontline service facility - was found to be a major issue in all cases.

A few PETS have been used to quantify the share of 'ghosts' on government payroll. Such 'ghosts' are, for instance, teachers or health workers who continue to receive salary, but who no longer are in the government service, or who have been included in the payroll without ever being in the service. In a PETS in Honduras, for example, 5% of the teachers on the payroll were found to be 'ghosts', while in the health care, the percentage was 8.3 for general practitioners in 2000 (World Bank, 2001). In Papua New Guinea, a more recent survey showed that 15% of teachers on the payroll were ghosts (World Bank 2004). In Africa, the comparable figures are even higher. Also, in many countries an excessively high fraction of teachers are assigned outside the classrooms, some with the unions or in the legislature.

4.3 Quantitative service delivery surveys (QSDS)

Service provider surveys are used to examine the efficiency of public spending, incentives, corrupt behavior, and various other dimensions of service delivery in provider organizations, especially those on the front lines. The quantitative service delivery survey (QSDS) is a variant of these provider surveys, with an emphasis on systematic quantitative data on finances, inputs, outputs, pricing, quality, oversight, and other aspects of service provision (Gauthier & Reinikka 2006; Reinikka & Svensson 2006). It can be applied to government, private for-profit, and not-for-profit providers. The facility or frontline service provider is typically the main unit of observation in a QSDS in much the same way as the firm is in enterprise surveys and the household is in household surveys. A QSDS requires considerable effort, cost, and time compared to some of its alternatives, especially surveying perceptions of users.

To exemplify, a QSDS-type survey conducted in Bangladesh made unannounced visits to health clinics with the intention of discovering what fraction of medical professionals were present at their assigned post (Chaudhury & Hammer 2003). The survey quantified the extent of this problem on a nationally representative scale and collected other information as well. Absentee rates for medical providers in general were found to be quite high (35%), and higher for doctors. The average absence rate was found to be roughly the same in Ugandan health facilities (37%), but even higher (40%) in India and Indonesia (Table 4.2). Teacher absence rates are generally found to be lower than those found in health care.

Table 4.2 ***Absence rates among teachers and health-care workers in the public sector (%)***

Country	Primary schools	Primary health facilities
Bangladesh	16	35
Honduras	14	27
India	25	40
Indonesia	19	40
Peru	11	23
Uganda 2002	27	37

Source: Adapted from Reinikka & Svensson (2006)

In Honduras a combination of PETS and QSDS were used to diagnose the moral hazard with respect to frontline health and education staff (World Bank 2001). The study demonstrated that even when salaries and non-wage funds reach frontline providers, certain staff behaviors and incentives in public service have an adverse effect on service delivery, particularly absenteeism and job capture by employees. Migration of posts, due to capture by employees, was considered a major problem. The Honduran system of staffing in the education and health sectors assigns posts to the central ministry, not individual facilities. Because the central ministry has discretion over the geographic distribution of posts, frontline staff have an incentive to lobby for having their posts transferred to more attractive locations, most often to urban areas. The implication is that posts migrate over time from the rural and primary level to cities and higher levels of health care/schooling, which is neither efficient nor equitable.

The study found absenteeism to be common in the health sector in Honduras, with an average attendance rate of 73% across all staff categories (Table 4.2). Thirty-nine percent of absences were without justifiable reason (such as sick leave, vacations, and compensation for extra hours worked). This amounts to 10% of total staff work time. Multiple jobs were prevalent, especially for general practitioners and specialists. Fifty-four percent of specialist physicians had two or more jobs, and 60% of these were in a related field. Five percent of sampled staff members had migrated to posts other than the one assigned to them in the central database, while 40% had moved since their first assignment. The highest proportions of 'migrators' were found among general practitioners. Migration was found always to be from lower- to higher-level institutions. Job migration was found to reflect a combination of employee capture and budget inflexibility. In education, staff migration was found to be highest among non-teaching staff and secondary teachers. Multiple jobs in education were twice as prevalent as in health, with 23% of all teachers doing two or more jobs. Furthermore, 40% of the educational staff worked in administrative jobs suggesting a preference for non-frontline service employment.

The QSDS is still a relatively new tool, but the results of the first surveys indicate that it has the potential to generate very useful information on performance in service delivery as well as corrupt practices in service delivery. It also provides information on incentives more broadly. There are ongoing attempts, for which published results are not yet available, to use the QSDS to measure other aspects of corruption and inefficiencies across service providers, including drug leakage and informal user fees.

4.4 Grassroots monitoring and citizens' access to information

Increased societal accountability can have an effect on corruption, at least under certain conditions (see Section 3 above). In terms of societal accountability, two approaches are commonly discussed separately, although clearly related.[13] One approach focuses on citizen enforcement, or grassroots monitoring, where the basic idea is that by providing information to citizens, they would be able to address misconduct by public officials, which would reduce corrupt behaviour. This pertains in particular to citizen oversight over government service delivery, and the use of public funds for particular projects or more generally.

The other approach focuses on the role of community based organizations (CBOs) can play in terms of addressing governmental misconduct in service delivery or the use of public funds. In addition, CBOs can potentially play a role in influencing governance reform at a more general level.

[13] This section draws on Kolstad & Fjeldstad (2006) and Kolstad *et al* (2008).

The literature on the effectiveness of grassroots monitoring and civil society in reducing corruption is limited. The available empirical studies of grassroots monitoring are relatively more sophisticated in using econometric techniques, while the evidence on civil society effectiveness is predominantly based on case-studies. Nevertheless, some of the arguments and emerging conclusions related to the two types of approaches are fairly similar. Both approaches attempt to increase accountability from the bottom-up.

The rationale behind grassroots monitoring, is that the people who benefit from public services are in a good position to hold public decision makers to account, since it is in their interest to do so. Some studies indicate that grassroots monitoring can be effective in combating corruption, and in improving the quality of public service delivery. The public expenditure tracking survey (PETS) in the education sector in Uganda, referred to in section 4.2, found that on average only 13% of disbursed grants from the central government, reached the schools in the mid-1990s. In other words, the greater part of funds was captured by local officials, which could reflect either corruption or diversion to other ends than intended. To remedy this situation, the government started to publish monthly grants to districts in newspapers. This had a substantial effect on the amounts that schools received. In 2001, on average more than 80% of the grants reached the schools. Reinikka & Svensson (2005) found that the effect of access to this information on grants received, was statistically significant.[14]

Another study of corruption in a wider set of sectors in Uganda uses data from a household survey to determine the importance of information on reporting procedures (Deininger & Mpuga 2004). Almost 30% of the households reported to have paid bribes in the last six months. Less than 5% of the respondents had ever reported a case of corruption, however. And only about 20% of the respondents indicated that they had knowledge of how to go about reporting a case of corruption. Interestingly, the study found a significantly negative relationship of knowledge on reporting procedures and the probability of paying bribes. In other words, people that knew how to report corruption were found to be systematically less subjected to it. The implication they draw is that improving the knowledge on reporting, can reduce the incidence of corruption.

Though grassroots monitoring was found to reduce corruption in the above cases, an important qualification to the impact of such monitoring has been identified in a study by Benjamin Olken (2005). He uses data from a field experiment in Indonesia, where 600 village road projects were studied. In some villages, citizens' participation was increased by distributing invitations to village-level meetings or anonymous comment forms. Interestingly, increased participation only changed the form of corruption, not its overall level. In the villages where participation was increased, there was reduced theft of villagers' wages, but this was offset almost completely by a corresponding increase in the theft of building materials. The study estimated that on average 28% of the reported spending to village roads went missing, mostly because road builders skimped on materials. Increasing grass-roots participation (bottom-up) in monitoring the road projects affected only missing labor expenditures, with no impacts on materials. Since materials accounted for about three-quarters of total expenditures, the overall impact of grass-roots monitoring was nonetheless

[14] A recent deconstruction of the Uganda case by Paul Hubbard (2007) confirms that information does matter in reducing corruption, but suggests that it was about much more than the simple disclosure of information. Hubbard argues that Uganda's 'information disclosure' began with the government, not citizens, following the results of the first World Bank survey. This 'information' likely strengthened the resolve within the Government of Uganda for reform and also hardened the resolve of the donor community to reduce leakages. The information campaigns aimed at Uganda's citizens later became an element of this story, but was not the driving force.

small and statistically insignificant. In contrast, missing funds in the projects were substantially reduced by increasing the probability of external audits (top-down).

This points to an important distinction in the likely effectiveness of grassroots monitoring, between private and public goods, respectively. Wages are clearly a private good to villagers in the sense that they accrue to them only and not to a larger group of individuals. A worker whose wages are embezzled, has a clear interest in reporting and sanctioning the shortfall, since the benefits of doing so accrue completely to him- or herself. By contrast, building materials that should have been used to build a road, have more of a character of a public good, where some benefits fall on all villagers, but where the benefits to each villager of reporting theft may be smaller than his private costs of doing so. Moreover, each villager would prefer not to report and sanction theft, given that others do, which means that there are substantial free-riding problems for public goods. These findings suggest that grassroots monitoring is more likely to be effective for government activities that provide private goods, such as subsidized food, education and health care, whereas it is relatively ineffective in the provision of public goods such as infrastructure. In the provision of public goods, other types of interventions are more effective in reducing corruption. In the Indonesian case, Olken (2005) shows that government audits are remarkably effective in reducing theft, even in a situation where corruption is widespread.

There are also further conditions that need to be in place for grassroots monitoring to be effective. One is that information on the use of funds can be effectively diffused. Using newspapers, for instance, requires a certain level of literacy among the citizenry, in other cases different strategies need to be used. Another important condition is that there exists some sort of organized system of feedback to and sanctioning of public officials, that is accessible to citizens. The literature on decentralisation and local capture also offers some important lessons for these types of initiatives (see Bardhan & Mookherjee 2005). Grassroots monitoring is intended to empower local stakeholders, but it matters a great deal which local stakeholders are empowered. If the way in which these monitoring schemes are implemented favours local elites by giving them relatively more and better access to information, capture of funds or resources by local elites may actually increase. This suggests that grassroots monitoring may be less appropriate in communities where there is a high degree of socio-economic inequality and heterogeneity, or whose social organization is highly clientilistic.[15]

Civil society in the form of non-governmental organizations is sometimes involved in the monitoring of public service delivery and use of funds discussed above. In addition, these types of organizations have an advocacy role in terms of improving governance more generally, including anti-corruption reform. The OECD (2003) synthesis of lessons learned in fighting corruption concludes, however, that there is little formal evaluative work on the anti-corruption effect of civil society organizations (see Robinson 2006: 9). This appears to be the case also after 2003. We, thus, have limited systematic knowledge about how well civil society organizations function in reducing corruption.

One clear conclusion drawn by the OECD (2003) synthesis is that coalitions are key, and there are many examples that they work and get results. Newer studies have, however, cast significant doubt about or at least heavily modified this conclusion. Tisne & Smilov (2004) conduct a review of twenty donor-supported anti-corruption projects in Albania, Bosnia and Herzegovina, Bulgaria and Macedonia. They argue that the desire to build broad coalitions in the fight against corruption has had a negative effect on the sustainability of reform efforts. Since progress on anti-corruption has been slower than expected and coalition members have seen few benefits from their efforts, 'projects generally failed to create a self-sustaining

[15] See Veron *et al* (2006) for an account of community monitoring of poverty-alleviation schemes in India.

constituency to further their work'. In the worst case, Tisne & Smilov suggest, the anti-corruption strategy may have fuelled public distrust in government and democracy, thus effectively reducing vertical accountability (see Figure 3.1). They do not, however, provide compelling empirical evidence that the coalition projects were counterproductive in this manner.

Consequently, the debate on civil society coalitions has moved on from the idea that coalitions are necessarily effective, to the question of how to design sustainable and effective coalitions. Tisne & Smilov (2004: 6) argue that instead of broad coalitions, reformers should mobilize 'well-defined constituencies behind focused governance reforms that have a clear impact and benefits for those involved'. In a similar vein, Johnston & Kpundeh (2004:6) suggest that 'early recruitment of support should focus on potential stakeholders who suffer immediate and tangible costs of corruption and have resources they can mobilize against it'. The coalition also needs to be run in a way that provides incentives, material or otherwise, for members to stay on during its various stages of development. This line of thinking is related to the above distinction between private and public goods; if individuals or organizations perceive substantial private gains from being part of a coalition, they are more likely to be effective than if the gains are shared and the efforts of one participant increases the gains of others. As pointed out by Johnston and Kpundeh (2004: 3), however, even coalitions that are focused in this sense require a conducive environment to be effective, 'if the regime is repressive, openly exploitative, or skilled at using its resources to undermine the coalition and co-opt its members, the most determined efforts may come to naught'.

There are also other concerns when it comes to the effectiveness of civil society in fighting corruption. Civil society is often weak in poor countries, and the capacity and management of organizations insubstantial. While donor support may have contributed to improving capacity and technical skills of NGOs in some developing countries, it is a common observation that aid has failed to make these organizations economically sustainable. These are general problems which pertain to the effectiveness of using NGOs as development partners. More important, however, is how a corrupt environment affects the nature and motivation of the organizations that actually exist. In a country where corruption is widespread and endemic, one can question how easy it is to find NGOs that are clean. The OECD (2003: 36) synthesis notes that there are civil society organizations (CSOs) 'with dubious affiliations to those who are part of the corruption problems' and 'CSOs …. that have been created as personal income-generating projects for people who have a limited interest in fighting corruption'. This is related to the rent-seeking and local capture literature, where NGOs are established with the purpose of capturing a greater proportion of public resources, including foreign aid.

A number of studies note that societal accountability through grassroots monitoring or civil society advocacy requires other types of accountability to be effective, in particular vertical accountability (see Figure 3.1). In a study of community monitoring in India, Veron *et al* (2006: 1922) argue that 'when … vertical accountabilities are weak, … accountability structures between local civil society and officials can mutate into networks of corruption in which 'community' actors become accomplices or primary agents'. Similarly, Tisne & Smilov (2004: 68) argue that in the Balkans, the most successful civil society anti-corruption projects 'were confrontational and thus political', which implies that the 'main rationale of future activities should be on encouraging political parties to become active anticorruption players'. There is also a relationship between different types of societal accountability. Hence, Rose-Ackerman (2007) suggests that the effectiveness of civil society advocacy depends on the state of the media; a 'free press is a key background condition', she argues.

5. International Initiatives Supported by the Bank

The Bank's entry points for governance and anti-corruption interventions discussed in the two previous sections are potentially important ways to reduce bureaucratic corruption by reducing opportunities and incentives for corrupt acts. Increasing transparency and access to information in all parts of the public sector may also help reduce political corruption (state capture) by supplying information that the media, civil society, and the broader political process can use to demand accountability from political leaders. Support for these measures has been the most important way to date that the Bank has advanced the anticorruption effort.

Several international initiatives against state-capture corruption are also supported by the Bank. These include the *Extractive Industries Transparency Initiative* (EITI) which has received Bank support for implementation in at least 12 of the 22 developing countries that by end 2007 had signed up on the initiative. The *Stolen Asset Recovery* (StAR) initiative is a new initiative that the Bank has supported as an action against grand corruption. This section briefly assesses these initiatives.

