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BACKGROUND PAPER

First, Do No Harm—Then, Build Trust: Anti-Corruption Strategies in Fragile Situations

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Abstract:

Most familiar anti-corruption strategies require sound state, social, and political institutions, and a minimal level of trust, both in government and among citizens. The absence of all or most of those assets is in part what defines fragility. Another key attribute is an “expectations trap”, in which citizens expect very little of government and government demands very little of citizens, as long as they stay out of the way; in those situations fragility can become a persistent situation. Using the Stresses-Capabilities-Expectations framework, this paper analyzes the possibilities and risks of reform in fragile situations. Reformers should be aware of contrasts among kinds of corruption problems, and of the potential benefits of “halfway” reform outcomes. The first priority (“Do no harm”) means avoiding premature or poorly-thought-out reforms that can do more harm than good—notably, steps that overwhelm a society’s capacity to absorb aid and put it to effective use, and that risk pushing fragile situations and societies into particular kinds of corruption that are severely disruptive. The second imperative (“Build trust”) is essential if complex collective-action problems are to be minimized, and if reform is to draw broad-based support. A first step toward greater trust is to provide basic services—particularly those in which broad segments of society share a stake—in credible and demonstrable ways. Then, gradual but balanced enhancements to participation (a variety of stress) and institutions can build opposition to corruption, in a climate of growing trust. Reform in the end involves rebalancing stresses and capabilities so that expectations can change in positive ways. The best ways to demonstrate and assess anti-corruption progress is to examine kinds of behavior, in civil society as well as in politics and the economy, that reflect improving climates of expectations and trust.

I. Fragility, Corruption, and Four Dilemmas of Reform

1. Corruption control is challenging enough in sound, established states: recent research and a generation's experience show that even where reform has enjoyed sound institutional support and broad political backing, successes have been few and partial at best (Mungiu-Pippidi, 2006; Birdsall, 2007; DFID, 2009; United Nations, 2010). In fragile situations corruption control may not only be extremely difficult but may also, if poorly conceived or executed, make matters worse by raising expectations that cannot be met, imposing unattainable performance targets upon public institutions, or weakening political linkages and social trust.

2. Should we even attempt to tackle corruption problems in such unfavorable settings? Can we—and “we” in this context includes our good-governance allies within and without those societies—do so without worsening existing problems of governance, or of violence? Can we devise strategies that not only respond to the specific realities of such states, but also build trust, enhance the legitimacy of rulers and institutions, and help replace conflict with robust political contention? Can we build frameworks of institutions, values, and interaction that can withstand major stresses—not only those of combating corruption and enhancing political contention, but also of managing the additional resources and intensified international pressures that often accompany such efforts? Above all, given the inherent problems of measuring corruption even in the best of circumstances, what will progress look like, and how can we know whether we are moving in desired directions?

3. In this paper I argue that successful corruption control is not only possible in fragile situations, but that success at such efforts is essential to any comprehensive effort on behalf of development and social justice. After all, it is in fragile situations that corruption problems are often the most embedded and disruptive, and in which official wrongdoers and their cronies often face the weakest constraints. In fragile situations the corruption controls that seem most effective in relatively settled and successful societies (but which, there as elsewhere, are the *outcomes* of deeper changes rather than free-standing “fixes”) lack essential social, institutional, economic, and political support. I will suggest that in fragile situations the first challenge is to build those sorts of foundations in order to give *any* reasonable repertoire of specific controls a chance to succeed.

4. As the title of this paper suggests, great caution is called for, particularly in early phases. Governments and their aid partners cannot tolerate, nor be seen as tolerating, corruption, yet too much pressure of the wrong sorts may push some societies with bad corruption problems into far worse ones. Ineffective initiatives—particularly those launched with great fanfare—waste scarce opportunities for reform, and can raise inappropriate expectations only to deepen social and political distrust in the end. Reforms that are hastily-devised or lack necessary institutional and political backing may only increase *uncertainties*, as opposed to raising the *risks* of corruption, thus creating new opportunities for abuses. Those that threaten entrenched corrupt elites without strengthening countervailing forces may only provoke repression, encourage corrupt

elites to shift thievery into overdrive, or both. As I will discuss in more detail below, some of the most valuable input we can offer to reformers confronting fragile situations is advice on what *not* to do.

5. Successful reform requires that we build trust, both in those who govern and among citizens. That is particularly the case in fragile situations originating in post-conflict societies, but elsewhere too distrust engenders pervasive inertia, active resistance, and deep-seated collective action problems (an issue to be discussed in detail in later sections). “Trust”, in the sense used here, should not be confused with blind faith, ideological, religious, or nationalistic fervor, or indiscriminate loyalty to charismatic leaders. Indeed, the sort of trust that underlies both democratic politics and successful corruption control is conditional, selective, linked to self-interest as well as to mutual benefit, and is built through day-to-day experience. Its relationship with reform is complex and reciprocal: a measure of trust will aid reform, and demonstrably successful reform can help build trust (Clausen, Kraay, and Nyiri, 2009).

6. Fragility comes in many forms with contrasting causes; the same is true of corruption itself. Both of those issues will be discussed in the pages to come. Thus, anyone searching this paper for another anti-corruption toolkit or some point-to-point sequence for controlling corruption in fragile situations will likely be disappointed. Instead I propose long-term, indirect strategies. As will be made clear, that does *not* mean we ignore corruption or wait for perfect conditions before taking action. Indeed some measures, including highly selective corruption controls focused on service delivery, must be launched early and pursued with diligence. But those measures are integrated with broader efforts to build trust, and to win support and credibility not only for reform but for effective governance itself.

Corruption

7. What do we mean by “corruption”? There is no single accepted definition, nor are we likely ever to see one; indeed the basic idea, often arising out of controversy over the ways power, wealth, and authority are pursued, used, and exchanged, is politically disputed at some level of detail almost everywhere (for an extended discussion of the definitions issue see Johnston, 2005: Ch. 1, 2). Particularly in fragile situations, any attempt to outline a clearly-demarcated category of activity as “corrupt” is likely to obscure as much as it reveals. Indeed, for our purposes specifying any such boundaries *a priori* is largely beside the point: as a practical matter, in most societies (fragile and otherwise) there is more than enough going on that would strike almost anyone as corrupt to occupy our attentions, without worrying overly much about precisely where any boundary might lie. Moreover, we are much more concerned here with ways in which citizens, officials, and those who seek to aid them can build a working consensus sufficient to uphold *any* set of limits.

8. I find it more useful to conceptualize corruption, not as a category of behavior or an attribute of an action or individual, but rather as a *continuing issue* of what are, and are

not, acceptable uses of power, wealth, and authority. Rarely if ever, even in the most settled society, is that issue settled to the permanent satisfaction of all; key aspects of corruption remain in dispute. Therefore my nominal definition is that corruption is the abuse of public roles and resources for private benefit, *immediately* adding that terms like “public”, “private”, “benefit”, and—above all—“abuse” can be matters of continuing dispute.

Fragility

“All happy families resemble one another; every unhappy family is unhappy in its own way.”

--Lev Tolstoy, *Anna Karenina*

9. Fragility comes in many forms and resists neat typologies. A common approach in the voluminous work (a *Bibliography* of analytical works and public reports is offered at the end of this paper) that has recent appeared on the issue is to characterize a fragile situation as one in which key institutions, including but not limited to the state, lack resilience and/or capacity. The key ideas there are helpful and illustrative but, from the standpoint of definition, amount to replacing one metaphor with another; moreover, by emphasizing what such societies seem to lack, those metaphors tell us relatively little about what actually is going on there, or about possible sources of strength. It is also common to apply the label “fragile” to post-conflict societies, which is accurate enough for many such situations; but we can imagine a variety of post-conflict realities, as well as numerous other sources of fragility. In any event the term “post-conflict” may be more of a hope or a wish than a coherent category.

10. In practice fragility can exist in several *locations* and result from a variety of *scenarios*. Locations include the state and its key institutions; the personalities and predilections of key leaders; social structure and composition, and in particular the divisions and disputes found within them; culture and value systems; the type and strength of a society’s economic base; relations with neighboring societies, and external threats; and technological change or economic growth too rapid for people and institutions to withstand, to propose just an incomplete list. *Scenarios* vary with the recency of, and rising or declining trends in, stress in any of the locations listed above; the presence and strengths of illicit enterprises and networks such as drug cartels and arms traffickers; events like natural disasters, wars, or other conflicts; the extent to which sources of fragility affect major segments of society in similar or contrasting ways; how regional and global friends and/or enemies, and impersonal political and economic forces, might contribute or respond to a given kind of stress; how individuals, society, and leaders respond to such stresses; and so forth. As the quotation from Tolstoy suggests, solid or integral societies have much in common, but fragile situations can confront us with diverse and even unique combinations of problems.

11. Therefore, my deliberately broad (and once again, far-from-perfect) nominal definition of a fragile situation will be one in which the fundamental processes,

institutions, and guarantees that preserve the identity of society, the basic operations of the state, essential public goods and services, and the day-to-day security of citizens in their property and persons, cannot be relied upon. Like the metaphors noted above, this definition points out deficiencies and difficulties, but it is also intended to indicate key dimensions of fragile situations on which specific cases might vary, in which improvements are most urgent, and in which some sources of strength might exist. The last clause of that definition introduces major questions of perception and subjectivity, and deliberately so, for as we shall see *expectations* will be key variable in the analysis and arguments to come. It is also important to emphasize that the “processes, institutions, and guarantees” in question do not all reside at the level of the state; the full range of locations suggested above may be implicated in a given fragility scenario. Moreover, some of the most important sources of stress may lie beyond the direct control of the state, or indeed of anyone else; in many instances stresses will affect such societies from without. The key issue is that of governance in its most fundamental senses: can a society maintain itself, and a measure of internal peace and order, given its stresses and resources?

12. At the same time “fragility” does not necessarily signal a society’s endgame, nor does it mean that those pursuing governance and reform lack all resources. In some ways fragility might be a function of new opportunities—of “an open moment in history” (see on that idea, Ghani and Lockhart, 2006—originating in the fact that some bad old forms of rules, or ways of living, have been disrupted, at least for a time. Some fragile situations might exist alongside valuable resources; the familiar “oil curse” is but one example. As suggested above, trust will be a major variable in our analysis, and even in fragile situations trust is unlikely to be completely absent: it is not difficult to image a situation in which the state or key institutions and linkages of governance are fragile, and yet trust is quite strong at the family or small-group level. Such solidarity, if accompanied by animosities among internally unified social groupings, may in fact contribute to fragility in the larger situation; a key challenge is using the fair and effective provision of services, and credible basic functions that promise a secure future, in order to build a working consensus and a sense that government takes each group and its needs seriously. Contending groups may well not end up loving each other, but can still come to recognize a shared stake in effective basic governance.

The context of reform

13. Those attempting to govern in fragile situations must take authoritative action against corruption. But that action should be indirect in important respects, aimed at building social and political trust and earning basic credibility for government—that is, at building social and institutional support for eventual expanded efforts at corruption controls. Leaders and their supporters should avoid moral crusades and promises that cannot be met, emphasizing realism instead. Early efforts at direct control should focus on corruption in the delivery of specific public services; as will be emphasized in the pages to come, effective and fair delivery of basic services is a key element in building trust. Those controls should take on cases where we stand a good chance of success, even

if that means mostly “picking the low-hanging fruit” for a time, in order to build credibility. Where the chance does arise to “fry a big fish”—and where doing so does not merely mean jailing the leaders of the opposition—they should do so if such moves will help win support for more specific systemic reforms. But all the while they should be thinking beyond the immediate situation and scandals toward institution- and trust-building strategies for the medium and long term.

14. Such strategies must take four important challenges into account, all of which will be discussed in more detail in sections to come:

15. *First* is an understanding of the nature and sources of fragility, and how they relate both to corruption and its control. In that connection we must understand the forces and problems that actually shape those societies, rather than what they appear to lack by comparison to settled liberal democracies elsewhere. A solid framework for that kind of understanding involves thinking carefully about *stresses*, *capabilities*, and *expectations*.

16. That framework relates directly to our *second* challenge: despite what whole-country indices suggest, corruption is not the same thing everywhere. *Corruption can vary qualitatively* among and within societies, occurring in distinctive syndromes (discussed in more detail below) with contrasting roots and implications (Johnston, 2005). Those syndromes of corruption present distinctive opportunities and risks for reformers, and reflect key elements of the framework noted above. *Stresses* include, but are not limited to, a major factor shaping corruption syndromes: *participation* in political and economic processes, and the relative balance between opportunities in each arena. *Capabilities* include, *inter alia*, the strength of state, political, and social *institutions* that sustain participation and maintain key boundaries restraining it. *Expectations* are, at one level, qualitative attributes of the syndromes themselves: trust in others, and in institutions; anticipated results of one’s own actions; and a general sense of insecurity, or of relative safety and security, are examples of such expectations. Others include elites’ expectations of each other: in Zambia, for example, DiJohn (2010:4) points to a “relatively stable and inclusive bargain among contending elites” as a force enhancing the resilience of the state over the long term. Those expectations differ significantly from one syndrome to the next, and can be critical qualitative indicators both of the nature of a society’s corruption and of the progress of reform.

