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Contextual Choices in Fighting Corruption: Lessons Learned

Alina Mungiu-Pippidi et al.
Hertie School of Governance

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Contextual Choices in Fighting Corruption: Lessons Learned

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Contextual Choices in Fighting Corruption: Lessons Learned

July 2011

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"Responsibility for the contents and presentation of findings and recommendations rest with the evaluation team.
The views and opinions expressed in the report do not necessarily correspond with those of Norad".

Preface

Fighting corruption has long been a high priority for Norwegian and international development cooperation. This work includes efforts directed at reducing corruption in the delivery of aid, at country level, and at the international policy level.

The present study is one of three recent studies about corruption commissioned by Norad's evaluation department. Published in 2008, a literature review of how effectively corruption is currently fought revealed that results are sometimes disappointing. The study was commissioned together with the Asian Development Bank, the Department for International Development (UK), Danida (Denmark), Sida (Sweden) and the Swedish Agency for Development Evaluation. A joint external evaluation commissioned by the same agencies and to be published shortly, has looked at support to fighting corruption in developing countries.

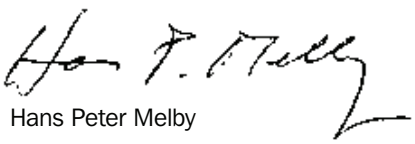
Corruption is a subject that can be approached by different disciplines. The sometimes disappointing results of current approaches have stimulated a discussion about our understanding of the basis for fighting corruption and the possible need for new approaches.

Against this backdrop, Norad commissioned this study, *Contextual Choices in Fighting Corruption: Lessons Learned*. The objectives were to see what could be learnt from exposed weaknesses in current support to fighting corruption at country level and identify approaches that can be more effective in fighting corruption in different governance contexts.

The Evaluation Department is grateful to Mr. Fredrik Eriksson in Norad for his initiative and advice during the planning and implementation of this study.

The study was carried out by the Hertie School of Governance in Berlin. The authors are responsible for the report's findings, conclusions and recommendations.

Oslo, September 2011



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We also thank the participants to the workshop 'Fifteen Years of Anti-corruption. Lessons learned" held in Oslo on June 3, 2011, for their invaluable comments to the first draft of this report. Finally, we wish to express our gratitude to Dayna Sadow, Alexander Kleibrink and Aram Khaghaghordyan at HSOG for their help with editing and to Fredrik Eriksson at Norad for his great insights and extreme patience in supervising this report.

‘How can the prisoner reach outside except by thrusting through the wall? To me, the white whale is that wall, shoved near to me. […] He tasks me; he heaps me; I see in him outrageous strength, with an inscrutable malice sinewing it. **That inscrutable thing is chiefly what I hate; and be the white whale agent, or be the white whale principal, I will wreak that hate upon him**.’

Herman Melville, Moby Dick

‘Not stealing from the state means robbing one’s own family…’

Old Communist proverb

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List of abbreviations and acronyms

ACA	Anti-corruption Agency
BDP	Botswana Democratic Party
CPI	Corruption Perception Index
CC	Control of Corruption
CSD	The Centre for the Study of Democracy (Bulgaria)
CSO	Civil Society Organizations
DCEC	Directorate of Corruption and Economic Crime (Botswana)
DEM	Democrats (Brazil)
DV	Dependent Variable
ENP	European Neighbourhood Policy
EU	European Union
FH	Freedom House
FOIA	Freedom of Information Act
GCB	Global Corruption Barometer
GDP	Gross Domestic Product
GG	Good Governance
GRECO	Group of States against Corruption
HDI	Human Development Index
HSOG	Hertie School of Governance
ICRG	International Country Risk Guide
IGO	International Governmental Organization
INGO	International Non-governmental Organization
IMF	International Monetary Fund
ISSP	International Social Survey Programme
IV	Independent Variable
MCC	Millennium Challenge Corporation
MP	Member of Parliament
NDB	National Development Bank (Botswana)
NGO	Non-governmental Organization
Norad	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PMDB	Brazilian Democratic Movement Party
PPP	Purchasing Power Parity
PSDB	Brazilian Social Democrats Party
PT	Workers' Party (Brazil)
R$	Brazilian Real (= USD 1.60)
SDP	Social Democratic Party (Romania)

TI	Transparency International
UCM	Unobserved Components Model
UN	United Nations
UNDP	United Nations Development Programme
UNODC	United Nations Office on Drugs and Crime
UNCAC	United Nations Convention against Corruption
USAID	United States Agency of International Development
USD	United States Dollar
WB	World Bank
WEF	World Economic Forum
WGI	World Governance Indicators

Executive Summary

Executive summary

Why, despite unprecedented investment in anti-corruption in the last fifteen years and since the implementation of global monitoring instruments and global legislation, have so few countries managed to register progress? This new report commissioned by the Norwegian Agency for Development Cooperation (NORAD) to the Hertie School of Governance argues that conceptual flaws, imprecise measurement instruments and inadequate strategies are to blame. But it also argues that the quest for public integrity is a political one, between predatory elites in a society and its losers and fought primarily on domestic playgrounds. As such, the donor community can play only a limited part and it needs to play this part strategically in order to create results. Based on new statistical evidence, the report recommends cash-on-delivery/selectivity approaches for anti-corruption assistance. Effective and sustainable policies for good governance need to diminish the political and material resources of corruption and build normative constraints in the form of domestic collective action. Most of the current anti-corruption strategies, on the contrary, focus on increasing legal constraints, which often fail because most interventions are localized in societies that lack the rule of law.

As governance is defined as the set of formal and informal institutions shaping "who gets what" in a given polity, the understanding of governance regimes is an indispensable step towards creating a more strategic approach to anti-corruption. Three distinct types of governance regimes are described in the report: open access or ethical universalism regimes, which exist in most of the developed world; closed access regimes, divided between neo-patrimonial (where power is monopolized by the ruler and their clique) and competitive particularistic (where several groups compete for the spoils, but spoiling the state remains the rule of the game). Free elections by themselves do not solve the problem of corruption: more democracies than autocracies feature presently among systemically corrupt countries. The widely used perception indicators, which are presumed to measure corruption, actually measure governance in general, not only illegal corruption, which is only a small part of the overall picture (hence their insensitivity to change). Governance regimes are stable: the few countries that succeeded in changing over the last few decades are presented in section 7 on page 72.

Most corruption academic literature conceptualizes anti-corruption at the individual level, as do most current theories about anti-corruption. This presumes that corruption is a deviation from an otherwise established norm of ethical universalism, where every citizen is treated equally by the state and all public resources are distributed impartially. In fact, outside the developed world, the norm is not ethical

universalism, since the process of modernization leading to an impersonal state autonomous from private interest was never completed in most countries. Most anti-corruption instruments that donors favour are norm-infringing instruments from the developed context, when they should be norm-building instruments for developing contexts. There is a gross inadequacy of institutional imports from developed countries which enjoy rule of law to developing contexts, shown in section 6 (Table 13 on page 56) of the report, where statistical evidence found no impact by anti-corruption agencies, Ombudsmen-like institutions and the ratification of the United Nations Convention against Corruption (UNCAC). What is presented in most anti-corruption literature as a principal-agent problem is in fact a collective action problem, since societies reach a sub-optimal equilibrium of poor governance with an insufficient domestic agency pushing for change.

The report argues that the question "what causes corruption" is therefore absurd. Particularism exists by default, since most human societies have limited resources to share, and people tend to share them in a particular way, most notably with their closest kin and not with everyone else. Modern states are based on universal citizenship, which entails fair treatment of every citizen by the government. But there are very few states that have thus far succeeded in moving from the natural state to this ideal of modernity. The question should change from "what causes corruption" to "what makes particularism evolve into universalism". What determines a change in the equilibrium?

The classic answer offered by modernization theory is development. As societies grow richer, people become more autonomous, with normative constraints to discretionary power and corrupt allocation as the result. Even countries with a poor quality of governance grow, with examples ranging from Italy to Mexico. However, in many cases development is systematically hindered by government favouritism towards private actors and non-rational (particular) allocation, resulting in a vicious circle of captive states and poor societies. Disregarding factors that cannot be influenced by policy, the report found quite a few significant determinants of the degree of control of corruption where human agency can play an important role (see Table 12 on page 49), including the strong impact of the internet infrastructure, reduction in red tape, economic openness, civil society activity, freedom of information acts and media freedom. These are all areas where development donors can play a large role, even when disregarding individual rights and independence of the judiciary, which are more political and thus more difficult to influence. **Although some of these proxies do not seem to address corruption directly, any contribution to their improvement is a clear and substantial anti-corruption aid that can be measured.**

In its final section, the report lists ten lessons learned and a decision making strategy detailed in a few steps. The lessons learned are:

1. Although globalization has turned corruption into a global phenomenon, subsequently addressed by a global governance approach (anti-bribery conventions, UNCAC, the emergence of a global civil society), **the battlefield where this war is lost or won remains national**. Case studies of historical and contem-

porary achievers show that although external constraints played a large role in inducing disequilibrium in particularistic countries and triggering change, a transformation has to be reflected in a new equilibrium of power at the society level for it to be both profound and sustainable.