5.1 The Extractive Industries Transparency Initiative (EITI)[16]

The EITI is a process initiated by donor country governments in order to reduce resource curse problems by improving governance and transparency in natural resource rich countries.[17] It is a voluntary initiative that supports improved governance through the verification and full publication of company payments and government revenues from oil, gas, and mining. The main motivation for the initiative is that oil rents are seen as property of the nation. Thus, mechanisms to collect, distribute and use the rents should be clear and acceptable to all. The EITI focuses on transparency regarding the awarding of contracts, monitoring of operations and revenue collection – not on distribution of income and public expenditure.

Three main groups of stakeholders are involved in the EITI process: representatives of the government, oil/mineral companies and of civil society. The initiative seeks to build multi-stakeholder partnerships in developing countries. There are four steps in the implementation of EITI (see Figure 5.1).

[16] This section draws on Kolstad & Wiig (2007).
[17] For more information, see http://www.eitransparency.org/section/abouteiti

Figure 5.1 The EITI implementation process

Implementing the EITI: 4 steps

1- Sign up
- Issue government announcement
- Commit to work with civil society
- Appoint implementation leader
- Compose and publish workplan

2- Preparation
- Establish multi-stakeholder committee
- Engage industry and civil society
- Remove obstacles to implementation
- Agree reporting templates
- Approve auditing company
- Ensure full industry participation
- Ensure company & gov. accounts are properly audited

3- Disclosure
- Verify company and government disclosure to auditor
- Approve audit quality
- Identify discrepancies and recommend improvements
- Summarize industry support to implementation

4- Dissemination
- Agree on manner and quality of dissemination

Source: Alba 2006

An evaluation undertaken in 2006 found that out of the 20 countries that by then had committed to EITI principles and criteria, only:

- Two had published fully audited and reconciled EITI reports.
- Eight had yet to take even the initial step of appointing an individual to lead the EITI process.
- Ten had not yet formed the required multi-stakeholder committee.
- Eleven had not a drafted and approved work plan.

The EITI provides a partial basis for accountability in the management of revenue flows from oil and other extractive industries. By comparing the payments made to governments by companies, with the payments received by governments, the revenues to governments are subjected to closer verification than would otherwise be the case. Since substantial amounts are otherwise believed to disappear in the process of collection, this is no doubt important. Nigeria is frequently used as an example of higher identified revenue flows as a result of EITI participation, according to one account the savings has been in the order of USD 1 billion in 2004-2005.[18] These types of findings need to be verified more closely, however, since increased revenues may be attributable to a number of other factors than EITI implementation.

The EITI underscores the importance transparency plays in governance. By such emphasis, stakeholders are more aware of potential problems that might arise in the absence of transparency. At the same time, the EITI creates a platform of communication between government authorities, the extractive industry (oil and mining companies including oil service firms) and civil society (media, trade unions, local and international NGOs). Dealing with resource management involves complex issues that need comprehensive analysis, transparent information and participation from many stakeholders. The EITI also represents

[18] See http://allafrica.com/stories/printable/200701020805.html

an international standard on transparency and good governance, which makes it easier for oil companies and government to aspire to better practices, and constitutes a focal point for civil society in addressing inefficient governance, or for financial institutions to use in certification processes.

There are also a number of challenges and problems related to the EITI initiative. First, the EITI is an initiative that focuses on *revenues* from extractive industries in resource rich countries. This implies a narrow take on transparency, as only a small section of the public sector is covered by the initiative. Other parts of the oil extraction value chain are not covered by the initiative. Moreover, the initiative does not address transparency in the use of public resources, i.e. the *expenditure* side. The expenditure side is clearly key in many of the corruption-related problems faced by resource rich countries. Patronage politics, whereby funds or positions are transferred to supporters, is clearly about the expenditure side. Robinson *et al* (2006) suggest that accountability in the use of public resources is the key to avoiding the resource curse.

Second, EITI membership is *voluntar*y for states and companies. This means that countries and companies may choose whether or not to join the initiative, and whether to wholeheartedly follow up on it if they do join. Whether a government chooses to join an initiative of this kind, likely depends on what it has to gain by doing so. As corrupt government officials may have vested interests in not promoting transparency in their country, expanding EITI membership and implementation is likely to remain a problem. This relates to the previous discussion of information rents and reform.

Third, transparency is in and of itself insufficient in improving government behavior. In the absence of accountability, whereby other groups can hold a government to account and sanction misbehavior, it is unclear that the EITI will have much of an effect. It is for instance unclear that failing to meet EITI criteria will necessarily have any repercussions for a government in countries where accountability mechanisms are weak. Moreover, in addition to accountability, the effect of the initiative will depend on the degree to which other groups are able to process the information made available, i.e. their level of education. There are also potential free-rider problems in providing highly aggregate data that affect everyone in general but no one in particular. The EITI therefore likely needs to be coupled with other types of reform to have an effect on corruption in oil and mineral rich countries.

Finally, the EITI includes the construction of a multi-stakeholder group to participate in the validation process. While this has the potential of improving accountability and participation in revenue management, there is also a risk that the group can become another arena for rent-seeking and patronage. Though civil society is to be represented in the multi-stakeholder group, civil society is not one thing nor necessarily representative of the population. Since the multi-stakeholder group is to be appointed by the government, there is a chance that it will be peopled with government supporters. Or along the lines of rentier state arguments, a government may use its power of appointment to undermine the existence of social groups independent of the government. More fractionalistic stakeholder groups may also use their potential leverage in the EITI, to acquire a greater proportion of resource rents. This implies the need for a critical analysis of the composition and behavior of the multi-stakeholder system of the EITI, to assess the commitment of the government to real reform in the area of transparency.

Some of these challenges are addressed in the recent EITI++ initiative (April 2008) which complements EITI's focus on transparency in reporting revenues. EITI++ will provide governments with a slate of options including technical assistance and capacity building for improving the management of resource-related wealth for the benefit of the poor. Through technical assistance, EITI++ aims to improve the quality of contracts for countries, monitoring operations and the collection of taxes and royalties. It also aims to improve economic decisions on resource extraction, managing price volatility, and investing revenues effectively for national development.

EITI's potential and hoped-for effects in reducing corruption and in increasing transparency in the use of funds depends on a process of information about oil and mineral revenues which stimulates domestic political demands for accountability and more information. If a country already has the infrastructure of inquisitive media, opposition parties, and democratic budgeting, EITI could have good effects on transparency and corruption. In most of the EITI signatory countries where the Bank has provided support, however, there are great needs for institution building.

5.2 The Stolen Asset Recovery (StAR) initiative[19]

The Stolen Asset Recovery (StAR) project is a new initiative that the Bank is supporting as an action against grand corruption. While the traditional focus of the international development community has been on addressing corruption and weak governance within the developing countries themselves, this approach ignores the 'other side of the equation': stolen assets are often hidden in the financial centers of developed countries; bribes to public officials from developing countries often originate from multinational corporations; and the intermediary services provided by lawyers, accountants, and company formation agents, which could be used to launder or hide the proceeds of asset theft by developing country rulers, are often located in developed country financial centers.

The StAR was launched in September 2007, as a joint World Bank-UN initiative, and is an important component of the Bank's Governance and Anti-Corruption Strategy. It operates on the premise that both developed and developing countries must work in partnership in order to prevent and resolve the problem of stolen assets. While developing countries need to improve governance and accountability, developed nations should also stop providing a safe heaven for stolen proceeds. StAR calls for the ratification by all countries of the UN Convention Against Corruption (UNCAC; see Box 5.1). In addition, a collective effort with multilateral and bilateral agencies, as well as with civil society and the private sector, is essential.

Concrete actions of the StAR include:

- *Build institutional capacity in developing countries* for requesting technical assistance to strengthen their prosecuting agencies and bring their laws to be in compliance with UNCAC.
- *Strengthen the integrity of financial markets*. This will include bringing financial centers into compliance with anti-money laundering legislation that would detect and deter laundering of illicit proceeds, and strengthen the capacity of financial intelligence units around the world to enhance cooperation between them.
- *Assist the asset recovery process* of developing countries by providing them loans or grants to finance the start up costs, provide advice on hiring legal counsel, and facilitate cooperation between countries.
- *Monitor the use of recovered assets* so that repatriated funds are used for development purposes, such as social programs, better education and infrastructure.

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[19] For further details on StAR, see http://siteresources.worldbank.org/NEWS/Resources/Star-rep-full.pdf.

Previous efforts to help countries repatriate funds were bilateral efforts. As a result, developing countries experienced many obstacles in trying to recover assets. Several countries on the receiving end of looted funds had no legal framework for returning them. To remedy this situation, the StAR plan urges G8 and OECD countries to ratify the UN Convention Against Corruption (UNCAC) and actively aid the efforts of developing countries to recover assets within their borders. The convention, entered into force in December 2005, is the first legally binding global anticorruption agreement. It provides a framework for asset recovery, including mechanisms to prevent money laundering and to recover assets diverted through corrupt practices. However, only half of the OECD and G8 countries had ratified the convention by June 2007.

The StAR plan also recommends developed countries to fund programs or directly provide developing countries with technical assistance that would enhance the capability of the criminal justice system - law enforcement, prosecutorial, and judicial authorities - to effectively prevent asset looting and recover the proceeds of corruption in accordance with internationally accepted legal standards.

The StAr initiative has potential for bringing stolen resources back to poor countries, and it has done so in some cases, like Nigeria. It is, however, too soon to judge the effects on corruption. Mechanisms to secure that the repatriated assets are not misused again (‘recycled’) also need to be put in place.

Box 5.1 The United Nations Convention Against Corruption

The United Nations Convention against Corruption (UNCAC) was adopted in Merida, Mexico in 2003. With endorsements from more than 140 state signatories representing every region of the world, the UNCAC offers a comprehensive, global framework for combating corruption (www.unodc.org/unodc/en/treaties/CAC/index.html).

The Convention's 71 articles provide ***common standards for national policies and practices***, and require ***enhanced international cooperation*** to address cross-border crime. States parties are also obliged to help each other prevent and combat corruption through technical assistance. Such assistance is defined broadly to include financial and human resources, training, and research.

The seed for the UNCAC was planted as early as the 1970s, following the Watergate scandal in the United States. In response to revelations of unsavoury behaviour by domestic companies abroad, the U.S. Congress passed the Foreign Corrupt Practices Act in 1977. This law outlaws the bribery of foreign public officials by American firms. Initial attempts by the U.S. to promote an international convention were quickly buried by Cold War-era security considerations.

During the second half of the 1990s the topic of corruption re-emerged in regional and global fora. A number of multilateral agreements were made in a whirl of standard-setting activity. These include regional conventions in Latin America, Europe and Africa, as well as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Impetus for a comprehensive treaty on corruption came during negotiations for the United Nations Convention against Transnational Organized Crime. As drafters considered how to integrate anti-corruption measures into that treaty, they realized that only a separate document could adequately address the issue. In 2000, the UN General Assembly authorized an Ad Hoc Committee to negotiate a 'broad and effective' convention, adopting a 'comprehensive and multidisciplinary' approach to combating corruption. The resulting text, approved in October 2003, officially came into force after receiving its 30th ratification in December 2005. The United Nations Office on Drugs and Crime (UNODC), which led the negotiation process, was appointed 'Custodian of the Convention'.

The fact that the Convention was developed at all is a considerable achievement. The negotiation process revealed diverse, and often competing, interests of the countries involved. The Group of 77 and China were particularly keen to strengthen international cooperation in the field of asset recovery. Given the enormous amount of money siphoned off by corrupt officials in developing countries, this concern is not surprising. Northern diplomats, on the other hand, emphasized preventive measures such as the need for transparent public procurement, a merit-based civil service and an independent judiciary. The Convention addresses all of these concerns, although the need for compromise is reflected in the varying levels of obligation required by individual articles. While many are mandatory, a number of provisions are either 'strongly encouraged' or optional.

Source: Schultz (2007)

6. Conclusions from the Literature Review

Traditionally, it has been left to national governments and a legal institutions to devise and enforce public accountability. The literature reviewed in this paper questions this one-sided approach. As the governments' roles and services have expanded considerably during the past decades, it has become apparent that conventional mechanisms, such as anti-corruption commissions, strengthening of audit functions and legislative reviews, may not have had the intended effects on reduction of corruption and encouragement of transparency (Reinikka & Svensson 2006: 368). Collusion, organizational deficiencies, abuse of power, and lack of responsiveness to citizens' needs cannot easily be detected and rectified even with the best of supervision. When institutions are weak, as is common in many developing countries, the government's potential role as auditor and supervisor is even more constrained. The review suggests that corruption can best be tackled when political reform and regulatory restructuring are complemented by systematic efforts to inform the citizens about their rights and entitlements and increase their capacity to monitor and challenge abuses of the system. Breaking the culture of secrecy that pervades the functioning of some governments and empowering people to demand public accountability are two important components in such an effort.

The World Bank has been instrumental in developing new tools which may help improve transparency and societal accountability, such as the public expenditure tracking surveys (PETS) and quantitative service delivery surveys (QSDS). These tools need to be further refined for broader application by governments, development agencies and civil society organizations. Some of the instruments used by the Bank and bilateral donors to assessing fiduciary risk have clearly been useful to identifying institutional weaknesses in the public financial management systems of developing countries, e.g. the Public Expenditure and Financial Accountability (PEFA) framework. However, the absence of political and cultural factors in these analyses reflects a general weakness in Bank and donor approaches to anti-corruption.

The Bank has in recent years supported several international initiatives against grand corruption (state-capture), including the Extractive Industries Transparency Initiative (EITI), the Stolen Asset Recovery Initiative (StAR) and the United Nations Convention Against Corruption (UNCAC). Combined these initiatives have potential to improve government transparency and accountability, by also addressing the role of international financial centers and multinational companies in facilitating grand corruption. Generally, if a country has the appropriate 'infrastructure' of inquisitive media, opposition parties, and democratic budgeting, then EITI, for instance, could potentially have good effects on building transparency and reducing corruption. In most of the EITI signatory countries where the Bank has provided support considerable needs for institution building still remain. In particular, reducing corruption and increasing transparency in government finance depend largely on successful stimulation of domestic political demands for accountability and information and, not least, creation of mechanisms to secure transparency and enforce accountability. Such mechanisms are also required for assets repatriated through the StAR initiative. Efforts to fight corruption in poor countries require, however, more attention to the role of multinational companies, banks and finance institutions in facilitating corruption and embezzlement of public funds in developing countries.

A major concern for international aid policy during the last five decades has been to improve the living conditions for the poor in the poorest countries of the world. This endeavour requires close co-operation with the national governments in poor countries. Generally speaking, however, the governments in poor countries are also the most corrupt. One of the relatively clear empirical results from recent research on corruption is that the level of GDP per capita tends to hold more of the explanatory power than other variables used to 'explain' corruption (Svensson 2005; Paldam 2002; Treisman 2000). Consequently, if development agencies want to minimize the risk of foreign aid being contaminated by corruption, the poorest countries should be avoided. In this way corruption raises a basic dilemma for aid policy. Unlike international business most foreign aid organizations and international finance institutions have the largest part of their activities located in highly corrupt countries (Alesina & Weder 2002).