17. At another level, expectations on the part of international aid and good-governance interests are a critical influence as well. Where expectations are quite low, essential support for reform and for the local leaders and groups that must undertake it will be absent or difficult to sustain. But excessively high expectations are problematical too: backers whose timelines are too short (for example, hoping for major reform on a six- or eighteen-month schedule), whose preferred metrics of reform are inappropriate (aiming at a major improvement in corruption-index scores), whose conceptions of reform itself emphasize major short-term anti-corrupt offensives over more indirect and long-term approaches, and who expect that corruption can and should be brought down to zero or something close to it, will be difficult to please and may well disrupt carefully-

devised strategies. Even in the best of circumstances reformers should pay close attention to external, as well as internal, perceptions and expectations, and may well find themselves damping down their backers' hopes and enthusiasms.

18. The *third* challenge is that of recognition and assessment. We cannot measure corruption directly (Arndt and Oman, 2006; Galtung and Sampford, 2005): consensus definitions do not exist, nor does agreement on what a “high level” of corruption really means (Rose-Ackerman, 1999). Corruption is usually clandestine, lacking an immediate victim with an interest in filing reports; practices and, even more fundamental, syndromes of corruption vary considerably and are not easily commensurable on common scales (indeed, attempting to do so is often to throw out potentially useful knowledge). And if we cannot measure corruption, how can we know whether reforms are having any impact? Trends and indicators shedding light on *expectations* can tell us not only whether states are becoming less fragile in important respects, but also what syndromes of corruption might obtain or be giving way to others. Even where evidence on expectations is qualitative we can still develop useful estimates of the direction of political change and the progress of reform.

19. *Fourth*: it may be wise to emphasize targeted, high-percentage attacks on corruption, rather than comprehensive efforts—particularly those relying on civil society or broad-based political and economic liberalization—until basic institutional foundations and social trust are clearly emerging. Moreover, we would do well to tolerate certain “halfway” states of reform (see on this point, Grindle, 2007)—situations that are suboptimal but still facilitate *de facto* government capacity and reduce certain kinds of stresses, thereby moving those two factors toward a working balance. Halfway states of governance and reform are not defined in terms of particular amounts of corruption, but rather by emergent expectations of security, stability, and more effective governance. Such halfway situations are not the most desirable long-term outcomes, but they offer some advantages in terms of enhancing legitimacy, economic growth, levels of trust, and the emergence of workable social compacts. Unlike ultimate governance goals they may be attainable over the medium term. Examples of such “halfway” situations will be offered below.

II. Fragile Situations and the Foundations of Reform

20. In fragile situations many of the resources, guarantees, and opportunities reformers take for granted are absent—or, even used in malevolent ways by corrupt and abusive regimes. Fragility may exist in many forms, as noted. Whatever the sources of a particular situation, however, formidable difficulties confront reformers anywhere institutions and social trust are weak, and where insecurity and need may be features of everyday life.

21. Consider five mainstream anti-corruption paradigms:

•**Crime prevention:** deterrence and punishment via detection and penalties; a widely-employed approach is to set up a dedicated anti-corruption agency, often with extraordinary powers and formal mandates of jurisdiction and cooperation across many sectors of government

•**Incentives:** higher pay and status for good performance; often deployed in conjunction with penalties, as above

•**Civil Society action:** mobilizing public demand for reform, enlisting citizens to report corruption and monitor government performance

•**Liberalization:** deregulation, privatization, reduced government presence in the economy

•**International treaties and conventions:** efforts to ban corruption via international coordination, mutual assessments, and treaty commitments or compacts

22. The boundaries among those paradigms are not always clear or precise; still, as I will suggest below, all require underlying institutional foundations and a working level of consensus and trust. Indeed, the ability to engage in any or all of these familiar reform strategies is more of *an outcome* of deeper institution- and trust-building than a starting point in its own right. Fragile situations are distinguished by the absence, or marked and persistent weakness, of such institutions and trust. For that reason, among others, most of the usual anti-corruption prescriptions are unlikely to succeed if we insist on moving directly to attacking corruption itself, rather than building foundations for reform. Indeed, such premature efforts may place severe stress on weak institutional frameworks and social loyalties, overwhelming them with aid and with unrealistic anti-corruption expectations. That sort of outcome, impairing the state's ability to carry out its basic functions and society's willingness to comply, can do considerable harm across the full scope of both state and society.

23. **Crime prevention:** punishment and deterrence assume that legitimate alternatives to corruption are available; that investigation, detection, and response will serve the law, rather than specific elites' or factions' interests, in good-faith fashion; that cases will move into an honest court system; that penalties will be exacted, and so forth. Further, they assume that the law enjoys both broad-based credibility and significant backing from citizens, who should not have to feel insecure for expressing such views. Effective systems of rule of law are often backed up by social sanctions—significant popular expressions of disapproval of lawbreaking (Weber, 1947 ed.)—and by sanctions and penalties that can be applied by business, professional and trade organizations. The latter sorts of punishments are more modest than those meted out by the legal system, but can still involve significant financial and status penalties, and can also be applied more quickly and flexibly than official punishments can be. Such supporting conditions are generally not found in fragile situations, so efforts to prevent corruption by passing stricter laws, raising fines, increasing surveillance, etc will be ineffective at best, and may well become tools of repression undermining both the quality of law enforcement and essential trust. Dedicated anti-corruption agencies—often called the “ICAC model”, after Hong Kong's famous corruption-control agency—also require favorable circumstances (notably an unquestionably credible regime or state) and frequently must carefully

cultivate public backing. As I will discuss below, the ICAC model can have its uses in fragile situations—notably, with respect to corruption in service delivery—but also creates significant risks.

24. **Incentives:** higher pay, greater status, negative publicity, promotions, and the like—will not only encounter the sorts of resource problems endemic in fragile situations, but will likely be viewed with distrust. Pay increases, or even just moves to pay salaries in full on a regular basis, are likely to be seen as favoritism on behalf of one or another faction or social group. Such distrust may in fact be well-founded, for like law-enforcement approaches, incentive-based reforms are vulnerable to exploitation and abuse behind a smoke-screen of anti-corruption commitment. A further problem in terms of social trust is that the failings for which officials are punished are not likely to be widely understood, while their successes may well seem unconnected to citizens' quality of life, making the disconnect between reform and society all the deeper.

25. **Civil society-based reforms:** organizing anti-corruption groups, citizen watch organizations, other kinds of organizations, or mobilizing public opinion *from above* will often fail for reasons of low trust, a pervasive sense of risk and insecurity, material deprivation, histories of violence, and lack of credible leadership. Grassroots efforts by leaders with roots in social communities may be more effective but, particularly in post conflict situations, may just perpetuate the social divisions that kept conflict alive. More than any other paradigm, civil society actions run into collective-action problems exacerbated by low levels of social trust—issues to be discussed in more detail below. They are also vulnerable to official resistance and repression, particularly when they do have real social roots and are linked to the felt needs of citizens. Venal leaders may well appear to support civil society efforts not only because they appear to be democratic, and are thus popular with donors, but also because such initiatives are likely to pose little real threat to the *status quo*.

26. **Liberalization:** privatization, deregulation, public-private partnerships, and the like have considerable reform potential in theory, as they are thought by advocates to deprive officials of the leverage and rewards they need to engage in corruption. But much depends on context: such strategies require strong legal and economic institutions, sound property rights and, precisely because they confer significant resources and opportunities upon specific groups and individuals, high levels of trust. In fragile situations, where such foundations are lacking, liberalization can play right into the hands of corrupt individuals and groups by putting spoils out on the table for the taking, in a setting of weak institutions and countervailing forces. Indeed that scenario, I will suggest below, can push a fragile situation toward some of the worst varieties of corruption. Liberalization may also set off intra-elite conflict to the extent that it looks likely to undermine elite rents, networks and followings. Another serious concern is that liberalization without appropriate institutional safeguards can exacerbate fragile societies' problems with predation from without.

27. **International treaties and conventions:** the virtue of these strategies lies in their scope—many corrupt dealings span borders and oceans and involve rapid international

movement of funds and people—and in their potential to minimize competitive incentives that lead governments to treat “their own” business leniently, or even to underwrite their corrupt dealings via tax credits and arguments from *raison d’etat*. Further, such agreements encourage the sharing of knowledge and experience via a variety of peer-review processes, and have the potential to produce large and useful databases on issues such as trade, commodity prices, and government performance, all of which can help us assess vulnerabilities to corruption (see below). The problem, however, is that such processes and agreements require governments capable of entering into, and then abiding by, international obligations, even when they bear an economic cost. Weak courts and law enforcement bodies, and weak economies, are major obstacles even where official commitment is genuine; post-conflict states likely present even more challenging settings for compliance and enforcement. Apparent government interventions in investigations of dealings involving British Aerospace in Saudi Arabia show how difficult it can be to enforce such commitments, even in as well-institutionalized a society as the United Kingdom. States whose hold on their own territories and populations is uncertain do not make promising partners for international anti-corruption agreements; weak political institutions and civil societies do not make promising guarantors or commitment mechanisms within those societies. When they confront corruption involving major international businesses, fragile situations are often taking on organizations far wealthier and more powerful than they are—organizations that can move capital, technology, and jobs out of a country or a region very quickly when they see their interests as threatened. Engaging regional neighbors as intermediaries assisting with the implementation of such agreements might be a promising alternative if those neighbors are not fragile themselves. All too often, however, fragile societies exist in troubled neighborhoods where at least some of the practitioners of corruption, such as drug gangs and smugglers, are more nimble and disciplined than states themselves.

28. For these reasons, most familiar anti-corruption approaches will encounter major difficulties in fragile situations and, if deployed without regard to the conditions they require for success, may do considerable harm. Such reforms usually assumes the existence of the very institutional and social foundations whose absence *defines* fragile situations and situations. While no one would minimize the importance of corruption as a problem in such societies and situations, attacks upon it must be selective—focusing on the delivery of high-priority services, at the outset—and, with respect to building long-term trust, credibility for government and support for reform, indirect.

III. Stresses, Capabilities, and Expectations

20. Simply to take note of such problems is not to understand their interrelationships, however. To that end it is helpful to think in terms of a fragile society’s particular set of *stresses, capabilities, and expectations* (World Bank, 2010). I will suggest below that stresses and capabilities map out very precisely a variety of the antecedents of various kinds of corruption problems, as well as identifying specific challenges and targets for reform. Expectations, as we shall see, are particularly important for understanding social trust and collective-action problems, major varieties of

corruption, and trends indicating a variety of positive or not-so-desirable kinds of changes.

21. Fragile situations confront a variety of *stresses*. Severe conflict and its aftermath often top the list, but the list of fragile situations and post-conflict societies is not identical. Chronic poverty is not merely a matter of material deprivation, severe as that may be, but can also reflect the absence or weakness of institutions needed to make markets work (Sun and Johnston, 2010). Natural disasters can cause, or exacerbate, fragility for long periods of time. Deep social divisions, often made worse by predatory leadership, may render the state, and any notion of the public domain, meaningless in the face of clashing communal loyalties.

22. Fragile situations are especially vulnerable to predation from without, via a variety of processes only some of which qualify as corrupt. Military foes, be they states or rival ethnic groups, may pose a constant threat to weak institutions, and possibly to levels of social trust. External economic interests may do likewise, particularly where extractive industries dominate the economy. Where that is the case, would-be reformers will not only face domestic opposition, but may also be taking on major international interests.

23. Stresses alone are only part of the picture, however. While more successful societies may deal with significant stresses more or less successfully, fragile situations lack the *capabilities* they need to handle such challenges. The list of essential capabilities is quite a long one, but with respect to corruption issues a few stand out.

24. Most mainstream anti-corruption strategies assume a minimally effective, credible state. Such a state is capable of applying law-enforcement or punishment-oriented tactics in credible ways, of improving administrative procedures in sustained ways, and therefore of changing the incentives shaping individual transactions and behavior in coherent, authoritative, and lasting ways. Reform strategies usually reflect a recognition that significant opposition to corruption and support for good governance on the part of citizens and civil society are essential. At times the hope is that citizens will respond positively in the name of the common good; more complex approaches rely upon a wider range of incentives and appeals (Johnston and Kpundeh, 2002). Where careful and sustained attention is paid to such incentives and motivations, constructive results are quite possible if not inevitable: Gaventa and Barrett's survey of research findings (2010) has shown that citizen engagement can contribute measurably to the construction of citizenship, strengthening of practices of participation, strengthening of responsive and accountable states, and the development of inclusive and cohesive societies.

