1. Introduction

The Indonesian crisis has refocused attention on corruption as a central issue. In different ways, corruption is on the political agenda in countries ranging from Pakistan to Colombia, from Thailand to El Salvador, from Vietnam to Bolivia. Not just in developing countries, of course, as scandals over campaign contributions in the United States and Japan, and political scandals in France, Spain, Italy, and other so-called advanced countries demonstrate. But especially in developing countries, where corruption sometimes infects so deeply. The leaders of China and Malaysia have, apparently independently, used the same metaphor as the leader of the World Bank: “Corruption is a cancer.” Corruption comes in many types. The effects are multiple, ranging from economic efficiency to inequity to political instability, and the effects vary by type, location, and extent (Klitgaard 1988). It is only a convenience, sometimes useful and sometimes misleading, that recent empirical work has used a single country-wide measure of corruption (for example, Mauro 1995). True, various country-level proxies for corruption correlate highly with each other and also with various measures of a country’s political rights (Klitgaard and Fedderke 1995). True, econometric studies indicate that, other things equal, increases in corruption are associated with decreases in growth. On the other hand, some notoriously corrupt countries have grown rapidly. The types of corruption present in a country, their location, and their extent, all matter in ways we can appreciate through examples. At various times Zaire, the Philippines, and South Korea have been rated as quite corrupt on scales such as those compiled by Transparency International. Their growth records, however, are quite distinct, with Zaire at the bottom, the Philippines in the middle, and South Korea at the top. Wedeman (1997) argues that Zaire exemplified a predatory state whose primary mode of corruption undercut property rights and contracts, thereby crippling economic advance, and where many of the proceeds went to luxury consumption and money abroad. The Philippines under Marcos, according to Wedeman, can be characterized as a rent-skimming state where the leadership had an incentive to maintain stable property rights and contracts but created inefficient monopolies and policies to enable rents, and where perhaps two-thirds of the proceeds of corruption stayed in the Philippines. In South Korea, the corruption can be compared with collecting dividends, as if the government was a joint owner of the country’s economic assets. The political contributions and chaebol arrangements did not result in the same kind of crony capitalism as in the Philippines, Wedeman argues, and most of the proceeds remained in country. Consequently, in the three cases the effects of corruption on growth differed.

Typologies abound in academic work on corruption. In ordinary usage, too, “corruption” embraces a wide array of illicit behaviors, including bribery, extortion, fraud, nepotism, graft, speed money, pilferage, theft, embezzlement, falsification of records, kickbacks, influence-peddling, and campaign contributions. Albert O. Hirschman once recommended that in one sense economists should be more like theologians. They should provide guidance as to which economic sins were cardinal, which would result in time in purgatory, and which might be forgiven at the Sunday confessional.

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2  On the difficulties of inferences from cross-country econometric studies with simultaneity, small samples, poor data, and no agreed-upon model, see Fedderke and Klitgaard 1998.
This is interesting advice regarding corruption as well. Here are some examples. In economic terms, systematic corruption in a justice system or in banking are cardinal sins. They undercut the basic institutions of economic advance. In contrast, modest levels of speed money for licit goods and services or modest levels of campaign contributions may have little effect on economic growth. It would be hard to defend these theological declarations empirically. For one thing, one cannot generally estimate the costs of corruption from the size of the bribes involved. The costs can be much larger—as the Mexicans used to say, “They waste a million to take a thousand.”

But let us focus on a case where corruption is beyond question a political issue and is perceived to be a major barrier to investment and to social justice. To be concrete, consider this (unnamed) country, as described in an official memorandum in March 1998:

Key social indicators have shown little or no improvement, and some have deteriorated sharply. Lack of accountability at the political level due to [X’s] peculiar political setting, and the failure of the administration to implement programs and projects are root causes of poverty…

A general sense of insecurity has taken hold of ordinary [citizens of country X]. The decline in law and order has been described as the single most important obstacle to the social and economic development of the country.

Together with weak transparency and accountability in the public administration, this has proved to be fertile ground for corruption. Corruption has expanded from the traditional form of pork barrel and patronage to unabashed personal enrichment of office holders. It is the latter form of corruption that has particularly alienated large parts of the population from the Government, and has further weakened the already underdeveloped acceptance of state and nation as key concepts for development. Awareness of corruption and civil societies’ engagement in the governance process has, however, increased substantially over the last year. Most notably, a local chapter of Transparency International was established in 1997 and its activities are highly visible in the local media…

Lack of transparency in Government and corruption were at the forefront of political campaigns during the mid-year national elections that led to the election of [name as head of state]. Subsequently, he has made public commitments to bring greater transparency and accountability to Government, enhance public service delivery, and curb the serious crime problem. Unfortunately, the [head of state] himself was severely compromised when videotapes were aired on [overseas] TV in November that implicated him in vote buying and [in supporting criminal activities].