2. **Transitions from corrupt regimes to regimes where ethical universalism is the norm are political and not technical-legal processes**. There is no global success case of anti-corruption as promoted by the international anti-corruption community. Successful countries followed paths of their own. Fighting corruption in societies where particularism is the norm is similar to inducing a regime change: this requires a broad basis of participation to succeed and it is highly unrealistic to expect this to happen in such a short interval of time and with non-political instruments. **The main actors should be broad national coalitions, and the main role of the international community is to support them in becoming both broad and powerful**. All good governance programs should be designed to promote this political approach: audits, controls and reviews should be entrusted to 'losers' and draw on natural competition to fight favouritism and privilege granting. No country can change without domestic collective action which is both representative and sustainable over time. The media, political oppositions and civil society should not be seen as non-permanent guests taking part in consultations on legal drafts but as main permanent actors in the process of anti-corruption and holding decisive seats in all institutions promoting ethical universalism. **Which windows of opportunities to use, what actors have more interest in changing the rules of the game and how to sequence the change depends on the diagnosis of each society and cannot be solved by a one-size-fits all solution**. Chapter 2 of UNCAC, Preventive measures, can accommodate a variety of such programs. But also a number of what are seen as democracy promotion efforts (building a free media, civil society, community voice, empowerment) should in fact be considered as anti-corruption programs.

3. **Lesson number three is that on this political front, the international community has often played an ambiguous and inconsistent role and has thus sabotaged its own efforts**. The failure of the anti-corruption conditionality is partly grounded in the lack of understanding of particularism as a regime of governance and in consequently selecting various implausible principals as main actors to change the regime. Just as importantly, it is also partly caused by the overriding of good governance promotion by other strategic policy priorities. To minimize this in the future, good governance programs and **particularly UNCAC implementation should be tied to assistance on a cash-by-delivery mechanism only**, as the European Union has already suggested for its revamped North African European Neighbourhood Policy support. Diplomacy should also act in concert with aid, promoting representative anti-corruption actors in societies and avoiding the 'professionalization' of anti-corruption by limitation to a circle of 'experts'.

4. **Lesson number four is that there are no silver bullets or maverick institutions in fighting corruption**. We found no impact of anticorruption agencies

(explained by their inadequacy in an environment without an independent judiciary and where particularism is the rule of the game, not the exception) and of Ombudsman (explained by the control of such agencies by the government or group in power). Particularly in African countries, where particularism is the norm and predatory elites are in charge, it is inadequate to transplant new institutions and try to ring-fence them against particularism (Simons 2008). We found, however, some limited impact of freedom of information acts (FOIA). The impact of FOIA and the second generation transparency tools (transparency of budgets, legislative drafts, statements of assets) which is substantiated by qualitative evaluation studies is explained by the fact that their implementation depends to a great extent on non-governmental actors.

5. **Lesson number five is about the lack of significant impact (in statistical tests) by the UNCAC after five years**, which should not come as a surprise in this context. After all, five years after the 1948 adoption of the Universal Declaration of Human Rights, only a handful of countries in the world were considered as fully respecting such rights. By 2010, according to Freedom House, their number had grown to 87, representing 45 percent of the world's 194 polities and 43 percent of the global population. 57 percent of the global population still lives in countries where human rights are only imperfectly observed, if at all. The advance in this interval is attributed to liberalizing autocrats, international pressures for norm adoption and implementation, but primarily to freedom fighters and the rise in demand for freedom in each of these countries. The story of UNCAC is similar. **The norm was set: many countries formally adopted ethical universalism as a norm, which simplifies the job of anti-corruption fighters. But without massive domestic demand for new rules of the game and public participation in a sustainable mechanism which would prevent the eternal reproduction of privilege and shift allocation to ethical universalism, we are unlikely to see significant progress. Strategies must be conceived accordingly: UNCAC is a collection of institutional tools, not all similarly effective or useful, of which some have the potential to become effective weapons. This is true, however, only if local actors take them up and fight the long fight with them. What the international community can do, in any event, is to push UNCAC implementation and review as a mechanism to stir collective action. UNCAC will have an impact only if the entire society contributes to a check on the government. Such a permanent check could play a far more important role than the international review of UNCAC. For example, if the country of Ruritania were to ratify UNCAC, donors should push for a national stakeholders' commission to check on implementation, including media, local communities, and anti-corruption NGOs. The review should take place on an annual basis and those in charge of implementation should report to this body and make the report public. Accountability to the entire society regarding the implementation of UNCAC is a minimal requirement in building the general accountability of governments. In this context, the ownership principle in anti-corruption must simply be interpreted as ownership by the society, not by the government. Funds for anti-corruption should also be disbursed only in con-**

sultation with such an inclusive stakeholder body and after its assessment of trend and impact.

6. **Lesson number six is about the importance of civil society, for which the report finds statistical and qualitative evidence**. However, the kind of civil society needed to serve as a watchdog at the community as well as national level is frequently missing in many countries. In the last ten years and due to donors funding, the world was more populated with professional 'expert' civil society than with watchdog and whistle-blowing civil society. Any country ruled by particularism is bound to have many 'losers' who are shortcut by networks of privilege. Without their collective action, there is no sustainable change in the rules of the game, and their empowerment becomes therefore the chief priority. We do see success models in South Korea and a few Eastern European countries.

7. **Lesson seven is about developing indicators and measures to allow better monitoring of trends and impact of policies**. The aggregate measures of corruption, particularly the WGI Control of Corruption, which allows measuring confidence error on top of perceptions of corruption, have played a great role by setting the stage for a global competition for integrity among countries. But once it comes to the process of change itself and the impact of certain policies, they become less helpful. **Section 3 of this report suggests the use of a new generation of indicators which allow us to understand what the real norm (practice) is and how it changes over time**. The full reports on Brazil and Romania posted online[1] present such indicators.

8. **Lesson eight is about the fit of repressive policies to various development contexts. It is very risky to fight corruption by repressive means whenever particularism is the main allocation norm because some people will be above the law and the selection of those to be prosecuted cannot be anything but biased**. The risk is that the whole judicial aspect of AC will simply become a hunt for opponents or those poorly connected who cannot bail themselves out. The case of corruption determined by scarcity in very poor countries, for example when the government is in payment arrears or severely underfunds certain sectors, deserves a completely different treatment. A repressive approach has never solved scarcity problems. Either the state should abandon the task if it is unable to fund it, or funds should be found to pay policemen, doctors, and the rest. Resorting to a more ancient system of collecting fees for services, or transferring ownership of the service to anyone who can fund it, might prove palliative. This problem cannot be fought by anti-corruption measures, and should not be even considered as corruption. Unless such policies are implemented, an investment on the part of the country and donors of raising legal constraints will fail (and this is frequently the only AC policy promoted). Investment in strong legal constraints only works in developed institutional environments.

1 <www.againstcorruption.eu>.

9. **Lesson number nine is that policies of drying resources for corruption are essential, along with increasing normative constraints**. The long term advocated – and partly discredited – economic liberal policies of the World Bank have an important good governance component which has proved significant both in our statistics models (and of others) and in the case studies. The discredit does not come from their failure to produce growth but from the difficulty of transposing them into practice: privatizations often produce private rents, as governments embark in such policies and then try to control competition and preserve them. But the success stories are mostly the successes of liberal economic policies, particularly of red tape reduction, tax simplification and privatization.

10. **The final lesson is about formalization, which plays an important role in explaining corruption**. Societies become transparent, and thus modern, following a process of bargaining where individuals agree to pay taxes in exchange for certain public goods. This agreement does not exist in particularistic societies, as everyone knows that access is not equal, and this hinders their development. **Societies hide from predatory rulers to defend themselves, and this is why it is important that government and society work together for more transparency**. Successful policies of formalization are based on bargaining, not repression, except in the area of criminal economy (smuggling, drugs, traffic, money laundering). Formalization, understood as a process of persuasion and incentivizing of property and business registration, is an essential step in reducing informality.

The elusive progress of chasing Moby Dick

Fifteen years have passed since World Bank President James Wolfensohn called for a global fight against the 'cancer' of corruption[2], a call that was answered by much of the development community. Since then, awareness of the systemic nature of corruption has dramatically increased, mostly due to the advocacy efforts of NGOs such as Transparency International and the visibility of corruption rankings such as TI's CPI and the World Bank's Governance Indicators (WGI). The demand also increased for a comprehensive and integrated global legal framework to fight corruption, which was eventually met with the adoption of the UNCAC. This report is a general reflection on the impact of this global effort and is not intended as an evaluation. Its main objectives are to understand and assess the cognitive framework of the global anti-corruption effort; its relevance for the development agenda; and to offer some explanations and solutions fifteen years later.