25. But fragile situations typically lack many or all of those capabilities, and expectations of citizen participation, particularly on the part of outside interests, can be excessive or oversimplified. Fragile societies, after all, may have no credible central governing apparatus or political system, deliver few if any reliable services, and enjoy little legitimacy. They may fail at boundary and identity maintenance, and lack the functional autonomy necessary to maintain order and keep demands for influence in

check. Basic social trust, the ability to raise revenue and provide services, and the maintenance and protects of basic rights and civil liberties may all be in question. Civil society may be weak, divided, or intimidated, and economic alternative to corrupt dealings may be few or nonexistent.

26. Where some or all of those problems exist, typical approaches to corruption control emphasizing law enforcement, changed incentives, and civil society as a check on abuses will be ineffective, and incentives influencing corruption will reside primarily in private hands. Administrative improvements of institutions that have little credibility to begin with are unlikely to be taken seriously. A pervasive sense of personal or family insecurity can undermine any appeal to the common good. Citizens will be unlikely to forego corrupt benefits in the present for the promise of reform in the future, nor will they trust their fellow citizens to do so.

27. Moreover, mainstream anti-corruption efforts often place far too much hope in calls for “political will”. Fragile situations often suffer from an *excess* of political will that, unconstrained by institutional limits or political mechanisms of accountability, makes for a wide range of abuses of power. Even where more-or-less autonomous political will produces some anti-corruption effort, such actions may be aimed more at jailing the opposition, at eliminating competitors for the corrupt benefits enjoyed by the leaders’ own backers, or just at putting on a show for the benefit of aid partners and international opinion, than at lasting improvements in legitimacy, accountability, and services. Indeed, even a genuinely successful corruption-control effort that depends primarily upon the will of a top figure may well be hard to sustain once that leader leaves office. Political will, to the extent that the term has a coherent meaning, will be most valuable in anti-corruption terms when employed with the cooperation and active support of broad segments of society.

28. Perhaps worst of all, the regime itself may be perceived as “captured” by specific political or ethnic factions, by powerful economic interests, or by criminal elements. Where that is the case, corruption and other abuses will often be the rule rather than the exception, at least in terms of popular expectations. Reforms may be regarded as factional power grabs dressed up in the symbolism and language of “good governance”. Indeed, a widely shared sense of what good governance would look like, in practice, may be weak or nonexistent.

29. A generally-accepted prescription in such situations is to build up institutions. But the strength of those institutions is at least as much a matter of expectations as it is a question of administrative hardware and procedures. Where institutions are fundamentally viewed with suspicion, as noted above, or where they are expected to fail, they cannot build legitimacy. Few citizens will put their current situation (which may well involve some benefits of corruption) at risk—however parlous that situation may be—in order to follow new sets of rules.

30. Expectations are complex and difficult to measure, but for our purposes a key element is *trust*. Without a workable level of trust, few reforms will be credible and few new or revamped institutions will enjoy much legitimacy—except, unfortunately, as they end up buying it through more corrupt dealings. The result may be an “expectations trap”—an undesirable equilibrium in which leaders who accomplish little are tolerated by citizens who expect little to be accomplished. In that situation it is less risky for those leaders to buy the minimal support they need, and for citizens to accept minor personal or small-group benefits in the short run rather than to aim for something better, and more “public”, over the long term (this argument draws upon Rose and Chin, 2001).

31. The lack of trust is typically manifested, in fragile situations, in the form of collective action problems on two levels (this discussion draws upon Ostrom, 1998; Rothstein, 2000; Uslaner, 2004; Teorell, 2007).

32. The *first-order collective action problem* is a familiar one: fighting corruption is risky, requires considerable effort, often involves relinquishing corrupt benefits in the here and now in exchange for a better way of life that may or (more likely, many may believe) may not materialize in the future. That better way of life is most often portrayed as a public good: improve the quality of government and we will all be better off. Not surprisingly, most citizens will leave the heavy lifting to others, believing that they stand to benefit from any successes reformers might have.

33. The *second-order collective action problem* relates even more directly to trust. Building institutions, acting on their incentives and abiding by their restrictions, in fragile situations, requires a belief that others will do so as well. Why should I pay my taxes, refrain from bribing the bureaucrats, and refuse to take petty benefits from the local political boss/warlord if I believe others will continue to do so? Expectations critical to reform will often revolve not just around official behavior and government policy, but also around what I think those other people on the far side of the river are likely to do.

34. A key point, one to which I will return in a discussion of “halfway” states of reform: trust as discussed here does not require a complete absence of corruption. Instead, it has far more to do with *predictability* of what officials and other citizens will do in given situations. As we shall see, that predictability takes on great importance precisely because fragile situations generally, and some of the worst forms of corruption we see within them, both create and thrive on a pervasive sense of insecurity.

35. Indeed, direct attacks on corruption may be the last thing a fragile situation needs in the early stages of a transition. Such attacks may require credibility, material resources, expertise, and institutional strength that a regime and state do not possess. Where society is divided, attacks on corruption may only be perceived as more factional or ethnic conflict. Even a partially successful anti-corruption offensive may only serve to undermine trust and credibility internationally, as high-level trials and revelations of wrongdoing create more negative international perceptions of the society, driving away investors and aid partners whose backing is needed and possibly attracting the interest of

people whose presence and activities would do much more harm than good (on such perception problems generally, see Andersson and Heywood, 2008).

36. The first task, instead, is to change citizen expectations of the regime, its administrative and policy apparatus, its leaders, and each other. I will suggest below that the most promising way to break out of an “expectations trap” is to develop the capability to deliver, *and to be seen to deliver*, a few basic public services in which all segments of society share an interest. Doing so in a sustained way can reduce key stresses by building state credibility and a sense of common interest in its success at providing such services. The result, over time, may be an increase in essential trust and a reduced sense of insecurity (for a detailed argument on this point see United Nations, 2010).. That, in turn, is essential to sustainable anti-corruption action, in ways that will also be outlined below.

37. Before getting to that point, however, we need to understand how contrasting syndromes of corruption arise, what their internal dynamics are like, and the special challenges they create for reformers.

IV. Contrasting kinds of corruption

38. Too often we conceive of corruption as essentially the same kind of problem more or less everywhere, differing only (or mostly) in terms of pervasiveness. As a result we tend to rely on one-size-fits-all reform strategies that may be irrelevant to a society’s real corruption problems, or indeed may actually do harm.

39. There is no single authoritative scheme for differentiating among types of corruption and their underlying causes, but I have found it fruitful to think of four *syndromes of corruption*. Two syndromes—*Oligarchs and Clans*, and *Official Moguls*—are of special interest in the case of fragile situations. Many fragile situations—notably, those that have experienced sharp political transitions—are afflicted by Oligarch-and-Clan corruption which, as we shall see, is particularly disruptive in terms of development and democratization, and both thrives upon and perpetuates the sorts of widespread insecurities noted above. Other fragile situations, many of them still emerging from authoritarian pasts, suffer from Official Mogul corruption. Conflict and post-conflict societies may be found in either group. It is important to be able to distinguish between Oligarch-and-Clan, and Official Mogul, corruption, because the two syndromes have contrasting causes, and because strategies and tactics useful in attacking one syndrome may do considerable harm in the case of the other. A third syndrome of corruption—*Elite Cartels*—may in some respects offer a useful “halfway stage” of reform, an argument to be developed below.

40. The four syndromes of corruption originate out of, and reflect a climate of opportunities, risks, uncertainties and constraints created by *stresses* (participation in political and economic arenas being particularly important) and *capabilities* (notably, the strength and credibility of state, political and social institutions). A given society might experience more than one syndrome at different levels, or in different sectors and

regions—variations that in themselves can signal less-than-coherent institutions and loyalties. A national capital region might, for example, experience primarily Elite Cartel corruption, while a rural area run by warlords could confront us with Oligarchs and Clans. Similar contrasts might well be found between policy sectors emphasizing regulatory policy (an elite network might manipulate decisionmaking regarding bank and currency regulations, for example) and others (say, revenue collection or road-building) where extractive or service-delivery functions could be hijacked by local elites and their personal followers. There are a variety of ways to recognize these syndromes; particularly useful are *expectations* held by citizens, officials, international parties, and corrupt figures. Let us begin, though, with general descriptions.

41. Established democracies, for example, tend to have mature market economies in which liberalization is largely a *fait accompli*; where open and competitive politics and markets have been in place for a long time their institutional foundations are likely to be strong. Several western European countries, Canada, Japan, and the United States are a few examples. Their institutions and integrity should not be overrated, though: in the US alone corporate fraud, political-finance scandals, and concern over the state of social capital and civil society all remind us that corruption problems are everywhere.

42. There are also consolidating or reforming market democracies in which political competition is still emerging, reviving, or undergoing significant change; in most cases their economies are becoming more open and competitive too. Institutional frameworks in such societies are likely to be moderately strong, but weaker than those in the first group. The most consolidated post-communist democracies of Central Europe, Chile, Botswana, and South Korea might be examples of the second group.

43. Countries in a third group are undergoing major transitions in both politics and their economies, in a setting of very weak institutions. Many kinds of change are happening at once; political and economic opportunities are both rapidly expanding, and relationships between them will be difficult to predict. Weak institutions are both a result of such change—even when institutions are well-designed and supported, which will often not be the case, considerable time will be needed to acquire legitimacy and credibility—and a cause of further problems. Russia, Turkey, the Philippines, Thailand, and Ghana are examples of this sort.

44. Finally, some undemocratic regimes are marked by political opportunities that are few in number and tightly controlled by a dictator or ruling circle acting with impunity. Power is often personal in nature, and politics—even where elections of sorts take place—revolves around the interests of one top figure, or perhaps of an inner circle or extended family. But many such countries have been liberalizing economically, usually in uneven ways. The result is growing economic opportunities that can be exploited by a powerful few. Political and economic institutions in such systems are likely to be personalized or irrelevant; state bodies or a dominant party may well be coercive and widely feared, but that is not institutional strength in the broad sense discussed above. Weak property rights, a lack of accountability, and (particularly in resource-dependent economies) penetration by external interests, often in collusion with

top local leaders, further expose society to corruption. In this last group we might find countries such as China, Indonesia, many but by no means all sub-Saharan African states, and Middle Eastern countries such as Jordan and the Emirates

45. The following table (a revised version of a table appearing in Johnston, 2005: Ch 3) summarizes the four groups discussed here.

Table 1: Four syndromes of corruption

| Syndrome | Participation | | Institutions | | Examples |
|--|---|--|------------------------|-----------------------|--|
| | Political Opportunities | Economic Opportunities | State/Society Capacity | Economic Institutions | |
| Influence Markets | Mature democracies Liberalized, steady competition and participation | Mature markets Liberalized, open; steady competition; affluent | Extensive | Strong | *USA, Japan, Germany; Costa Rica, New Zealand, Uruguay |
| Elite Cartels | Consolidating/reforming democracies Liberalized; growing competition and participation | Reforming markets Largely liberalized and open; growing competition; moderately affluent | Moderate | Medium | *Italy, Korea, Botswana; Argentina, Czech Rep., Israel, Namibia, S. Africa |
| Oligarchs and Clans | Transitional regimes Recent major liberalization; significant but poorly-structured competition | New markets Recent major liberalization; extensive inequality and poverty | Weak | Weak | *Russia, Philippines, Mexico; Bangladesh, Benin, Bulgaria, Colombia, Senegal, Thailand, Turkey |
| Official Moguls | Undemocratic Little liberalization or openness | New markets Recent major liberalization; extensive inequality and poverty | Weak | Weak | *China, Kenya, Indonesia; Georgia, Armenia, Azerbaijan; Algeria, Chad, Haiti, Jordan, Syria, Uganda |
| *Countries in bold are subjects of case studies in Johnston, <i>Syndromes of Corruption</i> (Cambridge, 2005), Ch. 4-7. Other countries were classified statistically in a given group, and are included here for reference. | | | | | |

46. Where **Official Mogul** corruption is dominant, corrupt rulers and their personal favorites wield state power with impunity, intrude into the economy and tap into flows of aid and investment. *State capabilities* are low to minimal, but *stresses* are mitigated somewhat by the political hegemony that marks this syndrome. Such capabilities, commitments and allegiances, and predictability that exist rest primarily upon personal power and interests, rather than upon state institutions, political accountability, or public values as such. The key *expectations* are that corruption will occur, that it can be practiced more or less with impunity, and that its practitioners will normally operate in ways calculated to preserve their advantages—and their official protection—over time rather than engaging in rapacious corruption. Thus, in such situations corruption may well capitalize upon coordinated monopolies (Shleifer and Vishny, 1993) that produce lucrative takings without destroying underlying economic processes and capital flows.

47. Many details of Official Mogul corruption depend upon the personalities and agendas of top leaders: some are completely venal while others pursue somewhat growth-oriented policies. Moguls may ally with favored business figures, or colonize those businesses on behalf of themselves and their friends. In smaller societies Official Mogul networks may be relatively simple and centered around a few top figures, family members, and personal favorites. In more complex countries, however, and particularly in conflicted and post-conflict societies, it may be fragmented, perhaps along ethnic, sectoral, or geographic lines. Even there, however, countervailing political forces are very weak, as Moguls will vigorously protect their economic and governmental bailiwicks. Some political liberalization may be occurring but, to the extent that top figures feel challenged by it, may make matters worse.