Faced with such a situation, what can be done and by whom? This paper attempts to provide a kind of warm-up exercise for this question. Section 2 summarizes three examples of interesting anti-corruption strategies, from Bangladesh, the Dominican Republic, and a country in Africa I am not at liberty to name. Section 3 suggests that there are some principles that are useful for designing anti-corruption initiatives. Section 4 how to implement such strategies in environments characterized by impunity, cynicism, and weak institutions. Finally, the section 5 suggests a methodology for a country wishing to accelerate its battle against corruption.
2. Some Anti-Corruption Strategies

<table>
<thead>
<tr>
<th>Box 1</th>
<th>Outline of the Bangladesh Anti-Corruption Effort</th>
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<tbody>
<tr>
<td>➥ 1.</td>
<td>Reducing the size of government (merge or close departments, accelerate privatization)</td>
</tr>
<tr>
<td>➥ 2.</td>
<td>Improving civil service performance (open recruitment, compensation at market rates, “link promotion to performance with clearer work objectives and accountability standards,” training)</td>
</tr>
<tr>
<td>➥ 3.</td>
<td>Combating corruption and increasing transparency</td>
</tr>
<tr>
<td>➥ 4.</td>
<td>Improving the judicial and regulatory environment (strengthen the Judicial Training Institute through an IDF, develop with the government “a home grown comprehensive legal capacity building project to revise business laws and establish a resolution mechanism for quick settlement of business disputes,” provide TA to revise the legal system governing the financial sector, build the capacity of regulatory agencies and improve regulations).</td>
</tr>
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</table>

- Announce a public policy on transparency and establish a task force, made up of civil society members drawn from various professional and occupational groups
- Overhaul the Anti-Corruption Bureau, establishing an independent Board along the lines of the Singapore/Hong Kong ACB’s
- Strengthen parliamentary standing committees, especially the Public Accounts Committee
- Create an ombudsman’s office
- Repeal the Official Secrets Act of 1939 and replace it with a Freedom of Information Act
- Set clear performance standards for public sector service providers and publish standards in a Citizens Charter, and hold officials accountable to these standards
- Establish special anti-corruption courts to ensure speedy trials
### Box 2
**The Beginnings of a Strategy against Corruption in an Unnamed African Country**

<table>
<thead>
<tr>
<th>Problem Areas</th>
<th>Possible Solutions</th>
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| Lack of overall strategy and coordination | • Run workshops with participatory diagnosis, at the highest political level  
• Develop a strategy against corruption  
• Overcome the sense of impunity by “frying a few big fish,” especially those already identified; but don’t get into a large-scale, retrospective witch hunt  
• Promulgate a simple code of conduct for public officials and private firms doing business with the State  
• Create an inter-agency committee to coordinate the anti-corruption effort, including following up individual cases but also prevention (perhaps committees at two levels, ministerial and technical)  
• Garner support and leverage by international donors  
• Invite Transparency International to set up a chapter and try to become one of TI’s “islands of integrity” |
| Reporting of evidence of corruption    | • Create a public complaints commission  
• Resuscitate the Commission to Evaluate the Assets of Public Servants, based on existing law  
• Invite Transparency International to involve private sector in self-policing  
• Use systematic client surveys and other techniques  
• Involve the private sector in diagnostic studies of corrupt systems |
| Auditing and accounting                | • Design experiments with performance targets and incentives  
• Selectively involve private auditors and accountants  
• No ability to undertake and implement preventive measures against corruption: need to broaden mandate and beef up capabilities  
• Run workshops with participatory diagnosis |
| Police investigation of corruption, fraud, and white-collar crime | • Design experiments with performance targets and incentives  
• Strengthen investigatory capabilities  
• Consider creating an anti-corruption unit that would be centered here |
| Prosecution                           | • A key problem is the perception of insufficient political support; “frying a big fish” and otherwise attacking the sense of impunity will help.  
• Run workshops with participatory diagnosis |
| Courts                                | • Implement the Commercial Court  
• Monitor speed and quality of performance and make information known to judges  
• Run workshops with participatory diagnosis |
| Revenue raising                       | • Create experiments with performance targets and incentives  
• Implement long-standing managerial recommendations in Customs and tax collection  
• Run workshops with participatory diagnosis (separately for Customs and Internal Revenue) |
Box 3
The implementation Stage of Anti-Corruption Strategy in the Dominican Republic

1. Legal (ratify Convención Interamericana, put in the Constitution the Departamento de Prevención de la Corrupción, reform the law about the declaration of wealth, reform procurement law, reform “abjudicación de las construcciones públicas” raise the criminal penalties, penalize enrichment, and many other steps).

2. Educational
   a) Diagnostics (meetings with public employees, surveys and studies of corruption, evaluation workshops of the anti-corruption plan, “auto.evaluación” by public employees).
   b) Training and consciousness raising of public servants (workshops, code of conduct, training in various technical tasks such as investigation).
   c) Promote “una nueva cultura y una nueva mística de los ciudadanos dominicanos hacia el servicio civil” (programs in schools, curriculum reform, daily radio program, theather and art groups to deliver anti-corruption messages, and more)

3) Social (promote participation in the fight against corruption (create National Council for the Prevention of corruption, workshops with citizens, educate citizens about rules and regulating, facilitate complaints and denuncias, create a “hot line” for free telephone calls reporting corruption, publicity campaigns, work with churches, and more).

