

# **Controlling Corruption: Towards an integrated strategy**

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## Foreward

**Vinod Thomas, WBI**

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Efforts to fight corruption are gathering momentum in all parts of the world. Globalization of capital, increasingly democratic politics, and a growing intolerance for corruption have fueled these efforts. While meaningful reductions in corruption entail a long time horizon, the process requires political leadership, collective action, and informed decisions throughout.

To support this work in partner countries, the World Bank Institute (WBI) has developed a core course on fighting corruption. The course highlights both the process and substance of anti-corruption reforms. From what has been learned to date, we know that fighting corruption is an inherently political process that requires committed activities working both in and out of government to achieve lasting change. It is also a phenomenon that takes different forms in every country and so calls for a tailored approach involving a unique configuration of substantive reforms.

The course looks at these process and substantive issues over two phases. Phase I examines the process of identifying and strengthening political will, building broad coalitions, and using diagnostic tools to inform anti-corruption efforts. Phase II then presents materials on several substantive areas of reform—including the judiciary, public procurement, financial management, civil service, customs, the media, parliament, and local government. These substantive topics are by no means exhaustive; nor are they likely to be priorities in all contexts. Rather, they are presented because they tend to be areas that many anti-corruption efforts encompass.

The present volume represents the written materials used in the course. The course itself moves beyond the traditional classroom structure, however, to engage participants from a region in an on-going learning program. The program brings together government and non-government leaders from five to seven countries in a region for an initial week of face-to-face learning. This is followed by distance learning and guidance on each country's anti-corruption efforts. Several months later, a follow-up meeting is held and then WBI team members provide further assistance with each country's efforts. Results to date for the first group of participants from Africa can be found at the end of this volume.

The development of the core course on fighting corruption involved the collaboration of many divisions within the World Bank as well as partner institutions. In particular, Daniel Kaufmann and Maria Gonzalez de Asis from WBI and Jakob Svensson from [division?] at the WB shaped the design and content of the course and commissioned the initial course materials. Phyllis Dininio of WBI subsequently worked with the material to shape the varied contributions into the present form. With the publication of this book, we hope to reach a wider audience and provide a valuable resource for everyone who is interested in fighting corruption.



## Introduction

**Daniel Kaufmann, Maria Gonzalez de Asis, and Phyllis Dininio  
WBI; and Jakob Svensson, World Bank**

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This volume provides tools for developing an action program to fight corruption. It brings together an analytical framework, best practices, and case studies to help practitioners design an anti-corruption strategy tailored to specific institutional and political realities. Drawn from the World Bank Institute's (WBI) course on fighting corruption, the volume also contains materials depicting the structure and participant experience of the pilot course that was held from June to October 1999. These materials include results to date of anti-corruption initiatives underway in the participating countries—Benin, Ethiopia, Ghana, Kenya, Malawi, Tanzania, and Uganda.

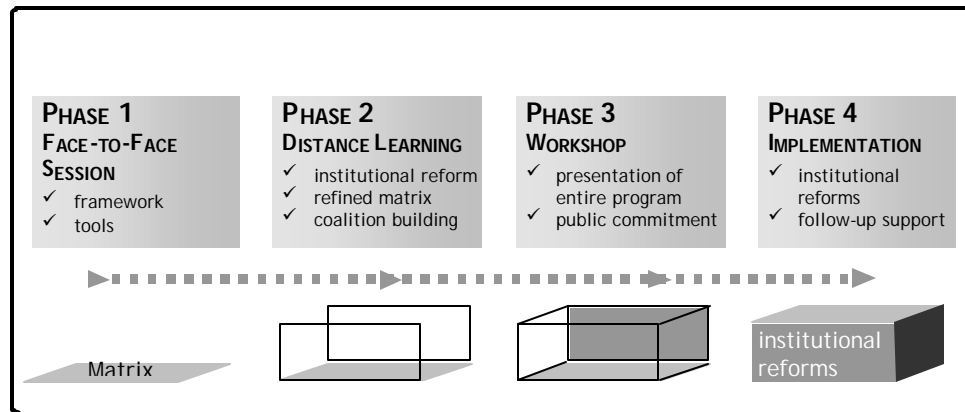
The course aims to integrate the substance with the process of anti-corruption reform. The substance of anti-corruption reform entails an analytical understanding of the dimensions and determinants of corruption in order to identify the types of reforms that are needed. Data and empirical analysis, including in-depth diagnostics, provide clear input to this work. Addressing the politics and vested interests involved, the process of anti-corruption reform seeks to bolster opportunities and downplay constraints in implementing reforms. This perspective highlights the importance of political leadership and collective action for realizing and sustaining anti-corruption reforms. Therefore, successful anti-corruption programs need to integrate (a) rigorous information and knowledge; (b) political leadership; (c) and collective action. These three components form the core of the course.