48. The **Oligarchs and Clans** syndrome is also dominated by a few very powerful figures and their personal followings, operating in a climate of and low state capabilities. But these figures contend and compete with each other (at times, resorting to violence) to take as much as possible as quickly as they can. That is so because extremely weak institutions, and proliferating political as well as economic opportunities, produce a climate of *pervasive insecurity* for citizens and oligarchs alike. Stresses thus overwhelm capabilities, often decisively; corrupt individuals and factions feast upon dispersed, uncoordinated monopolies (Shleifer and Vishny, 1993) to maximize short-term takings but disrupting the economy and increasing insecurity in the process. Expectations are that corruption will be the norm, but that corrupt practices will often be difficult to predict and react to, and that opposing oligarchs' abuses may be a risky and violent process.

49. In such settings corruption can assume spectacular, and spectacularly disruptive, proportions. Wealth and power are both up for grabs, on a systemic scale, with few effective rules as to how they are sought, won, and used. Worse yet, from the standpoint of orderly development as well as from the viewpoint of the Oligarchs, weak legal and financial institutions make it very difficult to protect the gains they take. Violence, protection markets, and capital flight often result. Organized crime or private armies may be linked to contending clans; control of law enforcement and the courts will

also be valuable in grabbing, and keeping, power and assets. Clans may well be unstable, however, as loyalty to an Oligarch is only as valuable as the rewards he can provide; the Oligarch may have to pay again and again for support (that too making violence attractive as a method of control). Trust, particularly in the state and among followings, but at more general social levels too, will be extremely low.

50. **Elite Cartel** corruption builds and makes use of extended high-level networks, sustained by the spoils of corruption and linking diverse elites who share a stake in the *status quo*. Certain governance capabilities important for economic development and service delivery are likely to be greater than in the previous two syndromes, although they rest as much upon elite collusion and the *de facto* stability it creates as on state, economic, and social institutions. Those institutions are generally stronger than in Official Moguls and Oligarch-and-Clans cases, but still no more than moderately strong. Stresses are more ably managed in Elite Cartel cases as a result. Here too, the expectation is that corruption will be extensive, but it will be more predictable, and more likely to emphasize high-level collusion than aggressive extraction from ordinary citizens. The overall setting is more favorable for development, and for the gradual emergence of trust, than in the two previous syndromes discussed.

51. Unlike Official Moguls, Elite Cartels face significant political and economic competition; unlike Oligarch-and-Clan corruption a single collusive high-level network dominates the system, and is secure enough to resist pressure from emerging political and economic competitors. Elites in the cartel may include politicians, party leaders, bureaucrats, media owners, military officers and business people in both private and state sectors. Corruption often features large and complex corrupt high-level deals marked more by collusion than outright theft or violence; the spoils are shared among, and bind together, members of the elite network. Those unifying incentives and connections may extend outward and downward: nominally competing political parties, for example, may share corrupt benefits among themselves. Elite cartel corruption is hardly beneficial in any absolute sense: it is often linked to ineffective legislatures, courts, and political party systems, as well as to a “weak but heavy” state with an extensive presence in the economy. Mutual colonization among business, political parties, and the bureaucracy is often extensive. Powerful elite networks with a major stake in the *status quo* may also make for inflexible policy and reduced system adaptation; under stress, there is a risk that elite cartel networks may not bend, but rather will break. Still, over the medium term Elite Cartel corruption does foster a third-best sort of *de facto* political and policy stability, and the sorts of expectations that would accompany a more predictable, less insecure overall social situation.

52. **Influence Market corruption** tends to be the variety most characteristic of settled, affluent market democracies. Here, economic interests seeking relatively specific decisions or outcomes buy or rent influence within generally strong institutions, sometimes directly via bribery and at other times using politicians and parties as intermediaries. The very strength of those institutions makes influence within them worth paying for: decisions made are likely to have actual consequences. Stresses within these systems are generally more than compensated for by capabilities; the normal

expectation (rightly or wrongly) is that corruption is the exception, rather than the rule. As a variety of deviance it is thus most frequently addressed (again, rightly or wrongly) via crime-prevention strategies, and/or by attempts to rebalance incentives within relatively strong institutions and the official roles they create. Influence Market corruption is not likely to be found in fragile situations, in part because orderly political and economic competition are not well established, and in part because influence within weak and ineffective institutions is rarely worth paying for. (Usually it will be more effective to directly to top-level operators). Still, Influence Markets remain relevant to this discussion because—as noted above—most elements and assumptions in the mainstream anti-corruption playbook are based on the experiences of influence-market societies.

From systemic corruption problems to individuals' responses

53. The four syndromes of corruption are in effect ideal types intended to help us differentiate among, and understand, how contrasting sets of stresses and capabilities shape the qualitatively different corruption problems found in various types of governance situations. But both corrupt activities and their day-to-day significance are at some remove from systemic constructs. Successful reform will require a more detailed understanding of how people experience and respond to each syndrome.

54. An understanding of *expectations*, and in particular, of the ways they relate to levels of social and political trust, can help us make those connections. Like the syndromes themselves, the following discussions are ideal types of sorts, but they point out important differences in expectations and the factors shaping them.

55. *Influence Market* societies tend to be well-institutionalized market democracies in which liberalization and the rule of law are *faits accomplis*. Trust is strong if far from universal or unconditional; indeed, as noted earlier a degree of skepticism and selective trust are also essential. The strength of trust derives not from unconditional faith in the rightness of the system, but rather from myriad free and *repeated* interactions among people and groups in civil society, and in the political and economic arenas (Axelrod, 1984). Citizens in Influence Market societies know that corruption exists; indeed, they will likely complain loudly about it and blame it for negative outcomes having little or nothing to do with actual misconduct. But those complaints reflect a more fundamental expectation that citizens are entitled to, and should insist upon, fair treatment and accountability in politics, the economy, and civil society. The point is not that they expect to be treated fairly in every case, but rather that fairness and accountability, within the rule of law, are seen as actual systemic values, with corruption eroding those principles. While they may have little optimism about doing away with corruption citizens will often see new laws and their enforcement as the best ways forward. Reformers are likely to meet relatively little popular opposition in these societies; apathy may be their biggest problem in terms of changing expectations of corruption. Citizens are likely to conceive of corruption in terms of unfair advantages accorded to others—one reason why it is so tempting to see it lurking behind many of life's inequalities—and

to see little risk in demanding process-oriented reforms that promise to restore basic fairness.

56. *Elite Cartel* situations are likely to be characterized by weak to moderate, but growing, levels of trust, as political and economic systems gradually open up and the de facto stability created by collusive networks of elites eases citizens' sense of insecurity. Limited political and economic opportunities are available to those who use them judiciously; civil society can likewise gather strength so long as it stays within increasingly broad limits on its political activities. Much of the most important corruption will be among elites at high levels, and while it is far from irrelevant to citizens—who are likely to benefit economically from the *de facto* stability of the system but at the same time will have real limits on their political efficacy—those corrupt dealings are not likely to create or feed upon the sorts of pervasive insecurities that mark life in an Oligarchs-and-Clans situation. In many such societies life for most citizens is better than it has been in times past, and many will expect continued, if slow and partial, improvement. Memories of deeper poverty and more direct political repression may be relatively fresh, however, and ambitious reforms may well encounter considerable resistance, be it passive or active. Similarly, to the extent that trust among citizens is only moderately strong at best, reform will suffer both sorts of collective-action problems discussed above. Step-by-step reforms aimed at strengthening civil society, civil liberties, free press, and rule of law—that is, aiding the sorts positive but gradual developments that corrupt elites are resisting via collusion, and expanding the scope of free and trust-building interactions—may draw more support, particularly if they are seen as aiding continued improvement in economic prospects.

57. *Oligarchs and Clans* create and feed upon a pervasive climate of insecurity, as noted above. Trust, and the sorts of underpinnings for it that citizens of established democracies might take for granted, are in scarce supply: personal safety, civil liberties, property rights, law enforcement, and financial institutions, to cite a few elements of the situation, cannot be depended upon. Neither, beyond an immediate personal circle, can other citizens. “Civil society” in such settings might feature well-meaning, and occasionally effective, NGOs and citizen action, but in the face of insecurity (and often, violence), such groups will find it difficult to engage in the “intangibles” of a strong civil society: relatively extensive mutual trust, and free and broad-based self-organization and action built around a wide range of appeals and motivations. Independent action is expected to be risky and futile, and society as such may be anything but civil in many of its interactions. The rapid expansion of political and economic opportunities that help define this syndrome are seized by powerful figures and their followers, often in violent ways and with the aid of officials who are supposed to help protect citizens rather than intimidate and exploit them. Corruption is a fact of everyday life, and many citizens have good reason to expect that in the course of a day or week they will experience demands for payments, and mistreatment at the hands of crooked functionaries and businesses. Expectations of government are negligible or negative; much the same is true of anti-corruption reforms, in part because corruption is so extensive and in part because, in many such societies, various “wars on corruption” are proclaimed regularly and with little effect. For most individuals and families social, political, and economic change has

meant poverty, powerlessness, and even danger; for those reasons reformers may get little public support from a citizenry that is poor, intimidated, divided, disorganized, and has been given little reason to expect positive change. The most positive reforms will be those that ease insecurity and foster some expectations of security and order.

58. Finally, in *Official Mogul* regimes everyday life may be considerably more stable and less insecure, but that is stability at the price of domination from above. Economic opportunities may well be growing slowly, or even more rapidly (Johnston, 2005: Ch 7), but citizens are expected to leave power and government to the few. Indeed, in some situations a *de facto* societal bargain has emerged in which citizens experience a modest improvement in material conditions, and expect such slow improvements to continue, but politically are told to “leave the driving to us”. Political trust is largely irrelevant in the face of such domination; personal trust may well follow family networks, both at the top and in society at large. Those networks can be durable, elaborate, and extensive, and are likely to minimize collective action problems and transaction costs among their members. But they are private by definition, often provide a working substitute for institutions and opportunities that are lacking in society, and thus are not promising vehicles for public changes and reform. Economic opportunities are dispensed via favoritism, not fair competition, and political opportunities are tightly held within a ruling circle. Most citizens do not expect to influence the regime. Reform efforts will have little traction in society on grounds of economic risk, threats to the efficacy of family connections, or the very real expectation that challenging the regime will only produce repression. Ultimately, reform is out of citizens’ hands until the system develops some political “space”, power is redefined as official rather than personal or familial, and a degree of pluralism emerges that allows some interests to compete with, and to gradually begin to check, those of the regime. The key expectations in these situations are likely those of ruling elites, not of citizens: if reform is seen as a direct challenge the results are likely to be repression or hyper-corruption—taking as much as possible, as quickly as possible, because of new uncertainties. If on the other hand it is seen as aiding economic growth, and offers engagement with the wider world and the economy on non-disruptive terms, Moguls may tolerate the slow growth of pluralism. That sort of change will fall well short of outright democracy, but can still encourage the growth of groups and interests for which the regime will eventually have to make room.

59. Exceptions to the generalizations offered here will be numerous, and the closer we get to the level of individuals the harder it becomes to predict expectations, and responses to corruption, in detail. Nonetheless it should be clear that reform in differing circumstances involves appealing to the contrasting expectations of diverse constituencies, and that those expectations will revolve around much more than the effects of corruption or the promises of reformers. Indeed, in the Oligarch-and-Clans, and Official Moguls, syndromes most typical of corruption in fragile situations, both expectations and the systemic dynamics that shape them are most complex, and the risks of misunderstanding them are the greatest. For that reason, in the section to come I dwell on some of the risks of reform in fragile situations.

The laws of unintended consequences

60. *Fragile situations*—be they formerly sound governments in the Influence Markets or Elite Cartels categories that are coming unstuck, or those in the Official Moguls group that are experiencing internal conflict and/or the fall of a regime—*have a particular risk of falling into the Oligarchs-and-Clans syndrome*. Equally important for our purposes is that *the wrong sorts of reforms may push them in that direction*. Oligarch-and-Clan corruption is extremely disruptive in economic and democratic terms, creating and feeding upon a climate in which institutions are very weak, insecurity and distrust are pervasive, and basic state functions are pre-empted by corrupt interests conducting protection schemes and looting the economy. State administrative and law-enforcement procedures are too weak to control corruption; indeed, they are likely to be used by corrupt figures and factions to protect themselves. Not only are would-be opponents of corruption incurring great risks, officials and faction leaders who are not confident their power will last are likely to steal as much as they can, as fast as they can steal it (Scott, 1972).