4) Institutional
   a) Strengthen anti-corruption institutions (create new anti-corruption units in every state dependency, strengthen the Departamento de Prevención de la corrupción, more).
   b) Establish a system to monitor the economic and social status of public employees (declarations of wealth, data bank, legal and administrative reforms to support).
   c) Strengthen administration (“Sistema Inteligente de Control de Procesos”, “Base de Datos de Precios Testigo”, some “islands of integriy”.

3. Country Strategies That Are More than the Sum of Parts

Are there any principles useful for designing an anti-corruption strategy? The secret of successful reform is changing policies and systems, rather than hunting for isolated culprits, adding new laws and regulations, or calling for a moral renovation. Where there is the combination of monopoly plus official discretion minus accountability, we will tend to find corruption. When public officials are paid meager salaries without rewarding performance, and when penalties against the corrupt are rare and mild, we can expect corruption to flourish. Successful reforms address these systemic problems.

One must create a climate, an information structure, and a set of incentives so that government employees and private citizens engage in the optimal amounts of corruption of various kinds. This requires understanding what induces various kinds of corruption and how they cause social harm (and occasionally some social benefits) and what the benefits and the costs are of various anti-corruption measures. Much can be said about the kinds of governments, and more generally the kinds of institutions be they public, private, or non-profit, that are susceptible to corruption. Corruption tends to be reduced by the separation of powers, checks and balances, transparency, a good system of justice, and clearly defined roles, responsibilities, rules, and limits. Corruption tends not to thrive where there is a democratic culture, competition, and good systems of control, and where people (employees, clients, overseers and regulators) have rights to information and rights of redress. Corruption loves multiple and complex regulations with ample official discretion.
A strategy against corruption, therefore, should not begin or end with fulmination about the need for a new set of attitudes. Instead, it should cold-bloodedly look for ways to reduce monopoly power, limit and clarify discretion, and increase transparency—all the while taking account of the costs, both direct and indirect, of these ways.

Corruption is a crime of calculation, not of passion. It is true that different individuals react differently to the temptations of corruption, and many public and private officials refrain from corruption even when the temptations are great. But it is crucial for fighting corruption to recognize that as temptations rise, so do levels of corruption.

What induces temptation? The Nicaraguan accountant Francisco Ramírez Torres (1990: 22-26, 40-50) discusses at length such factors as family, school, attitudes toward work, the business or ministry, the nation, and the international situation. At the level of the individual, he cites as causes of corruption excessive consumption of alcohol, extramarital activities, speculative losses, gambling, “causes related to vanity,” administrative disorganization, “the thirst for illicit enrichment,” and eight others. Let us oversimplify the complex reality Ramírez Torres cites. As a first approximation, officials will be tempted to engage in corruption when the size of their corrupt gain is greater than the penalty if caught times the probability of being caught. The penalty includes the wage and other incentives they must sacrifice if they lose their jobs, as well as the severity of the punishment.

When will the size of the corrupt gain be large? Officials will have the opportunity to garner corrupt benefits as a function of their degree of monopoly over a service or activity, their discretion in deciding who should get how much, and the degree to which their activities are accountable. A metaphorical formula holds:

\[ C = M + D - A \]

Corruption (C) equals monopoly power (M) plus discretion by officials (D) minus accountability (A).\(^3\)

How, then, should we try to control corruption? A first approximation is to leaven monopoly, clarify and circumscribe discretion, and enhance accountability. But 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 we are your agents. Let us suppose that you are not corrupt and that your objectives coincide with the public’s interest. But as your agents, we are tempted by corruption. You wish to induce us to undertake productive activities \textit{and} to deter our corrupt activities. You consider reducing our (or our agency’s) monopoly powers, clarifying and sometimes circumscribing our discretion over who receives how much service for what price, and enhancing accountability. You want to intensify our incentives to undertake socially productive activities and raise the effective penalties for corruption.

But each of these possible initiatives may be costly, in several dimensions. They 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 benefits of your efforts (in terms of improved productivity and reduced costs of corruption) and their costs.

\textbf{A Framework for Policy Analysis}

From these considerations one can derive a “framework for policy analysis” (Klitgaard 1988). This framework suggests that you as the principal think about your problem using five broad categories.

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\(^3\) The formula is metaphorical in many senses, not least in the notion of addition and subtraction. Corruption has positive partial derivatives with respect to degree of monopoly and to extent of official discretion and a negative partial with respect to accountability. Since each of these variables is multidimensional and since reliable measures are not available, the mathematical metaphor is heuristic only.
You may affect the selection of agents. You may alter our incentives. You may collect information in order to raise the probabilities of corruption being detected and punished. You may change the relationship between agents and clients. Finally, you may raise the moral costs of corruption. In many countries working through this framework with top officials, businesses, and citizens has proved useful in helping them think through alternatives (please see Box 4).

**Box 4**

**Preventing Corruption: A Framework for Policy Analysis**

A. Select agents
   1. Screen out the dishonest (using past records, tests, predictors of honesty).
   2. Beef up recruitment by merit and circumvent nepotism.
      1. Exploit outside “guarantees” of honesty (use networks for finding dependable agents and making sure they stay that way).