### Course Overview

The course brings together senior public officials, legislators, and civil society leaders from 5 to 7 countries within a region. Through a series of interactive sessions, participants work together as country teams to develop anti-corruption strategies that integrate the participatory process with concrete institutional reforms.

The course is divided into three interlinked phases over a period of four months. The fourth phase—implementation—is not covered within the course itself, but is included in the overall architecture since it maps out the next steps in the action program. Moreover, WBI provides follow-up support for such implementation. The figure below illustrates the overall architecture of the course.

Figure 1: Overall Architecture



In the first phase, the course provides participants with the conceptual framework and concrete tools to design and implement an anti-corruption plan. As an integral part of the first phase, the participants' own experience is discussed, and the pros and cons of existing anti-corruption programs are analyzed. Each country team also develops a preliminary matrix that identifies proposed priorities and sequencing of anti-corruption reforms as well as approaches to diagnostics, political leadership, and collective action.

The second phase is delivered through distance learning techniques to the participating countries. Building on the initial action plan developed in Phase 1, the participants refine their matrix to encompass prioritized areas of institutional reforms (financial management and procurement, rule of law, customs reform and civil service reform). For each area, specific actions, responsibilities, time frames, budgets, and expected results are identified. During this second phase, experts travel to the participating countries to facilitate the program design. Participants also use this time to discuss the action plan with a broad spectrum of relevant stakeholders in their country and thereby promote broader ownership of the proposed strategy.

In the third phase, participants present their revised action plan at a workshop.<sup>1</sup> Each plan specifies an implementation strategy, which incorporates awareness raising and coalition building. Final action plans also identify easy wins and prioritize among the different recommendations. For countries where there are ongoing institutional reform and anti-corruption programs, country teams specify linkages to avoid duplication of efforts and ensure that a coherent national strategy is developed. During the workshop, the teams make a public commitment to reforms and have the opportunity for peer review, sharing of experiences, and discussing next steps required for implementation.

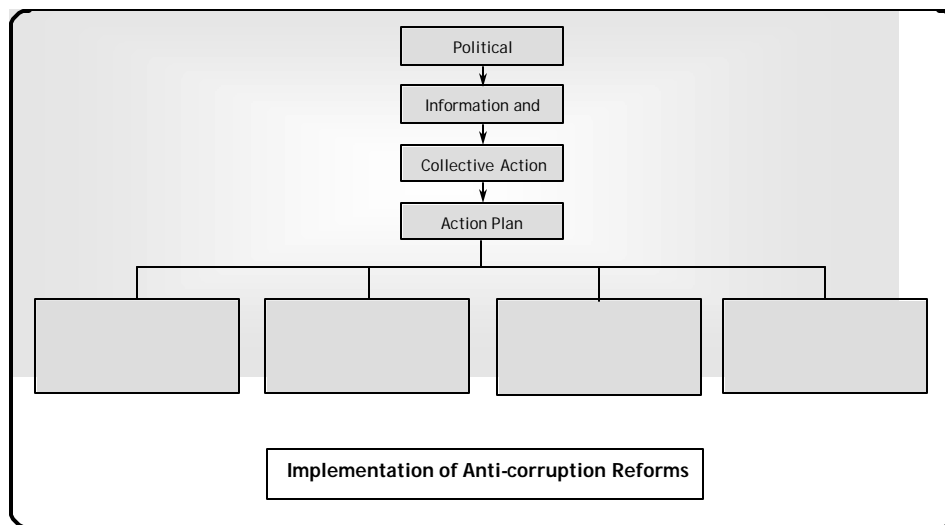
In the fourth phase, the participants work to implement the reforms called for in the action plan, and WBI provides follow-up support. One year after the course ends, the participants reconvene to discuss progress made and lessons learned in their separate action programs.