Once it became apparent that development resources could potentially disappear in environments characterized by weak governance and corruption, anti-corruption developed into a specific *approach* to development assistance (*good governance as means*). Promoting good governance, however, also become an *objective* in itself (*good governance as end*), as donors realized that the economy of aid could not be separated from the broader country governance. Unfortunately, not much significant progress has been registered globally since the World Bank began monitoring the world governance indicators[3], despite an unprecedented investment in good governance policies and an unprecedented rise in awareness (Kaufmann, 2009). Progress seems to be made in atypical polities, such as the United Arab Emirates, Hong Kong or Cape Verde, or remains controversial (Georgia). Countries that have evolved within the previous decade have, in fact, regressed in the fifteen years of global anti-corruption. When reviewing countries continent by continent, it is almost impossible to find a steady progression to the 'green' area which represents the top quarter of ratings, although the lower part of the scale shows better results. What we do find, however, is involution: South Africa, Argentina, Malaysia or Ukraine. Good governance is not only hard to achieve, but difficult to sustain.

2 Available at: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20025269~menuPK:34472~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.
3 World Bank Governance Indicators, available at: <http://info.worldbank.org/governance/wgi/index.asp>.

Table 1. Historical waves of good governance

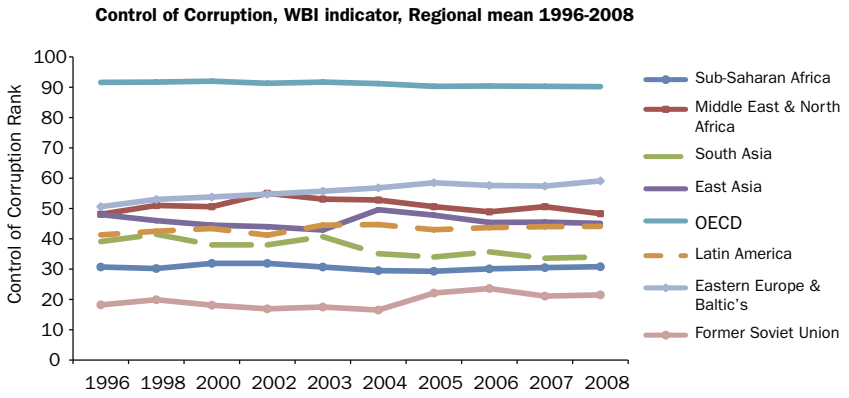
Historical achievers	Early achievers	Contemporary achievers	Partly free or not free achievers	Borderline
Netherlands	Australia	*Estonia*	United Arab Emirates	*Ghana*
Austria	Canada	Spain	Hong Kong	*Georgia*
France	New Zealand	*Slovenia*	Singapore	San Salvador
Denmark	Ireland	Portugal	Bhutan	Czech Republic
Finland	Japan	St Kitts and Nevis		.etc…
Luxemburg	Iceland	*Uruguay*		
Liechtenstein		St Lucia		
Belgium		Barbados		
Norway		Antigua and Barbuda		
Sweden		Bahamas		
Switzerland		*Chile*		
UK		St Vincent and the Grenadines		
USA		*Botswana*		
Andorra		*Taiwan*		
Bavaria		*S. Korea*		
Prussia		Malta		
		(West) Germany		

Legend: highlighted countries are discussed in this report.

Table 1 categorizes the achievers of good governance into generations. The first generation, which we call 'historical achievers', is comprised of sixteen countries, including what may be considered today exceptional historical polities, such as Luxembourg, Andorra or Lichtenstein. This generation includes the Scandinavian countries, whose creation was a result of diverse secessions, but which have foraged their own ways to good governance, despite their common origins; England, the classic historical performer, and the United States and New Zealand, two colonies with exceptional histories; the Benelux countries, which have shared the same political space for many years; France, and Switzerland. They achieved good governance fairly early and it is due to their success that good governance is equated with modernity. However, their achievement needs some qualification as it was not sustained throughout the 20th century and it did not apply to the colonies of these countries as well, where the quality of rule of law and government was far below that of the original countries.

The second generation of 'early' achievers reached good governance after the First World War. Good governance exists predominately in countries which seceded from a first generation achiever, mostly British Empire splinters populated by European Christians (Ireland for example) and which continue to follow the tradition of British institutions. Also included are Iceland, a splinter of Denmark, and two countries which achieved state status through Western protectorates following military occupation: Japan and West Germany. Finally, contemporary 'achievers', which are illustrated by the green colours in World Governance charts, achieved good governance after the Second World War, but they represent only a small fraction of the total. This suggests that only a few countries achieved 'good governance' historically and independently. A theoretical sceptical explanation has meanwhile surfaced, which argues that "*history is not efficient*" (North 1998, p. 494). As North, Weingast and Wallis put it "there are two kinds of societies in today's world: limited access and open access. Open access societies are rich *and* developed. Limited access societies are poor and not developing" (2009). Countries in both sub-Saharan Africa and Latin America have thus allegedly failed to achieve the transition to open access orders. In a 2006 paper, the author of this report also argued that we are unable to win the battle against corruption because there are governance regimes in the undeveloped world which accept corruption as the norm. Thus, it is difficult to fight it by means of the current anti-corruption arsenal, which consists mainly of imports from developed countries where corruption is the exception (Mungiu-Pippidi 2006b).

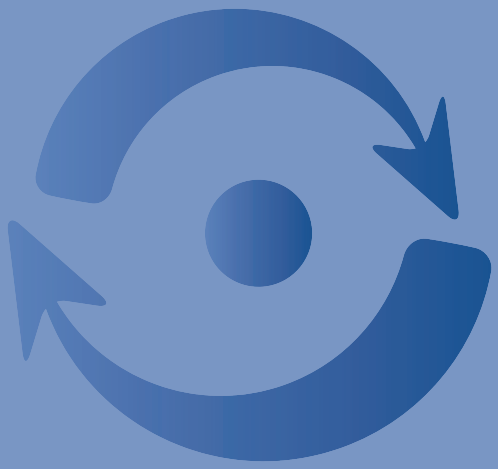
Figure 1. Evolution of control of corruption by global regions (on average)



The chart in Figure 1 shows regional averages of a World Governance Indicator, the Control of Corruption. The OECD countries' average is the only one to have reached the 'green' level. The region which has showed more progress in the past two decades is Eastern Europe, but this is only true for the successful Central Europe, since the former Soviet Union actually rates at the very bottom, below Sub-Saharan Africa. Not only do the rest of the regions lag far behind the OECD but - with the exception of Eastern Europe - the trend is toward stagnation, not improvement. There was some improvement in the Middle East and North Africa between 1996 and 2002 but the trend then reversed itself.

This report consists of a theoretical and an empirical section to help understand the progress or lack thereof during the last few decades. The theoretical section looks at the conceptualization of corruption and its operationalisation in everyday anti-corruption projects and proposes a new categorization and a diagnosis tool. The empirical section combines four approaches. The first is a quantitative approach which tests various factors of corruption in an all-encompassing model of particularism as an equilibrium (stressing policy factors, particularly institutional transplants proposed by the good governance agenda). The second is a qualitative approach which examines the countries which have made progress and draws policy lessons from them; this section is divided into a historical achievers section and a contemporary achievers section. The third is a policy analysis/evaluation approach which examines the results of conditionality for good governance (Millennium Corporation, European Union accession and European Neighbourhood Policy).

Main Report



1. The presumptions of modernity and individualism

The most frequent definition of corruption as "the abuse of public office for private gain" (Tanzi 1997; Kaufmann 1997; Rose-Ackerman 1999) was modified by the United Nations to: "the abuse of power for private gain". This definition of corruption rests on the presumption that the state operates under the norm of ethical universalism; public integrity is thus understood as equal and fair treatment of citizens, which may occasionally be influenced by favouritism or corruption. However, we know from Max Weber (1922/1968) that public office is no longer considered a source of exploitable income only in the modern state. In his classic work *The Gift*, French sociologist Marcel Mauss (1924) also argued that the act of giving gifts creates a social bond with an obligation to reciprocate on part of the recipient, as "the objects are never completely separated from the men who exchange them" (1990:31); in the absence of reciprocation a loss of 'status' and 'honour' would occur (Mauss 1924). A French historian, Roland Mousnier (1969) has furthermore argued that until the 18th century, honour, status and social prestige were far more important in certain European societies (such as France and Spain) than wealth. Societies of 'estates' or 'orders', as he defines them (and he insightfully included the USSR and fascist Italy among them) are split vertically via social ranks rather than split horizontally via class; relationships between different estates operate through networks of patronage (Mousnier 1969). In their 1984 book, sociologists Eisenstadt and Roniger also described non-modern patron-client relations shaping many Catholic, Buddhist and Islamic societies and decisively determining both individual and social trust in both community bonds as well as the relation between people and their governments.