The pressure on the Bank and other development agencies to 'do something' to fight corruption is massive. The idea that the Bank will simply hold back loans and aid to poor countries until they improve their governance is in itself unrealistic, given the huge political pressure to disburse. This problem was highlighted by the *Portfolio Management Task Force* (the Wapenhans Report) 16 years ago. According to the Wapenhans Report (World Bank 1992a: ii), 'a gradual but steady deterioration in portfolio management' has taken place in the Bank. Analyzing the cause of the problems, the report points to (p. iii) 'the Bank's pervasive preoccupation with new lending'. The report adds that there is a systematic and growing bias towards excessively optimistic rates of return expectations at appraisal'. One reason for this, according to the report, is that many World Bank staff perceive project appraisals 'as marketing devices for securing loan approval (and achieving personal recognition). Funding agencies perceive an "approval culture" in which appraisal becomes advocacy' (p. 14).

It is therefore not surprising that the question is raised whether the Bank and foreign donors are part of the corruption problem. So far, however, there is no consistent evidence from cross-country econometric studies that aid causes corruption. Knack (2001) finds that aid is positively related to corruption. Tavares (2003), using a more sophisticated approach to the question of causality, finds instead that aid decreases corruption. Case studies from various African countries, on the other hand, suggest that in order to obtain other objectives, donors have in effect turned a blind eye to corruption (Hanlon 2004). In his view, 'donors [in Mozambique] are rewarding what they see as 'good performance' by allowing, and thus effectively encouraging, corruption and state capture'. Tangri & Mwenda (2006) present a similar argument for the case of Uganda, where 'by giving large amounts of aid to a corrupt and quasi-authoritarian government, as well as being reticent in their public criticism of abuse of power and corruption, donors have abetted the actions of Uganda's leaders in weakening those bodies that hold them responsible for abusing their public positions'. In a similar vein, Mwenda & Tangri (2005) argue that 'aid (has) provided the government with public resources to sustain the patronage basis of the regime … propping up a corrupt government in Uganda'. The remaining part of this paper reviews available evidence on the impacts of the Bank's engagement on anti-corruption.

PART II

Anti-corruption:

World Bank engagement since 1997

7. The World Bank's Engagement on Anti-corruption

The main aim of the Bank's governance work is to help develop capable and accountable states and institutions that can devise and implement sound policies, provide public services, set the rules governing markets, and control corruption, thereby helping to reduce poverty (World Bank 2007). Part I of this paper provided a brief review of theoretical and empirical approaches which have influenced the World Bank's and the donor community's thinking on how to diagnose and fight corruption. This part draws on the results of a series of country case studies, prepared as part of the IEG-evaluation, covering 19 developing and transitional countries. It describes the patterns of success and failures of the most common approaches in the area of anti-corruption and transparency, and reviews available evidence on the impacts of the Bank's engagement on anti-corruption at the following four levels:

i. Diagnosis, strategy and expectations.
ii. Design and implementation of PSR program and projects.
iii. Overall country outcomes.
iv. Lessons learned.

The analysis also reviews evidence from a governance and anti-corruption perspective on whether the following process objectives from the Bank's (2000) strategy are met:

- Adaptation to local conditions:

  Are the Bank's governance projects after 2000 more adaptive to country context and politics and more responsive to demand from the private sector and civil society than before? To what extent have blueprints been replaced with more responsive and opportunistic approaches?

- Implementation and monitoring:

  Has, post 2000, more attention been paid to implementation and results monitoring? Have stated intentions been matched by follow-through on implementation and have intended results been achieved?

- Analytical frameworks:

  Have relevant analytical frameworks in anti-corruption been used to underpin diagnostic work? To what extent were the Bank's menus of policies and measures, sequencing, and product choices informed by diagnostic work? Were analytical work and diagnostic toolkits more relevant to Bank and country needs, and better aligned with country capacities, than prior to 2000?

7.1 Diagnosis, strategies and expectations for AC interventions

This section sets out country experience from diagnostic work which provides the basis for Bank strategies and for expectations for results from anti-corruption interventions. In section 7.1.1 we consider the analytical and advisory assistance (AAA) which the Bank undertakes on broader issues and through country-specific economic and sectoral work.

Has work, for instance, on Public Expenditure Reviews (PER), Country Economic Memoranda (CEM) and other Economic and Sectoral Work (ESW) raised anti-corruption issues and provided ideas of the extent and seriousness of such problems? Thereafter, in section 7.1.2 we look at Country Assistance Strategies (CAS) that generally set out country programs of Bank Group support. To what extent have CASs articulated an AC strategy, e.g. through ESW linked to the country's development strategy? Section 7.1.3 examines the use of information from CAS, AAAs and other sources for the selection of entry points for the Bank's work on anti-corruption.

7.1.1 Anti-corruption in the Analytical and Advisory Assistance (AAA)

The literature review in Part I deals with various tools for diagnosis and intervention. This section examines country experiences relating to the Bank's analytical work as a lead-in to actual AC measures. Two fissures between theory and empirical findings are noticeable. First, whereas the literature has long been occupied with the broad social and political foundations of corruption, this has been less prominent in World Bank studies, although increasingly figuring in the Bank's analytical work. Secondly, the way the Bank conceptually has tended to weave anti-corruption into general PFM issues has perhaps led to the relatively low emphasis on *specific* approaches to detect and diagnose corruption. The relatively infrequent use of public expenditure tracking surveys (PETS), quantitative service delivery surveys (QSDS) and various methods of grassroots monitoring are cases in point.

Corruption was occasionally addressed in the Bank's AAA work during the 1990s, but anti-corruption became a regular issue in AAA in most countries after 2000. Before 2000, in *Ghana*, a WBI-supported anti-corruption study (1998) became a national diagnosis of the nature, causes and extent of corruption in the private sector and public institutions. The purpose of the study was to provide information for the development of a credible AC-action plan. A FIAS-study later found that corruption in the tax administration, customs, and exchange controls clearly deterred business. PRSC3 called for a diagnostic study of legal and institutional mandates of AC agencies and a review of the existing legislative AC framework. In *Ethiopia*, the Bank also undertook an anti-corruption study in 1998, as well as two CPARs and a CFAA. The team responsible for the anti-corruption study tried to map the nature and extent of corruption in Ethiopia. Corruption was perceived to be high in the regional administrations, public procurement and customs, while corruption in tax administration, licenses, permits and land titles were considered a medium risk. The CPAR mainly repeated the findings of anti-corruption report.

The AAAs have brought up a great variety of ideas about the roots of corruption. In the late 1990s, the factors said to produce corruption tended to be individually identifiable as, for instance, low salaries, low staff morale etc. For instance, the early *Ghana* study identified causes of corruption to be low salaries, poor supervision, absenteeism, moonlighting, lack of morale and lack of pride in work. Although none of the AAAs for *Bulgaria* has AC as their main focus, the PEIR02 argues that corruption is due to both the structure and the functioning of government, and particularly related to concentration of power, weak legal and regulatory frameworks, weak capacity to enforce laws and monitor corruption, weak judiciary and weak overall accountability and transparency. Corruption was also discussed in studies on fiduciary issues (CPAR FY00 and 04, CFAA03, CEM00, CEM06, and the fiscal decentralization Study 03) in Bulgaria. Here, the judicial system and public procurement were found to be the most prone to corruption (CPAR rates procurement as 'high risk'). The prevalence of corruption was also considered to be high in customs, medical services, tax administration and higher education.

In *Indonesia* much diagnostic work was conducted for the CAS01, including CFAA, CPAR, CSR and studies on decentralization. These studies identify reasons for vested interests by politicians, civil servants, civil society and the private sector, as well as behavioral, political and social reasons that could undermine public sector reforms. The most significant report, *Combating Corruption in Indonesia*, was prepared in 2003. It is cited by the Government and other donors as a key contribution to the domestic debate and policy action to fight corruption. The study covers a full range of topics relevant to anti-corruption - except for the role of the military, which was deemed too sensitive to be addressed by the Bank.

The main AAAs applied in *Tanzania* were the Public Expenditure Reviews (PERs) which started in 1997/98 and have since expanded to include financial management diagnostics. These reviews include no explicit assessment of corruption, although systems that may facilitate corruption are exposed. External (non-Bank) AAA, however, suggests that corruption is a bigger problem due to the fact that (i) Tanzania is a *de facto* one party state; and (ii) 'control' is a major approach of the government vis-à-vis civil society, media and the public.

In some countries the entire structure of society is permeated with corruption. This fact should be taken into account in analyses and interventions, but has only recently come to the fore in AAA work. For example, in *Yemen* corruption seems to be systemic, although other conditions are also contributing factors, in particular the erosion of real public sector pay to below living wage. The 2005 CFAA points to serious weaknesses in internal controls, internal/external audits and accounting and reporting.

For *India*, the country analyses refer to corruption as 'endemic'. The AAAs on Indian states point to the problem of corruption being exacerbated by politicians attempting to raise campaign money. Moreover, secrecy and extensive discretionary room in decisions about postings at all levels are highlighted. For instance, civil servants are frequently transferred for political reasons, to get bribe taking opportunities, or to be at more convenient locations. The new 'access to information' laws are being utilized for civil servants to make inquiries about their personnel career fate.

In some countries, AAAs promote transparency as the essential remedy against various forms of corruption. For example, the governance strategy designed for *Honduras* covering FY2007-2010 provides a framework to support good governance and transparency. In *Burkina Faso* governance problems identified in Bank documents include lack of transparency beside a long list of factors such as misguided resource allocation, excessive public intervention in utility sectors, weak capacity in the use of public funds, lack of functioning oversight mechanisms, petty corruption in the judiciary, as well as customs and health services. Generally, however, **the Bank does not advance transparency as a key remedy against corruption in its AAA work**. But maybe the purpose is not always pressed openly.

The country studies show that **legal reforms and frameworks clearly have been a focus in the Bank's AAA-work**. **Efficiency and effectiveness in enforcing the law have been less so.** One exception to the latter is *Albania* where a revised CEM, following the 1998 anti-corruption study, adopted improvement of law enforcement as one of its major themes. Other themes were lack of accountability, and the need to reform the civil service through improved salaries, depolitization of public sector recruitment, and training.

The Bank has shown understanding and appreciation of the role of civil society and NGOs in creating demand for good governance, perhaps particularly so when it comes to anti-corruption work. Even in the early (pre 2000) work in *Uganda,* civil society was seen as an important entry point for anti-corruption measures and governance reforms, but poor dissemination of anti-corruption strategies hampered the outreach. The CSOs have also from time to time been party to prompting work on AC. The Bank's perhaps most effective intervention in Uganda was the multidisciplinary mission launched in October 1998 to review the government's anti-corruption strategy. The mission was a response to significant donor and civil society concern about widespread and increasing corruption in government and in the use of donor funds. A different way in which the role of civil society has been important is exemplified by AAA work in *Ethiopia* in 1998 where diagnostics was entirely made by Bank staff, but drew on vast stakeholder interviews, including prominently the civil society and the media.

The Bank's relation with civil society appears to be changing from *appreciation* of AC work toward *partnership* with CSOs. An interesting example of this change is provided by the development in *Indonesia*: In 1999 a CAE claimed that the Bank in its dialogue focused too extensively on a few technocrats and higher level politicians, and did not want to impair the good working relationship with the government by extensively consulting with NGOs and other civil society. However, in 2004 important components of a financial management and revenue administration project in Indonesia aimed at supporting and promoting the implementation of civil society oversight of public procurement. Later, the lending portfolio has included measures to encourage civil society and local stakeholders to monitor and evaluate the projects. Civil society consultation was sought for CAS discussions and presentation of analytical work.

There are, however, some **examples of AAA recommendations which might have been inconsistent with civil society partnership**. For instance, in Guatemala, although the World Bank Institute has offered several courses to civil society groups, AAA recommendations generally focused on supply side factors and, thus, did not highlight the potential of CSOs to boost the demand for AC-measures.

AAA observations and analysis of corruption in most cases go through phases of design and decision before AC policies and concrete measures emerge. **AAA work has, however, sometimes short-circuited the planning and implementation cycle to good effect.** One example is the Public Expenditure Tracking Survey (PETS), which was first implemented in *Uganda* in 1996 and where AAA work skipped directly from analysis into measures that dramatically reduced particular forms of corruption (see also section 4.2). Later, other countries have implemented public expenditure tracking surveys in education and health care. In primary education, these studies include *Ghana, Peru, Tanzania, and Zambia*.

7.1.2 Anti-corruption strategies articulated in the CAS

The review in Section 3 reflects the literature's occupation with the difference between horizontal and vertical forms of transparency, and the importance of political and societal systems. The empirical findings below show the extent to which the Bank has emphasized PFM-measures at the project level, the variety of ways in which they have been introduced, and how often the selection of entry points and measures are affected by happenstance, context and politics.

The Country Assistance Strategies first started to address anti-corruption explicitly and regularly as an important public sector issue after 2000. Before 2000 corruption was directly mentioned only occasionally. The CASs for *Ghana* illustrate this change. Before 2000 the CASs suggest that corruption was 'contained', whereas the CAS 2000 refers to it as a serious problem. The CAS2000 suggests that **corruption should be addressed through ongoing reforms**, including PSMRP, PFIMTAP and WBI surveys. The CAS2004 proposed AC-training, new studies and surveys as entry points for anti-corruption in Ghana, and advocated tighter engagement with civil society. Similarly, since FY 2005, the CASs for *Guatemala* have contained more detailed discussions on corruption in the country – but without any implications for the Bank's lending which increased significantly in this period. In *Tanzania*, work on corruption took a more indirect route. In CAS01, PSR was the pillar. Civil service, tax and financial management were prominent features, including improved information systems and transparency. Anti-corruption was addressed as part of system building. The Bank has, however, not been much involved in the Government's cross-cutting anti-corruption efforts.

Cambodia represents a case where the policy change articulated by the Bank did seem to have immediate effect in focusing AC sharper and propose more specific measures. Whereas corruption was not addressed in CAS93, CAS95 or CAS97, the CAS00 proposed support for corruption diagnostics as assistance to the development of an action plan which would include establishment of monitoring indicators; staff training in basic accounting and auditing; and improvement of the expenditure program. Continuing this focus, the CAS05 featured governance and AC as central issues. Specific actions included pay reform, an AC law, greater scrutiny of PADs, and project supervision from an AC perspective.

For a large number of countries, however, **CAS made rather marginal specific mention of AC, but had a strong emphasis on improved governance** in several ways. Corruption problems are clearly more frequently pointed out and analyzed by the Bank after 2000, but the country strategies consider emphasis on good governance and PSR as adequate for the corruption fight. An example of this is *Burkina Faso* where little mention was made of AC until 2002. Improved governance was then demanded by calls for higher efficiency of public expenditures, reduced subsidies, divesture by the state from enterprise and banking sectors, and improved legal and regulatory frameworks for the private sector. In CAS05 the focus on governance in Burkina Faso was strengthened by stressing the importance of a more efficient judiciary, promotion of public resource management, increasing decentralization, strengthening local capacity and public participation in policy decisions. In Bulgaria corruption was perceived to be high, but the Bank pushed governance rather than AC. At first sight this appeared a successful approach. According to the BEEPs survey, corruption in the area of taxes, customs and business licensing significantly improved between 2002 and 2005. Rating the Bank's performance in the AC component as 'highly satisfactory', the CAS06 gave less prominence to AC support than the CAS02. While other assessments have found that the prospect of accession to the EU was the main driver to tackle corruption, the Bank's assistance aimed more to facilitate the response to the EU incentive. The Bank's ACT3 finds that corruption decreased strongest in the new or prospective members of the EU (including Bulgaria). After CAS06 the Bank's AC effort focused more on PFM for effective absorption of donor funds.