<sup>1</sup> The 9th International Anti-Corruption Conference (IACC) served as the venue for the pilot course.

## Core Components of the Course

As noted above, three components form the core of the course: rigorous information and knowledge; political leadership; and collective action. These components are critical for forging a targeted and feasible action plan. As depicted in figure 2, they are key inputs to the strategic design and implementation of anti-corruption measures.

**Figure 2. Developing an Anti-corruption Strategy**



Information and knowledge are essential for establishing priorities in anti-corruption efforts. While corruption is clearly a symptom of inefficient institutions and policies, knowing what reforms are needed is not always straightforward. Until recently, it was considered impossible to systematically measure corruption in government institutions and assess its economic and social costs. With the advent of a large number of survey instruments and other techniques, however, a rich database on government performance and corruption is emerging. Diagnosing corruption helps a country understand the shortcoming in its policies and institutions, and can help establish priorities for reform by identifying activities and agencies where corruption is concentrated. For this reason, the course emphasizes the use of empirical surveys and other diagnostic tools in the design of anti-corruption plans.

The diagnostic approach has other advantages as well. Almost by definition, surveys of households and enterprises are participatory, and thereby help to raise awareness of the issue. Once disseminated, the data stimulate debate and broader support for reforms. Rigorous data is also difficult for corrupt agencies and politicians to refute, and so can de-politicize the debate on corruption. Further, empirical surveys establish a baseline against which the successes or failures of reform can be measured. By institutionalizing data collection and dissemination, ongoing reform efforts can also be monitored. Such institutionalized monitoring mechanisms can play a major role in reducing corruption.

In addition to diagnostics, successful anti-corruption efforts must have the backing of the political leadership. Depending on the politics of corruption in a particular country, this may be more or less difficult for political leaders to

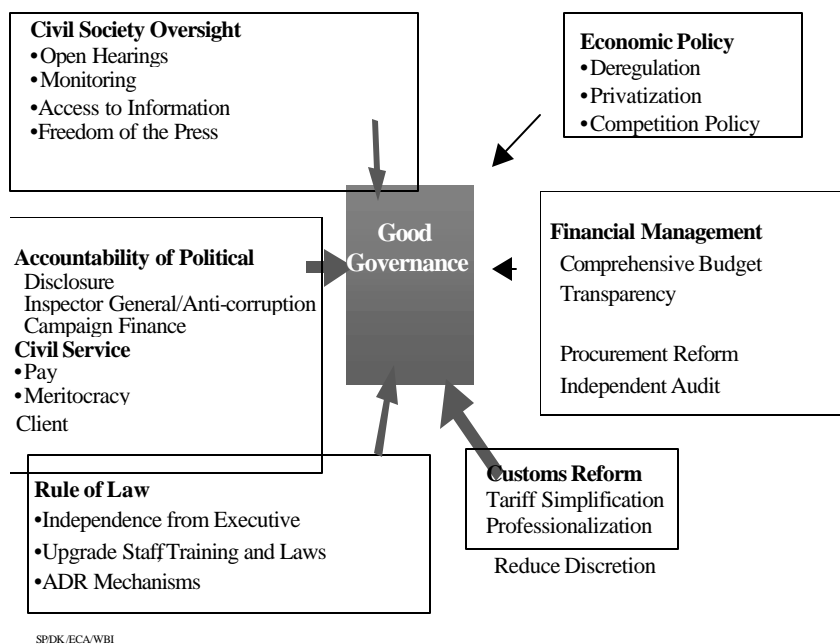
confer. Fighting corruption has distributional consequences, which can mobilize powerful forces to protect vested interests. For this reason, top-level political will for anti-corruption reform may wax and wane with changing political circumstances. Accordingly, the course examines ways to bolster leaders' willingness to reform and ways to proceed when political commitment is lacking.