The result is that modernity is not the rule, either historically, or geographically: furthermore, modernity might not be single faceted and various countries might have their own versions determined by local specificities. It then becomes essential to understand what the prevailing norm is in a society to be able to apply the current definition of corruption, which is often seen as an exception or better, as a *deviation from the norm* (James C. Scott 1972). Empirical studies on corruption have too often relied on legal and formal criteria to qualify standards of corruption (Nye 1967). In this sense, corruption is a "behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence" (Nye 1967: 417). Michael Johnston enlarged this to "Behaviour which deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status, gains, or (which) violates rules against the exercise of certain

types of private-regarding influence" (Johnston 1986, 460). By including 'status' next to 'wealth' among gains, Johnston practically defined as corrupt all types of non-universal exchanges within the government realm. Seeing that most governments today proclaim their modernity, adopt human rights treaties and sign good governance conventions of various kinds, such a comprehensive definition is justified. When ethical universalism as governance principle is enshrined in law, any deviation from it should be considered corrupt, monetary gain notwithstanding. In practice, however, there are important practical consequences between defining corruption as just bribing (which is easier to legalize) or as any particularistic public-private exchange, where the gain is more difficult to prove.

Figure 2. Private-public twist in defining corruption

	OF		FOR	
Betrayal	Public	Office/duty	Private	Gain
Diversion	Common	Good/trust	Personal	Profit
Misuse/Abuse	Communal	Funds/resources	Individual	Benefit
Manipulation	Administrative	Influence	Unauthorized	Advantage
Exploitation	Institutional	Power	Group	Interests/goals
Bending	Formal	Rules	Informal	Network

Source: adapted from Ledeneva 2009.

Legend: This six definitions cover most approaches to corruption in the literature, and they all rely on the public-private infringement. Read like: 'Exploitation *of* institutional power *to* advance group interests'.

Taking modernity for granted includes not just the presumption of universalism as a main method of treating citizens by the state, but the equally flawed presumption of the existence of a distinction between public and private in every society. As Alena Ledeneva has shown, most formulas of corruption can be understood as a "twist" of something public into something private. Most definitions of corruption rely on the distinction between public and private, and assume not only that the public and private spheres operate according to corresponding sets of rules and norms, but that it is wrong to mix them. Even today, however, whole societies exist which rely on collectivistic, not individualistic arrangements and do not value and articulate in practice such distinctions. **It is wrong to presume that the default design is of an impersonal state on one side and the individual citizens on the other**. Many societies are instead organized as groups of 'clients' with varying degrees of influence and whose interests compete or overlap. Multiethnic societies tend to use ethnicity as the chief marker (Putnam 2006), but also clan, religion, city of birth, political party, club, family, former school, etc., have all been reported to provide personal ties which inform exchanges and transactions between an individual and the state, crossing the private-public boundary permanently. Connections of every kind are used to personalize transactions with the state and a multitude of particu-

lar transactions take place daily, some illegal, others not. We should apply an extraordinarily large scope of conflict of interest definitions to render them all illegal. Therefore, we choose the easy way by criminalizing only particular exchanges, which include physical gifts (bribes) and which often occur in the absence of a bond/connection of another nature with the goal of establishing one. But why is bribing worse than getting a job simply because one has the same skin colour as the supervisor or is the son of a friend?

Taking modernity for granted and confusing the appearances of modernity with the substance creates the first important problem in understanding corruption. In a developing context, the term has been often used only as a catch word for non-universalistic practices, in other words for the non-modernity of a society. There is strong empirical evidence to show this. A regression model of control of corruption, the World Bank indicator which uses classic modernization determinants, explains nearly two-thirds of the variance without any policy-related or governance-related variable while avoiding entirely the use of income to avoid the classic causation problem between corruption and development (see Table 9). Formalization of a society (using as proxy the estimate of informal economy) or, alternatively, the percentage of rural population (as the two are closely correlated) explains more than one third of the WGI control of corruption. Literacy is also a powerful determinant, either separately or as part of the aggregated Human Development Index (which also combines life expectancy and income). **In other words, if we know a society's degree of modernity (disregarding political modernity for the present), we can predict to a large extent (two thirds or a bit more) how 'corrupt' or free of corruption that particular society is, regardless of its government policies, income, religion, economics, type of legal system, natural resources, colonial and communist past.**

The second theoretical problem is the frequent presumptions of the mainstream principal-agent theoretical approach as used in corruption literature. This model presumes that the corrupt transaction between two actors violates the trust of a principal. Generally, the ruler is seen as the principal and the bureaucrat as the agent (Becker and Stigler 1974; Van Rijckeghem and Weder 2001). The rulers cannot exactly observe which agents behave honestly, since they do not possess all the relevant information that the agents have; this provides the agent with opportunities for corrupt exchanges. The presumption that a principal is above corrupt exchanges is taken for granted, and most assistance for good governance programs is directed to such principals (ministries, control agencies, anti-corruption agencies). But those who have the highest discretionary power also have more opportunities to be corrupt, which makes high-level government officials – represented by legislators or elected public officials –as the best placed to institute or manipulate policy and legislation in favour of particular interest groups in exchange for benefits. Citizens can allegedly control these officials with a variation of the model, presuming the existence at the grassroots of vigilant and honest citizens acting as principals (Myerson 1993; Persson and Tabellini 2000; Besley 2006). **The problems with the principal-agent perspective are the presumptions that corruption lies exclusively with the agent and that it is an exception (deviation) from a norm generally upheld**. In other words, what may theoretically apply to the individual level gener-

ates serious problems at the macro level. The overwhelming evidence stemming from developing countries is that rulers are rather inclined to treat the state as their own patrimony, and that personal autonomy and political participation, these two indicators of political modernity informing a society's capacity to constrain them, are generally very low. In collectivistic societies with closed access, actors strive to accede to the privileged status groups rather than challenge the rules of the game and make them more equitable to everyone (Mungiu-Pippidi 2006b). Insofar as a sufficient number of actors play the game instead of challenging it, this structure of incentives leads to a collective action problem of the second order (Ostrom 1998). Where is a principal to be found? On what basis should donor supported anti-corruption projects be grounded?

Finally, most definitions of corruption refer to the individual level, and here is the third conceptual problem. If, from the legal point of view, focusing on individual corruption is the normal approach – at least within the bounds of a culture where the norm is not corruption - how can the deviation based definition be applied in a system where **particularism (treating a person not as an indistinct individual, but according to particular ties or group affiliations)** is actually the norm? Fortunately, governments adopt constitutions and treaties – it is a part of the great and often content-empty modernization effort. Most of these documents make claims to universalism as a governing principle, creating important contradictions between the informal and the formal norm in such societies, which is usually solved in favour of the informal, as informality is the status quo of developing societies and therefore the norm. Formality is the challenger norm, hence the impracticality of a definition based on 'deviation', even at the individual level. At the collective level, such a definition is clearly absurd, and we should aim for a different conceptualization. Consider a government which is captured by an ethnic group or a clan of some kind which distributes benefits in a particular way to benefit mostly its own members, forcing others to engage in bribery to get some share of those benefits. What is the deviation here and what should be criminalized?

Corruption in a society should not be conceptualized as an aggregate of individual corruption(s). The non-corrupt countries at the top of Transparency International do not differ from countries on the bottom simply by the *numbers* of individuals engaged in corrupt acts, but by their whole mode of governance. The countries on top managed to institutionalize open and non-discriminative access at some point in their past and so their institutions differ substantially from the ones on the bottom (Asmerom and Reis 1996; North et al. 2009). Many countries in the middle struggle between two worlds: both universalistic practices as well as particularistic practices coexist, more or less competitively. (Van de Walle 2001). To understand them we need to abandon the individual level of corruption and analyze the societal level (governance) and put state and society in relation, as Eisenstadt and Roniger (1984) have done in their *Patrons, Clients and Friends*. Some scholars struggled to find differences between various manifestations of particularism, for instance clientelism and corruption, in the observance of legal norms. These distinctions are largely arbitrary, as countries employ a variety of antiparticularistic practices (nepotism for instance is legal in some countries and illegal in others). Particularism is simply the general category indicating the deviation from the norm of ethical univer-

salism. **Within particularism we find several phenomena: vertically structured favouritism (clientelism/patronage); horizontally structured particularism (networking), kinship motivated particularism (nepotism, ethnic favouritism), graft motivated particularism (bribing). What is essential is if particularism is the rule of the game or not (are the majority of transactions particular or universal?). When particularism is the rule of the game we will find a cluster of such practices, not just one (bribing), which is the usual (erroneous) presumption. Corruption is what every society decides it is, it simply has to be internally consistent with formal institutions of a given society.** As most countries today proclaim ethical universalism as main governance principle, any form of favouritism should be considered corrupt, even if it does not involve a cash transfer.

Most corruption academic literature conceptualizes anti-corruption at the individual level, as do most theories informing anti-corruption presently. This presumes that corruption is a deviation from an otherwise established norm of ethical universalism, where every citizen is treated equally by the state and all public resources are distributed impartially. In fact, outside the developed world the norm is not ethical universalism, as the process of modernization leading to an impersonal state, autonomous from private interest was never completed in most countries in the world. What is presented in most anti-corruption literature as a principal-agent problem is in fact a collective action problem, as societies reach a sub-optimal equilibrium of poor governance and there is insufficient domestic agency to push for change. This has important practical consequences, as most anti-corruption instruments that donors favour are norm-infringing instruments from the developed context, when they should be norm-building instruments for developing contexts.