61. Thus patterns of participation and institutions unlike those of advanced market democracies produce corruption that differs, not just in amount (an elusive notion to begin with), *but also in kind*, from the Influence Markets syndrome central to most discussions of reform. Official Moguls, Oligarchs and Clans, and Elite Cartel corruption are of particular relevance to fragile situations. The Official Moguls syndrome is often the “starting point” from which fragile situations emerge: the fall of old dictatorial regimes, as in many formerly-Communist societies, leaves a weak institutional structure without a sustaining social, political, or economic core. The Oligarchs and Clans syndrome embodies a major set of risks, as we have seen. A third variety—Elite Cartels—while not an inherently benign or beneficial sort of corruption may still be a useful halfway state for societies *en route* to something better. At the very least it is a post-reform situation vastly preferable to Oligarchs and Clans.

62. The risk is that the usual prescriptions of transparency, oversight by civil society, and liberalization of political and economic processes may make matters worse in fragile situations, pushing them in the direction of Oligarch-and-Clan corruption. Transparency and recommendations of rapid political reform can increase the Oligarchs’ sense of insecurity. Civil-society strategies may expose opponents to corruption to prohibitive risks, and to the extent that they involve direct or indirect aid to specific groups, may exacerbate problems of mutual distrust. Liberalization strategies can further weaken such institutions as still matter, and/or make it easier for Oligarchs to take over various sectors of the state and economy. Unsuccessful reform efforts may drive fragile societies deeper into the sort of “expectations trap” noted above.

63. The strategic challenge to reformers, then, is twofold: first, to avoid making matters worse through reform initiatives that may have exemplary records elsewhere, but are inappropriate to fragile situations; and second, to think in terms of the possible and the workable rather than the ideal. In that latter sense, perhaps fragile situations should not try to become Denmark or New Zealand, and least not yet; perhaps a decade or so of

emulating South Korea, Italy, or Botswana might be a more attainable and desirable interim goal. Even if we accept that path to reform, an Elite Cartels way-station cannot be built with a toolkit or located with any single roadmap. We can, however, identify ways in which we can avoid doing harm, and other ways in which the measures we take, and the outcomes we tolerate, may lead to positive if far less than perfect interim outcomes.

V. What To Do—And What *Not* To Do—About Corruption

64. Controlling corruption in any society is a matter of enhancing capabilities, via now-familiar institutional and administrative enhancements, and dealing with stresses in the form of the illegitimate intrusion of private interests upon public institutions or the abuse of public power by officials and political figures who deal with, and all too often steal from, society.

65. But reform is also a matter of changing expectations. Even if actual abuses are much less common than widely believed, the *expectation* that corruption will be the norm and that “playing by the rules” is futile is a serious, corruption-enhancing problem (on the ways “middlemen” and bureaucratic touts encourage and capitalize upon such expectations, see Khanna and Johnston, 2007; Oldenburg, 1985).

66. Most reformers are aware of the expectations problem, but some of their most common approaches to dealing with it can be less than helpful. In many corrupt societies, and among numerous reformers, “frying a big fish”—prosecuting and imprisoning one or more corruption kingpins or prominent ex-politicians—is a popular option. Such high-profile prosecutions are understandably popular, but they should not be confused with lasting, sustained reform that builds capabilities, brings them into balance with corrupting stresses, and changes expectations for the long term. *At best* the fry-a-big-fish strategy may open the door for such measures, by demonstrating determination, but the reforms themselves have to be there—implemented effectively and given sustained support.

67. Another tempting approach is to set up an anti-corruption agency, perhaps patterned on the famous Hong Kong ICAC or some similar body. Again, such initiatives can make a big splash, but the key issue here too is follow-through. Particularly where capabilities are weak, ICAC-style strategies are unlikely to receive the backing or resources they need; where they have been tried repeatedly, expectations will be weak or negative. In deeply divided or low-trust societies lacking an effective record of delivering basic services, ICAC-style strategies are likely to be seen as one elite faction’s effort to weaken its competitors. Where an ICAC can be used to pursue corruption in service delivery, and where it can be headed and directed by a figure or leadership group enjoying significant social trust, such Commissions can be effective. It is instructive, in that regard, that the most successful cases of ICAC-style interventions have occurred in undemocratic societies where a regime’s hold on power is secure, and have been closely linked to major improvements in the quality of life (Hong Kong, Singapore), or have

been launched in jurisdictions where the basic linkages of accountability democracy are not in question, and where administrative capacity is plentiful (New South Wales). The broad visibility they can attract, and the appearances of authoritative action they are intended to signal, can make ICAC initiatives an attractive strategy of first resort, but in fragile situations they may well be counterproductive.

68. Much the same is true of yet another approach—the national morality campaigns undertaken by some regimes. Such campaigns are very difficult to sustain, even where capabilities are extensive, and usually the campaign strategy is undertaken as a kind of default option in situations where capabilities are low and stresses are great. Particularly in fragile situations, morality campaigns may be viewed as attempts to solidify the political positions of leaders, and to stigmatize opposition figures with allegations of corruption. Such situations are obviously unpromising in terms of expectations—all the more so because such expectations may well be right on the mark. They are, moreover, an example of the sort of “expectations trap” outlined above—a very unfavorable, and tenacious, political and social equilibrium.

69. How can reformers stay out of that trap? Ironically, it may be by avoiding immediate and direct attacks on corruption, and concentrating instead on building the trust needed not only to make anti-corruption efforts credible but also to win any sort of sustained participation and support.

70. Fragile situations must deal with significant problems of trust, and with collective action problems on two levels. The latter refers both to the usual difficulties of building active support for public goods, and to the sort of mutual distrust that makes people reluctant to let go of corrupt gains if they believe their neighbors will continue to cash in. Any anti-corruption efforts will lack the institutional and social foundations enjoyed by reformers in more settled democratic societies. Worse yet, many attempts to improve matters may actually backfire if pursued prematurely or too aggressively. In many respects the most important advice we can give to would-be reformers may be what *not* to do, or at least what good ideas should be deferred for a time.

71. Following are tables (the three tables analyzing various corruption syndromes are based on, and revised, from similar tables in Spector, Johnston, and Winbourne, 2009) illustrating those points for the two syndromes most relevant to fragile situations—Oligarchs and Clans, and Official Moguls. For each the table offers a general description; a “problem statement” (specific aspects of the corruption situation); *strategic* objectives and reforms (those that attack underlying causes of a corruption syndrome); *tactical* reform options (those attacking symptoms of the deeper problems, often in the form of specific corrupt practices); risks to avoid; and indicators of progress. Elite Cartels, a situation that I will suggest may be a useful halfway state for reform, will come in for discussion in a separate section below.

Table 2: The Oligarchs-and-Clans Syndrome of Corruption

| | |
|---|---|
| <p>Oligarch-and-Clan Corruption is complex, chaotic, and highly disruptive; its most notable characteristic is an atmosphere of pervasive insecurity. Political and economic opportunities proliferate in a setting where institutions are very weak. Winners often find it difficult to protect their gains, creating incentives to violence, protection markets, and capital flight on a large scale. A few very dominant figures and their personal followings exploit multiple sectors of government and the economy; public-private boundaries are weak, and influence within law enforcement and the courts will be of particular value in grabbing power and assets. Organized crime may be powerful too. Oligarchs often must pay again and again for support, encouraging further corruption and making violence attractive as a means of control. Insecurity makes investment risky, property rights shaky, and democratic guarantees meaningless.</p> | |
| <p>The Situation: Stresses and Capabilities</p> | <ul style="list-style-type: none"> •Pervasive insecurity, frequent violence in economy, politics, daily life •Weak institutions, rule of law, property rights, public-private boundaries •Disorderly political, economic processes •Capital flight, weak banking sector, FDI for short-term gains only •Economic, political opportunities are plundered, gains are insecure •Little state autonomy, credibility; bureaucracy, courts, police hijacked •Chronic revenue shortages, poor tax collection |
| <p>Strategic Objectives:</p> | <ul style="list-style-type: none"> •Reduce insecurity, violence; strengthen property rights •Credible elections, policy and implementation, law enforcement •Stronger boundaries, easier <i>legitimate</i> access between state, society •Reduce “informal” economy; credible, institutionalized markets •Sufficient, predictable revenues for state; simple, effective, fair taxation •Stronger civil liberties and a free, independent press •Reducing risks, unpredictability within markets |
| <p>Strategic Reform Options:</p> | <ul style="list-style-type: none"> •Slower, more balanced political, economic liberalization •Strengthen, professionalize courts, police, customs •Improved, more autonomous banking sector, bureaucracy •Sound “secondary” market institutions (e.g. bond, equities markets) •Enhance transparency in markets, government and business •Sound currency; controls on capital flight •Simplified, credible, predictable taxation, regulatory, customs procedures •Regular payment of meaningful public-sector salaries •Improved flow of information within, and between, state and economy |
| <p>Tactical Reform Options:</p> | <ul style="list-style-type: none"> •Amnesties for illicit gains in exchange for information; protect whistleblowers •Easier, more credible titling of property, business registration •Build business and trade associations, codes of practice •Mutual assistance schemes, Ombudsmen, for small business, citizens •Parties with social roots, political funding encouraging coalitions |
| <p>Avoid:</p> | <ul style="list-style-type: none"> •Anti-corruption initiatives, agencies become weapons for rival oligarchs •“Strong hand” options that only create more insecurity •Reforms suffering from weak “ownership” •Overly-rapid, poorly institutionalized “privatizations” •Elections without socially rooted parties, procedural safeguards •Massive public anti-corruption campaigns lacking credibility •Exposing civil society to excessive risks •Competition heightening elite insecurity |
| <p>Changing Expectations: Evidence</p> | <ul style="list-style-type: none"> •Reduced violence, capital flight; more stable currency, tax collections •Sustained, broad-based economic growth, civil society activity •FDI focus shifts toward longer-term gains •Public/private boundaries, property rights become clearer •Courts, police, bureaucracy acquire meaningful autonomy, effectiveness •Less informal political, economic activity outside official system |

72. *Stresses*, in Oligarch-and-Clan cases, are extensive, or even out of control: opportunities and participation in both the political and economic arenas are proliferating. *Capabilities*, by contrast, are scant: state institutions, and public-private distinctions, are extremely weak. Political institutions such as parties are likely dominated by the oligarchs themselves, while social institutions such as civil society and NGOs will often be weak, intimidated, or at odds with each other in a desperate situation. And a distinctive set of *expectations* we might broadly term *insecurity*—economic, political, personal—is both a primary cause and effect of Oligarch-and-Clan corruption. Direct challenges to corruption will fail for lack of political and institutional support; it may simply be too risky for reform advocates to put their heads above the trenches.

73. The most important reform challenge is to reduce insecurity over the long term, particularly for civil-society and small-business opponents to corruption who will need reassurance that they and their property will be safe if they publicly advocate reform. Many measures that might be good idea in more secure and better-institutionalized settings—a push for more competitive politics and elections, privatizations, a proliferation of anti-corruption projects—may only serve to make elites and their backers feel more threatened, encouraging them to engage in more rapacious corruption. Alternatively, such premature measures may become useful to Oligarchs who might use sham elections and privatizations to solidify their political and economic positions while turning anti-corruption efforts into weapons with which to harass their opponents.

74. Over the long term the hope is to create a safe, well-institutionalized public domain, guaranteed by a credible and even-handed state, in which those who suffer from corrupt exploitation can defend their own interests. Such mundane and basic state functions as taxation, law enforcement, maintenance of property rights, and judicial processes must be in place, or at least must be gathering some credibility, if aggressive anti-corruption action is to develop broad-based support not make the atmosphere of insecurity worse. While that may seem a minimalist agenda, the scale of such challenges should not be underestimated, nor should their value as ways to change expectations for the better.

75. Building a secure “public space” where the state is fragile and distrust is extensive might entail, not an anti-corruption crusade which is unlikely to be very credible to begin with, but smaller steps demonstrating that a state can ease the climate of insecurity in even-handed ways. Building an independent judiciary that can maintain property rights, enforce contracts and settle disputes—admittedly, no small task—would do far more to build trust than a series of high-level corruption arrests. Demonstrable and widely-publicized improvements in basic public functions—notably, law enforcement and taxation, but also public utilities and education—can link a new or rebuilding regime to citizens’ self interests. Measuring and publicizing levels of performance in those areas can not only be a way to demonstrate effectiveness and fairness; it can also, as I will suggest below, be a useful indirect measure of progress against corruption, and a way to gradually reduce the scope for corruption in a society.

76. Replacing “bad guys” with “good guys” may be futile in the short term. In some places there may be no credible leadership beyond the ranks of the bad guys—who may even add to their popularity in the confusion that will follow an ouster by do-gooders—and virtually everyone in the political stratum may be compromised in one way or another.