Also in the case of India governance rather than AC was pushed overtly. The Bank supported PSR (with PRLs) in Uttar Pradesh (1999), Andhra Pradesh (2002, 2003), and Karnataka (2002). The mix of issues varied from state to state. Still, in the CAS05 there was no explicit reference to AC. However, governance issues were strongly emphasized and included increased public access to information, strengthened accountability, reduced political interference, and decentralization.

Discovery of the existence of political corruption has not always led to change in the Bank's governance programs. In *Ethiopia* the Bank did not seem aware of the on-going political corruption and deterioration of governance taking place since the late 1990s. Until 2003 governance did not appear in the CASs at all. The CAS03 suggested to improve governance by improving skills and creating capacity in the public sector, and not by addressing political governance issues. The Interim CAS06, however, centers on political governance issues presenting suggestions to introduce checks and balances by supporting civil society etc. Nevertheless, the overall Bank program kept the same priorities, i.e. conventional PSR, social service delivery and infrastructure as key areas.

Difficult decisions or crises have from time to time opened a window for the Bank to introduce support to and interventions on anti-corruption. The 1997-crisis in *Indonesia* became a window of opportunity for explicit treatment of governance and corruption, as reflected in the 1999 CAS. The Bank then developed a plan for addressing anti-corruption as part of its activities in the country. This included governance components in all sectoral and regional programs. It is, however, uncertain whether this window of opportunity was used to maximum effect. The 2001 CAS refers to good governance as the key to medium term development, but it is doubtful that this dovetailed with the country's strategy. The CAS2004 also had a strong focus on governance, in particular through support to local government reforms. According to feedback from interviews, the Bank, however, lacked an overall strategy for PSR. A vast number of reports and studies were produced, but in a somewhat piece-meal manner and without a sharp focus.

The collapsed pyramid scheme in *Albania* (1997) also provided a window of opportunity and served to make governance issues a cross-cutting theme in consecutive CAS. The focus was on indirect measures and implementation of the Government of Albania's AC plan. The CASs refer to poor governance and provide options for addressing these through PFM (procurement, audit, the budget process etc), civil service reform (performance based, depoliticized salary increase), and taxation. The only form of corruption not addressed was the 'cosy' relation between politicians and the private sector. In the CAS 2000 a governance/AC study was added to the ESW for FY01. This was followed by a new emphasis on transparency, accountability and institution building in the CAS 2002. Annual AC surveys were planned for the period 2002-2006, but only one took place.

Whereas the follow-up in Albania appeared to be somewhat lackluster, *Sierra Leone* represents a case where the crisis set the stage for more direct attention to corruption. In 1993 and 1994 (before the war) CAS contained components on CSR and PFM reforms, whereas the post-war years CASs (2000 onwards) had a direct focus on AC as one of the PFM components.

7.1.3 Selection of entry points for addressing corruption

Section 3 of this report provides fragments of the analytical and conceptual framework for anti-corruption approaches. This section examines where and how *in practice* the Bank has found its entry points. Seeing corruption as an accountability issue, the empirical findings clearly underline that the Bank for obvious reasons has focused on horizontal accountability and to some extent on external accountability (Figure 3.1). The important aspect of vertical accountability appears to have been difficult for the Bank to address, although the demand side of AC has been strengthened with the Bank's generally increasing interest for civil society and the non-government sector.

Key entry points for the Bank in addressing corruption have been mainly institutional and administrative. Characteristic measures are simplification and streamlining of administrative procedures, remuneration schemes, AC-training etc. **These measures have typically been incorporated into Bank support for AAA, PFM and CSR**.

In terms of institutions, the Bank has had a clear emphasis on ministries of finance as preferred entry points. Specific choices within the preferred institutional frame have varied according to what the Bank and its partners have considered most fruitful. The country reports for *Bangladesh* describe the selection, mix and sequencing of entry points as 'opportunistic'. The greatest opportunities were seen to be in taxation and procurement (building on long term assistance by DFID). The most successful entry point appears to have been PFM. It was chosen partly due to concerns over high budget deficits after the lull of Bank engagement in the 1990s. An important entry point in the Bangladesh case, slightly outside the regular framework was also the strengthening of the Bangladesh Bank. The success there was used to broaden efforts into wider PSR and governance work in areas such as CSR, decentralization, AC, and legal and judicial reform. Experience from *Guatemala* also supports the idea that core agencies such as ministries of finance are better entry points than line ministries. Thus, MoF was the entry point for the introduction of the Integrated Financial Management System (IFMS), which indirectly addressed anti-corruption. The peace accord in 1996 helped create entry points for the Bank's PSR program.

In *Tanzania* too, the Ministry of Finance has been an important entry point for reforms, mainly through the introduction of IFMS, although the Bank's role was not prominent in this case. *Tanzania*'s dependence on aid as well as its participation in the international debt relief programme (HIPC) opened an avenue for development partners to agree with the government on an ambitious agenda of good governance reform, including anti-corruption measures.

International treaties have supported anti-corruption legislation. An example is *Tanzania's* ratification of several international anti-corruption treaties. The UN Convention Against Corruption (see Box 5.1), was among the major justifications used by the Prevention and Combating of Corruption Bureau (PCCB) to review and amend the anti-corruption law. Entry points for AC-reforms in *Ghana*, on the other side, have mainly been the diagnostic work conducted through AAA (including PETS) and anti-corruption training, although PFM has also been involved with links to HIPC accession conditions as an incentive. There have been attempts to address corruption through CSR, but efforts have been largely unsuccessful, although there are indications that the impacts of this approach has improved since 2005.

Indonesia and *Burkina Faso*, however, represent different types of entries to anti-corruption for the Bank. **In *Indonesia*, the window of opportunity for AC-reform was the deep financial and political crisis in 1997**, which not only compromised and led to the fall of the Suharto regime, but also compromised the Bank and undermined its credibility in Indonesia (see section 7.1.2). During the Suharto period, the Bank established close relationships with technocrats in key ministries and the political elite. Corruption was not treated explicitly. Before 1997, the civil service was targeted with capacity building for improved accounting and auditing, but the impact of this support was deemed unsuccessful. After 1997, the Bank has focused on the financial sector, removing impediments on businesses and reduced subsidies, as well as the state's involvement in productive sectors. During 1999-2004, entry points for addressing governance were civil society, NGOs, the media, and open dialogue with the Government. Since 2004, the Ministry of Finance has become a main entry point for CSR aimed to improve civil service compensation schemes. Measures included increased basic salaries and the establishment of a more transparent salary structure, as well as minimization or elimination of other payments. The objective was to reduce the incentives for accepting bribes, by ensuring that civil servants' remuneration and other working conditions would meet their families' basic needs.

The case of *Burkina Faso* illustrates how **entry points** also **may be others than those designated by the government** and how unexpected changes have created opportunities.

The Bank did not to work very closely with the Governance Unit at the Prime Minister's office, but instead with various counterparts throughout government. Due to the President having been in power for 20 years, the chosen entry points seemed to be geared to the need for accelerating the speed for reforms and setting priorities. The appointment of Mr. Yonli as Prime Minister created an entry point in itself and helped the dialogue on CSR. The new PM was a seasoned technocrat, had a conciliatory style, was a former minister and pushed through unpopular reforms demanded by IMF and WB, replacing the old system of promotions with a new one based on merit.

7.2 Design and implementation of AC-reforms

Section 7.1 considered country experience from the Bank's diagnostic work. To what extent and how was this work linked into the formation of strategies? And how did it form the basis for expectations for results from AC interventions? This section examines the actual design and implementation of anti-corruption measures and reforms.

First, in sections 7.2.1 and 7.2.2 we consider factors initiating and maintaining reforms. What was the degree of country ownership? Were there other main driving factors? Thereafter, in section 7.2.3, the analytical background for and operationalization of the proposed and implemented reforms are examined. Were they linked to prior AAA work and, in general, was there an analytical framework in place?

Section 7.2.4 assesses the extent and nature of the actual interventions; (i) the size of the AC intervention is compared to the totality of the Bank's work, and (ii) various facets of the lending programs are assessed. Were they demand or supply focused? Were they 'siloed', stand alone or cross cutting and how were they integrated in other PSR and sector reforms? Finally, in section 7.2.5, we examine how the intervention programs and reforms were monitored.

7.2.1 Country commitment and ownership

Political and administrative commitments for anti-corruption reforms are stressed in the literature. Moreover, recent literature underlines the importance of designing reform in accordance with country and sector specifics. However, in **about half of the countries assessed by the evaluation team report, a blueprint formed the basis for reforms**. Mostly, however, these blueprints cover general PSR programs, often with no particular section on corruption.

Country circumstances clearly affect the strength of corruption messages in the Bank's interventions and the approach which is taken. Generally, however, country cases indicate, as one might expect, that the **Economic and Sectoral Work (ESW) does not make much effort to assess the overall government commitment to anticorruption**. Rather, commitment is assessed in relation to various sectors or projects/programs/measures not directly concerned with corruption. For example, in *Burkina Faso* ESW makes no direct mention of government commitment to AC. Frequent references to the National Strategy for good governance or PSRP, which includes a pillar for governance reform, might indicate a measure of commitment. However, the government did not appear committed to implement governance reforms. Lack of government commitment is clearly expressed in the annual reports of RENLAC, and independent NGO with a mandate to fight corruption.[20]

In circumstances with weak government commitment, there may be need for a narrow focus on governance in the reform process in order to make the reforms politically feasible and to sustain a modicum of government ownership. The degree of partner country commitment and ownership may, however, vary substantially for many different reasons. For instance, a country's legal framework may impact on commitment. Thus, in *India*, transparency was originally hindered by the Secrecy Act. The introduction of the Right to Information Act (RTI), however, changed the rule of the game. In other countries, like *Guatemala*, **the political climate has been a bottleneck**. The Bank did not deliver AAA related to PSR during the period when the political climate was unfavorable to anti-corruption, for instance during the last years of the Portillo regime. The AAA prepared during the subsequent (Berger) regime cites lack of commitment to AC by the previous administration. Under hostile conditions, the CASs recommend reducing the program's lending, but keeping dialogue with the government and wait for a new window of opportunity (e.g., change of administration).

The government's commitment to introduce politically difficult anti-corruption reforms may be due to external pressure and encouraged by financial crises. In *Honduras*, for instance, the Bank supported public finance management and civil service reforms in line with the country's policy, but public sector reform was only conducted when financial support was needed. Stakeholders' ownership is frequently referred to in the CAS 2001 and 2004. In *Albania,* the government had already begun to strengthen its tax and customs administration with the support of the IMF and the European Union when discussions with the Bank on the Tax Administration and Modernization Project started.

The commitment to government-wide AC programs varied among the states in *India.* In *Orissa* there was ownership at a high level, but in A*ndra Pradesh* it was lower. *Orissa*, for instance, was very supportive of AC actions even against top officials and had the highest level of registered cases of corruption. In *Andra Pradesh*, there appeared, however, to be good progress in strengthening traditional AC institutions such as the vigilance commission and the AC Bureau with a mandate to pursue bureaucratic corruption.

Sierra Leone exemplifies an '**opportunistic' government commitment, driven by outside forces**. The country produced a National Recovery Strategy, where PSR was the focus and improved governance the first pillar after the war ended in 2002. It was, however, observed that the political elite's response with changes and adjustments was mostly due to pressures from IMF, the Bank and other donors. Learning processes were forced upon actors by outsiders (donors) rather than by own insight. The issue of ownership of reforms has also been questioned in *Uganda* in connection with CSR and anti-corruption. For anti-

[20] See http://www.renlac.org/

corruption the Public Finance Accountability Act was formally applied, but *de facto* no one was prosecuted. Moreover, for CSR, there was resistance to results-orientation, accountability and integrity management.

The case of *Russia* exemplifies **an 'on-and-off' type of commitment**, depending on the level of support of political leaders. In 1999 new rules and procedures started the emergence of a merit based civil service. Due to the limited political autonomy of the legislature and other bodies demanding accountability, the working of the system depended on how much President Putin valued an efficient bureaucracy and also on the availability of fiscal resources. The AC commission in 2003 became quickly defunct, but was revived in 2007 producing more open debate and the emergence of a legal framework to address the problem. Recently, president Putin has addressed the problem of widespread corruption, which also became the subject of a report adopted by the Public Chamber early 2007.

In *Yemen*, **the Bank may have mistaken the support of a few government technocrats for full-fledged government commitment**. The Yemeni cabinet approved a strategic framework for civil service modernization in 1998 following Bank advice. The Government established an anti-corruption commission, but the CFAA in FY05 suggested that increased transparency in the activities of this commission was needed along with stronger messages which it appeared that the Government was against.

In *Bangladesh*, despite the fact that the Nationalist Party won the election on a platform of good governance with two-thirds parliamentary majority, progress on key reforms was slowed down by:

(i) Technocrat led reforms on which there was little political consensus.

(ii) Many officers focused on collecting rents to cover debts incurred in securing individual posts (e.g. minister positions could go for USD 1.000.000), political campaign financing, and personal needs. Any reform that would hinder this rent-seeking was opposed.

The establishment of broad national anti-corruption strategies may not reflect ownership and commitment by the government to AC (see Box 7.1). *Burkina Faso* exemplifies the use of an integrated anti-corruption blueprint. A National Plan for Good Governance was adopted in 1998 aiming at correcting distortions in public administration by promoting meticulousness, probity and transparency in public affairs and among businessmen, as well as intensifying the fight against nepotism, corruption, and patronage. Also, a national AC network was established for comments and proposals regarding solutions. Implementation of the plan, however, was characterized as more imaginary than real. Further, **the adoption of a broad national AC strategy may**, as in *Bulgaria* in 2001, **be seen as an exercise to please the international donor community**. Nevertheless, such a strategy might help bring attention and resources to AC.

In some cases **different levels of government or different departments show different degrees of commitment.** In *Honduras*, the FY06 CAE considered that the Government's commitment was not sufficiently strong to pass politically difficult reforms. The Government *appeared* to be fully committed, having carried out major prior actions in preparation of the FY96 PSM projects, including the passage of several laws. However, the commitment of the executive branch for privatization and civil service reform proved, in the end, insufficient to overcome the inertia and opposition from strong vested interests in the public enterprises and the civil service. In *Yemen*, discontinuity and lack of commitment to AC seemed to be cross-cutting issues, possibly due to fragmented government. For instance, the Ministry of Finance and MoCS were reported to want to move ahead, but were held back by Customs.

