Committee of Experts on Public Administration
Eleventh session
New York, 16-20 April 2011

Transparency, Accountability and Citizen’s Engagement

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The views expressed and the content presented in the paper are those of the author and do not imply any expression of opinion on the part of the United Nations.
1. Several decades of citizens’ engagement against corruption have yielded partial results in a few countries but corruption persists in many developing and emerging countries. It is particularly worrying that many significant anti-corruption campaigns have resulted in short-term mitigation but over the longer term, gains have often been partly or wholly reversed. An understanding of the different drivers of corruption can help to design better policy and achieve more sustainable results.

2. Many anti-corruption efforts have been constrained by the fact that reform attempts have been driven by a simplified analysis of the causes of corruption in developing countries. The simplified analysis typically identifies transparency and accountability as general mechanisms for addressing corruption, together with some other general measures such as improvements in judicial processes, higher salaries for public officials and reductions in the discretionary activities of governments. Indeed, there are types of corruption that are particularly amenable to such measures. But there are many important types of corruption that have a different set of causes and these types of corruption are not adequately addressed by the instruments referred to above. Moreover, the attempt to assess the success of reform movements by observing their effects on aggregate indicators of corruption has resulted in disappointment with the limited outcomes achieved. It is therefore important to distinguish between different types of corruption and policy and reform instruments have to be designed to address these types of corruption separately. Moreover, reformers need to explain that success will not be achieved at the same pace for the different types of corruption. As a result, it is important to assess the success of reform efforts in a more refined way. Measuring outcomes with reference to general measures of corruption may be disappointing but measures of specific results achieved in ameliorating damage may be more appropriate and effective. Thus, a more effective approach is to target specific types of corruption and measure progress in particular areas.

3. In the consensus view, corruption happens when public officials have the opportunity of making discretionary decisions and the costs of violating official regulations is low relative to the potential benefits. When these conditions hold, a public official may be tempted to violate official rules to make decisions that benefit particular individuals for a share of the benefits. If this was the primary driver of corrupt behaviour by public officials, the appropriate policy response would be a combination of policies to change the cost-benefit calculations of public officials. The relevant reforms would be those that increased the cost suffered by corrupt officials and the probability of punishment and reduced the potential benefits. Improvements in transparency and accountability serve to increase the probability of detection and punishment and thereby increase the expected costs of corruption. Improvements in legal processes increase the probability of effective punishment and have a similar effect. Increases in the salaries of public officials increase the lifetime cost of being apprehended and losing a stable income stream. Finally, reductions in the range of areas where public officials can take discretionary actions reduce the opportunities for easy corruption and indirectly raise the costs of corruption by requiring more risky activities to benefit from corruption. Much of the anti-corruption activities in developing countries over the last few decades have focused on one or more of these areas.
4. There is no doubt that for some government activities, particularly those associated with the provision of some services, this type of opportunistic corruption has important negative effects. Moreover, the types of reform that have been pursued have undoubtedly had a positive effect in reducing the impact of these types of corruption. However, while some types of corruption have been reduced, the general incidence of corruption has typically not come down in most countries in a sustained way. Temporary improvements in the overall levels of corruption have often been reversed. This experience suggests that there are other drivers of corruption that are not being addressed and that these types of corruption may also be quite difficult to address. Indeed, there are a number of other drivers of corruption that are recognized as important but policy has not been very effective in taking cognizance of the implications of these different drivers. Two in particular are important, and explain why developing countries and ex-socialist countries at different stages of transition tend to have higher levels of corruption overall. First, political corruption is more entrenched in developing countries for a number of structural reasons that are difficult to address in the short to medium term. Secondly, developing and transition countries tend to have a lower level of overall institutionalization, and the enforcement of property rights is typically relatively weak. In this context, corruption may also have structural drivers that are difficult to address in the short to medium term. If some generic types of corruption are difficult to eliminate immediately, it is important to have the tools of analysis to identify the most damaging types that need to be identified and addressed in a sequential way.