77. Instead, reformers might seek to reduce insecurity for elites and their followers, perhaps by judicious use of amnesties for past corruption. Then *gradually* and patiently increasing political and economic alternatives for leaders and followers becomes a priority. That can involve familiar measures—slow growth of political competition, building accountability on a public rather than a personal basis, strengthening the press and NGOs, and creating a degree of “civic space” by implementing basic civil liberties. There is nothing novel in that list, but the key is a gradual pace and avoiding making such changes a frontal challenge to elites. Reformers should also be relatively tolerant, in early stages at least, of elite efforts to rebuild or expand their personal economic networks.

78. Leaders who feel more secure, and who stand to gain from a more peaceful *status quo*, will not necessarily welcome such changes with open arms. Indeed, they may respond to emergent democratizing forces and demands for accountability by seeking to buy them off, or by building alliances with other leaders to stave off such challenges. But in so doing they will be moving toward Elite Cartels, not Oligarchs and Clans, and they will be resisting change via politics rather than violence.

79. A further way to improve expectations and demonstrate the credibility of official institutions is, as mentioned above, to emphasize the delivery of basic services in which all share an interest—public utilities, health, education, basic public facilities—and to demonstrate that such is happening through the publication of government performance indicators. This strategy, which again is not to be underestimated as a reform challenge, is a way to build trust and, over time, a sense of common interest. More will be said about this approach in a section to come.

Table 3: The Official Moguls Syndrome of Corruption

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| <p>Official Mogul Corruption involves corrupt figures—often, the top figures in a regime or their personal favorites—who practice corruption with impunity using state power almost as personal property. The development implications of this corruption syndrome often depend upon the agendas of top leaders; some may be completely venal, and others more enlightened. Top political figures may form alliances with favored business interests or colonize those sectors on behalf of themselves and their clients. In smaller societies corruption may be tightly-controlled by a few top figures; in more complex settings, however, such networks may be decentralized along sectoral or geographic lines, particularly where economic opportunities are emerging rapidly. Modest political liberalization may be in progress, but countervailing forces remain weak, both facilitating this syndrome of corruption and making opposition risky.</p> | |
| <p>The Situation: Stresses and Capabilities</p> | <ul style="list-style-type: none"> • Domination by ruler, family, and/or inner circle, or by less centralized groups using fragments of state power for enrichment • <i>Personal</i> power, loyalties dominate state, politics, economy • <i>Official</i> roles, structures weak; power flows from top downwards • Elite impunity, little or no accountability • Little or no political competition; civil society weak or nonexistent • Weak boundaries protecting economy from top Moguls' exploitation |
| <p>Strategic Objectives:</p> | <ul style="list-style-type: none"> • <i>Gradual</i> growth of political competition, independent power centers • Credible <i>official</i> roles, institutions; eventual growth of "civic space" • Accountability on public, not personal grounds • Strengthen press, civil society <i>gradually</i> • Shield private sector from official raids; more secure property rights • Basic civil liberties, rather than rapid shift to full democracy • Officials to work for the public, not political patrons |
| <p>Strategic Reform Options:</p> | <ul style="list-style-type: none"> • End repression; encourage political "decompression" • Improved civil liberties, autonomy of the press and organizations • Constitutional reforms, rule of law to create "public space" • Judicious conditionality of aid, loans and trade; reward strategic reforms • Meaningful and equitable taxation • Enhance security of international business • Enhance bureaucratic autonomy, professionalism |
| <p>Tactical Reform Options:</p> | <ul style="list-style-type: none"> • Transparency in dealings with international organizations, business • Incentives, technical assistance for public management improvement • International businesses as advocates of economic, administrative reform • Greater transparency in banking, customs, border controls • Make it difficult to conceal assets: real names on bank accounts • Discourage capital flight |
| <p>Avoid:</p> | <ul style="list-style-type: none"> • <u>Rapid/sudden changes</u> that place reform advocates, emerging civil society at risk and encourage rapacious corruption • "Reforms", morality campaigns hiding political reprisals • Reforms (e.g. public management improvements) with short timelines • Civil society groups aimed solely at anti-corruption, good-government agendas; their activities will be risky • ICAC-style initiatives, <u>unless they have genuine independence</u> |
| <p>Changing Expectations: Evidence</p> | <ul style="list-style-type: none"> • <i>Gradual</i> growth in political competition, economic openness, civil society • Power, accountability become <i>more public, less personal</i> • Elite stratum becomes larger, less monolithic, linked to real social groups • Less political intrusion into economy; property rights, genuine private sector more secure • FDI does not depend on personal sponsorship, protection from the top • Reliance upon law rather than force, patronage; independent courts • An independent, genuinely critical press |

80. *Capabilities*, or institutions, here derive from political hegemony. *Stresses* in the form of domestic participation are held in check, relatively speaking, by that hegemony, although external forces can be sources of significant stress. *Expectations* are not those of insecurity, but rather of protection—even impunity on the part of corrupt elites—and of political repression on the part of those contemplating resistance to corruption. A related expectation, in that latter connection, will in some cases be that one can make one's own way economically by picking up the crumbs that fall from the High Table, so long as one does not confront the regime directly.

81. The fragility of Oligarch-and-Clan situations is fairly obvious because of the pervasive insecurity so often associated with such corruption. But fragility is a problem in Official Mogul cases too, despite the political hegemony that helps define them, *because power, loyalties, and agendas are personal* rather than genuinely official—much less, civic. Changes threatening powerful figures—demands for rapid privatization, elections, or other diffusion of political and economic assets—can lead to repression and/or hand-over-fist corruption; **changes that significantly erode the personal power and networks of those figures may push a society toward an Oligarchs-and-Clans situation.** That sort of situation is, if anything, even less desirable in itself than Official Mogul-style regimes, and confronts reformers and nation-builders with even greater challenges. Indeed, Russia and numerous other post-communist societies, which in the 1980s and before would have qualified as Official Mogul cases, descended into Oligarch-and-Clan corruption in large part because institutions failed at about the same time that massive political and economic gains were put out on the table for the taking.

Russia: Stress Overwhelms Capabilities

As recently as the mid-1980s the former USSR would have qualified as a case of Official Moguls corruption. Top Party figures and clients in the *nomenklatura* engaged in corruption with virtual impunity. Indeed, the main check on their corrupt dealings was not the law but rather politically-motivated scandals and prosecutions instigated by rival elite factions. The fall of the Communist regime took down the strongest national institution, however, and the push for rapid privatization and other changes that put immense gains out on the table for the taking did much to tip Russia into the Oligarchs and Clans syndrome of corruption. In effect, stresses mounted at precisely the time capabilities were in rapid decline. Expectations on the part of citizens and investors, never high to begin with, were overwhelmed by pervasive insecurity. Poverty, violence, and the expectation that courts and law enforcement were manipulated by powerful oligarchs weakened the demand for reform; insecurity of property rights and poor law enforcement strengthened the role of the *mafiyas* as enforcers and conflict resolvers. The oligarchs and their personal followings seized wealth and power, operating in both the state and the economic sectors with little or no restraint. Still, they needed a continuing flow of spoils to keep their followers—who after all had several options at any given time—reasonably satisfied. Corruption led to more corruption. While the advent of the Putin presidency may have checked a few of the most spectacular abuses—often, at the expense of democracy and the rule of law—corruption continues at other levels, often in more deeply-embedded forms than before. Serious reform in Russia today still lacks institutional and social foundations, and while new anti-corruption initiatives are announced frequently they enjoy little credibility. To the extent that corruption may be moving away from Oligarch-and-Clan patterns, which is not easy to say at the moment, it is more likely toward something like the older Official Mogul situation than the more tolerable Elite Cartels syndrome (see Johnston, 2005: Ch. 6).

82. An overall goal in Oligarch-and-Clan cases is to build a public space safe and secure enough to allow the many groups and interests with a stake in checking corruption to defend their own interests actively and by political means. By contrast, in Official Mogul situations the emphasis is more upon bringing those potential countervailing groups into being in the first place, and doing so in ways that do not produce undesirable reactions—repression, or corruption in overdrive—on the part of hegemonic elites. Hence the repeated use of the term “gradual” in the table above: change must be significant yet gradual and long-term in scope. As with Oligarch-and-Clan cases, early headlong assaults on corruption are to be avoided: at best they will wither for lack of support, and at worst they will push the society toward the abyss.

83. Provision of basic services, here too, may be a valuable initiative. Such services offer ways to build a measure of trust in government, to develop substantive competence as an alternative to personal loyalty and favor, and to create legitimate interests in society defined by their concern with such services rather than by opposition to the regime itself. Indeed, in some of the more enlightened Official Mogul regimes, such services may already be available to at least a portion of society.

84. Undesirable as the prospect may be, allowing current elites to retain their personal financial interests as change proceeds may be a way to cushion perceived threats flowing from political decompression. If alternative power centers and political forces gradually gather strength, and if institutions become both stronger and more public, rather than personal, elites may find it expedient to act as a political cartel – using corrupt takings as the glue holding their dominance in place in the face of rising competition. That is the essential dynamic of Elite Cartel corruption, the somewhat advantageous “halfway” situation to be discussed in the following section.

85. Over the longer term a variety of other strategic changes may become possible, including more security for international business and investment, enhanced bureaucratic autonomy and professionalism, and party- and parliament-building efforts. Even if the latter is a one-party or modified one-party affair, such efforts may encourage rule *by* law (Feinerman, 2000)—government by rules that are at least written and known, if not always fair or popular—an improvement over government by elite whim even if it falls well short of the rule *of* law.

86. The key idea is a gradualist strategy of reduced insecurity that reduces elite resistance to such changes. That approach offers those leaders the means and opportunity to respond to change and challenges in ways that may be collusive, even corrupt, but are much less likely to be violent or to undermine basic state institutions. Outside parties should look to these sorts of gradual changes as key signs of progress, and to the extent that they practice policies of conditionality should reward movements toward these sorts of goals rather than demand rapid attainment of a low-corruption market/democratic ideal.

VI. Halfway States of Reform: Elite Cartels?

87. *Elite Cartel corruption* offers distinctive but familiar challenges to states and organizations seeking positive economic and political development. But perhaps surprisingly, this syndrome of corruption offers real opportunities too if we think of it as a useful halfway state of reform.

88. It is clearly not desirable, nor really possible, to steer societies into Elite Cartel corruption. However, as we have noted above, success at building a secure public space that calls forth groups opposing corruption in Oligarch-and-Clan societies, and the emergence of any such groups in themselves in Official Mogul situations, may encourage cartel-type responses on the part of elites, acting out of self-preservation. Looked at that way, Elite Cartel corruption may be a byproduct of the gradual success of the strategies and tactics suggested above. It is not a desirable outcome over the long run, but we should be aware of its possible advantages as a transitional phase.

Table 4: The Elite Cartel Syndrome of Corruption

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| <p>Elite Cartel Corruption builds extended networks of elites who share major benefits among themselves while staving off political and economic competitors. That competition, in most cases, is intensifying at least gradually. Cartels may connect politicians, party leaders, bureaucrats, media owners, military officers and business people in both private and parastatal sectors. Corruption will be moderate to extensive, but tightly controlled from above, with the spoils shared among, and uniting, members of the elite network. Party leaders may share money and power behind a façade of competition. Elite Cartels corruption is often marked by ineffective legislatures, extensive state and political presence in the economy, and mutual “colonization” among businesses, parties, and the bureaucracy. The economic clout of interlinked elites may stall needed economic and policy changes. Elite Cartel corruption often features large and complex deals orchestrated from above and closed to outsiders. But it also underwrites <i>de facto</i> political stability and policy predictability, partially compensating for moderately weakness in official institutions; international investors may find the situation comparatively attractive.</p> | |
| <p>The Situation: Stresses and Capabilities</p> | <ul style="list-style-type: none"> •Closed, collusive, politicized economy, politics, parties, elite stratum •Top elites overlap, interlinked •Fraudulent, indecisive, uncompetitive elections; collusion among parties •Large overlap between state and business; poor transparency •Moderately weak institutions; public/private boundaries porous, politicized •Civil society, press orchestrated from above |
| <p>Strategic Objectives:</p> | <ul style="list-style-type: none"> •Increase political, economic competition <u>at an orderly pace</u> •More decisive elections, competitive parties and leaders •Strengthen public/private, government/business boundaries •Smaller state role in economy; greater government/business transparency •Strong, independent judiciary •Greater bureaucratic quality, autonomy •More independent, professional news media, <i>and...</i> •Strong, independent civil society, able to put transparency to use |
| <p>Strategic Reform Options:</p> | <ul style="list-style-type: none"> •Implement voting systems rewarding <i>bona fide</i> competition •Make legitimate campaign funds easier to get; verify use by campaigns •More credible property rights, anti-trust and pro-competition policies •Selective, <i>genuine</i> privatization/deregulation; carefully monitor parastatals •Constitutional reform: checks, balances, stronger judiciary •Encourage stronger civil society -- <i>not just around anti-corruption issues</i> •Build professionalism of judges, bureaucrats, banking, media, military |
| <p>Tactical Reform Options:</p> | <ul style="list-style-type: none"> •Frequent, credible asset disclosure for state/political leaders, parties •Improved auditing in private, parastatal, and public sectors •Private, non-concentrated ownership of news media •Improved Conflict-of-Interest rules, monitoring •Freedom of Information legislation and implementation •Procurement, bidding, contracting reform and oversight •Strengthen social interests independent of elites |
| <p>Avoid:</p> | <ul style="list-style-type: none"> •Political or economic threats to elites may encourage frantic theft •Do not undervalue unity, stability at top levels •Avoid rapid decentralization of bureaucracy, governance •Avoid starving political process of funding, opportunities for expression •Defer information-intensive reforms until competent bureaucracy is in place |
| <p>Changing Expectations: Evidence</p> | <ul style="list-style-type: none"> •Economy, politics, banking become more open, competitive, transparent •Meaningful alternatives compete, power changes hands, at elections •Party, elite infiltration of bureaucracy, courts, business declines •Parties sink roots in civil society, speak for real segments of society •Bureaucracy, media, capital markets become more autonomous •Reform activity <i>independent of ruling elites</i> becomes common •Privatizations are genuine; parastatal sector shrinks |

89. Elite Cartels themselves are not the “good cholesterol” of the corruption world. With respect to *capabilities*, they are likely to produce a state that is relatively intrusive and only moderately effective (though that is likely to be a *de facto* improvement). Collusive elites will accommodate competing democratizing forces—among the more significant *stresses*—only grudgingly, over an extended period of time, though again gradual political change may be preferable to many of the real alternatives.