2. Diagnosing governance regimes

We define governance in this paper as the set of formal and informal rules regulating who gets what in a given polity[4]. 'Good' governance is a normative concept with varying definition. Some of the definitions refer to its outcome, others describe the mechanisms of, and others still the process itself. The United Nations Development Program defines good governance as "*The exercise of economic, political, and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences*" (UNDP 1997). The World Bank characterizes it as "… *epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law*" (World Bank 1994). Although the notion of good governance, as normative as it might be, was conceived with the intent of offering encouragement for progressive change to non-democracies, it becomes obvious that these features are similar to those of 'polyarchy' described by Robert Dahl or the definitions of high-quality democracy proposed by Leonardo Morlino and Larry Diamond. It is hard to imagine how a government can strive for recognition in good governance without engaging in a process of democratization.

The advantage of the 'governance' concept is that it simultaneously highlights the state, the society and their relation to one another (Stoker 1998). **The nature of the state cannot differ from the nature of the society except for short transient periods or foreign occupation**. Is it possible to develop a taxonomy of governance without the normative and often redundant definitions we encounter when discussing 'good governance'? Authors North, Wallis and Weingast (2009) argue that societies have historically been organized into three social orders. The first social order, the primitive, is a hunter-gatherer society. 'The second social order has dominated the last 10,000 years, what amounts to recorded human history: *limited access orders* solve the problem of containing violence by political manipulation of the economic system to generate rents by limiting entry'. Finally, it is claimed that the third social order developed over the last 500 years: *open access orders* sustained social order through political and economic competition, not rent creation. 'Open access orders have developed in about twenty countries, and all are both economically and politically developed'.

4 Adapted from the famous definition of politics according to Laswell 1951.

This argument is not altogether new, although expressed in their cited work in a very radical and clear form. Max Weber contrasted patrimonialism, i.e. arbitrary personalistic relations between rulers and the ruled, which characterized pre-modern times with the impersonal and functional relationships of the modern, ideal type of state which is based on abstract, impersonal and written rules (Weber 1922/1968: 959). Weber's work on bureaucracies is de facto a broader description of state-society relations, of governance regimes. Patrimonial societies are limited access societies. In Roland Mousnier's terms, these are the societies of 'estates', where access is determined by belonging to a certain group and the personal connections entailed by this affiliation; Weber also developed the concept of status societies, i.e. societies dominated by certain groups and governed by convention rather than law (Weber 1922/1968: pp. 177-180). Such societies are not structured by capitalist relations, in other words by the acquisition of wealth, but by status. The source of status can vary across societies and time, but the undeniable primary one is power. Individuals with a similar level of power and access are joined in status-based groups of estates, and also in the form of castes, orders or networks. Authority and allocation of public good cannot help but be particular: particularism is the rule of the game in such societies, and the standards for the way a person should be treated depend on the 'estate' the person belongs to.

A modern society has a different social organization. Individualism is the main norm both in interpersonal relations and the relationship between state and individual. The modus operandi of the state is ethical universalism, all individuals being equal, regardless of which groups they belong to; this is the opposite of particularism (Parsons 1997: 80-82). Government is impartial and treats citizens as mere individuals, 'not taking anything into consideration about the citizen/case that is not beforehand stipulated in the policy or the law' when implementing laws and policies (Rothstein and Teorell 2008: 170).

While ethical universalism and particularism are the two opposites of a continuum defining relations between individuals and individuals and the state (with trust and social trust, respectively, defined as expectation shaped by experience), patrimonialism was originally described by Weber as a form of political domination (Economy and Society 1922), so introducing a third variable, power. Here, authority rests on the personal and bureaucratic power exercised by a royal household, whose power is formally arbitrary and under the direct control of the ruler. Domination is secured by means of a political apparatus staffed by slaves, mercenaries, conscripts, or some other group (not a traditional land-owning aristocracy) which has no independent power-base. By controlling the instruments of power in this way, the patrimonial ruler can extend personal grace and favours at the expense of traditional limitations on the exercise of authority. In his 1973 book *Traditional Patrimonialism and Modern Neopatrimonialism*, Shmuel N. Eisenstadt used the derived term "neopatrimonialism" to describe a mixed system in which elements of patrimonial and rational-bureaucratic rule co-exist and are sometimes interwoven (Erdmann and Engel 2007). This regime imitated formal institutions of modernity from the West, with most informal institutions patrimonial.

Neo-patrimonial regimes have single rulers who treat the state as their 'own' patrimony. But many new democracies which no longer have such rulers or families but instead competing political parties, have similar non-universal allocation systems, including patronage, nepotism, and favours (O'Donnell 1996: p. 40). In many new democracies, informal particularistic structures exist alongside formal universalistic institutions and tend to undermine them (O'Donnell 1996: p. 41). How transient are such regimes? Some countries appear to have operated for decades under such arrangements, from the North African neo-patrimonial dictatorships which collapsed - to everyone's surprise at the beginning of 2011 (e.g. Tunisia) - to electoral democracies in Latin America, South-East Asia or the Balkans. North et al claim (2009) very categorically that these countries are *not developing* precisely due to the persistence of this limited access order.

To integrate these theories, which have many elements in common, I propose a typology of governance regimes in Table 3. A regime is defined by the dominance of certain types of governance norms. The first one is the open access order, which corresponds to Dahl's *polyarchy or* Karl Popper's *open society*. This type of regime is individualistic, with political equality, high personal autonomy and high civic participation; a state which is autonomous from private interest and where allocation and policy formulation are achieved on a basis of ethical universalism and transparency. There is very little contradiction between formal and informal institutions, and corruption, when it occurs, is indeed a deviation from the norm of ethical universalism and public impartiality. The open access order has been promoted for several decades, first by former colonial powers in their attempts to incorporate Western institutions in some of their former colonies (Acemoglu and Robinson 2001), and second in the post-1989 wave of open society and democracy promotion, together with the last fifteen years of good governance reforms. There is currently an unprecedented large number of countries that aspire to be perceived as having such regimes –Transparency International's mere existence has spurred the competition among states to prove themselves closer to the standards published in their annual Corruption Perception Index.

The majority of countries – nearly all with modern constitutions and institutional transplants of various kinds imported from Western democracies - fall under the category of limited access order. But here we introduce an important distinction in limited access order societies and differentiate between the patrimonial type described by Weber (where power is a monopoly) and those which have managed to introduce some form of pluralism with the institution of regular elections, (several groups compete for the spoils, but spoiling the state and state capture remain the rule of the game). The latter category we call competitive particularism, a governance regime which has managed to renounce violence – one of the main themes of North et al who seek an answer to the question of why groups simply do not go after the spoils they want. Competitive particularism has replaced violent power grabbing with elections (mostly free, though not fair), which is a step forward from patrimonial regimes. Allocation is, however, particular and unfair, rent-seeking practically a general behaviour, rule of law poor (those in power are above the law) and the state is perceived as an instrument of spoliation of the many and enrichment of the few, which greatly subverts its legitimacy and capacity. People do not even

expect to be treated fairly by the state in such societies; what they do expect is that everyone with the same status is treated similarly, so the struggle is to belong to the privileged group rather than to challenge the rules of the game. A culture of privilege reigns in societies based on closed access order, making unequal treatment the accepted norm in society. We find the idea of social acceptance in collectivistic, status based societies in both Weber and Mousnier.

This state of affairs can be transitional, if we look at historical examples (in post-Andrew Jackson US, we witness several decades of the intense politicization of civil service and preferential distribution of public contracts with high public corruption), or it can stabilize in a long-lasting equilibrium. Social acceptance of particularism varies across regimes, but elites can buy social peace if resources exist (for instance, by subsidizing basic foods, as in some neo-patrimonial Middle East and North African countries). Due to poor civil society (subverted by hierarchical clientelistic ties and other particularistic arrangements) and low personal autonomy, collective action to render governments more accountable and transparent is costly and infrequent. Free elections bring about occasional changes of government, but hardly better governance, as political parties are the main profiteers from the system and form cartels in favour of the status quo. In the lower echelons, frequent corruption might be regarded as a perk of the inferior position, tolerated because it represents an unofficial form of compensation granted to subordinate officials for their lack of influence and power (Huntington 2007: 259f.).

The ideal types of governance regime sketched in Table 3 present important differences: the borderline category is not a type in itself but a transitional regime with fuzzy borders which corresponds to the 'doorstep' category of North et al (2009). In other words, societies which have fulfilled some basic and necessary conditions of progress to open access order and the two normative orders coexist confrontationally without one managing to become dominant. The important differences between governance types cut across state and society: Power distribution is uneven, from the classic one group (family/person) as main power holder and owner of the state with chief control over rents allocation (in patrimonialism), to a larger strata (political elites) holding the same privilege (and disputing it across status groups) in competitive particularism, and finally to the equal power regime with open access.