B. Set agents’ rewards and penalties
   1. Change rewards.
      a. Raise salaries to reduce the need for corrupt income.
      b. Reward specific actions and agents that reduce corruption.
      c. Improve career paths so that promotions depend on performance.
      d. Use contingent contracts to reward agents on the basis of eventual success (e.g., forfeitable nonvested pensions, performance bonds).
      e. Link nonmonetary rewards to performance (training, transfers, perks, travel, publicity, praise)
   2. Penalize corrupt behavior.
      a. Raise the severity of formal penalties.
      b. Increase the principal’s authority to punish.
      c. Calibrate penalties in terms of deterrent effects and breaking the culture of corruption
      d. Use a range of penalties (training; transfers; publicity; blackballing; loss of professional standing, perks, and travel privileges).

C. Obtain information about efforts and results.
   1. Improve auditing and management information systems.
      a. Gather evidence about possible corruption (using red flags, statistical analysis, random samples of work, inspections).
      b. Carry out “vulnerability assessments.”
   2. Strengthen information agents.
      a. Beef up specialized staff (auditors, computer specialists, investigators, supervisors, internal security).
      b. Create a climate in which agents (e.g., whistle-blowers) will report improper activities.
      c. Create new units (ombudsmen, special investigatory committees, anti-corruption agencies, inquiry commissions).
   3. Collect information from third parties (e.g., media, banks).
   4. Collect information from clients and the public (including professional associations).
   5. Change the burden of proof, so that the potentially corrupt (e.g., public servants with great wealth) have to demonstrate their innocence.

D. Restructure the principal-agent-client relationship to leaven monopoly power, circumscribe discretion, and enhance accountability.
   1. Induce competition in the provision of the good or service (through privatization, public-private competition, competition among public agents).
   2. Limit agents’ discretion.
a. Define objectives, rules, and procedures more clearly and publicize them.
b. Have agents work in teams and subject them to hierarchical review.
c. Divide large decisions into separable tasks.
d. Clarify and circumscribe agents’ influence over key decisions (change decision rules, change decision makers, alter incentives).

3. Rotate agents functionally and geographically.

4. Change the organization’s mission, product, or technology to render them less susceptible to corruption.

5. Organize client groups to render them less susceptible to some forms of corruption, to promote information flows, and to create an anti-corruption lobby.

E. Raise the “moral costs” of corruption.
   1. Use training, educational programs, and personal example.
   2. Promulgate a code of ethics (for civil service, profession, agency).
   2. Change the corporate culture.

Here are a few notes on several of the framework’s most important categories.

Selecting agents. The agents of course include government officials, but notice that the agents that carry out public works need not be public employees. Many governments have taken on too many tasks and have become de facto monopolists. If instead services can be contracted out to competitive markets and performance can be carefully assessed (including by citizens), then efficiency will be enhanced and corruption will be reduced. As with all levels of government, one of the most important anti-corruption measures can be the outsourcing of tasks and functions to private agents.

Improve the positive incentives facing government officials. In many countries pay levels have fallen so low that officials literally cannot feed their families without moonlighting or accepting side payments. Even more important is to strengthen the linkages between pay and performance, and promotion and performance, which in many public sectors have badly eroded (Klitgaard 1997a, 1997b, and 1998).

Increase the effective penalties for corruption. Because of weak or corrupt investigatory, prosecutory, and judicial systems, accusations of corruption seldom stick. If they do, the penalties are often minimal in practice (for example, the official is fired). As a result, the expected penalty for corruption (the chance of being caught and convicted times penalty if convicted) has no power to deter. A key step is to strengthen the capacity and improve the incentives of the police, prosecutors, and judges. Beyond formal prosecution, leaders can be creative in devising disincentives, such as firing or suspending employees, using the press to create publicity, inviting the denunciation of corrupt officials by professional groups, personnel transfers to less desirable jobs, and so forth.

Limit monopoly. Promote competition in the public and private sectors. Avoid monopoly-granting regulations when possible.

Clarify official discretion. Simplify rules and regulations. Create “bright lines” that circumscribe duties and discretion. Help citizens learn how public systems are supposed to work (through brochures and manuals, help desks, laws and rules in ordinary language, publicity campaigns, the use of citizen-service-providers, etc.). Improve citizens’ oversight of what the government is doing.

Enhance accountability and transparency. Clear standards of conduct and rules of the game make accountability easier. So does openness in bidding, grant-giving, and aid projects. Accountability depends on the capabilities of internal auditors, accountants, ombudsmen, inspectors, specialized elements of the police, and prosecutors. But accountability also should involve citizens, unions, NGOs, the media, and business in a variety of ways, including citizen oversight boards, hot lines, external audits, inquiry commissions, and so forth. Governments can help external actors by generating and disseminating more information about public service effectiveness. Finally,
governments should encourage the private sector to police its own participation in corrupt schemes of procurement and contracting.

4. **Implementation Strategies**

The framework for policy analysis in Box 4 suggests the kinds of remedies that might help reduce corruption. As emphasized there, one would have to assess both the costs and the potential benefits of these measures. In addition, one would have carefully to work through the political, bureaucratic, and personal aspects of an anti-corruption effort. It is this perspective of political and bureaucratic strategy that I find often underrepresented in both the academic literature and the political debate. Herewith some ideas about how to do better.