90. Elite Cartel corruption does, however, foster useful *expectations*, and perhaps a rough-and-ready trust resting not on positive affect but rather simply upon predictability. It enables various elites to coalesce—admittedly, in part around a pool of corrupt resources, at least in early stages—and to impose a working order on the political situation. Elites solidify their situation by building alliances around shared corrupt benefits as a way to see off rising competition in both the political and economic arenas. Opposition groups gradually conclude that they can press their case politically with the result being fairly predictable official resistance rather than outright repression or disorder. Economic interests see that the short- to middle-term situation is likely to be reasonably stable, and that official responses will be reasonably predictable even if they remain predictably corrupt. At times, in fact, corrupt activities tend to shift upward in the system, toward fewer but larger-scale elite dealings (Rose-Ackerman, 1999); many lower- and middle-level businesses and citizen activities might see some reduction in official manipulations and meddling as a result.

91. From the standpoint of democracy advocates, Elite Cartel politics will likely be less dangerous than an Oligarchs-and-Clans system and less repressive than rule by Official Moguls. To the extent that prospects for democratization improve, in the medium to long term, when a solid economic base has been put in place, Elite Cartels as an interim goal may be desirable too: countries like South Korea and Botswana—both of which fall into the Elite Cartel group—illustrate the ways economic growth can aid democratization.

South Korea: Doing Well—for a Time--with Elite Cartels

As recently as the mid-1970s South Korea ranked slightly behind its northern neighbor on some economic measures and was an unlikely candidate for democratization. By the early 1980s, however, Korea was showing signs not only of major economic growth, but also of the Elite Cartel syndrome of corruption—one in which networks of top elites engage in corrupt collusive practices not only to enrich themselves but also to cement alliances in the face of emerging political and economic competition. Large “donations” and other payments by large, family-owned industrial conglomerates—the *chaebol*—flowed through the presidential Blue House and on to a range of political, economic, military, bureaucratic, and other figures. For their money the *chaebol* got access to credit at preferential rates; those who resisted paying up found their supplies of capital drying up. Other corrupt schemes likewise helped unify the national elite of a traditionally contentious society.

Elite Cartel corruption had both benefits and costs. Economically, the government could reward and protect export “winners” among the *chaebol*, while guaranteeing them and foreign investors alike a climate of predictability—one underwritten by elites shared stake in a highly lucrative status quo. That same logic made the elite more tolerant of emerging democratic forces. Citizens benefited from dramatic economic growth, albeit growth that often followed the personal designs of top elites. But an economy built on elite accommodations—one in which the *chaebol* guaranteed each others’ debts, and in which the real balance sheets existed only in the patriarchs’ minds, proved poorly adaptive during the economic meltdown of 1997-98. Indeed, Elite Cartel frameworks generally may be unable to bend, in significant ways, and thus may well break. Still while such corruption is far from an ideal state of affairs, by offering something for nearly everyone, including elites who might otherwise feel directly threatened by change, it may be a useful transitional situation for fragile societies (Johnston, 2005: Ch. 5).

92. Strong *state* institutions may take a long time to build and, particularly in post-conflict societies, even longer to win broad-based legitimacy, Elite Cartel corruption amounts to a relatively durable *political institution* that can provide predictability useful for economic growth, and which can thus gradually win support. Colluding elites share the spoils of power, giving them a stake in an orderly situation; because they can co-opt or resist competitors as need be, and thus are not so insecure that they will resort to hand-over-fist corruption or violence as a matter of course.

The pace of action and change

93. That sort of transition cannot be directly engineered by reformers; the key lies in avoiding mistakes that will encourage or allow change toward Oligarchs and Clans. Fragile situations are seem particularly susceptible to discontinuous change; that might conceivably be a good thing, from the standpoint of reform (Rothstein, 2007) but will more likely be very risky for political institutionalization and economic growth.

94. A key consideration is to avoid rapid changes that make national elites or faction leaders more insecure. A too-rapid push for elections, for example, might encourage top figures who fear losing power to go into corruption overdrive, be it by way of rapacious theft (Scott, 1972) or egregious steps to buy support, as in Daniel arap Moi's Kenya (Klopp, 2000). Similarly, rapid liberalization of the economy in the absence of workable institutions may produce a free-for-all among both elites and social factions, and will do little to build mutual trust. If the situation is made too insecure by major changes an Elite Cartels society might may lapse into an Oligarchs-and-Clans mode, as happened in some respects in Mexico (Johnston, 2005).

95. Hasty anti-corruption reforms of the conventional sort can also produce such undesirable changes. Both because they threaten elite interests (more or less by definition) and because enforcement is likely to be partial and uneven at best, they are less likely to raise the *risk* associated with corruption than to create added *uncertainty*.

96. Reforms that raise the *risk* of corruption in ways that can be anticipated—"if I take kickbacks from contractors I am more likely to go to jail than I would have been, last year"—are useful. But too often the real result is *uncertainty*—"I don't know for sure whether controls have been improved, but if my dishonest bidders think they *might* be they may pay more for my "help". Such situations play into the hands not only of Oligarchs (who thrive on insecurity) and well-placed officials, but also empower influence dealers and a range of "middleman" types who have a stake in maintaining a public sense of helplessness (Khanna and Johnston, 2007). Even well-designed and well-enforced reforms can have such effects if their implementation is perceived to be uneven, half-hearted, or as a smokescreen for further abuses higher up.

97. Before fragile situations need additional anti-corruption laws, they need more security, if the state has Oligarch-and-Clan corruption, or is an Elite Cartels or Influence Markets case with rapidly deteriorating institutions, and/or is vulnerable to forces from

without, or more pluralism where the situation has been one of Official Moguls. In themselves, “more security” and “more pluralism” are contradictory, and the wrong choice between the two may well make matters worse, so it is critical to understand the sorts of corruption and fragility we are facing.

98. Still, meaningful anti-corruption steps can and should be taken early. Transitional justice processes (Carranza, 2008) that are not only fair, but are seen to be fair, can address corruption along with a range of other grievances and varieties of misconduct. Corruption is likely to feature prominently among the allegations against human rights abusers, traffickers in drugs, arms, and human beings, warlords, and others who are brought to justice in a post-conflict society. Where fragility arises out of other sources, “truth commissions” and bodies of national reconciliation will be more credible in the eyes of citizens if they pursue corruption issues in open and effective ways. That may bring up the question of whether or not to fry various “big fish”; as suggested earlier, such efforts should not be confused with fundamental reform, and must be carefully managed so as to avoid the appearances (or the reality) of using anti-corruption appeals to carry out factional reprisals. Still, they may be necessary in order to establish the seriousness of the new regime, and in order to reassure popular expectations about the near future.

99. Other early initiatives to consider include close monitoring of corruption and other problems in the delivery of key services (see the discussion of indicators and benchmarks of performance, in the next section)—services that, as argued, are essential to trust-building; opening up lines of communication via many modes, and in many directions, so that grievances can be aired, problems (and progress, where it exists) recognized, and expectations can be both assessed and, to a degree, adjusted over time. It should go without saying, but I will note it here nonetheless, that the personal conduct of political and anti-corruption leaders can set a positive tone for reform, *or* can do immense damage in a very short period of time. Corruption within anti-corruption agencies, and among the ranks of the police and other bodies charged with maintaining order and personal safety, should also be priority areas for early action and close monitoring. While these points may seem to contradict our more general argument about the need to make haste slowly, what is envisioned here are *targeted* anti-corruption actions (where possible, guided by the sorts of data to be discussed below) with relatively high chances of success, and with clear-cut connections to citizens’ sense of security fair treatment.

100. A final point about early phases has to do with matters of style. The language of corruption abounds with “hot” words (“graft”, “kickbacks”, crooks and thieves, and the like) that engage not only the specifics of corruption but which can also be vehicles for more general sorts of emotions and grievances as well. It also is rich in euphemisms and evasions (“tea money”, “sweeteners”, “commissions”) that reflect and encourage a continued cynicism (all too often, well-founded) about the nature of leadership, governance and politics.

VII. Changing Expectations, Building Trust? How to Recognize Progress

101. None of the above will help us much if we do not have ways of gauging our progress. For post-conflict states, one benchmark is obvious: we would hope levels of violence would decrease and participation in broader political and social processes would take its place. Tracking changes in corruption, however, is no simple business. Simply put, we do not know how much corruption there is: ordinarily all who have knowledge of a corrupt act have an interest in keeping it secret, and there is no immediate victim to file a report.

102. Further, we cannot and should not rely on international corruption scores or indices. They have been valuable in putting pressure upon corrupt regimes, but as noted above too much such pressure can be counterproductive in fragile situations. Such indices bear only an approximate relationship to corruption levels at best, and cannot give us detailed sector-by-sector evidence of change. Indeed, serious reform efforts, with the headlines, court cases, and revelations of past abuses that they will bring forth, may well make perception-based ratings worse, at least for a time. A better way forward might be to build and reassert the “stateness” of the state by emphasizing the provision of basic services in which broad segments of society share an interest.

103. Given the difficulties in measuring corruption, we will often be better off assessing expectations and performance. Government performance is the focus of one major assessment strategy—the indicators-and-benchmarks methodology—that is discussed just below. Expectations themselves, however, can tell us much about current and future trends. Some can be measured more or less directly by, for example, opinion surveys on trust, the honesty and credibility of leaders and agencies, and citizen evaluations of services.

104. But in other settings many such assessments—notably, those involving large-scale opinion surveys on a regular basis—will not be feasible. There and elsewhere we can examine a variety of other kinds of proxy evidence that still shed light on expectations and levels of trust. Trends in investment and capital flight, interest premiums paid by state and private borrowers, and the extent of (and inter-group contrasts in) compliance with tax laws suggest approximately how credible key institutions, policies and leaders are seen to be, how much citizens suspect and distrust each other (why should I pay my taxes if I think all my neighbors cheat on theirs?), and what sorts of risks and insecurities people anticipate in the near future. Citizen response to and participation in citizen-engagement activities, broadly defined (Gaventa and Barrett, 2010), social-audit processes, elections and the like are similar indicators. Migration patterns, birth rates, percentages of young people staying in school, and similar data can all contribute to broader assessments of trends in trust, security, and institution-building. So, as noted elsewhere, can levels of violence and lower-grade conflict.

Stepping away from Fragility: Credibility and Trust in Sudan and Burundi
(REVISIONS based on Sudan election to be added)

Sudan and Burundi have suffered devastating domestic conflicts over the past generation, and both confront the challenges of rebuilding basic governance. In Sudan, and in particular in the long-marginalized South of the country, that process has been deeply problematical. South Sudan has had a second-class status since at least the times of the transitional colonial regimes of the mid-20th century, when it was hardly represented at all in the national administrative system. The advent of an Islamic national regime in 1989 put further pressure on the region, and two decades of civil war, leading up to the Comprehensive Peace Agreement of 2005, created a desperate situation. Few would dispute the need for trust-building, but the 2005 agreement, while containing far-reaching formal promises, has been ineffective. It was largely designed from above, and the leadership charged with implementation once again under-represents the South. Few of its basic commitments to the region have been carried out; particularly unfortunate is that efforts to strengthen local services and institutional capabilities have been scant. Few if any explicit trust-building initiatives have taken place across regional divisions; as of 2010 the possibility of renewed regional or civil conflict is all too great.