The evidence from the country case indicates that while **bilateral donors became increasingly outspoken in their criticism about issues of corruption**, **the Bank lagged behind in this development** or simply played it with more caution in its published statements. In *Uganda* the constitutional amendment to remove the presidential term-limits to pave the way for Museveni's third term, and the Global Fund scandal, in which the Minister of Health was involved, are two notable examples that spurred bilateral donor criticism while not receiving much attention in Bank documents. This can be a reflection of the different agent-client relationship that the Bank has, although it could be argued that the Bank should not hide behind it. According to an early-2007 *Economist Intelligence Unit* report, several donor governments have held back aid for 2007 as they waited to see what the government is going to do about the Global Fund disclosures. It reported that the German government was delaying the renegotiation of the three-year Uganda Joint Assistance Strategy (UJAS).

Box 7.1 National anti-corruption strategies: The case of Tanzania

An increasing number of countries have established, often with donor support, ambitious national-anti corruption plans. This can be exemplified by the National Anti-Corruption Strategy and Action Plan (NACSAP) in Tanzania. Conceptually and in terms of program design, anti-corruption initiatives in Tanzania have been an integral part of the country's National Framework for Good Governance and are intended to build on and complement major governance reform packages. The country's first National Anti-Corruption Strategy and Action Plan (NACSAP I) were developed in 1999 while the process for the development of the second phase (NACSAP II) was symbolically launched on the 9th December 2006, the international anti-corruption day. NACSAP I, between 2000 and 2005, concentrated on central government ministries, departments and agencies (MDAs). However, it did not include the local government authorities. Thus, in 2004 the ministry then responsible for local government (PO-RALG) developed guidelines for the preparation of anti-corruption action plans in Local Government Authorities, based on experiences accumulated during the process of planning, implementing and monitoring NACSAP I. These guidelines were taken forward in the second Phase of NACSAP (2006-2010), which was extended to all 120 local government authorities (LGA) in an effort to bring anti-corruption efforts closer to the people. Also, civil society organizations and the private sector were invited to develop action plans for their sectors.

Respecting the leitmotiv to support and strengthen local ownership, consultants were brought in to advice on the process and format of an anti-corruption strategy rather than the approach and substance of NACSAP. However, at the time of NACSAP's development, the international anti-corruption movement had just started to develop the concept of National Integrity Systems on the basis of which it was recommended that countries develop broad-based holistic anti-corruption strategies. There is no doubt that this thinking had an influence on NACSAP I in particular through exposure of leading Tanzanian public sector managers to international anti-corruption courses and conferences. The Good Governance Coordination Unit (GGCU) in the President's Office is given the role of coordinating and monitoring implementation of NACSAP through a strategic reporting system. However, its role is limited to collecting and publishing the self-assessments as it does not have 'teeth' to demand compliance with the quarterly reporting obligation let alone to request fulfilment with the self-selected commitments of public agencies. Capacities of the GGCU to perform its functions have been constrained by two important factors: on the one hand the limited staffing of only 3 to 4 professionals, and on the other a limited vision and lack of pro-active attitude with regard to its coordination role.

Implementation of NACSAP I was financed partly by funds from the government's budget and partly by a UNDP managed project to support initial implementation (the basket-fund project was allocated USD 800.000. In particular, implementation of the MDA level action plans were financed through the government budget, and during the second term of the Mkapa government, resources for some of the anti-corruption organizations, in particular the PCB, were considerably increased. Nevertheless, it should be noted that a number of MDAs explicitly defined both the envisioned activities and the funds they required for implementation while other MDAs only indicated the envisioned activities without estimating and budgeting for the costs. More recently, the World Bank has approved a credit of USD 40 million for the so-called Accountability, Transparency and Integrity Project (ATIP), which is framed by the NACSAP, but will support specific components of the other governance reforms (the financial and legal sectors mostly). According to government sources, NACSAP II will be mainly government financed through budget support, but is still in the costing and negotiations phase with development partners. Each MDA was asked to make an estimate of its action plans for the period 2006–2010, which at the national level accrues to the considerable amount of around USD 93 million for 5 years.

Source: Hussmann (2007)

In *Tanzania* the Government has taken ownership of the PER/PEFA. However, corruption is not a key issue examined in these reviews. There has been no implementation of or following up on the *Report of the Commission on Corruption* (The Warioba Report), published in 1996 (URT 1996). The Warioba report (commissioned by then President Mkapa) is a detailed enquiry into forms, loci, causes, and remedies for corruption. Its main recommendation is to treat the problem of corruption by starting at top. Otherwise there seems to be little understanding and analysis of specific types of corruption and corruption in particular sectors, except from studies on corruption in the revenue administration and local authorities conducted by independent researchers, and in the forestry and education sectors by NGOs.[21] Observers seem to find that the Government of Tanzania until recently has lacked commitment to anti-corruption. Anti-corruption efforts by the GoT seem to have been the result of rational calculation to keep donors and to some extent the population happy, but at the same time maintain the possibility for rents.

7.2.2 Drivers of reforms and changes over time

This section focuses on the relative positions of domestic actors such as civil society and NGOs, and external actors, in particular the Bank, donors and regional blocks, as drivers of the anti-corruption reforms.

While the role of the citizens is stressed in the literature review (see, for example, section 4.4), in the countries studied for the evaluation there was not dramatic pressure from citizens, acting as drivers for AC measures. Nonetheless, the potential of the citizens may work in less spectacular or obvious ways, as their ongoing concerns may be harnessed as people power and a driver of change over the long run.

In a number of the countries studied, external forces such as the Bank and donors have been important drivers in the sense that they have kept up the pressure for and supported the maintenance of a reform process. Examining the case country material, one impression is that **the importance of external forces has been under-recognized, perhaps because this does not match the prevailing paradigm of 'partnership' and 'ownership'**.

Although government institutions will have to have a strong role in implementing reforms and therefore in a sense driving them, there is **little evidence to highlight the roles of government institutions**. **In some countries like *Russia, India* and *Bangladesh* the role of strong political leaders as drivers of reform is, however, noticeable.**

Russia has a history of strong and charismatic political leaders pushing reform, but not always with success. The wide ranging reforms in the 1990s were not politically feasible as

[21] A study by TRAFFIC, published in 2007, provides a detailed account of corruption in the forestry sector in Southern Tanzania (Milledge *et al* 2007). The findings of this study sent 'shock waves' into the Government and the donor community by shedding light on lost public revenues due to massive corruption in natural resource management. In November 2007, almost the entire top management of the Ministry of Natural Resources and Tourism was fired.

public sector revenues were in free fall. Gorbachev's leap of faith resulted in primitive accumulation of wealth and political thuggery. President Putin reestablished order with the creation of a *de facto* one-party state with appearances of democracy and market economy. Putin and his cadres, however, provided political will and initiated PSR including increasing transparency.

Although there are notable exceptions **governments have typically not been drivers of AC, but merely responded to external pressure and to demands from the civil society/NGOs**. *Ghana* and *Indonesia* are examples where domestic factors, including civil society and the media have been crucial drivers of reform. In *Ghana*, pressure for reforms to strengthen good governance and accountability had an important domestic component where civil society played a key role. The *Freedom of Information Act* is expected to further strengthen the voice of civil society in the country. Civil society has also been important for the reforms in *Indonesia*, although the major force for all reform plans in recent years has been 'big-bang' decentralization reform (post-Suharto) accelerated by the independence of East Timor in 1999. The financial crisis in 1997 was a turning point for governance work resulting in more press freedom and greater demand for an active civil society and public debate on governance issues. In this context corruption emerged as an explicit issue in the Government's and donors' visions. These changes were compared in the CAE2007 with the changes in Eastern Europe following the collapse of the Soviet Union (i.e. semi-revolutionary).

In heavily aid dependent countries, **donors generally play a crucial role in furthering the country's good governance programs.** In *Tanzania* an important focus has been public financial management and civil service reform, which are seen by some as an implicit anti-corruption agenda. Diplomatic leverage has been used to agree on certain benchmarks such as amendments of laws and the restructuring or creation of certain institutions.[22] Still, Tanzania is an example of a country where the government has been a driver of other public sector reforms, particularly PFM, CSR and tax administrative reforms. In general, the PSR strategy has been in line with the Government of Tanzania's priorities. In recent years, the Government has taken more of a leadership role, for instance on the PER/PEFA processes. Key public institutions have also played a major role in the governance reforms. Within government, the Head of the Public Procurement Regulatory Authority (PPRA) seems to have been an effective driver for change and reform. Through the general budget support (GBS), the power in Tanzania is shifting further to the President's office and the Ministry of Finance. President Mkapa (1995-2005) started out as an anti-corruption champion and started National Framework for Good Governance (NFGG), incl. PSR, PE & PFM, as well as legal sector and local government reforms. He also established the Presidential Commission on Corruption, which led to the seminal 'Warioba report' on corruption in Tanzania (URT 1996). Mkapa's integrity has, however, also been questioned in recent years due to a series of major corruption scandals involving high level government and party officials. President Kikwete (2006-) has sent mixed signals on the political priorities of anti-corruption. Two well respected individuals have

[22] Examples of laws highly influenced by the international donor community are the finance and procurement acts (2001 and 2004), and the revision of the anti-corruption law (2007).

been appointed as heads of the Prevention and Combating of Corruption Bureau (PCCB) and the Auditor General's Office.[23] Further, there is political support for a nation-wide governance and anti-corruption baseline study to be conducted with technical support by the WBI. However, there have also been crackdowns on critical voices. For instance, 'HakiElimu', an NGO focusing its work on improving the education sector, was banned by the Government when it published cartoons based on government information on corruption. It had to be 'rescued' by donors.

War and war-like situations affect corruption. In *Sierra Leone* the resumption of war in the late1990s was detrimental to all the Bank's projects. The Government lacked political commitment to CSR even before the coup in 1997. In *Albania,* changes have been driven by many factors, at times under chaotic circumstances as after the pyramid scheme collapse in 1996/97 and at the time of the Kosovo crisis in 1999 when 500,000 refugees flooded Albania. Frequent changes in government coalition makeup, infighting in the ruling socialist party, and boycott of the Parliament by the main opposition party hampered progress. The World Bank support seemed to help prevent Albania from being totally incapacitated by these events.

Membership of regional bodies has been an important driver of governance reforms in several countries. In *Bulgaria* the European Union was the main driver to tackle corruption. In addition to receiving extensive assistance from the EU for formulating AC strategies and action plans, the country's main stakeholders collaborated extensively to achieve EU accession. Generally, in Eastern Europe the European Union's accession process has probably been the single most successful effort to spread good governance and fight corruption (see section 3.4), and the Bank played more a supporting role. Membership is not granted until countries have satisfied EU's governance criteria after a long reform process.

7.2.3 Links to lending programs and operationalization of AAA

What are the links between the Bank's analytical work and concrete anti-corruption measures? This section assesses the solidity of the bridge between theory and literature on the one hand and implementation on the other. There are reasons to believe that the Bank handles this link relatively well. The main problem is the formulation of concrete operational measures in the analytical work. This revolves around the problems in

[23] In February 2008, a Parliamentary Select Committee investigating the tender process for emergency electric power, assigned to a US-registered company, hits hard at the PCCB. The Parliamentary report concludes that the anti-corruption bureau 'intended to conceal the truth (white wash) …', and thereby 'ended up in contradicting itself by admitting that there were weaknesses, but with no defects connected with the tender process'. According to the report from the Parliamentary Select Committee, PCCB has 'tarnished to a large extent the status and credibility of this important national institution which was given the responsibility to fight and not to beautify corruption'. In order to restore people's respect for this institution, the Select Committee recommends the following measures be taken immediately: (a) the PCCB Director General should be made accountable, and (b) officers involved in the investigation of this matter and preparing a report which is hiding the truth, should also be made accountable (Parliament of Tanzania 2008).

dovetailing analysis with operation which is a perpetual problem for most 'knowledge organizations'.

Generally, **evidence from the country cases suggests that AAA analyses and recommendations were linked to subsequent lending programs**. AAA often discussed overall blueprints for public sector reform only in broad terms with little specific attention to AC. For instance, in *Guatemala*, lending programs were in line with AAA for PFM and tax reform. However, anti-corruption was only superficially treated until 2004, when WBI conducted extensive governance and corruption surveys. The Country Economic Memorandum (CEM) also discusses corruption in depth and links it to macro-economic issues and long term development. Still, anti-corruption AAA has yet to materialize in the lending programs (planned for FY08). For *Albania* the AAA did have a link to subsequent lending for supply side activities in terms of CS and PEM, whereas AAA work related to the demand side factors for AC did not trigger any lending. In *Burkina Faso,* the focus on indirect measures to improve governance, such as support for the divesture by the state from enterprise sector and PFM reforms, was generally in line with AAA.

AAA also influenced the planned lending program in *Indonesia*, especially in PFM. Lending and AAA were directed towards measures to foster transparency and accountability of state institutions (e.g. the Kecamatan Development Project). The report *Combating Corruption in Indonesia* served as an input to the Bank's governance strategy. CPAR and CFAA (both in 2001) were still mentioned in the Third Development Policy Loan FY07. Many district level AAAs preceded the CAS04, which built on this knowledge base to channel more assistance directly to the districts. In *Uganda*, the AAA and especially PERs (Public Expenditure Reviews) fed into the design of the Public Expenditure Management (PEM) agenda and the Medium Term Expenditure Framework (MTEF). But, due to donor harmonization there were difficulties in attributing contributions and evaluate the impacts of the Bank's AAAs. The direct link between the PETS and considerable improvement in (school) budget implementation is pointed to in section 4.2 above. It was, however, not based on World Bank loans.

Loan documents do not always include references to AAA on specific aspects of PSR even when it would be appropriate to do so. In *Bangladesh*, many problems could probably have been anticipated if reference had been made to a WBI study prepared in 2004. Creation of an anti-corruption commission was, for instance, not proposed in any AAA, but it was created anyway. This goes against good practice, as recommended prior conditions were absent in Bangladesh. However, it was widely supported by donors, Bank staff and civil society. The main flaw was that government commitment to the ACC was too weak to make it effective. The *Freedom of Information Act* was preceded and recommended by AAA, as was the Public Administration Reform.

Analytical work may describe the governance challenges, but do not, in general, provide an analytical framework for how to address the problems. In cases where an analytical framework is provided, it commonly only addresses administrative corruption and technical solutions on how to deal with it, for instance, by simplifying and streamlining procedures and regulations, as well as pay reform etc. Although AAA in some of the country cases refer to the importance of political will and ownership to the reforms, the operationalization of these concepts are hardly addressed. Typically, governance related AAA expresses problems and suggested solutions with a broad technocratic brush. Generally, strong comparative evidence is not put forward as to why recommendations made are practical or relevant and likely to overcome opposition to vested interests to achieve results. For example in *Bangladesh*, the EMTAP investment project (2004) was approved to address key institutional constraints as identified by the PER, but a change management strategy was not clear for combating political economy barriers to change.

The extent to which analytical frameworks are applied to 'unbundle' corruption differs across countries. For instance, in *Indonesia* in recent years, the country team has initiated a number of micro-studies unbundling corruption in various sectors, including the police, tax administration, health sector, drivers licenses, etc. Pilot studies have identified weak and strong institutions, and the costs of corruption have been assessed. Key determinants for good governance in specific sectors have been identified, and concrete policy recommendations made. The issue of stakeholder empowerment has been widely discussed. In other countries, however, the analytical framework - if any - applied for unbundling corruption is not reflected in the CAS. In *Tanzania*, for instance, a coherent framework for AC is lacking, apart from the Warioba-report (URT 1996). Moreover, the anti-corruption agency (PCCB) seems to be donor driven and is perceived to be doing little. In early 2008, a Parliamentary Select Committee accused the PCCB for attempting to conceal a corruption case (Parliament of Tanzania 2008). The National Anti-Corruption Strategy and Action Plan (NACSAP) may, however, help establish a more systemic approach. It also intends to empower citizens to engage in anti-corruption (see Box 7.1).

