

Components of an Anti-Corruption Strategy

This is not easy. Successful examples do exist, however, and they contain several themes.

a. **Punish some major offenders**

First, they begin by "frying big fish". In situations where corruption has grown extensive, people do not believe even the finest promises from politicians and chief executives. When a culture of impunity exists, the way to break it is for a number of major corrupt figures to be convicted and punished. Often there are many cases "pending" which have been set aside for reasons ranging from political sensitivity to corrupted justice officials. These cases should be pushed forward, or the government should quickly attempt to identify a few big tax evaders, a few big bribe givers, and a few high-level government bribe takers. Since a campaign against corruption can too often become a campaign against the opposition, the fish that are fried should be from the party in power.

b. **Involve the people in diagnosing corrupt systems**

Second, successful campaigns involve the people. If only they are consulted, citizens are fertile sources of information about where corruption occurs. The mechanisms for consulting them include surveys, citizens' oversight bodies for public agencies, the involvement of professional organizations, hot lines, call-in shows, educational programs, village and borough councils, and so forth. Business people and groups should participate with the protection of anonymity in diagnostic studies of how corruption pervades systems of procurement, contraction, and the like actually work - where the emphasis is on systems and not individuals. Self policing by the private sector, especially when supported with international investigative capabilities (and credibility), can help businesses say "no" to requests for bribes.

c. **Focus on prevention by repairing corrupt systems:**

Third, successful anti-corruption efforts fix corrupt systems. They use a formula such as $C=M+D-A$ to carry out "vulnerability assessment" of public and private institutions. Like the best public health campaigns, they emphasize prevention.

Of course reducing corruption is not all that we care about. We might spend so much money attacking corruption, or generate so much red tape and bureaucracy, that the costs and losses in efficiency would outweigh the benefits of lower corruption.

Suppose you are the principal and I am your agent. Let us suppose that you are not corrupt and that your objectives coincide with the public's interest. But as your agent, I am tempted by corruption. You wish to induce me to undertake productive activities and to deter my corrupt activities. Therefore, you consider reducing my (or our agency's) monopoly powers, clarifying and circumscribing my discretion over who receives how much services for what price and enhancing accountability. You want to give incentives to undertake productive activities and raise the effective penalties for corruption.

But each of these possible initiatives may be, costly, in several dimensions. They may cost money. They carry opportunity costs. They may create externalities. Your economic problem is therefore much more complicated than "fighting corruption". Ideally, you would balance the social benefits of your efforts (in terms of improved productivity and reduced costs of corruption, which you would need to estimate) and their social costs.

From such considerations one can derive a "framework for policy analysis". The principal may select agents, alter their incentives, collect information in order to raise the probabilities of corruption being detected and punished, change the relationship between agents and clients and raise the moral costs of corruption.

In my consulting work around the world, I have found that this sort of economic perspective on corruption combined with case studies of successful anti-corruption efforts can stimulate tremendous creativity on part of political leaders and top public managers. The method is often a workshop running ten to sixteen hours 1.5 to 5 days. It begins with a case study of a corrupt situation outside the country in question. Participants are given the problems via overheads and break into small groups attempting to find lines of attack. After presenting their analyses and recommendations in plenary sessions, they learn what actually happened in successful anti-corruption story, again via overheads.

In later sessions they learn how to analyze corruption as systematic phenomenon, rather than only a legal or moral one. They analyze other cases of successful anti-corruption efforts, sometimes in a particular ministry, sometimes a bureau or program, sometimes in a whole country (such as Hong Kong in the 1970s). The last hour or two are spent trying to apply the same logic to corruption in their country. I call this "participatory diagnosis" and have seen it produce remarkable results in a dozen countries.

One indirect result of such workshops is that participants learn to apply the same analytical effort and managerial creativity to corruption as they do to other problems of policy and management. This removes what is almost a conceptual block for many of us in dealing with corruption.

d. **Reform incentives:**

Finally, governments wishing to stop corruption must improve incentives. In many countries public sector wages have fallen so low that a family cannot survive on a typical official's salary. Moreover, measures of success are often lacking in the public sector, so what officials earn is not linked with what they produce. It should be no surprise that under such conditions corruption flourishes.

Fortunately, around the world experiments in both public and private sector are emphasizing performance measurement and the systematic recasting of information and incentives in public and private institutions. Institutional adjustment is the next big item on the development agenda.

But is this too bloodless, all this talk of systems analysis and civic involvement and pay for performance? Doesn't this leave out the heart of the problem, namely our shortcomings in public duties and civic ethics? Shouldn't we be sermonizing about venal leaders, materialistic cultures, and social disintegration?

I won't argue with these indictments. What I am suggesting, however, is that successful reforms proceed on a different track, one that brackets issues of permissiveness and decay and instead focuses on the economics of corrupt systems and on practical steps toward systematic reform.

-by **Robert Kiltgaard**