**Coordinating the Fight against Corruption**

Preventing corruption and deterring it require the combined excellence of many government agencies. Of course every part of government has its own responsibilities of management, incentives, and control. But several functions have anti-corruption roles that cut across the others. Investigating, prosecuting, and obtaining convictions will not succeed unless a number of government agencies work together. Neither will many preventive measures. Let us call this the problem of coordination.

Experience suggests that there is a second need in campaigns against corruption: a focal point. Somebody, or some body, has to be in charge of a campaign against corruption: has to have the political authority, be in the public eye, and possess the personal accountability. But at the same time, because no single agency can do everything in the fight against corruption and therefore a coordinated effort is required, the “some body” has to be a facilitator of joint action.

A key question concerning the implementation of an anti-corruption strategy is what sort of coordinating authority this should be.

Several answers are possible. Hong Kong’s Independent Commission against Corruption is one prototype. It is a kind of super-agency against corruption. It combines investigation (like a police force), prevention (like a management consulting agency), and popular participation (like a community relations office). Its powers are huge. So is its budget and ability to hire excellent staff—not only in enforcement but also accountants, economists, management experts, systems analysts, lawyers, and others.

A second idea is an inter-agency coordinating body. Venezuela is an interesting example. In 1992 the police, the Contraloría, the prosecutors, and the Supreme Court used workshops to consider among other things the lack of coordination among themselves. Each agency’s staff told the most extraordinary stories about how their own good efforts had been thwarted by the incompetence and, yes, the corruption of the other agencies. They noted how cases would disappear in the cracks along the path from gathering information to investigation to prosecution to judicial decision. The blame was differently apportioned by these agencies but two results were universally cited: widespread corruption, and terrific demoralization within each agency.

These agencies agreed to set up two inter-agency coordinating bodies. One was at the ministerial level, while the other was at the director-general or top civil servant level. Among the missions of the second coordinating body was to track important cases through the system. Within a year, these coordinating bodies logged dramatic successes. Individual agencies learned through their cooperation how to improve not only coordination but their individual operations. Soon, many more anti-corruption cases were moving through the system. One of them was a very big fish indeed: President Carlos Andres PÉrez, who was impeached.

In 1995 Colombia introduced a version of a coordination model, which has some distinctive features. There is one coordinating body in government and a second that involves something like

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4 In 1995 Venezuela set up a special anti-corruption office, independent of the coordinating committee, whose apparent function is educational.
the Hong Kong idea of a citizens’ oversight board. In the latter, seven citizens of distinction serve as a kind of interlocutor between the public and the governmental coordinating body. They relay complaints and diagnostic studies from the private sector and civil society to the governmental coordinating body, and they follow up to see what happens to those complaints. They also oversee the government’s anti-corruption activities, from the level of high strategy to that of particular actions. It is hoped that the result will be much greater efficiency, transparency, and credibility in the fight against corruption.

The first implementation problem, then, is to organize a government’s fight against corruption. Two principles seemingly conflict: coordination and a focal point. Someone has to be in charge of the anti-corruption drive, but the drive will only succeed if the efforts of many agencies can be coordinated.

**Pick Low-Hanging Fruit**

The next question is how to get started. After all the analysis, there is a simple rule for where to begin: “Pick low-hanging fruit.” That is, select a type of corruption where visible progress might be made soon, without too great cost. This advice runs counter to some reformers’ instincts to do everything at once, or to tackle the kind of corruption with the most serious costs (which may also be the most difficult and protracted battle and therefore not the place to begin).

Sometimes the rule will be slightly different. For reasons of politics or simply to generate support, one may wish first to attack the kinds of corruption that are most obvious to citizens or most hated by them, or that seem to them the most urgent. For political reasons, it is good to begin an anti-corruption campaign where citizens perceive it to be most evident and most annoying, or where the political leadership has given a field particular salience, or where it is believed that corruption is undercutting economic reform.

**Align with Favorable Forces**

It is important to align anti-corruption efforts with broader forces in the society. The private sector and civil society may already have ready allies for an anti-corruption effort. Perhaps there is a chapter of Transparency International whose support and expertise can be requested. Perhaps the local organization of accountants or lawyers or business executives has made corruption an issue. Perhaps civic leaders, non-government organizations, student groups, or labor unions have recently complained of fraud or extortion or kickbacks and can instantly be brought into the campaign. One may choose where to begin depending in part on what kinds of corruption these allies have placed high on their agendas and where they can be most helpful in reducing corruption.

Many international organizations may play an important role. These include multilateral agencies such as the Inter-American Development Bank, the World Bank, and the United Nations Development Programme and bilateral donors such as Spain, Britain, France, Japan, and the United States. Many of them have placed the fight against corruption high among their priorities.

**Rupture the Culture of Impunity**

When corruption has become systematic, one must attack the pernicious perception that impunity exists. To break through a culture of corruption, big, corrupt actors must be named and punished so that a cynical citizenry believes that an anti-corruption drive is more than words. This includes those giving as well as those receiving bribes. It is also important that a campaign against corruption is not confused with a political campaign, or a campaign against the opposition. Importantly, therefore, one of the first big fish should preferably come from the political party in power.