Table 2. Governance regimes and their main features

Governance regimes	Limited access order			Open access order
	(Neo) Patrimonialism	Competitive particularism	Borderline	
Power distribution	Hierarchical with monopoly of central power	Stratified with power disputed competitively	Competitive with less stratification	Citizenship. Equality
State autonomy	State captured by ruler	State captured in turn by winners of elections	Archipelago of autonomy and captured 'islands'	State autonomous from private interest (legal lobby, etc)
Public allocation (services, goods)	Particular and predicable	Particular but unpredictable	Particular and universal	Ethical universalism
Separation private-public	No	No	Poor	Sharp
Relation formal/informal institutions	Informal institutions substitutive of formal ones	Informal institutions substitutive of formal ones	Competitive and substitutive	Complementary
Mentality	Collectivistic	Collectivistic	Mixed	Individualistic
Government accountability	No	Only when no longer in power	Occasional	Permanent
Rule of law	No; sometimes 'thin'	No	Elites only	General; 'thick'

Why does pluralism not bring about better governance? Because patronage subverts democracy, informal client-patron relations structuring politics on a vertical and particularistic relation. Voters in such regimes act as clients 'selling' their vote against favours; occasionally unaffiliated voters manage to elect an anti-corruption president, but then he/she would develop a new clientele, as between elections there are no normative constraints. Under patrimonialism, rule of law can at best evolve to 'thin' (applied predictably, even if not 'just' in its essence); under competitive particularism it will always be interpreted in favour of the group in power (hence the danger of unleashing anti-corruption campaigns which can be used only against political opponents). Power holders are accountable in competitive particularism only when they fall from power, while it is only in open access order regimes that rulers are not above the law and can be prosecuted at any time. Today we find that most patrimonial regimes that have democratized remain in the realm of competitive particularism, with a few South East Asian and more East European cases evolving to borderline situations.

The three ideal types differ in the essential elements explaining governance: informality, power distribution in society, and autonomy of the state towards private interest, resulting in a certain type of allocation. The borders between categories are not defined and historical thresholds are difficult to identify. Scholars present the evolution from the first type to the last as a sequence rather than a big bang. Furthermore, it involves such a broad institutional transformation that it is highly difficult to distinguish it from modernization in general. In his book *The Origins of English Individualism,* historian Alan Macfarlane argues that many countries in the developing world have not yet achieved the first transformation from rural collectivist society to basic market relations based on individual property. However, they are expected to succeed in the second transformation from particularistic to impartial government.

Apart from the historical evidence, other data exists to show that corruption should be understood in the context of governance regimes and not the principal-agent framework. In the neo-patrimonial and competitive particularistic countries in which we gathered survey evidence (Miller and all 1998; Mungiu-Pippidi 2006a), it was discovered that **connections, and not bribes, form the most widespread and privileged type of allocation** (see Table 3). If we concentrate on the actual experiences of people and not their perception, we find that access to basic services is indeed inconstant and relatively closed. Only people with some form of personal connection manage to receive satisfactory service; the majority of the transactions carried out operate on the basis of connections. Bribes and downright corruption develop either by taking advantage of the absence of an enforced norm of ethical universalism or by trying to circumvent it. In a majority of cases, the impersonal relation does not always end with delivery of service (closed access); thus, solicitants resort to connections or, those failing, to bribes to get what they want – which is frequently no more than what is their due right.

Table 3. Particularism and corruption mix in public service delivery

Strategy and Resources	N allocations accounted for	Mechanism	Satisfaction with service by customer
Personal connections	Majority	Personalize service	High
Bribe	Minority	Increase effectiveness of service	Fair
Impersonal	Minority	Consider public service a universal right	Low or none

Source: Gallup Balkan Survey for IBEU (adjusted from Mungiu-Pippidi 2006a)

Legend: while experiences, and therefore percentages vary from country to country, surveys in Eastern Europe and the Balkans show that the majority of allocations by the administration are made on the basis of connections, with both bribes and universal allocation in minority. Medical services are an exception, due to severe underfunding: there 'gifts' are the rule. Customers who presume public service should be delivered as a 'right' in exchange for their tax paying tend to be allocated less and have lower satisfaction with service.

Surveys also show a huge gap between the relatively small number of people who receive bribes and the large majorities who perceive either bureaucratic or political corruption. 89% of Europeans in 27 member countries claim they were not asked

for a bribe in the last year, yet 78% fully agree or agree with the statement that corruption is a major problem in their country, up from 75% in 2007. 83% think specifically that corruption exists in national institutions, 81% in local and regional and 78% believe that EU institutions are plagued by corruption. A similar gap between the experience bribery and the perception of corruption can be found in the ISPP 2008 on perceptions of government (Pulido and Skardziute 2011). Either the respondents are delusional and perceive corruption where it is not, or what they have in mind when identifying general corruption in their institutions is not the bribery of their immediate experience but the more general perceptions of **deviation from the norm of universalism**. This is especially represented by the large group of countries (highlighted) in which 70% or more perceive corruption over of those who experienced it.

Governance regimes are indispensable in understanding corruption in a broader governance context. The classifications between grand and petty or the analysis by sector of corruption make little sense if we do not grasp the main rules of the game and how basic they are for the social order of a given society. In new democracies, for example, political parties become the key 'estates' who are looked upon to guarantee public employment, success in business by some form of pubic favouritism, and so forth. These are the general expectations of all those who enter politics; that they would be a part of the spoiling mechanism. Current reforms, for example reforms of civil service, fail because they cannot address the main cause of corruption in the civil service, which is its function as an instrument of spoiling for the political incumbents, not the lack of training or individual ethics of civil servants themselves.

Table 4. Gap between experience and perception in the European Union

Country	National corruption	Local corruption	Bribe
BE Belgium	82	82	4
BG Bulgaria	94	91	17
CZ Czech Republic	96	86	15
DK Denmark	35	30	1
DE Germany	80	79	4
EE Estonia	84	78	5
EL Greece	98	96	3
ES Spain	81	89	16
FR France	83	79	10
IE Ireland	78	83	3
IT Italy	89	89	7
CY Cyprus	91	93	17
LT Lithuania	94	91	18
LV Latvia	96	93	27

Country	National corruption	Local corruption	Bribe
LU Luxembourg	55	57	5
HU Hungary	91	92	17
MT Malta	89	87	7
NL The Netherlands	56	59	3
AT Austria	66	63	13
PL Poland	86	84	14
PT Portugal	91	89	8
RO Romania	87	89	27
SI Slovenia	96	89	6
SK Slovakia	91	86	22
FI Finland	68	57	3
SE Sweden	60	58	3
UK The United Kingdom	76	75	3

The resilience of particularism comes directly from its capacity to control access but not so completely that social entrepreneurs are more tempted to cooperate than overthrow the whole system. Marrying into the right family and catering to the right patron are important channels for upward mobility. Thus, the next step after determining if we can diagnose particularism is to understand how tight the system is. A more detailed diagnosis tool is provided in Table 5. Its main thrust is in understanding what is the dominant norm in a given practice area. In particularistic societies, everyone will be involved in some type of corrupt exchange at one point or another. **What is of interest is not the number of citizens but the number of transactions**. What is the norm in allocating public funds? Are all public allocations distributed in a particular manner? Is this the default mode? Is this due to the scarcity of public resources (under-funded medical systems, for example), or to certain societal customs?

Table 5. Diagnosing particularism. A qualitative tool

	Diagnosis questions	Sources of information/ indicators
Power distribution	Is influence distributed unevenly, resulting in constant preferential treatment of certain groups over others by the state? Is it only one group (network/estate) which enjoys privileges? Is this consistent over time or does it change according to elections? Is there one particular group that constantly loses due to power inequality? Is autonomy sufficient for a 'loser' group to exercise its voice? Are there genuine drivers of change present in the broader society (media, civil society, politics)?	Real influential jobs held by the same individuals or networks regardless of the outcome of elections Persistence of widespread popular perceptions of government corruption despite changes in government High political migration from opposition parties to the party in government in search of political rents
State autonomy	Is the state autonomous from private interest or captured by the latter? How politicized is the administration and the public sector in general? Is there a permanent bureaucracy which does not change with elections and how much influence does it have over policy formulation and implementation? Is this bureaucracy well trained and paid to fulfil its functions? Are policy formulation and public spending transparent so that media and citizens can observe it?	Degree of politicization (to what level personnel reshuffling occurs at government change); to what extent rulers and politicians are also successful private entrepreneurs Perception of important government favouritism for certain companies despite decreasing or petty corruption
Public allocation (services, goods)	Is the main goal of the state to cater to everyone, or to special interests or groups? What is the norm in public allocation? Does the party/clan in government distribute mostly to itself (associated local governments or regions, favourite companies)? How much of the total spending budget are rents? Does this change from one year (or government) to the next?	Budgetary sector surveys % allocation per political party regions/%vote share in regional party elections World Economic Forum government favouritism indicator
Separation private-public	To what extent is the norm that a public position or advantage is passed down in a family or used for family profit? Is it customary that rulers/ officials use public funds (or administrative resources) to cover private expenses? Is there any public scrutiny and disclosure of such expenses? Is there any moral outrage at such disclosures or is the practice accepted?	No of public positions occupied by kinship favouritism Cases of use of administrative resources for private goals