5. Political corruption is widely recognized as an important type of corruption in developing countries. It is also generally assumed that this type of corruption can be addressed with transparency and accountability reforms because voters can be expected to punish corrupt politicians. However, experience shows that this is often not the case and corrupt politicians are often repeatedly re-elected even when their involvement in corruption is widely known. What is often ignored in policy discussions is that off-budget transfers and activities are an important part of the political process in most developing and some transition economies for reasons that have to do with the level of development of the economy and other structural factors that are not immediately subject to policy action. In developing and even in many middle income countries, the fiscal take of the government is limited due to the low average incomes of taxpayers and low levels of institutionalization that prevent dramatic increases in the tax take of government. In these contexts, it is difficult to sustain significant redistributive programmes and governments often struggle to maintain the necessary expenditures on infrastructure and salaries. In particular, the scale of redistributive and public good delivery programmes is typically insufficient to enable a political party to win an election simply on its promises of budget-based delivery to particular constituencies.

6. This is a very significant difference from more advanced countries. In the latter, the fiscal take is typically big enough to sustain a budget-based programme of delivery that is attractive to a large enough number of voters to form a winning coalition. In contrast, in most developing countries, a political party is unlikely to win an election simply by identifying a fiscal programme of public goods delivery based on the available budget. The competition between parties is therefore to a large extent over identifying different coalitions to whom they can offer a combination of on-budget and off-budget benefits, with the latter playing a
significant role in the political calculations of political parties. A party that does not have an informal off-budget component in its political strategy of winning supporters is unlikely to win in an electoral competition. Off-budget activities refer to a wide variety of opportunities created for different categories of supporters of a party to acquire incomes through opportunities that are not formally processed through the budget. These can include at the highest level (for important financiers and supporters of the party) access to lucrative government contracts or informal political assistance in processes of land acquisition or mining rights. At lower levels of the political pyramid off-budget support can include overlooking or condoning illegal acts by important party supporters. At the lowest levels it can include cash handouts and other benefits offered to voters. Not every country has the same types and mix of off-budget activities, but most developing countries have significant levels of these off-budget activities. By definition, off-budget activities are informal if not illegal (and many such activities are illegal as well). All off-budget activities would fall under a broad definition of corruption as public officials are involved in discretionary activities that are privately beneficial to them and that are outside the remit of the formal activities allowed to public officials.

7. The prevalence of political corruption based on these drivers raises a significant problem because these incentives are unlikely to be changed very significantly by greater accountability and transparency. Of course, accountability and transparency reforms can have some effect, but many aspects of political corruption operate openly in many developing countries and many well known corrupt politicians are repeatedly re-elected. It is important to understand why it is so difficult to address this type of corruption in the short to medium run. If parties need the support of powerful financiers and organizers to win, and if the latter in turn need to offer off-budget inducements and payments to their supporters, a party that steadfastly refused to engage in any of these activities would be unlikely to win an election. This is not always true, but is very often the case in contexts where there are insufficient fiscal resources to construct a winning election manifesto based on formal service delivery and transfers through the budget. The social consensus and enforcement capabilities that can prevent this from happening are only likely to be effective once powerful interests and organizations in a society are able to achieve their distributive goals based on on-budget policies.

8. Clearly, political corruption is not just a feature of fiscally poor states, as we also see much evidence of this in natural resource rich developing countries which potentially have more significant fiscal resources. In these countries a related set of factors explain the prevalence of political corruption. If the fiscal resources of a country are not drawn from a broad base of productive enterprises and tax-paying individuals, it is difficult for a broad-based social constituency to hold the state to account. Resource rich developing countries where the productive sector is weakly developed therefore face a different type of problem. The existence of resource incomes without broad-based capabilities for holding the state to account can create incentives for a small group to control the state. It can often be feasible for the small group to use political corruption to induct a group of powerful individuals and groups in that society, and in particular the army, and share the available resources disproportionately within a narrower group. In both cases, the fundamental problem is the absence of a broad-based productive economy that is paying taxes and can hold the state to account. In countries where the productive sector is broad-based, political corruption is much more difficult to sustain, first because there is a
significant tax base on which a rule-following political party can win elections, and secondly, a broad taxpayer base ensures that taxpayers have the economic capability to hold politicians to account.