Here are some examples. In the case of Hong Kong, credibility for the new Independent Commission against Corruption came when the ex-police chief of Hong Kong was extradited from retirement in England and punished in Hong Kong. The ICAC also nailed the ex-number two and scores of other high-ranking police officials. To a skeptical public and a hardened civil service,
frying these big fish sent a credible signal: “The rules of the game really have changed.” As a former ICAC commissioner wrote:

An important point we had to bear in mind (and still have to) is the status of people we prosecute. The public tends to measure effectiveness by status! Will they all be small, unimportant people, or will there be amongst them a proportionate number of high-status people? Nothing will kill public confidence quicker than the belief that the anti-corruption effort is directed only at those below a certain level in society (Williams 1983: 23).

Italy’s unprecedented success in attacking corruption has attracted world-wide attention. A crucial step was frying a top Mafia official, many top business executives, and several major politicians from the ruling party. This told citizens that if they came forward and denounced crime and corruption, they could make a difference.

Even though “frying big fish” is an indispensable step in breaking the culture of impunity, the emphasis on past offenders can be overdone. After frying a few big fish, the strategy should emphasize prevention and the reform of institutions.

Make a Splash
How can an anti-corruption effort garner credibility and publicity? Here are some practical ideas.

่า The President organizes a high-level workshop for Ministers and leaders of the private and NGO sectors to address corruption and what to do about it. From this event ideas will emerge, including a six-month action plan, which will be followed up with the help of international agencies. This workshop might be followed by other seminars in various key ministries, public enterprises, the police, and the judiciary. The participation of international experts may help make clear that corruption, like pollution and AIDS, is a problem everywhere, not just in the country in question.

่า The head of state announces that all public officials will sign a code of conduct that precludes the acceptance of bribes. At the same time, he or she says that no firm will be allowed to bid on a public contract that has not signed a similar standard of conduct concerning the offering of bribes. The firms thus enlisted will create a monitoring capability to investigate complaints. Organizations such as Transparency International can provide support.

่า The head of state announces an experimental program within revenue bureaus, whereby officials will be paid a proportion of additional tax revenues generated within the next two years. The bonus will amount to about 25 to 50 percent of existing pay and will only kick into play if revenues exceed a certain target increase (perhaps 25 percent). At the same time, officials will develop a performance evaluation system, where revenue targets are conditioned by region and activity and where non-revenue indicators of excellence and lack of abuse are included.

่า The head of state announces the creation of a Corruption Prevention Office. With the help of international consultants, this office will review all bureaucratic procedures with an eye to reducing opportunities for corruption and abuse. The first agencies to be reviewed will be ones where the public perceives that corruption is systematic—for example, permit and licensing agencies, tax bureaus, procurement units, and so forth.

่า The head of state and the Corruption Prevention Office seek ways to involve the public in the fight for good government. The people know where corruption exists; they need vehicles for reporting what they know. Ideas include:

í giving village councils and urban groups lists of the projects to be undertaken in their areas over the next year, with detailed specifications, and offering these groups a chance to report shortfalls (and also excellent implementation);

í funding small, confidential surveys of the private sector to identify where corruption exists in the procurement system, the courts, various licensing schemes, customs, and other areas of concern;

í carrying out systematic client surveys, which cover negative bureaucratic behavior as well as the benefits and costs of public programs;
ï organizing focus groups, where manifestations of corruption can be revealed and analyzed in confidence.
ï creating citizen oversight boards at various levels of the police and the courts, the prosecutors, the procurement authority, customs, internal revenue, and the controller general or equivalent; 
ï involving associations of accountants and lawyers in both diagnosis and oversight; 
ï organizing a hot line for people to report illicit activities;
← The head of state designates teams of honest, senior civil servants and young, excellent university graduates to investigate reported instances of corruption and also to evaluate random samples of important cases of tax payments and exceptions, public procurement, and so forth. 
← The providers of public services are challenged to develop measures of success against which performance may be pegged, and then to design an experiment linking increased compensation to such performance. The incentives would be paid on a group basis, and again would be in the area of 25-50 percent of salaries for excellent performance. The sustainability of the experiment would depend on the prospect of user charges.
← The head of state announces publicly that the country will conduct some number of procurement “sting” operations during the next year. Even if only a few such operations are carried out, as part of a package of initiatives this step could deter potential bribe-takers.

Begin with Something Positive

For systematic change to occur, the government’s bureaucracies must be enlisted, mobilized, and monitored. Experience teaches that it is unwise to begin by seeming to attack government officials and agencies, even if these are known to be vitiated by corruption. Justice Efren Plana successfully overcame systematic corruption in his wide-ranging reforms of the Philippines’ Bureau of Internal Revenue: “You cannot go into an organization like the white knight, saying that everyone is evil and I’m going to wring their necks,” he told me in an interview. Plana took positive steps to help his employees first—including the development of new measures of performance.