In *Yemen*, no explicit analytical framework was applied, although it is mentioned that civil service is frequently used for patronage appointments. In *India*, a country level governance assessment by the Bank was not a formal document (no IGR), but there was awareness of the political context and constraints facing governance reforms at both the national level and in the main states. The issue of corruption was not dealt with explicitly in the Economic and Sectoral Work (ESW) for *Andra Pradesh*. The *Orissa* State Financial Accountability Assessment (SFAA), however, refers to a corruption study done by DFID. But, the analytical framework for unbundling corruption is missing. This also applies to *Bulgaria*, where none of the AAA had corruption as a main focus. Therefore, there was no comprehensive elaboration on why corruption occurred. The documents did not offer a proper analytical framework to address corruption and there appeared to be no attempt at unbundling.

Where anti-corruption diagnostics are conducted, the design and implementation of AC-strategies are typically weak. For instance, the WBI governance diagnostic is a potentially important tool for unbundling corruption, identifying weak/strong institutions and assessing the costs of corruption for different stakeholders. Moreover, it identifies key determinants of good governance in a number of countries. The WBI diagnostic also addresses the importance of provision of information as a monitoring tool, as well as a tool for empowering stakeholders. However, experiences from various countries, for instance

Guatemala, suggest that the WBI's recommendations are generally too broad and not sufficient for policy recommendations.

In *Cambodia* anti-corruption diagnostics suggest areas of concentration for AC-interventions in forestry, land management/concessions, and public procurement. In the forestry sector illegal logging finances the ruling party and pays former combatants. There is weak accountability and transparency in natural resource management. This situation is aggravated by lack of checks and balances, and by a very centralized administration. The judiciary is weak and corrupt. Moreover, media is relatively weak and so is civil society. The civil service is built on patronage and characterized by endemic administrative corruption. Corruption in the education and health sectors is rampant. Lack of resources at points of service delivery increases the problem of bribe payments, hitting poor clients hardest. Despite these very negative indications for corruption the design and implementation of anti-corruption strategies have not set strong directions for abating the problem.

A similar problem applies to *Russia* where there are both limited accountability frameworks and reforms failing to generate positive outcomes. There also seems to be a consensus in the studies that there have been delays and uncertainties for many reform areas, partly due to limited capacity in modern change management techniques and a large and diverse administrative system. Furthermore, political constraints, vested interests, as well as cultural resistance inside the public administration are referred to as bottlenecks. Also, the absence of counterbalancing action by civil society, mass media or business community has been pointed out.

Two Country Procurement Assessment Reports (CPARs) in *Burkina Faso* address the lack of ownership of a national good governance strategy and weaknesses in the judiciary. CPAR01 mentions that corruption is on the rise in procurement and customs and that the national framework needs to be improved. CPAR05 is the most outspoken of the reports and frankly discusses shortcomings in the regulatory framework, urging reform. But, in general, the reports do not contain a strong governance focus and are more 'add-ons'. Moreover, the reports do not give a clear suggestion for why corruption occurs and is on the rise. Political and social factors are not touched. The Country Financial Accountability Assessment (CFAA) does not mention corruption at all and 'governance' is only mentioned in relation to the national good governance plan.

7.2.4 Importance and nature of AC in the overall Bank lending program

An underlying principle in some of the analytical work reviewed is that corruption is a PFM matter and can best be handled by improvements in public sector management. The examination of the country case evidence, however, underlines that AC operationally can not be merely a PFM affair. The evolution of the Bank's lending programs reflects this by increasingly addressing anti-corruption explicitly. Although many program components of good governance and anti-corruption seem to be dependent on 'windows of opportunity' there are some countries, like Tanzania and Indonesia, where governance and AC-reforms have been on the Bank's agenda for almost a decade. For instance, promotion of good governance and anti-corruption have been key priorities for the donors in *Tanzania* since 1997, reflected in basket funds for different aspects of National Good Governance Framework (NGGF). For *Indonesia*, anti-corruption has been the single most important cross-cutting PSR-issue after the 1997-crisis. Anti-corruption has also been the cornerstone for the rebuilding of the Bank's credibility and legitimacy in Indonesia after 1997. In *Uganda*, corruption has been a relevant component, and the volume of resources for 'governance' in the Poverty Alleviation Fund (PAF) budget is projected to increase. Sectoral allocations for accountability in Uganda have been growing steadily from FY99 to FY04. In *Honduras*, too, AC appears increasingly important, and good governance is the 'pillar' in FY07-10.

In many other countries, however, **AC has not been a very prominent component of the Bank's support to PSR in the period covered by this report**. In *Ethiopia*, for instance, direct lending for AC was only included in the Bank portfolio in 2001. The Ethics and AC commission was set up to expand powers of a small AC unit set up under CSRP in the Prime Minister's office. However, measures stop short of addressing political corruption.

Corruption is generally addressed indirectly, particularly via PFM and CS reforms. This has often proven more successful than the direct approaches. In *Guyana*, for instance, there is no direct attention to AC in the policy dialogue, but the Bank's work on PFM does address corruption indirectly. Since 2000, the PSR support has been driven by HIPC and PRSC. PRSC I provided technical assistance to procurement reform and improvements in PA and transparency. The Poverty Reduction and Public Management Operation (PRPMO) built on the reforms of PRSC I - aiming to improve transparency, accountability, and efficiency in the public sector. Likewise, in *Burkina Faso,* Bank lending to AC is not very important. The only AC components were in PRSC I and II. PRSCs have strong focus on PEM and statistical capacity building. AC is minor and there is no follow-up in later loans. Measures to address governance issues were only met in a formal sense. In *Russia* there is no explicit AC lending program, but some of the PSR lending helped build systems that were expected to be resistant to corruption. *Yemen* has a minor direct focus on anti-corruption, but focuses indirectly on AC through CSR and PEM. In *India* lending for explicit AC is not very important since the governance issue has taken a back seat to expenditure management and PFM.

Supply side factors are at the core of the Bank's support to anti-corruption. In particular, this applies to support to improvement of PFM legislation, public procurement systems, capacity of the auditor general's office, and CSR, especially payroll reforms. Some country cases are illustrative in this respect: In *Guatemala*, for instance, judicial reform projects and technical assistance loans for IFMS and tax administration focus on institutional capacity building of the public sector. Judicial reform has been high on the agenda in *Albania,* where a judicial reform project was launched in 2000. However, only two adjustment operations directly supported AC measures. The SAC in FY00 called for development of an AC strategy. The AC plan was revised and the Minister of State put in charge of implementation. The PRSCII included direct measures to enact the Law on Asset

Declaration and to nominate the High Inspectorate to supervise the implementation of the law.

AC-effort in *Yemen* is both clearly indirect and focused on the supply side through CSR and PEM. The major focus has been on civil service salary decompression. After the 1990s, there has been an ambitious lending program, its main components being PSMAC (broad focus on improving governance and PSM) and CSMP (TA and training). In *Burkina Faso*, the Bank did not strongly force the governance issue, but instead worked through reforms to increase checks and balances. The focus was on judicial reforms through an institutional development project and training of stakeholders. The latter was, however, judged unsatisfactory by the Implementation Completion Report since the budget allocations were less than adequate. Approaches also included support to government divesture from the productive sector, however with very slow progress. On the demand side, the Bank supported the Parliament, consulted with NGOs and civil society, and disseminated findings.

The Bank support for AC in *Bulgaria* was mostly focused on supply side factors. The Trade and Transportation Project was a regional initiative to reduce corruption at borders through strengthening/modernizing customs administration. A second project focused on revenue administration and aimed at reducing corruption by reducing direct interaction between taxpayers and tax inspectors, direct audit activities, and internal control systems to monitor integrity and enforcement. The third project was a PAL where the AC-component supported the establishment of inter-ministerial committees for implementing the National Anti Corruption Strategy and AC action plan and also assisted in the implementation of the Freedom of Information legislation. The PAL also supported inspectorates for controlling corruption in all ministries, asset declaration schemes, and implementation of client charters that explained services provided.

While different from state to state, the Bank's programs in *India* are basically supply side oriented and focused on particular sectors and issues. In *Andra Pradesh* the AC drive is in the power sector, including regulation, strengthening of billing and collection efficiency, dealing with power theft etc. There is, however, also a touch of demand side action, e.g. in strengthening community awareness and education. In *Orissa*, the development action plan aims to strengthen the system of financial accountability and also computerization of services, and to expand the geographic reach of the vigilance commission.

The potentially important role of civil society in fighting corruption has yet to materialize fully in the Bank's anti-corruption lending programs. This should not come as a surprise since the Bank generally works with governments. The demand side factors, on which there has been an increasing focus are WBI courses and 'contact' with civil society/NGOs. Measures to strengthen grass roots monitoring of local infrastructure developments are addressed in some countries, including *Guatemala* and *Indonesia*. The role of the media to enhance transparency is also reflected in the Indonesia case. The transparency and accountability of the budget processes are reflected in some country portfolios, for instance in *Uganda*. Also in *Bangladesh*, the Bank is taking steps to address demand side work, for instance by adding two full time governance specialists to the country team.

In *Tanzania* the Bank is financing an Accountability, Transparency and Integrity Project (ATIP), which is framed by the National Anti-Corruption Strategy and Action Plan (NACSAP), but will also support more specific components, mostly in the financial and legal sectors. NACSAPI (2000-2005) emphasized corruption prevention, raising awareness and institution building, inspired by a holistic and systemic approach to reform (see Box 7.1). It included rule of law, financial management, procurement, public education and awareness, PSR, whistleblower protection, and the media. NACSAP II (2006-2010) consists of an even broader scope, including all of the above plus local government authorities and non-state actors. Although the NACSAP seems an ambitious and all encompassing anti-corruption approach, it lacks strong mechanisms to monitor compliance and to hold implementing agencies accountable.

7.2.5 Monitoring: to what extent and how?

Section 4 (see Box 4.1) of the literature review summarizes some of the important work conducted in recent years to develop governance and corruption indicators. The World Bank Institute has been instrumental as a global driver in this respect. Still, there are serious difficulties in adequately measuring and describing various aspects of corruption. Evidence from the countries studied for this evaluation suggests that the **indicators and monitoring systems still are weak, particularly in establishing quantitative indicators of corruption levels that can be disaggregated by sector and country specific program activities**. Also, looking at the progress reflected in the literature, **operationalization lags behind the development of analytical frameworks**.

Few of the case-study countries had monitoring systems in operation for corruption or anti-corruption before 2000, and even by 2006 some countries, like *Russia* and *Yemen*, still did not have monitoring systems or plans for them. Many countries, however, did have monitoring systems in place by 2006, but these were often aimed at monitoring progress in PFM or PSR rather than governance or AC. To a large extent the **reporting focuses on outputs rather than impacts and the monitoring refers to qualitative benchmarks**. Recently, in some countries, demand side efforts have aimed to encourage civil society and local stakeholders to perform monitoring and evaluation efforts.

Some states in *India* have established monitoring through benchmarks such as the mere *existence* of an implementation plan to strengthen PF accountability, or an AC action plan. Some qualitative indicators for the level of corruption are also used. Considerable information on cases registered etc. have been provided by the office of the Vigilance Director in *Orissa.* In *Honduras*, most performance indicators for CSR and PFM are qualitative. SIERP which is an online system to monitor progress as part of the FY04 PRS is weak due to lack of good statistical information, especially in education and health. However, HIPC and PEFA have contributed to improve the PFM monitoring of indicators. Also in *Guatemala*, most of the AC key performance indicators are qualitative and refer to outputs. For instance, in the judiciary these include establishment of an anti-corruption commission in the judicial system. There are only few quantitative indicators such as coverage of the IFMS system, the number of agencies using Guatecompras (e-processing), percentage of the civil service paid through the banking system, etc.

In *Burkina Faso*, the CAS1994 also reported on the use of monitoring indicators for indirect measures in CS, PFM, and tax policy and administration. The timetable, however, turned out to be quite unrealistic. The CAS96 mentioned monitoring points like outcomes from tax or governance measures; transparency in public finance including sector and local levels; completion of end-of-year budget execution reports; share of budget effectively reaching the local level; and bi-annual opinion polls for public service end-users. The CAS05 mentioned quantifiable performance indicators such as a steady increase in the annual number of decisions taken by commercial courts; budget execution fully deconcentrated in 13 regions; and independent observers to publish reports on 50% of large-scale public contracts. However, there are no benchmarks and quantifiable indicators present for monitoring the *level of corruption*. This also applies to *Ethiopia* where AAA does not provide benchmarking and quantifiable indicators on which to base judgment on progress.

Monitoring in *Uganda* utilized the operational independence of the Auditor General legalized by the audit bill. Later, the structure of the Accountant General's Office was reorganized. In *Ghana*, before 2000 there were no monitoring indicators in place. However, monitoring and evaluation were improved with the 2003 GPRS annual progress report, the implementation of GPRS M&E plan, and several poverty and social impact analyses in 2003 and early 2004. In *Albania*, however, there has not been much discussion of the revenue effects of the Tax Administration and Modernization Project (TAMP) in Bank documents. However, there is a considerable amount of information about the implementation of the different components of the TAMP.

In *Tanzania*, there is a lack of indicators for corruption levels. The results of practices aimed at improving transparency are measured by qualitative indicators. With corruption entrenched in the system, it is extremely difficult to get evidence on corruption levels. Until today, no baseline survey on corruption has been produced by either the government or other actors, despite concrete offers from the donor community to the government to finance such a baseline survey. This absence of information continues to be one of the major challenges for measuring the often proclaimed progress in reducing corruption in Tanzania. No systematic sector or agency assessments have been carried out to identify and prioritize the specific vulnerabilities to be addressed through the MDA action plans. Further, there seems to be little understanding about local attitudes towards different corrupt practices as defined in the international legal instruments. For example, important issues, such as *what do Tanzanians think about using a public position to generate income for the party?* or *what do Tanzanians think about the apparent need to be a party member if appointments for mid- to senior level civil service positions are sought*?, have not been explored. The impacts of these questions on ongoing reforms have not been assessed. An effort to produce annual State of Corruption Reports was limited to a one-time exercise in 2002 with no follow-up since then (see Box 7.1).

‘Grassroots’ or bottom-up monitoring was reported in some of the country case. For instance, demand side efforts on anti-corruption in *Indonesia* have aimed to bring civil society and local stakeholders to perform M&E functions, especially in decentralization projects, and in GDS, investment modulation climate surveys, and PETS. Moreover, under the HIPC initiative, *Sierra Leone* agreed to 13 bottom-up triggers for reaching a floating completion point notably in areas of governance, decentralization, private sector development, education and health. In *Bulgaria*, the latest AC strategy (2006-2008) has adopted an extensive system of monitoring indicators to be tracked by an NGO to guarantee impartial evaluation. PAL and tax reform projects use corruption indicators from BEEPs and ‘Doing Business’ surveys for monitoring and evaluation purposes. Tax projects also include monitoring of the number of AC hotline complaints. In *Bangladesh* it is argued that when improvements start to take hold, the 2001 and the 2002 surveys for public service delivery and business service delivery, respectively, will provide a useful baseline for monitoring future progress.