9. In countries where political corruption is entrenched as a mechanism of political competition between parties, accountability and transparency reforms have a more limited impact on corruption. The question for public administration reform is what to do in these contexts? Political corruption not only has a negative effect for the development of accountability in politics, it makes it difficult to address other types of corruption. This is because the resources required for off-budget political activities often come from corruption carried out by state agencies, and in these cases bureaucrats act in collusion with and under the protection of political representatives. As a result of their political protection, it is typically very difficult to successfully prosecute important cases of bureaucratic corruption where the proceeds of the corruption contribute towards the political requirements of ruling parties or politicians. The experience of anti-corruption strategies in developing countries suggests that accountability and transparency reforms tend to be subverted when they confront political corruption. In the long run, the solution to political corruption is the growth in the taxpaying capabilities of a broad-based productive economy. This gradually increases the fiscal base that can support social democratic policies by political parties and results in a progressive shift from off-budget to on-budget political competition between parties. The latter is a necessary precondition (though by no means sufficient) for a sustained reduction in the incidence of political corruption. Developing and transition economies are at different stages in this transition, and therefore the steps that are feasible for addressing political corruption are also somewhat different. The challenge is to have a realistic assessment of what can be achieved and to design and assess policies addressing political corruption from this perspective.

10. A somewhat different driver of corruption is the weakness of institutions in developing and transition economies. The enforcement of formal institutions like property rights and contracts presumes that the state has sufficient enforcement capabilities and that the underlying property rights structures are sufficiently legitimate so that they do not face sustained contestation. These conditions typically do not hold in developing and transition economies. Developing countries often have limited fiscal resources to dedicate to enforcement. In addition, both developing and transition economies have the added problem that their emerging institutions and property rights are also rapidly changing. In such contexts, the emerging structures of property rights often lack immediate and wide legitimacy, though legitimacy tends to emerge over time if the new institutions and rights prove to be functional and beneficial for broad sections of the population. In this context, it is often difficult for firms and individuals to rely solely on the enforcement of their rights by formal state agencies, particularly given the limited enforcement capabilities of the latter. In many developing and transition countries, private or semi-informal enforcement of rights and contracts emerges and public officials and politicians often play a role outside their official jurisdictions in enforcing rights and contracts for an additional price. In some cases, non-state actors like mafias and political organizations can also be seen to be engaged in enforcement activities, again for a price.
11. Corruption associated with weak institutionalization thus has a different set of motivations and drivers. Firms or individuals who have to operate in these contexts often find that they have to engage in informal activities that can be described as corruption to protect their property rights and operate their businesses. The challenge from the public administration perspective is that there may be no viable strategy of improving the enforcement and legitimacy of property rights and institutions in the short to medium term given the scarcity of budgetary resources for enforcement and the weak legitimacy of emerging rights in the broader society. In these circumstances many firms and individuals can find that the only way to enforce their rights and contracts is by accepting the necessity of additional payments to public officials or even to non-state actors. For instance, it is a common observation in many developing and transitional economies that the support of enforcement agencies like the police, courts and other agencies involved in monitoring and enforcing contracts requires further informal expenditures. All these activities directly or indirectly involve the participants in corruption because the enforcement of rights and contracts through additional informal expenditures inevitably violates formal rules.