To the extent they wouldn’t put their heart into their work, or would pocket some of the money that should go to the government, then you don’t get efficiency. So, we needed a system to reward efficiency—So, I installed a new system for evaluating performance. I got the people involved in designing the system, those who did the actual tax assessment and collection and some supervising examiners. Before, there was a personal evaluation by the supervisor, especially by the person who actually decided on the promotion. Now, instead of this I introduced a system based on the amount of assessments an examiner had made, how many of his assessments were upheld, the amounts actually collected—all depending on the extent and type of the examiner’s jurisdiction.

Crucial ingredients for galvanizing bureaucracies are new infusions of information about performance and new incentives linked to that information.

5. How to Begin

A Regional Diagnostic Study

Citizens know where corrupt systems are and how they work. In particular, lawyers understand the corrupt legal system, accountants the illicit games played with audits, and business people the corrupt systems of procurement and contracting. Local citizens’ groups understand how bribery shapes the services they receive and don’t receive.

But if an individual stands up to denounce the system, he or she may be attacked by it. So, the way to cull the knowledge citizens have about corrupt systems is to organize confidential surveys and interviews (for example, World Development Report 1997; Langseth, Stapenhurst, and Pope 1997; Johnson, Kaufmann, and Zoido-Lobatún 1998). Surveys could be supplemented by studies of a different kind. Business people and knowledgeable citizens could be asked to diagnose corrupt systems.
Concretely, I urge this workshop to endorse regional diagnostic studies for the Americas. Here is an overview of the idea.

**Purpose:** Mobilize systematic action by both the private and public sectors to reduce corruption in the region.

**Basic idea:** Each country invites the private sector to carry out confidential diagnostic surveys of three or four areas prone to corruption, such as procurement, government contracting, health care, and courts. The research would interview business people, citizens, and members of professional groups. Each interviewee would remain anonymous. He or she would explain how the current systems work in practice—where the holes and weaknesses and abuses may be. A small sample of 40 business people could well be sufficient to produce a useful report. The idea is to analyze systems, rather than identify particular corrupt individuals. The goal is not academic research but an action-oriented diagnostic. When each country’s diagnostic study is complete, an international conference would share the results and analyze remedial measures, including possible international co-operation.

**Political benefits:** The fact that such a study is international would make clear that corruption is not just a problem of country X, but an international problem needing international solutions. It also makes it clear that corruption is not just a problem of the government (or “this” government); the private sector is part of the problem and part of the solution. Political leaders are able to make the face of the issue much more politically attractive. They can say that the diagnostic is being done regionally, addressing international dimensions of bribery as well; the problem is not just in their country but a world-wide problem. And leaders can point out that the diagnostic is being carried out by and about the private sector, members of which are usually complicit where corruption exists.

**Analytical schedule:**
1. Develop the idea within the region.
2. Design the diagnostic study of three or four sectors, perhaps with the help of an international NGO such as Transparency International.
3. Organize the collection of data. An international NGO or an international accounting or consulting firm might play a central role.
4. Carry out the diagnostic studies. Since the confidentiality of individuals surveyed is important, it may be advisable to involve non-nationals in the administration of the survey.
5. Share the results of the diagnostic study with government officials. Redraft and come up with joint recommendations (private sector and government).
6. Share results and recommendations with other countries in an international meeting.
7. Pursue regional co-operation in the fight against corruption.

**Learning from Success**
The Americas contain several countries with notably less corruption, such as Chile. The same goes for certain agencies and municipalities in other countries. Indeed, most of our countries have beacons of excellence whose example can instruct us. Learning from successful countries, cities, ministries, and projects would be a fascinating way to get ideas for anti-corruption strategies throughout the region.

**Addressing Weak Institutions**
Consider this list of “problems that are universal but particularly acute in developing countries: inefficient tax systems, lack of auditing expertise, low education and technological knowledge, corruption of institutions, inefficient financial systems, lack of credibility of governments, capture of politicians and bureaucrats” (Laffont 1998). It is this institutional context that anti-corruption (and other) initiatives must address.

It is provocative but useful to speak of “sick institutions,” where information and incentive systems have virtually collapsed. In sick institutions many employees do not come to work or when at work,
do other things. Pay scales have fallen so low that mid-level government officials cannot feed and house their families (what Besley and McLaren 1993 label “capitulation wages”). Information about what is achieved in government is almost absent, ranging from simple accounts to performance assessments to evaluations. Finally, in sick institutions corruption is not just an isolated event but the norm (Klitgaard 1998).

The brutal fact is that it is unrealistic to expect poorly paid judges, prosecutors, and police to turn down lucrative bribes, when the chance of being caught is small and the punishment if caught is small or nonexistent. Anti-corruption efforts must work on both sides of the incentives issue: linking positive rewards to achievements, and making stronger penalties more likely for those who transgress.

I recommend bold experiments with better incentives. Involve the officials themselves and the citizens in setting measurable objectives and targets, and in evaluating whether these targets are met. For example, in procurement look to cost savings and quality improvements as measurable evidence of success, which would occur in part through the control of corruption. Then share part of these cost savings with the officials involved. Help them earn a decent living, so they can fulfill their public trust without bankrupting their families (for a framework and some examples, see Klitgaard 1997a and 1997b).