7.3 Overall country outcomes

This section, drawing on Sections 7.1 and 7.2, examines the evidence of country outcomes of World Bank lending and other actions on anti-corruption. Section 7.3.1 assesses overall indications of results or outcomes, followed by Section 7.3.2 which aims to determine whether certain approaches or areas of operation demonstrate any degree of relative success. In Sections 7.3.3 and 7.3.4 we examine perceptions about the Bank’s work on AC, first among citizens and political elites, and thereafter among donors.

7.3.1 Overall indications of results

Although some important conclusions may be drawn from an analysis of the information available to us, it is important to have in mind that conclusions must be tempered by the character of the information it is built on. First, the background studies covered only 19 country cases. Second, the AC issues, for several reasons, are covered in less depth than the more ‘above board’ issues within the area of public finance management and tax administration, and to some extent civil service reform. The degree of the World Bank’s success in reducing corruption is extremely hard to assess since measuring results is intrinsically and analytically difficult and since monitoring of results have only in a few cases been undertaken alongside anti-corruption measures. Clearly also, assessing the effect of the anti-corruption actions by the Bank which is only one of many institutions involved in AC, brings up the attribution problem. There is limited information that may help us decide whether the results are due to the Bank’s actions or to other factors, or to the combined efforts of the Bank and others. It is also difficult to construct the counterfactual. What would have happened if the Bank had not intervened?

Even given the many uncertainties, a main overall conclusion is that there were not a great many successes in terms of reducing the problem of corruption. The Bank’s clear successes in corruption reduction have been much fewer than the failures. The overall results may, at best, be characterized as ‘moderately unsatisfactory’. It is, however, clear that the Bank, particularly after 2000, has managed to bring up the issue of corruption as a major obstacle to development. In some countries the Bank might have helped lower corruption levels. For instance, the case notes for the evaluation are consistent with the finding of the (Eastern) Europe and Central Asia operational group that corruption in those countries has declined on average.

The country cases illustrate this conclusion. Moderately successful cases include Bulgaria, India, and to some extent Sierra Leone. In *Bulgaria*, anti-corruption components in programmatic adjustment lending improved accountability. The CPIA index improved substantially from 2001 to 2006. Moreover, there was a reduction in corruption levels for businesses in most areas except in the judicial system and public procurement. There has also been a steady decline in petty corruption, whereas the decline in high level administrative corruption and grand corruption has been weaker. The potential for soft AC measures was said to be exhausted. Thus, by 2006, the AC program was not fully operational, and coordination of the AC strategy remained incomplete.

This experience was to some extent mirrored in *India* where Bank conditionality was soft. Corruption has become an important issue for the Government of India and the Bank’s main input has been to maintain the momentum for reform. The Bank has been in strong dialogue and set conditions for the Ministry of Finance on fiscal issues and PFM. The Bank’s expertise in cross cutting governance issues has, however, been weaker. In *Sierra Leone*, AC-progress has been slow or modest. The reason for the modest progress was not technical difficulties, but lack of capacity, and building that in a sustainable way was unlikely. The national government staff is poorly motivated, lack qualifications and more qualified staff frequently joins donor agencies or international NGOs.

Yemen illustrates a type of country where the results of AC measures have been generally poor although some minor successes have been registered. In general, PFM remained weak with impropriety and laxity causing the main problems. Improvements in effectiveness and quality of government services remain elusive. The size of the civil service has doubled since PSMC was started in 1999 and is driven by patronage since the tradition is to view government employment as social welfare. Generally, there has been an overall deterioration of governance indicators. In contrast to Yemen, the WBI’s governance indicators put *Tanzania* in the group of countries that have experienced improvements albeit from a low base. However, while petty corruption seems to have been reduced in recent years, there are many indications that grand corruption and state capture prevail and increase.

Experience from other countries suggests that PFM is a valid entry point from which to work indirectly on AC. In *Albania* the introduction of VAT was a pilot project for the modernization of the country’s tax administration. However, hardly any progress has been made in regard to AC. Implemented reforms may have limited the breadth of corruption, but the depth of corruption has increased in other areas. The Government’s commitment to tackle AC seems to have been due to short-term interests of constituencies. Also in

Bangladesh many milestones have been met with respect to PFM, especially in the area of procurement reform. However, there was no evidence that procurement had become less corrupt, despite the approval of new regulations and systems. In other areas, like CSR there was some progress although the milestones were not met. Discretionary tax exemptions have continued, and there is no evidence of reduced corruption in Bank projects. Generally, there has been little progress in areas where the power of vested interests should have been reduced.

In *Burkina Faso* the NGO RENLAC reported that corruption was on the rise (although not confirmed by the governance indicators). RENLAC also found that Government was not committed to fight corruption and that anti-corruption measures were donor driven. A National Strategy on good governance was adopted in 1998, but implementation stalled almost immediately. In 2001 an ethics committee was established, but never became functional. In 2003, a commission for fighting corruption was established, located in the Prime Minister's office, but it was soon criticized for not being independent, having no authority to follow up findings, and not involving civil society or the private sector. The anti-corruption commission has remained largely inactive.

In *Cambodia* the Bank has helped raise awareness of corruption through AAA, but many believe that corruption is worse today than in the 1990s. Customs and taxation are seen as the most corrupt public agencies, despite extensive Bank and donor support to improve the revenue administration. Corruption was also revealed in a Bank project (demobilization of soldiers), which was not identified as a risk before it happened. Although the Bank got complete repayment of misappropriated funds from the Government of Cambodia, under threat of stopping all Bank projects, the project was judged unsatisfactory. The Bank's involvement in this project was not ideal. Weaknesses were reflected in questionable project objectives, disregard for the security needs of Cambodia, disregard for the political role of the military, and collaboration with corrupt interlocutors. Moreover, although drafting of an effective AC law has been a CG benchmark since 2004, it is unclear when the law will be forwarded for debate by the National Assembly. Also in *Guatemala* political and institutional factors were beyond reach of the Bank's efforts. Hence, the CPIA public sector management indicators improved, but those for transparency, accountability and corruption in the public sector did not.

In *Indonesia*, the Bank has initiated a number of research based experimental studies to address corruption. However, in most key areas anti-corruption efforts are still in early stages. This applies to legal and judicial reforms, campaign finance reform and forest concession policies, CSR, procurement and clarity of rules for decentralization. Some relative successes are reported. For instance, the legislative framework has been strengthened in areas like money laundering, freedom of information and whistleblowers. The audit function of the government has been strengthened. A Corruption Eradication Commission is established, although AC-legislation is not yet implemented fully and the commission has limited coverage. Still, corruption has remained pervasive and any changes for the better come at a very slow pace.

Administrative corruption has been the main target for the Bank's anti-corruption efforts. Reducing opportunities for corruption by simplifying procedures and regulations, and getting incentives right through, for instance remuneration schemes, are cross-cutting approaches. Thus, *indirectly* anti-corruption measures are incorporated in Bank support to PFM, tax administration and CSR. The expressed objective has been to make public institutions more transparent and accountable. Although the underlying analytical framework is mirrored in the CAS, the focus and implementation of anti-corruption measures differ to some extent from country to country depending on available entry-points for reforms.

Over time, **the importance of engaging civil society in anti-corruption reforms has become more prominen**t in the policy documents. High level and political corruption, on the other hand, has to a large extent been ignored, except when deep political and economic crises have exposed the Bank's former partners as culprits, such as in Indonesia in the late 1990s.

7.3.2 Reasons for relative successes and failures of AC reforms

In order to guide future AC-action by the Bank, donors and not least governments, it is necessary to evaluate the relative successes of different approaches to AC. However, as already argued, it is important to be aware of the data weaknesses and the attribution problem.

As also pointed out earlier, most of the Bank's efforts on anti-corruption have focused on the supply side and mostly within public administration. The observations below emphasize these areas and therefore are less focused on the demand side, including civil society/NGO involvement. In addition, the results of more pointed or isolated efforts and measures addressing the supply side are generally easier to discover and evaluate than demand side measures and overall policies. Furthermore, one should of course be warned against the trap of looking for 'best practices', as contexts vary in time and space. What worked in one country under certain circumstances may not work in another country under the same circumstances or under different circumstances in the same country.

The experiences reflected by the country cases fall in several categories. Looking at the cases where one may perceive a certain measure of success, the following matters have contributed:

a) The situation at the start, the use of 'windows of opportunity' and the driving factors where the degree of home-grownness and the role of civil society/NGOs come out as particularly important issues.

b) How well the Bank's measures were integrated with the administration locally, particularly the importance of broad and appropriate 'good governance' efforts.

c) Action research by CSOs and NGOs as well as the World Bank itself have sometimes achieved good and rapid results in certain areas.

d) In a number of cases new technology has helped further AC measures.

e) The definition of 'success' is flawed. In some case studies project *outputs* have been interpreted as evidence of impact.

Guatemala renders an example where the Bank used a '**window of opportunity'** to addressing PSR. Looking at outcomes it is observed that PFM and especially the Integrated Financial Management System (IFMS) improved and a tax reform was also successfully implemented. The main reason for these achievements was that they were part of the 1996 peace accords, and faced limited opposition from the corrupt administration and public sector unions. The general achievements in PFM are likely to have had positive indirect effects on the level of corruption. However, the IFMS system was not used for anti-corruption work since the Auditor General's Office was understaffed, underfunded, and accused of not being objective. The case exemplifies a **weakness of 'big bang' solutions**: **They tend to generate great ambitions, but implementation tends to remain restricted by limited human and financial resources and sometimes by a weak auditing and legal regime covering corrupt behavior among public officials.**

Some aspects of the program in *Indonesia* indicate **moderate success based partly on appropriate domestic support, and some uncorrupted and strong leaders and institutions**. Bank support for the *Partnership for Governance Reform (PGR) Think Tank* resulted in useful policy work and helped keep the issue of legal and judicial reform going. Mr. Yudhyono - a board member of the PGR - later became President of Indonesia. The PGR did not, however, create an effective partnership between the government and CBOs/NGOs. The success consisted in a strategy which strengthened the demand for local government reforms, and at the same time pursued a program to create an enabling environment for local initiatives at the central level. In general, the successes in Indonesia seem to have been those that attracted a wide variety of stakeholders. The CAE07 gives the Bank credit for:

(1) tackling corruption in its own projects;
(2) providing demand driven high quality ESW;
(3) analytical work in the area of governance;
(4) fuel subsidy reduction; and
(5) the establishment of a governance advisor in the Bank's country office.

The case of *Ghana* also underlines the **importance of domestic support for AC policies and measures.** The involvement of civil society seems to have been relatively successful. Civil society in Ghana is relatively strong and vibrant. The Bank gives targeted support in terms of AAA and training to CBOs, and has left anti-corruption efforts to homegrown initiatives. It should also be noted that the Bank support to the *Rapid Results Initiatives* - participatory efforts to solve implementation problems in 100 days – has led to timely completion of infrastructure projects, as well as lowering the costs due to community support and improved spending transparency. This is in a sense novel as it introduces a focus also for the NGO support that often has suffered from being too general.

Another approach for **NGOs** is exemplified by *Burkina Faso* where the anti-corruption NGO RENLAC seems to have had success in **bringing corruption cases to the attention**

of people and thereby raising awareness (see section 7.3.1). The revision of the code of information, without Bank support, improved the environment for the free press. The introduction of checks and balances in the budgetary process was successful. There were improvements in budget planning, execution and reporting probably because of the incentives provided by the HIPC and moves towards more budget support. However, the answer to the question of the appropriateness of budget support in highly corrupt environments remains open.

The value of **steady work on a broad range of good governance issues** can be exemplified by the case of *Honduras* where there was no 'big bang'. Instead, key elements of the PSR reform strengthened the PFM systems, the justice sector, banking supervision, and improved the business climate. Progress in other areas was hampered by economic and other interest groups resistance. The value of working through the 'normal' administrative apparatus and improve that, rather than setting up specialized agencies that may conflict with 'normal' administration is exemplified by the case of *Albania*. In 1995, the 'Financial Police' (FP) staff was reduced to 900 and the organization was disbanded. Part of the staff was assigned to Customs and the rest to the Tax Directorate. This was a major improvement from the previous situation, since the duplication of functions between the FP, on the one hand, and the Tax and Customs Directorates on the other, undermined the authority of the latter. In addition, the culture of the FP was not seen as attractive to foreign investment, particularly at the beginning of the economic transformation towards market economics.

The *Tanzania* example stresses **local ownership, technology and local leadership**. The annual PER process is now fully owned and directed by the Government of Tanzania. It can be assessed by various stakeholders and is the basis for the annual roll-over of the MTEF. This has improved the transparency of the budget process, although the donor community has probably benefited more than the average Tanzanian citizen. The PFM reforms have spawned procurement, budget and accounting/expenditure reforms. IFMS has been introduced. However, in early 2008, a Parliamentary Commission revealed massive fraud in connection with the procurement of an emergency electricity power station, which implicated the Prime Minister and several ministers, as well as the Head of the Prevention and Combating of Corruption Bureau (PCCB) in an attempt to 'white wash' the affair (see section 7.2.2).

Bulgaria has also experienced that many AC-measures in PEM, CSR and PSD have been relatively successful. Areas that have received most attention from reformers, such as taxation, customs, and business licensing, have typically shown the greatest improvement. Those that are most complicated or beset with conflicting objectives have shown less improvement, in particular procurement and judiciary reform. Bulgaria has also shown progress in development of infrastructure for operation of online services to citizens which includes a database of all existing regulatory regimes, online forms of customs, tax claims and applications.

The progress in the state of *Orissa* in India also tells a story of effective technology application. There has been good progress on the DFID funded Human Resource

Management Information System (HRMIS). A civil service performance management improvement system was designed by the Centre for Good Governance (CGG), but stalled in implementation after a new government took over. At the time of the country study a new PMIS had been developed. Kiosks offering e-government products with private sector involvement are perceived to reduce corruption when people settle bills for various public services, pay licenses etc. Updated financial statements were published by the state on the web. A draft bill to make public procurement more efficient and transparent has also been introduced. Access to information was improved through legal measures. Orissa has strengthened its deterrence against tax evasion through strong AC measures. Moreover, an AC-action plan was under preparation at the time of country studies.

The disconnect that can show up between outputs and impacts is exemplified by developments in *Yemen* where the Ministry of Civil Service has established a personnel database. There has been some reduction of illegal payroll entries, and a merit based salary structure has been devised and approved by Cabinet. However, the main objective, namely to reduce the size of the civil service has been characterized as an utter failure.

The case of *Bangladesh* points to the **importance of measuring results**. Some improvements in PFM, taxation and civil service have been achieved, but not in a spectacular fashion. Procurement reform has been the 'flagship' measure and progress in this area has taken place. However, there is currently no mechanism for accurately monitoring procurement, proceedings or outcomes, so it is not possible to comment on actual performance with any degree of certainty.