The design and implementation of action plans also require a participatory process. Participation is vital to developing sound policies, generating support, increasing transparency, and providing checks and balances in the system. It is not enough to aim at getting basic economic policies right 'on paper' without recognizing the political economy of forces at play. The participation of civil society, the private sector, the media, and a broad array of officials from all branches of government complements top-level political commitment for institutional reforms. Such broad input into reforms improves the content of reforms as well as prospects for implementing them.

### **Anti-corruption Reforms**

Anti-corruption reforms vary from country to country. Reflecting each country's problems and opportunities, action plans establish different priorities, sequences, and timing. Nonetheless, action plans draw from the same general pool of anti-corruption reforms. These include economic reforms that reduce opportunities for corruption, institutional arrangements that promote accountability and transparency, and administrative reforms that improve incentives for public officials. Figure 3 shows the key reforms for improving governance and combating corruption. It is important to recognize that incentives, prevention and systemic change within institutions play at least as important a role as traditional case-by-case enforcement initiatives.

**Figure 3. Reforms for improving governance and combating corruption**



### *Economic Policy*

Lifting government controls offers a means to reduce opportunities for corruption. Eliminating tariffs, quotas, exchange rate restrictions, price controls, and permit requirements can strip officials of the power to extract or accept bribes. At the same time, removing such controls reduces transaction costs, eliminates bottlenecks, and fosters competition. Similarly, privatization offers a means to limit the authority of government and thereby eliminate opportunities for recurrent corrupt dealing in sales, employment, procurement, and financing contracts. To ensure the integrity of the process, however, privatization requires special measures of transparency. Further, successful privatization programs require adequate regulatory and commercial legal frameworks to protect consumers and investors and to create conditions for competition. Without these frameworks in place, privatization may only shift rent seeking from the public to the private sector.

Indeed, competition policy is an important concomitant to deregulation and privatization. The concentration of economic power in monopolies can exert political influence on the government for private benefits. The problem is particularly acute in natural resource-rich economies, where monopolies in oil, gas and aluminum, for instance, wield considerable economic and political power that leads to different forms of corruption – nonpayment of taxes, corrupt acquisition of licenses and permits, and purchasing of votes and decrees that restrict competition.

### *Civil Society Oversight*

Civil society oversight and participation in the decision-making and functioning of the public sector have been a crucial counterweight to corruption. This involves making the state transparent to the public and empowering the citizenry to play an active role. Empowered citizens can provide a check on government abuses and improve ownership and sustainability of reforms. Civil society involvement in government also helps to build the credibility of the state. Many reforms have proven effective in promoting civil society oversight. These include:

- Ensuring public access to government information (Freedom of Information)
- Requiring certain types of government meetings to be open to public observation
- Conducting public hearings and referenda on drafts decrees, regulations, and laws
- Publishing judicial decisions
- Strengthening the system of administrative appeals (which provide the public with a process to adjudicate wrongful decisions of state)
- Ensuring freedom of the press by prohibiting censorship, discouraging use by public officials of libel and defamation laws as a means for intimidating journalists, and encouraging diversity of media ownership
- Inviting civil society to monitor its performance, especially (i) the implementation of politically difficult reforms such as anti-corruption and (ii) key public procurements

### *Accountability of the Political Leadership*

Closely related to the above, the political leadership needs to demonstrate its commitment to fighting corruption by public disclosure and transparency of its own financing, income and assets. In several industrialized democracies in the Organization for Economic Cooperation and Development, this has entailed:

- Requiring public disclosure of votes in parliament
- Reviewing desirability of parliamentary immunity
- Requiring public disclosure of sources and amounts of political party finance
- Requiring public disclosure of incomes and assets of senior public officials and their key dependents
- Preventing conflict of interest for public officials
- Protecting the personal and job security of public officials who reveal corruption by other officials in their organizations (whistleblower statutes).