	Diagnosis questions	Sources of information/ indicators
Relation formal/ informal institutions	Is the dominant norm closer to the formal or the informal institution? Is the formal institution subverted/ competed by the informal one? Is there an effort to enforce formal (legal) norms? How long has the gap existed between formal and informal institutions?	Survey of practices to establish which norm is dominant and if informal norms are just parallel/ complementary or in fact competitive/subversive of formal ones
Accountability	Has anyone belonging to the chief status group (clan, party or family) ever been deposed from an official position or sentenced by a court? Are reports of wrongdoing by such people ever followed up with public investigations? Do people as a rule officially complain of unfair treatment? Are there any whistleblowers? Do regular reports on government/ government agencies exist at end year/mandate? Do they include information on objectives which were not reached and measures taken to rectify them?	Widespread perception in surveys that politicians are above the law, perception of political parties as top 'status groups' and political affiliation as indispensable for economic success

To make the taxonomy less abstract, we shall refer to two countries which correspond to our definition of competitive particularism: Brazil, from where many of O'Donnell's examples are taken, and Romania, as they are fairly well documented. Both are consolidated democracies, held their first free and fair elections only a few months apart in 1989-1980, and are upper middle income countries that hold elections regularly. But the level of governance is poor and the evidence of particularism abounds, including the use of political office simply as a vehicle for spoiling the state. They are very similar: Both have a highly politicized administration, for example, along with nepotism and political migration, since local and regional politicians change from one party to another after experiencing an election loss in order to preserve their office or obtain a better one. Both countries have made progress, but Table 6 (Brazil) and Figure 2 (Romania) show that despite a reduction in petty bribes, having actors which promote impartiality and objectivity (National Banks) and growth in recent years, particularism remains the rule of the game.

Both countries have progressed in the last ten years, and the diagnosis table on Brazil shows that it is a borderline case in which the old norm and the new norm are in confrontation with various groups positioning for the status quo or against it. Politics is the main vehicle of patrimonialisation, since the president, regional leaders and parties all believe that public appointments and funds 'belong' to them while in office. A near caricature of this belief can be seen in Figure 2, which shows the distribution of the natural disaster fund in Romania during EU accession negotiations and after being admitted. Romania was subjected to very tough conditionality on corruption, and signed the EU accession treaty only after an audit of its anti-corruption strategy demanding that it adopt numerous laws and regulations as 'guaran-

tees' against bad governance. The natural disaster fund is an emergency fund controlled by the Government, which has the right to increase the fund at will by overstepping the usual budget approval procedure (and usually does). Figure 2 shows that the practice of distributing the fund on political grounds persisted through three different governments (Socialists-Red, Liberals-Blue, Democrat-Liberals, Orange) and even increased despite the drain of resources by the economic crisis. The data table shows how systematic the deviation is from the share of the vote in local elections. There are only two possible explanations. Either Romania is hit by disasters in the areas where government party mayors are elected or Romanian governments, irrespective of where the floods occur, preferentially fund mayors from their own party. Initiated by the Socialists, the practice grew under anti-corruption president Traian Basescu, whose Orange Party reached a remarkable 62% share of funds as compared to just a 28% share of mayors. These public funds go to favourite local governments, who then distribute them further to politically networked companies (where sometimes politicians have direct, not indirect stakes). The difference between corruption as exception and particularism as norm is reflected in the two models produced by Hellman and Kaufmann on one side (see figure 3), and della Porta and Vanucci on the other (see figure 4). Kaufmann's model demonstrates a relatively good separation of business, control agencies and politics; therefore, companies that seek privileges behave entrepreneurially and bribe. In the case of della Porta and Vanucci, the same network cuts across the state and the private sector, which are poorly separated, with the same individuals either holding strategic positions at the same time or rotating from one sector to another. In the former case, a strategy against bribing makes sense; in the second, it would punish only those who are excluded from the preferential allocation network and who try to enter the market.

Table 6. Competitive particularism in Brazil. Qualitative diagnosis table

Power distribution	**Pluralism, but power remains concentrated in the hands of few groups**
	• Free and fair elections since 1989; • In 1992, the first directly elected president was impeached by the senate and lost his political rights for 8 years; • Party switching was a common practice until 2007, when the Supreme Court upheld the "party fidelity" law; • Since 1994 continuing dominance in the legislative arena by the same four political parties (PMDB, PT, PSDB and DEM), but 18 other parties are also represented; after the 2010 elections, these four parties accounted for more than half of the seats in Congress, 63% of the seats in the senate, and 63% of state governments; • Oligarchic families have gradually lost their political power, but in 2011, 80% of party leaders in the parliament come from oligarchic families; Lula was the first Brazilian President that did not come from the traditional political elite; • Access to politics is also limited by the high costs of election campaigns.

State autonomy	**Mixed. Capture by different groups but also islands of autonomy from particularistic practice, Petrobras or Central Bank**
	• 21 000 positions of confidence and gratification which the president has the prerogative to appoint; • Budget amendments: pork barrel projects help incumbents raise funds from private firms that stand to profit directly from obtaining government contracts
Distribution of public goods	**Unfair and unpredictable**
	• Decentralization increased discretionary power on the distribution of public goods • States and especially municipalities depend on federal transfers (both mandatory and voluntary), which are then allocated by local politicians (e. g, in the state of Mato Grosso do Sul, R$189,000 was paid to implement a rural electrification project. As it turns out, one of the farms benefited by the project was owned by the mayor); • There are initiatives in place seeking to control distribution of public goods, such as 'participatory budgeting', Transparency Portal, and the random auditing of states and municipalities which receive discretionary transfers.
Personal autonomy and collective action capacity	**Previously low but recent increase of voter intolerance versus corruption and misadministration**
	• 51% of Brazilians believe that voting can make a difference; • 60% of Brazilians would denounce corrupt practices; • 41% believe that in general, politicians are not punished for illegal actions. • Recently, two important laws regarding political corruption (Law 9840 and 'Clean Record Bill") were initiated by citizens (over one million signatures were collected).
Distinction public-private	**Used to be poor, unrestrained politics dominated by oligarchisation seek private profit. Recent challenge of the practice.**
	• In 2008, the Supreme Court ruled a decision prohibiting nepotism in the executive, legislative, and judicial branches of government. However, cases of nepotism can still be found in the three branches. In the judiciary, 203 cases of nepotism have been investigated by the National Council of Justice since 2008. • In 2008, the governor of Maranhão state nominated 23 relatives, including his wife, for 'trust positions' within his government;

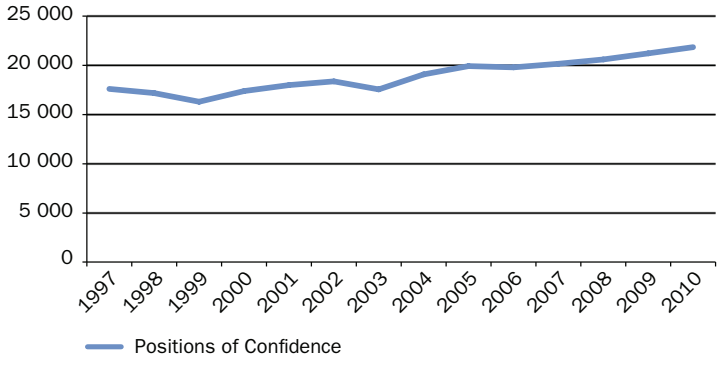
By 2010, 21,847 persons were officially listed in Brazil under the heading of categories and functions of confidence and gratifications (DAS 1 to 6 - *Diretoria e Assessoramento Superior*) in the direct administration, autarchies, and foundations of the Federal Executive Government[5], with salaries ranging from R$ 10,000 (DAS 1) to R$21,000 (DAS 6). The president/minister has the prerogative to appoint and

5 See: Ministry of Planning, Budget and Management, at: <http://www.servidor.gov.br/publicacao/boletim_estatistico/bol_estatistico_10/Bol176_Dez2010.pdf>.

remove individuals in these positions at any time, which are regularly used for political bargaining. Registering offices filled discretionarily is a way of limiting the practice, superior to Romania, where - due to EU acquis - there are officially very few such offices, but in practice all are submitted to politicization. As a consequence, the government is entangled in thousands of law suits by disgruntled employees who were replaced with new appointees after each change of political majority. While Control of Corruption, the World Bank Institute indicator, shows no significant progress for Romania and Brazil, Figure 2 and Table 7 show why this is the case. The advantage of working with real indicators instead of with perceptions is invaluable. Despite their development in recent years, evidence shows that in both countries, the state has not become more autonomous towards private interests; otherwise we would not have the ascending slope of favouritism in public employment and contracts represented in these two graphs.