Information is crucial, and both civil society and government officials must be challenged to help. A wonderful example is Bangalore, India, where a local foundation has involved citizens in a “report card” on city services. Citizens participated in surveys, case studies, and research on measurable indicators of government outputs (time to serve, number produced, etc.). As a result, not only has corruption been reduced but the whole political dialogue has tended to focus on outputs (Paul 1995).

**Participatory Diagnosis**

Properly encouraged and enabled, the very people who work in systematically corrupt institutions will help to analyze where and how that corruption occurs. Since corruption is a concept freighted with emotion and shame and defensiveness, the first task is to demystify corruption. In workshops on corruption, we begin by having participants analyze a case study of a successful anti-corruption campaign in another country. Participants see that the problems can be analyzed coolly and dealt with effectively. Even though the other country’s setting is inevitably different from their own, the mere fact that both successful analysis and successful action occurred stills their skepticism and stimulates their creativity.

Then analytical frameworks are supplied that help participants realize that corruption is not (just or primarily) a problem of evil people but of corrupt systems. The corruption formulaócorruption equals monopoly plus discretion minus accountabilityóis presented. To members of corrupt organizations this insight often proves therapeutic.

As in good therapy, the participants then move to self-diagnosis and self-prescription. The results can be remarkable. Corrupt systems are diagnosed and a useful start is made to how they might be improved. Out of such participatory diagnoses two things can emerge: a deeper, shared understanding of corrupt systems and a plan of action for reforming them.

The Appendix to this paper describes a new “executive program” on efficiency and integrity in government. It shows how an intensive effort can lead to major advances in a country’s anti-corruption strategies. I hope that several of your countries will be able to participate.
Appendix: An Executive Program on Efficiency and Integrity

The Rand Graduate School
Santa Moca, California 90407 USA

Efficiency and Integrity in Government: A Two-Part Workshop for Reformers
November 16-20, 1998 and September 14-18, 1999

In recent years citizens around the world, international institutions, and non-governmental organizations have been calling for greater efficiency, transparency, and integrity in public institutions. This call has been driven by the increasing realization that the achievement of economic, political, and social objectives in many countries is only possible by improving governance and preventing corruption. But what can be done and how, especially in a time of severely constrained budgets? The RAND Graduate School invites leaders from reform-minded countries to a unique, two-part workshop. The focus is practical and urgent: What strategies and tactics work to achieve better government in today’s difficult environments? The tentative dates are one week in November 1998 and one week in September 1999.

Participants may come from the executive branch, the legislature, the justice sector, or civil society. A few may be functionaries in international organizations. It is planned that from six to ten countries will be represented, each with three to six participants. The common denominator ten countries will be a commitment to improved governance. Some countries will already evidence good governance but will be pursuing continued improvements; some other countries may only recently have embarked on reforms in the same direction. Each country’s representatives will function as a team throughout the workshops and, it is hoped, when they return to their countries.

The first phase of the workshop in November 1998 lasts five days. Together with leading experts, participants will work through case studies of successful reforms. The point is not to copy but for participants to draw lessons relevant to their own unique situations. Hands-on exercises convey analytical principles relevant to “institutional adjustment”. During the last two days, each country’s team develops an action plan, which is shared among countries, discussed, and refined.

The second phase of the workshop takes place ten months later and also lasts five days. All participants return and share their experiences. What has worked and what hasn’t? Why? What strategies should be adopted now?

The workshop enables key figures to get away from their day-to-day responsibilities and think broadly and creatively about strategies to promote good governance. The workshop fosters sharing across countries and forges linkages with international networks of information and expertise.

The venue is RAND’s headquarters in Santa Monica, California. The atmosphere is world class in every respect, from seaside hotel accommodations to state-of-the-art learning environments.

The distinguished faculty includes:

- Robert Klitgaard, Dean of the RAND Graduate School and author of such books as Controlling Corruption and Adjusting to Reality: Beyons “State vs. Market” in Economic Development;
- Daniel Kaufmann of Chile and the World Bank, former Resident Representative in the Ukraine and world-renowned expert on corruption;
- Ronald MacLean Abaroa of the Harvard Institute for Economic Development, former mayor of La Paz and foreign minister of Bolivia and co-author of Corruption Cities;
- Gregory F. Treverton of RAND, formerly of Harvard’s Kennedy School of Government and author of many books including Making the Alliance Work;
James Q. Wilson, Collins Professor of Management at UCLA and one of the world’s foremost political scientist, the author of books such as *Crime and Human Nature* and the classic *Bureaucracy*; and

Charles Wolf, Jr. founding Dean of the RAND Graduate School and author of such books as *Markets or Governments: Choosing between Imperfect Alternatives and The Economic Pivot in a Political Context*.  
For more information please contact Dean Robert Klitgaard: fax: 310-451-6978 and e-mail: gaard@rand.org

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**Practical Solutions for Unique Environments**

- Principles for diagnosing system-wide problems in the public service
- How to design and test reforms that build on better information and incentives.
- Principles for fostering public-private-citizen “partnerships”
- How to heal “sick institutions”, where incentives have collapsed and corruption systematic
- A systems approach to the prevention of corruption and abuse
- Practical tips examples on the politics of governance reforms
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