There are a variety of institutional arrangements for keeping track of these disclosures and for otherwise providing oversight of official behavior. These include audit offices, ethics offices, inspectors general, and anti-corruption agencies. In this regard, coordination among the relevant institutions is a priority for effective anti-corruption.

### *Civil Service*

Cross-country evidence shows that recruiting and promoting on merit, as opposed to political patronage or ideological affiliation, is positively associated with control of corruption. While achieving change takes time, effective reforms in this area have introduced a comprehensive performance management system,

with pay and promotion linked to performance. To achieve the desired results, pay levels for managerial and key professional staff need to be broadly competitive with the private sector, and allowances and non-cash benefits need to be simplified, monetized, and made transparent.

Experience shows that exposing public administrations to pressures and demands from their clients also has a major impact on improving service delivery. Reform measures in this area could include setting and publishing service standards; administering and publishing client surveys to assess agency performance against these standards; setting up a wide range of user groups and consultative bodies; and developing Internet-based approaches to delivering services.

### *Financial Management*

Basic systems of accountability in the allocation and use of public expenditures constitute a fundamental pillar for a good and clean government. Accountability in public expenditure management requires the following: i) a comprehensive budget in which all major areas of budget expenditure pass through the Treasury system and there is no substantial recourse to extra-budgetary funds; ii) transparency in the use of public expenditures through such means as posting information available on the Internet; iii) competitive public procurement through such mechanisms as transparent bidding and external monitoring; and, iv) an independent external audit, which is published and presented to the legislature.

### *Rule of Law*

The rule of law can be defined by opposing it to the rule of powerful men or women. This helps in understanding the challenge in many countries, where powerful politicians or leaders often influence the practical operation of judicial and law enforcement institutions. The primary objective in this context is to promote independence of the judiciary from the executive by revising procedures for appointing, assigning, remunerating, and removing judges and prosecutors to insulate them from political influence. Strengthening the institutional capacity of the judiciary is also important to facilitate swift and fair procedures. This can be done by augmenting and upgrading staffs, improving legal training, revising laws, and strengthening investigative capabilities. However, where corruption of the judiciary is endemic, innovative approaches may be needed, such as alternative dispute resolution mechanisms and a more systematic NGO involvement in monitoring.

### *Customs Reform*

In most countries, customs reform is a necessary element of a comprehensive anti-corruption strategy. Customs is one of the major tax collection agencies of the central government and a notorious source of corrupt dealing. The costs of corruption in customs operations can be grievous. In addition to revenue loss, corruption in customs can hurt the competitiveness of a country's firms and scare away foreign investment. To address this problem, reforms need to reduce and simplify trade regulations, professionalize customs operations with a focus on results orientation and integrity, and reduce discretion in cargo processing.

### **Organization of Book**

The material in this book comes from Phase I and Phase II of the WBI's pilot course on fighting corruption. In Phase I, the chapters focus primarily on the process of anti-corruption reforms, with an examination of diagnostic tools, political will, and civil society involvement. In Phase II, the authors introduce the substance of four key areas of reform: rule of law, financial management and procurement, civil service reform, and customs reform. A case study follows each of the substantive chapters. Following these sections, the book includes related materials on the course. These include an annotated agenda of the action planning workshop, the list of participants, the course management group, the course reading list, course evaluations, and results-to-date for participating countries. The authors hope the material will be useful to a wide audience of reformers.