As recounted in section 4.2 an interesting case of success is reported from *Uganda's* **Public Expenditure Tracking Surveys** (PETS). Through effective policy dissemination and information of allocated resources, Uganda succeeded to increase the share of the total allocations reaching schools dramatically after the first PETS was conducted in 1995. This type of 'action research' was later also implemented elsewhere.

7.3.3 Perceptions of citizens and political elites

Perceptions, awareness and knowledge of the character and effects of corruption have definite effects on the degree of support a government may get for AC measures and policies. It is therefore important to realize for the Bank as well as governments and donors that *communication* - both within the public sector and beyond its confines - may affect the success of AC measures and also the perception of the success.

It is important to note that **different methodologies used to examine citizens' views on the level of corruption and changes over time, may lead to different results**. In *Bulgaria*, for instance, perception based measures of corruption remain high, but with no a clear trend. Aggregate indicators do not show any improvement. Field interviews, however, suggests that overall corruption has decreased. The examples below show that in most of the countries covered by this evaluation, there is a long way to go before perceptions of corruption can be turned in the right direction.

An overall backdrop to developments during the period under review is that **many countries have seen a major shift toward free media and media coverage of corruption**. Yet, there appears to be substantial room for improvements from both the governments and the Bank when it comes to communication, dissemination and flows of information to other stakeholders, including civil society and other donors. However, particularly high spending on the military, like in *Uganda*, and the need for confidentiality in this sector tends to ease the way for restriction of information in other sectors, and is likely to undermine stakeholders' confidence in the budgetary process.

In several case countries corruption is widely considered to be a major and worsening problem. According to recent surveys in *Ghana*, as many as 75% of the respondents consider corruption to be a serious national problem. As many as 80% perceive corruption to have worsened in recent years. In 2001, the President called for zero tolerance on corruption. Ghana convened the *Economic Community of West African States* (ECOWAS) justice ministers and sponsored the Accra declaration against corruption and related crimes (i.e. the binding ECOWAS Protocol). Ghana has also acceded to the African Peer Review mechanism. In 2003, Ghana signed the African Union Anti-Corruption Convention. These measures indicate the Government's willingness to address corruption.

These observations are to some extent mirrored in *Tanzania*, where lower courts, the police, health personnel and local government officials are perceived to be massively corrupt. A citizen survey conducted in November 2006, covering 1260 respondents in 42 communities across the country, found that as many as 58% of the respondents considered corruption to be a problem (Fjeldstad *et al* 2008). The survey finds, however, that public perceptions of the Government's efforts to combat the problem are improving. In the 2006 survey, more than 50% said that corruption was less than before, while in a corresponding survey in 2003, covering the same communities, only 27% of the respondents were of this view. These results are consistent with findings of the most recent Afrobarometer survey (REPOA 2006), which found that the '…government may be achieving at least modest success; public perceptions of its efforts to combat the problem are improving, while reported experiences with corruption appear to be on the decline...'.[24]. These findings suggest a reduction in petty corruption. The media are hailed as independent and free, though the Government attempts to control them. Tanzania is a *de facto* one party state. Internal party elections are said to be riddled with corruption. The general public is not 'on board' the Government's anti-corruption efforts. In early 2008, the country was riddled with a series of corruption scandals involving senior officials, leading to the dismissals of the Governor of the Central Bank, the Prime Minister and several profiled ministers. It is too early to say whether these cases are reflecting a major clean-up in the top ranks of the party and administration. What seems to be clear, however, is that the Parliament and the media have played important roles in exposing these cases.

Generally, the public's satisfaction with AC measures in force does not seem to be directly related to the level of corruption. This is partly because the public's standard of

[24] See http://www.afrobarometer.org/papers/AfrobriefNo33.pd.

tolerance for corruption changes in response to anti-corruption efforts. *Burkina Faso,* in contrast to Tanzania, is not perceived to have widespread problems of grand corruption. However, petty corruption is perceived to be on rise and the country has roughly the same ranking as Turkey, Croatia, Egypt and Poland in TI's corruption perception index (CPI). A RENLAC-report from 2005, however, indicates that the population is not satisfied with the government's and the parliament's actions to fight corruption, and does not consider the government to be active in AC efforts.

In *Guatemala* various indicators suggested a decline in the level of corruption during the last five years. Citizen surveys suggest that people believe that corruption was set to increase. The involvement of civil society in PSR and the accountability of political leaders are limited. The independent press, however, enjoys a high degree of credibility among parts of the population, and might be the most effective institution of accountability.

7.3.4 Donor coordination and interaction with civil society

Most donors are concerned about corruption in their partner countries. Donors' perceptions of corruption are important for their approach to PSR in any country. However, whether the donors' concerns are materialized in concrete AC-measures or not differ from country to country. Donor coordination (or lack of such) and support to civil society on AC-measures also differ from country to country. This section discusses some examples from the country case notes which illustrate the diversity of experiences with donor coordination, including the Bank's role, and interaction with civil society.

In some aid dependent countries donor coordination has been strong on issues of governance and PFM. For instance, *Sierra Leone*'s dependence on aid gives great leverage to donors. Donors such as DFID, EC and IDA, practicing budget support tended to back the 2006 Integrated Governance and Accountability Pact (IGAP). This moved forward governance and accountability reforms and also included AC, anti money-laundering, procurement, improvement of the Auditor General functions, CSR, investment environment, EITI, public service delivery etc.

Donor cooperation in *Bangladesh* increased, although much remained to be done. CAS06 was the first joint venture between the World Bank, Japan, ADB and DFID. The success of this venture depended on the extent to which the Government of Bangladesh could take a lead in expressing priorities. The downside of such joint ventures may be that non-member donors feel they are being marginalized. There have also been bilateral initiatives which the Bank was unaware of and which have been out of line with the Bank's thinking, aims and practice. This was to some extent the case in *Guatemala* where USAID led the anti-corruption efforts. The donor initiatives, however, were too many and too intrusive – often straining the government's ability to coordinate foreign assistance. Similar experience with poor donor coordination was experienced in *Tanzania*. In 2004 the Tanzanian government pushed – successfully - for donor harmonization on PSR. The Bank crucially agreed and postponed the CAS.

In some countries the Bank has been in charge of overall donor coordination. For instance, in *Indonesia*, the CAS04 applauded donor coordination. After the fall of President Suharto, the Bank's corruption assessments in Indonesia have served as inputs to other donors. The Bank has also played an important coordination role in *Bulgaria*, together with the two other main donors, the EU and USAID. The Bank played the role of general advisor during the elaboration of the AC strategy. In *India* and *Russia,* the Bank worked closely with DFID on AC-measures. The Bank's coordination with DFID and IMF in Russia was reported to have achieved results. USAID, however, preferred to 'go it alone' in *Russia*, which the Bank did in *Yemen*.

Most bilateral donors in *Yemen* wanted to cooperate with the World Bank and harmonize their support to governance and AC, but the Bank did not appear interested in this. Donors also commented that the Bank's project design was based on Bank priorities and not the Government of Yemen's. This was confirmed in the Bank's 2006 CASCR review. Yemen received increasing support from donors (2006), mainly from the Gulf States, but there were doubts whether the Government could effectively and transparently spend 4.7 billion USD (30% of GDP). The Bank's position with respect to AC has also been questioned by donors in *Uganda*. Certainly, many donors were more outspoken about corruption and lack of prosecution of suspects in Uganda than the Bank. In 2007, Germany withheld some funds due to corruption. However, both the Bank and other donors share a concern about high spending in public administration and especially national security.

Civil society has played an increasingly important role in holding governments accountable. For instance, in *Bangladesh* NGOs provide essential services to people, and as a result they have become powerful and dependable as service providers. NGOs and the private sector, the middle class, and also citizens in general provide external pressure for advances in the governance reforms. Another example is the Ghana Anti-Corruption Coalition (GACC), a group composed of government officials, official anti-corruption agencies, and civil society organizations. GACC has expanded to include business and media interests and worked to present a unified anti-corruption front. With a new RTI law in *India*, the potential exists for civil society and citizens to make productive AC requests. Moreover, the act was strongly supported by those groups. Local stakeholders were involved in AAA, and local think tanks, like the Center for Good Governance in *Andra Pradesh,* were also active. However, Bank and donor support to civil society with respect to AC seem more accidental than based upon a clear and consistent strategy, as reflected in the case of *Tanzania*.

Civil society in *Tanzania* is active in urban areas, but remains weak compared to the two neighboring countries Kenya and Uganda. Governance and anti-corruption reforms are to a large extent donor driven, but some CBOs are actively engaged. On several occasions the Government has banned the most outspoken one - HakiElimu - which has addressed corruption in the education sector. In general, accountability and watchdog institutions are mainly limited to formal existence - no real bite. The Bank and other donors may have been 'too benevolent' with the Government of Tanzania. They are seen as too close to the government. Donors seem to lack capacity to deal with politicized and multifaceted governance issues, turning instead to technocratic solutions. Like the Government, donors seem to lack ambition and recognition of the importance to mainstreaming anti-corruption reform into broader governance and sector reforms.

7.4 Lessons learned

Although there are general lessons, experiences on what works or not with respect governance and anti-corruption reforms differ from country to country depending on historical, social, economic, institutional and political circumstances. In the following we summarize lessons from Bank interventions in selected countries.

From the country cases it appears that anti-corruption measures are too often proposed by the Bank without considerations of the political economy and strategies to win the support of a critical mass of key leaders who would be able to overcome the inevitable opposition of vested interests. In *Cambodia*, for instance, the potential for a firm stand against corruption was reduced due to the Bank's problematic public communication strategy. First, Bank officials and documents tended to speak too broadly about the pervasiveness of corruption without suggesting specific remedial actions. Second, when the Bank announced the most recent findings by the Department of Institutional Integrity (INT)[25], no details were released presumably to protect informants which in the tough political climate in Cambodia would be in grave danger of severe retribution. Cambodian leaders claimed that the Bank was unfair and not transparent and not sharing its findings. This experience was, to some extent, mirrored in *Yemen*, where the Bank was too ambitious. Poor coordination with the Government of Yemen led to poor ownership and loss of political capital. To build consensus among the authorities and donors improved communication on anti-corruption strategies are required. Further, from the Yemeni case it appears that the Bank needs to be more present in the field and to coordinate better with other donors. The public sector reform challenges require permanent or long-term commitment.

A wide range of external factors, from financial and political crisis to countries' membership of regional bodies have been important drivers of governance reforms in several countries. In Eastern Europe, for instance, the European Union's accession process has probably been the single most successful effort to spread good governance and fight corruption. Membership is not granted until countries have satisfied EU's governance criteria after a long reform process. In contrast, the Bank - as an institution under strong pressure to lend – may be poorly structured to lead a fight against corruption.[26] The Bank's mandate, which prohibits intervention in recipient country politics, is likely also to blunt the Bank's analysis and knowledge of corruption realities in these countries.

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[25] In 2001, the World Bank Group established the Department of Institutional Integrity (INT) to investigate allegations of fraud and corruption in Bank-financed projects as well as possible staff misconduct. http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/ORGUNITS/EXTDOII/0,,menuPK:588927~pagePK:64168427~piPK:64168435~theSitePK:588921,00.html

[26] See, for instance, http://www.alexsingleton.co.uk/2006/09/francis-fukuyama-on-why-the-world-bank-is-not-ideal-as-a-corruption-fighting-body/.

The Bank needs to do more to understand corruption in the particular country context and market findings to the government and civil society. For instance, in *Burkina Faso,* analytical and advisory assistance (AAA) could have made more effort to understand corruption and fine tune indirect anti-corruption measures. Moreover, the Bank's analytical and advisory assistance could have made stronger effort to quantify corruption and its negative impacts on the economy in order to increasing government incentives for reform. In some countries, however, e.g. in *Albania* due to the frequent changes of government, it might have been better to establish a broad consensus for reforms across the political spectrum. In part, this was achieved through PRSP, but may not have been sufficient for individual sub-components. The Bank had too myopic a focus on analysis and policy formulation compared to making the reforms operational and following their implementation. In a situation of high turnover of civil servants due to political nominations and uncompetitive salaries, the Bank should consider having task team leaders in the country to guide and foster dialogue. Moreover, to create ownership in Albania there is a need for broad consultations with political rivals.

It is, however, important to avoid that the Bank and donors become the sole drivers of anti-corruption, and start executing functions of government. In *Tanzania*, elements of such a situation is likely to have contributed to a reduction of the political will for governance and anti-corruption reforms. Instead, the **process should be allowed to develop from within** and facilitated by technical assistance from the Bank and donors. Further, as the *Sierra Leone* case suggests, it appears that the Bank needs to reduce the complexity of its triggers in the poorest countries, invest extra resources into supervision efforts and build capacity of local training institutions.

Such an approach seems to have been taken in *Ghana*. Given the political risks connected with anti-corruption work and no shortage of Ghanaian civil society groups supporting AC in the country, the Bank has kept a low profile and focused on supporting anti-corruption efforts by stakeholder groups through AAA and training. **Linking governance work with visible public service improvements has helped to build credibility of the reforms with citizens and the Government.**

AAA has been a good entry point for anti-corruption reforms in several countries, even if not always explicitly recognized as such. In *India*, for instance, public finance management and taxation interventions have been more successful than civil service reform. Civil service reform is often politically sensitive and may delay other reforms if bundled. Moreover, civil service and anti-corruption reforms generally take longer time and need more long term support than what development policy lending (DPL) provides. Investment lending or donor financed projects have therefore been important complements. For instance, in *Bulgaria* the Bank appears to have selected areas for intervention that have received most attention from reformers (tax, customs, business licensing), and these have typically shown more improvement. Areas which are more complicated or beset with conflicting objectives, such as civil service reform, procurement and reform of the judiciary, have shown less improvement. Lessons from *Honduras* suggest that civil service reform should be separated from private sector participation processes. There is also a need to establish benchmark linkages to other donor programs, for example budget support operations, to increase leverage. Adjustment loans should be complemented with technical assistance loans to lay groundwork for policy actions.

The evidence discussed above points to the following general lessons for Bank support to governance and anti-corruption reforms:

1. Tailor the anti-corruption strategy to country specific circumstances.
2. Before lending to support anti-corruption, do adequate political analysis and diagnosis of the corruption problem, including a proper assessment of the cost of corruption to development.
3. Focus the initial support on sectors and issues where there is demand and capacity.
4. In countries with severe governance problems and low state capacity, start public sector reform work with analytical and advisory assistance, including long-term technical assistance and economic and sectoral work, prior to policy reform lending. Focus efforts on strengthening systems auditors. Weak auditor general and parliamentary audit functions may undermine otherwise ‘good’ anti-corruption tools (e.g. integrated financial management systems).
5. Continuous training of public sector managers and technical staff should have priority.
6. Work with mid-level staff when political commitment is absent.
7. Success depends on government commitment.
8. Direct measures to reduce corruption, such as the establishment of anti-corruption commissions, tend not to succeed when they lack the required support from political elites and the judicial system.
9. NGOs and CBOs have increasingly played a role on the anti-corruption demand side and have also increasingly been supported by the World Bank. Yet, there is little research based evidence on the exact impacts of NGO and civil society organizations on corruption.
10. Delivering, measuring and monitoring tangible results and disseminating them to key stakeholders and political actors as soon as possible are important to foster a wider understanding and support for the reform process.

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