12. These observations can sometimes be explained by the low salaries and incentives of public officials in poor countries. Sometimes this is indeed the case but where corruption is driven primarily by low salaries and incentives of public officials we have a very different driver of corruption. If in principle all property rights and contracts could be enforced but are not being enforced simply because of the low incentives of officials, the problem could be addressed with anti-corruption reforms that focused on the cost-benefit calculations of public officials, including increases in their salaries. However, if the problem is weak institutionalization, corruption is likely to continue even if public officials are relatively well paid. Here the problem is that the overall structure of institutions and property rights cannot be adequately enforced given the existing capacities of the state. This is ultimately also a resource problem but not one that is limited to the payment of adequate salaries and wages to public officials. Moreover, part of the problem could also be the relatively low level of social acceptance and legitimacy of emergent rights in some societies. As a result, individuals and firms are often induced to make extra payments to state and non-state actors to solve particular problems of enforcement. Clearly, in this case, corruption will not necessarily be solved (though it may be partially mitigated) by increasing the salaries of public officials, nor will the incentives change significantly as a result of greater transparency and accountability. The long-term solution in these cases requires a gradual improvement in the capacity of the state to enforce property rights and contracts in general. Policy can take some measures to improve enforcement capabilities immediately, but the quality and extent of overall enforcement does depend on the level of development determining the taxpaying capacities of the economy and the emergence of a broadly legitimate structure of rights and institutions in that society.

13. Corruption related to weak institutionalization can have a range of implications depending on the underlying economy, the enforcement capabilities of the formal state, and the political motivations and incentives of the political leadership. As a result, the dominant types of political corruption can influence the types of corruption that are driven by weak institutionalization. In the most benign case, if political corruption involves a stable set of off-budget activities, businesses may take a long-term view of development and their enforcement activities may
support this objective. Developmental strategies on the part of businesses would be reinforced if in addition, the enforcement capabilities of the state were sufficient to enforce an adequate level of law and order and prevent serious predatory activities by state and non-state actors. Under these circumstances, the additional contract enforcement necessary as a result of weak institutionalization may not be very significant. In these contexts, political corruption and corruption related to weak institutionalization could coexist with high rates of economic growth and social development and the society could gradually make a transition to lower levels of corruption through institutional and political reforms. This is a pattern of transition that we see in cases of successful transition from underdevelopment and high levels of corruption to development and low levels of corruption.

14. In contrast, in the most problematic cases, there can be a very adverse relationship between different types of corruption. If political competition between parties in a poor country is very intense and there is no basic compromise between competing political organizations, winner-takes-all strategies of political parties can force extreme short-termism in the calculations of those engaging in political corruption. In a context of weak institutionalization, the cost of doing business can become very high for businesses because of the high cost of protecting and enforcing their property rights and contracts. In the worst cases, businesses may abandon long-term productive investment strategies as infeasible and decide to use political connections and their ability to pay politicians to create monopolies, distort prices and essentially extract resources in unproductive ways from the rest of society. In extreme cases, these societies can begin a downward spiral of declining development. Here the challenges of addressing corruption are immediate and severe, but a reliance on transparency and accountability is insufficient for addressing these types of interrelated problems.