In Burundi, by contrast, efforts such as the Burundi Leadership Training Program (BLTP), launched in 2003, have addressed the trust deficit directly. Groups of thirty to thirty-five local and regional leaders, nominated in large groups by stakeholders in their own communities but chosen individually by BLTP leaders in order to maximize group diversity, participate in a six-day retreat and then a series of subsequent workshop sessions. The emphasis is upon “how-to” skills of problem-solving and intergroup relations; organizers make it clear to participants that they have been chosen because of their current and potential significance as leaders. The skills taught are presented to participants as ways of heightening their own effectiveness, as well as of solving citizen problems. Results have been positive: participants from differing regions and backgrounds interact with much greater trust and skill. Other groups have requested similar leadership training. And, shortly before launching a cease-fire process critical to peacemaking, a significant number of military figures requested a series of BLTP programs for themselves. Burundi has scarcely solved all its major problems, but it is building a foundation for better governance through trust- and leadership building activities such as BLTP (see United Nations, Ch. 7, 9).

105. The corruption syndromes concept also points to ways of making a qualitative assessment—that is, of thinking less about how much corruption seems to be occurring, and more about *what kinds* of corruption, underlying stresses and capabilities, and expectations we are seeing. A trend toward violent contention among top Oligarchs and their personal followings is very bad news, as it signals risks of Oligarch-and-Clans abuses. The centralization, or re-centralization, of corrupt dealings into the hands of a small ruling circle that acts with impunity and suppresses all critics would tell us that Official Moguls are back. Growing collusion across a much broader national or regional elite—one that is more likely to buy off its critics than to repress or assassinate them—is

not exactly a reformer's dream, but may tell us a society is moving in the direction of Elite Cartels. Should it get there, it has not solved its problems—rather, it has traded some desperate problems for others that may not be as bad, and it may be setting the stage for economic growth that over time may gradually increase social and political pluralism.

106. For quantitative assessment it is far better to look at indirect measures: how long it takes to get a license or a telephone, and how many steps are involved; how much a government pays for basic commodities like fuel and concrete (both prices that are too high, and that are too low, may be signs that things are amiss). Such data do not directly measure corruption, but they are *indicators of both the past effects of corruption and of incentives that sustain it*. Where past corruption has been extensive, for example, bureaucrats have likely learned to contrive added “toll gates” and slow the pace of activity. Where that is the case, this week's applicant for a building permit—for whom time is money—has strong incentives to pay up.

107. Gathering, benchmarking, and publishing such indicators of performance is a way to assess trends in vulnerability to corruption (Johnston, 2010). It is, in a fragile situation, a way for a government that is taking steps to serve the interests of the public in an even-handed fashion to build credibility and trust. Such indicator-and-benchmark processes may also ease collective action problems, by showing citizens both that better-governance efforts pay off in improved services and standards of living, and that they are less likely to lose out by comparison to other citizens by foregoing corrupt benefits.

108. Another advantage of the indicator-and-benchmark approach is that it can gradually squeeze corruption out of a system by reducing the scope for it. If government agencies routinely pay forty percent over market for diesel fuel, for example, there is a great deal of money to be made, corruptly, by dealers and officials alike. If over time, however, data show that prices are falling toward market levels, that can be a powerful signal to corrupt figures that the rewards of under-the-table dealings are declining. Some evidence from Italy (an Elite Cartels society, by the way) suggests that efforts by the European Union to harmonize bidding processes and open them up to more competitors made corruption in low-level government contracting much less profitable and attractive (Golden and Chang, 2001). A table (adapted and revised from Johnston, 2010) illustrating a few possibilities for an indicator-and-benchmark strategy appears below.

Table 5: Illustrative Indicator-and-Benchmark Assessments

| Indicator | Benchmarks | Links to past corruption | Corrupting incentives | Actions indicated |
|---|---|--|--|---|
| Time, steps, fees needed to obtain permits, register a business | Data on case handling in comparable jurisdictions | <u>Too slow, elaborate; fees too high</u> : extortion, bribery, official collusion with businesses <u>Too fast or variable</u> : favoritism, bribery, selective enforcement | <u>Slow process, high fees</u> encourage bribery, extortion, favoritism <u>Fast, variable processes</u> hide favoritism/rigged bids | Review officials' monopoly power, discretion, enforce performance standards; gather info from clients; random audits; create client advocates |
| Citizen assessments: services, quality of inspected businesses | Regular citizen, business surveys, "Citizen Report Cards" | <u>Poor-quality services, low levels of satisfaction</u> : graft, theft, kickbacks, favoritism; bid-rigging; weak oversight of agents; theft of time, moonlighting | <u>Persistently poor quality services</u> encourage black-market provision, often using government resources | Build citizen evaluations into agency routines; regular consultation with citizens; reward agencies and leaders winning high marks |
| Speed, accuracy of aid disbursements, paying vendors' invoices | Multi-agency and private-sector norms for speed, error rates | <u>Slow, inaccurate payment, underpayments</u> : extortion, theft <u>Too-rapid payment, overpayments</u> : kickbacks, favoritism, "ghost vendors" | <u>Departures</u> encourage kickbacks, theft, extortion, conceal "ghost" recipients and substandard goods | Real-time monitoring of procurement, payments; random audits; solicit feedback from vendors; publish performance targets |
| Amount of time spent dealing with officials, inspectors | Typical amounts of time, by sector, established by business surveys | <u>Too much time</u> : bureaucratic harassment, foot-dragging, in pursuit of bribes; extortion <u>Too little, or wide variation</u> : favoritism; bribery by business | <u>Too much time</u> : time lost encourages "speed money" <u>Too little/wide variation</u> : bribery to avoid risks, costs, inspections | Reduce inspectors' discretion; shuffle case loads to inhibit personal "deals"; regular surveys of business; internal data-gathering on interactions |
| Time, steps, variations involved in tax assessments | Data on case handling: survey comparable jurisdictions | <u>Too slow/elaborate</u> : extortion, bribery <u>Too fast, or excessive variation</u> : favoritism, bribery | <u>Too slow, too fast, variable</u> : assessments manipulated; citizens believe payments bring favorable treatment | Review assessor monopolies, discretion; enforce standards for handling cases; gather info from clients; random audits; create ombudsmen |
| Quantity and quality of goods received | Compare goods received to tenders and invoices | <u>"Short" deliveries, non-deliveries; substandard, wrong goods</u> : skimming of funds and goods; kickbacks | <u>Tolerating problems</u> signals that skimming, kickbacks can continue, controls are lax | Enhance supervision, auditing; prequalify, suspend, and disqualify vendors; publish vendor performance |

109. Where the political situation allows, public opinion on corruption and bureaucratic performance is a valuable indicator both of corruption, indirectly, and of the extent to which various segments of society are or are not being well served. The latter is a critical consideration for building the credibility of fragile situations. Surveys are undoubtedly expensive and demanding in institutional terms, and can be physically risky in some cases. The recent Integrity Watch Afghanistan survey on “Perceptions and Experience of Corruption,” however, show that such work can sometimes be carried out even in unpromising settings. Afghanistan is clearly a special case, because of the extensive investment outside powers have in governance there, but even where major national surveys cannot be undertaken, smaller focus-group efforts and routine communication with local elites may well provide useful insights.

110. Citizen assessments of basic services and government functions may be both a good measure of progress and an accountability- and civil society-building project in its own right. Further, they can help reformers assess whether they have selected the right services from the standpoint of building trust and credibility, whether performance in such sectors is seen as fair, effective, and relatively free of corruption, and whether increased emphasis should be placed on existing or new service-priority sectors.

111. Both the indicators-and-benchmarks approach, and citizen assessments, may well be seen as threats by regime figures and administrators, and both must be implemented gradually and in a cooperative fashion (Johnston, 2010). In that connection, incentives and rewards from aid partners may play a critical role. Prospects for encouraged and enhanced economic growth may also encourage cooperation. Indeed, it is conceivable that relatively enlightened elites will see such measures as further ways to build support and secure their political positions, both domestically and internationally.

112. Careful assessments of the extent of bureaucratic autonomy will be valuable; again, either too much or too little can be bad, but moderating trends may be good news. Particularly strategic will be those agencies that maintain public-private boundaries, such as customs services, the courts, and the police; the more effective they are the less valuable personal power and access become.

113. A similar change in politics would be a growing reliance on parties or party-like organizations, rather than personal followings (much less armed factions) for dealing with citizens. The treatment of, and effective freedom enjoyed by, opposition groups and critical segments of the press will also be worth careful monitoring. Again, halfway states may have to be tolerated: it is far better that they be bought off than shot.

114. Finally, positive economic trends are important as well, both in themselves and as signals that insecurity is fading, that institutionalization (even if for less-than-ideal reasons) is taking root, and that an expanding economy is reducing the zero-sum nature of interpersonal and inter-group competition. Steadier and more evenly distributed growth, and increasing foreign direct investment, have important political as well as economic significance. So too does a longer time horizon for major economic projects; where corruption and violence are extensive, official conduct is unpredictable, and property

rights are insecure, any investors who venture into a country are likely to demand maximum short-term profits and to keep key assets as mobile as possible (Keefer, 1996).

115. Where insecurity is easing and dealing with officialdom is becoming less risky—even if such predictability is based on collusion among elites rather than upon a well-managed, honest state—investors can take the longer view and develop a more sustained presence in a society and its economy.

VIII. Conclusion

116. None of the foregoing is intended to denigrate conventional anti-corruption strategies. Instead, the argument is that where such measures are successful it is as outcomes of deeper processes of change—changes in the balance between stresses and capabilities, including but not limited to participation and institutions, and changes in expectations, both among citizens and of their governing regimes. Those stresses, capabilities, and expectations can come in many differing combinations, suggesting for our purposes that corruption problems too can come in distinctive forms. Anti-corruption measures requiring social and institutional foundations—which is to say, most of the ones we typically prescribe—may, without those foundations, increase stresses, weaken capabilities, and encourage expectations that cannot be met. Particularly with respect to expectations, such failures may only make matters considerably worse.

117. But how can we know whether the necessary foundations for reform are in place, or taking shape, and how can we know whether our efforts are helping improve fragile situations? There, expectations can be critical dependent variables.

118. Each of the three tables for particular syndromes of corruption—Oligarchs and Clans, Official Moguls, and Elite Cartels—lists, in its bottom row, a variety of kinds of evidence of progress that can usefully be thought of as indicating changes in expectations. We will never be able to measure corruption precisely, or establish firm causal linkages between particular kinds of reforms and corruption trends. But where violence is decreasing, mutual trust is on the rise, capital flight is slowing or reversing, and investors begin to seek out longer-term results rather than quick, easily-expatriated profits, we can make a plausible inference that expectations are changing. Higher levels of trust (observable through a variety of kinds of behavior as well as through surveys), reduced insecurity, a greater willingness to take routine economic risks through various kinds of investments, and other trends are not only signs of progress but are also barometers measuring expectations.

119. Similarly, gathering, benchmarking, and publicizing indicators of government performance and quality of services is not only a way to assess certain kinds of progress in themselves, but also reflects evolving expectations. Where the quality of basic services is improving across the board, there may be a foundation for greater trust, both among groups and in government. Such data can also send important signals about the scope for, and profitability of, corruption: for example, where prices paid by government for basic supplies and commodities are falling toward a reasonable norm, the odds are good that there is less money to be made through kickbacks, bribery, and extortion in a given procurement process. Simply put, the scope for corruption is being reduced, at least in those specific processes, and publicizing that fact can affect expectations on the part of citizens, investors, aid partners—and, potential wrongdoers.

120. Expectations are abstract and difficult to measure; often we infer them after the fact, which has its own logical and evidentiary risks. But an important possibility to consider is that expectations, when they do begin to change in positive ways, may change

rather quickly. Conceivably, societies that escape the negative equilibrium of the “expectations trap” outlined earlier might “flip” into other, better equilibria. Trust can be rewarded with trust, collective-action problems on both levels sketched out above may be overcome by a changing sense of self-interest and expected rewards from backing reform; officials who are committed to accountability and quality services may be rewarded by prominence and political backing sufficient to persuade other would-be leaders to get behind good government, providing evidence to citizens that demanding good government is not futile, or a matter of foregoing benefits, but may in fact serve their own best interests.

121. Perhaps the most important overall lesson for anti-corruption reform in fragile situations is to make haste slowly. Immediate, direct attacks on corruption may not only fail but make matters worse. Evaluating success through international corruption indices is likely to have little benefit. Our best medium-term outcomes may not be less corruption as such—how would we know?—but rather, corruption situations that are less fragile, less insecure, more predictable, and more compatible with economic and social development.

122. A more subtle, longer-term emphasis on changing expectations, by contrast, is likely to be a better approach to dealing with fragility itself, and in so doing may lay the institutional and social groundworks needed to make corruption controls themselves successful. While that sort of prescription will not satisfy anyone looking for an anti-corruption toolkit and short-term results, it will in many ways recapitulate the histories and many once-corrupt societies where the problem was brought under control by rechanneling conflict into political contention, and political contention into lasting settlements that lay the foundations for sound institutions enjoying widespread trust and support.

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