15. Public policy for addressing corruption has to begin by recognizing the different drivers of corruption and assessing the dominant problems in different contexts. The incremental steps that a society needs to take to address corruption depend very much on identifying what can be feasibly achieved in that context and then focusing public energies on making what is feasible happen. The result may not be a measurable reduction of aggregate corruption and it is therefore very important not to define a reduction in aggregate corruption indicators as an immediate target. This is important in order to avoid demoralization and public exhaustion with anti-corruption agendas. There is a role for anti-corruption policy packages that focus on the costs and benefits facing public officials contemplating corruption. Some types of corruption are indeed associated with cost-benefit calculations and in these cases public officials may perform better as a result of changes in their relative incentives. Policies focusing on accountability, transparency, salaries and punishments can constitute a package of anti-corruption reforms that can deliver these results in some sectors. For instance, these strategies may result in improvements by cutting down incentives for red tape and delaying tactics on the part of bureaucrats, and improving the delivery of some types of services. It is however, important to assess the outcomes of these strategies by measuring improvements in specific areas of service delivery rather than reductions in aggregate levels of corruption. The effects on aggregate corruption may be limited given that much of the corruption in a country may be political corruption or corruption associated with weak institutionalization.
16. Indeed, the importance of political corruption and weak institutionalization explains why overall corruption in many developing and transition economics persists after years of anti-corruption activities. On the one hand, long-run solutions to both political corruption and weak institutionalization are only likely to be achieved through the gradual development of broad-based productive capabilities and improvements in the tax take. On the other hand, in some of the most serious cases of political corruption and weak institutionalization, the developmental and social effects are so adverse that immediate steps need to be taken to mitigate the high social costs. However, incentive-based anti-corruption strategies that focus on greater transparency, accountability, public sector salaries and judicial reforms may not be sufficient for the reasons discussed earlier. These types of corruption can continue even with broad public knowledge of the sources of corruption and with the operation of democratic accountability as it operates in many developing and transition countries. The appropriate strategies for citizens and public administration reforms in these contexts therefore have to include other components. In particular, public pressure and institutional reforms have to be used to change some of the parameters that result in high social costs of these types of corruption.

17. For instance, if political corruption is intense and is a zero-sum game between political parties, the social mobilization of citizens groups can be deployed to achieve some level of compromise between competing parties such that both governing and opposition parties can begin to take a longer view of their appropriate strategies. This may have a more dramatic effect on the damage caused by political corruption compared to attempts to directly reduce political corruption using available instruments. Similarly where weak institutionalization results in business and politics colluding to extract resources from the rest of society, there may be important things that citizens and reformers can do. For instance, business and influential citizens’ groups that are adversely affected can be better organized to demand changes in laws and enforcement to stop particular types of collusion that result in specific monopolies, acts of avoidance of regulations and so on. These steps can be combined with policy-driven support to strengthen the enforcement capacities of particular agencies that are critical in the particular areas that are being targeted, for instance agencies that are monitoring the quality of food imported, or agencies that are enforcing the rights of people displaced as a result of land acquisition strategies of governments. These examples are meant to demonstrate that the identification of priorities and enforcement capabilities has to be very specific to particular countries and periods and a blueprint approach will not work. Small steps to address some of the most damaging effects of corruption can yield more immediate and important results in countries that are most adversely affected and this should be seen as an important component of a broad anti-corruption strategy.

18. The progress that has been made by citizen’s engagement in achieving greater transparency and accountability has been important in many countries but the challenge of tackling corruption remains serious in most developing and transition economies and even in a few advanced countries. Transparency and accountability are part of a package of strategies that work by changing the costs and benefits facing individual bureaucrats and politicians. However, it is necessary to recognize the systemic factors that drive political corruption and corruption driven by weak institutionalization. These are not easy to remove immediately but urgent steps are often required to mitigate some of their most damaging effects so that economic and social development can proceed. It is therefore important to augment the standard
incentive-based anti-corruption package with strategies that address the effects of the most damaging types of political corruption and corruption driven by weak institutionalization. We are then more likely to achieve more immediate improvements in some of the worst affected countries. In addition, it is important to measure the effects of anti-corruption policies by looking at discrete results in particular sectors and service delivery functions rather than the impact on overall corruption indicators. This is because it is likely that progress in reducing overall levels of corruption will be relatively slow in most developing and transition countries. However, the drive to address the damaging effects of corruption has to be sustained and this is easier to do if we focus on a series of sequential tasks.

19. The note also sets out the strategic framework and scope of activities to be implemented for the period 2012-2013. The Committee is requested to review and provide feedback to the Secretariat on these activities, which are intended to assist Governments in addressing their current public governance and administration challenges and the emerging issues in a globalized world.