The issue of state autonomy is essential in understanding governance regimes. The principal agent theory presumes that the state is autonomous until the bribe occurs. Political development theory presumes the other way around: that state autonomy is a modern feature acquired in time and after much confrontation. The evidence from our case studies confirms the latter view: the state is seldom impartial, but rather caters to special interests by default. As long as private-public separation never manages to become the dominant norm, the Hellman-Kaufmann model does not well capture the neo-patrimonial or competitive particularistic countries but instead only the corruption after modernization, where the state's norm is impartiality. For countries where particularism is the norm in allocation, della Porta's model based on Italy is far more realistic. There is no separation, since the same individuals rotate among the areas concerned, creating entangled networks which allocate preferentially either directly (majority of transactions) or following bribes.

Figure 3. Evolution of 'Confidence' and gratification positions in the Brazilian Executive Federal Government, December 2010



Source: Federal Ministry of Planning, Budget and Management

Figure 4. Hellman-Kaufmann model of state capture

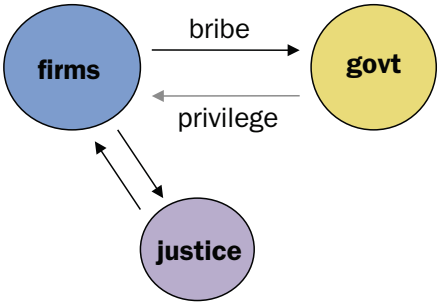
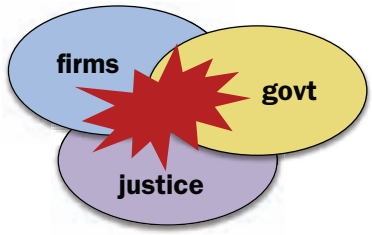


Figure 5. 'Fused' model of state capture (adapted after della Porta)



To assess the global spread of our governance regimes we cross-tabulate pluralism with control of corruption. Freedom House has been publishing a 'Freedom of the World' report since 1972, in which countries are classified into three categories: free, partly free and not free[6]. The World Governance indicators project has been reporting since 1996 on control of corruption. The score for this particular indicator ranges from -2.5 to 2.5and the scores of each country are then assigned to five categories[7]. By cross-tabulating these categories and adding a time dimension (evolution since 1996, the first year of measurement of Control of Corruption), we can assign them to the following categories which should be confirmed by country analysis:

1. Neo-patrimonial countries are those rated as non-free (either uninterruptedly, or which have reversed to autocracy after some transition) and below the threshold of 60 on the Control of Corruption scale. In 1996, 22 out of 52 non-free countries corresponded to this definition. By 2010 their number was 32 out of 47, as coverage of control of corruption increased. We therefore currently have 32 neo-patrimonial countries.
2. Competitive particularistic countries are those partly free and free countries which are rated below the threshold of 60 on the Control of Corruption. These countries all hold elections of some quality. Their total number is 88, to which

6 A cross-reference with the Democracy Index 2010 of the Economist Intelligence Unit was also used to corroborate Freedom House data on the regime status of the countries.

7 Given that the World Bank does not publish the cutoffs for a change within the five different categories, we were unable to replicate the classification. We therefore took the score and built five categories, with our own assigned cutoffs by percentiles. We preserved the color labels used by the World Bank, so countries above the 60th percentile are dark or light green (good governance), the ones below that percentile range from yellow to red (worse governance). See Table 8 for details.

we can add some oscillating countries (moved repeatedly below and above): Costa Rica, Poland, Hungary, Namibia, Greece and Italy. Their most recent trend is downwards.

3. Countries which have experienced a major recent change (revolution, coup d'état, or are between 60 and 75 on an upwards trend) can be considered 'borderline' cases, where the two norms are confrontational and do not yet have a stable governance regime. This is the case of Georgia, rated as 'green' by the World Bank despite a score which is below 60.

Table 7. Particularistic distribution of Romania's natural disaster fund to government party lines

	2004 (SDP)	2008 (Liberals)	2010 (Democrat Liberals)
Share funds allocated by government to its own party municipalities	49	45	62
Share vote local elections	35.5	16.19	28.82

Table 8. Categories of 'good governance' based on WGI Control of Corruption

Category	Percentage range	Score range
1 (purple)	0 to 20	-2.5 to -1.5
2 (red)	20 to 40	-1.5 to -0.5
3 (orange)	40 to 60	-0.5 to 0.5
4 (yellow)	60 to 80	0.5 to 1.5
5 (green)	80 to 100	to 2.5

Legend: Countries are distributed in fifths with different colours, ranging from purple, least control of corruption, to green, maximum, on the basis of country scores.

A survey of competitive particularistic countries shows that more than half are below 2,000 USD per capita, with the largest group under 1,000 USD, but approximately two-fifths range from 2,000 USD to over 10,000 USD (Greece and Italy). With such a large disparity in income, development cannot be the only factor to explain this governance regime (which confirms Eisenstadt and Roniger 1984). Political institutions also vary greatly among these cases. Presidential, semi-presidential and parliamentary regimes are evenly spread across this group, as well as various electoral systems. Some have fragmented oppositions and dominant party systems, others do not. By and large, none of the political consultant variables kits explain competitive particularism, since all varieties are represented in this group of countries (Pulido and Skardziute 2011).

The next question is how harmful particularism is for development, compared to bribery and the usual criminalized forms of corruption. This is an important discrimination to make. Aggregated indicators of perceived corruption are not much help because they measure all types of corruption at the same time, including percep-

tions of general unfairness of the government. The more nuanced expert surveys allow some insights. For instance, a WEF questionnaire item called 'transparency, accountability and corruption in the public sector' (with 7 denoting maximum transparency and integrity) explains 19% of the variance in income per capita across countries and correlates at 44%, while government favouritism, a more direct indicator of particularism, explains 49% and correlates at 70%. Similarly, an ICRG expert rating of overall quality of governance explains 67% of variance, while a more specific rating on 'corruption' explains only 49%. Nevertheless, all these are subjective indicators and are based either on more experts (WEF), on less (ICRG), or are simply made by aggregating all other indicators. Even if more research is needed on this, it seems that **government favouritism and the resulting lack of openness is the most harmful for development. It is not the illegal nature of the act, but the systematic distortion of equality of access to public resources and free competition which hinders development.** Dani Rodrik, for example, uses Brazil to argue that poor governance does not hinder development: but Brazil is doing better on government favouritism than most of its neighbours, although not in other areas of governance[8].

Today we take for granted that capitalism has prevailed everywhere. However, many countries present a mixed system, with islands of free market in some sectors and crony capitalism in others. The profit rate cannot compare across such sectors. In Romania, one of our case studies, privileged domestic companies in the area of transport infrastructure and energy acquired profit rates of 30-40% after Romania's 2007 EU accession, which presumably levels the field between domestic and international companies, while the major European brands on the market were experiencing a recession. Costs are apparent in both output and input: Romanians pay more to maintain their roads than average Europeans, despite being one of the poorest countries on the continent, and after many years of EU funding for road projects, nearly zero kilometres of highway had been built by 2010. The allegations of scholars who had long argued that clientelism was the main provider of social order of Greek society, with political parties as main patron groups and broad client constituencies, were finally driven home to a larger public by Greece's fiscal crisis (Mouzelis 1985). More funds than all the donors together could provide in any developing country were poured into Sicily and Greece by the EU, creating better roads, but not a radical change in governance.

8 See Dani Rodrik`s Blog: 'Is "good governance" an end or a means?', available at: <http://rodrik.typepad.com/dani_rodriks_weblog/2008/04/is-good-governa.html>.

Corruption aggregate indicators measure all type of particularistic deviations, not just illegal corruption; in other words, they measure governance regimes. If deviation from ethical universalism is defined as corruption, than particularism is corruption. Any meaningful intervention in a given society needs to clarify first what type of governance regime is being dealt with in order to comprehend the actual rules of the game and chart the position of the actors (in favour or against the status quo); this provides for a clear diagnosis. This is the preliminary step to any anti-corruption strategy and the main source of failure for the current strategies in place. Instead of mapping the rules of a society's game, they simply operate on the basis of perception surveys which can be replicated from one country to another without any noticeable difference.

As governance is defined as the sum of formal and informal institutions shaping who gets what in a given polity the understanding of governance regimes is an indispensable step towards a more strategic anti-corruption. Three distinct types of governance regimes are described in the report: open access or ethical universalism regimes which exist in most of the developed world; and closed access regimes, divided between neo-patrimonial (where power is monopolized by ruler and his clique) and competitive particularistic (where several groups compete for the spoils, but spoiling the state remains the rule of the game). Free elections do not manage by themselves to solve the problem of corruption: more democracies than autocracies feature presently among systemically corrupt countries. The widely used perception indicators which are presumed to measure corruption actually measure governance in general, not only illegal corruption which is only a small part, hence their insensitivity to change. Governance regimes are stable: the few countries which succeeded in changing them over the last decades will be discussed in section 7.

3. Corruption as equilibrium

Conceptualizing corruption in a broader social order framework, as a *governance regime,* has important policy consequences. Particularism is not a social 'malady', as corruption is usually described, but a state of default equilibrium, natural and therefore frequent. Social psychology provides considerable evidence that the nature of man is sectarian and that social identity results from biased inter-group comparison and selfish behaviour (Sherif and Hovland 1961; Tajfel 2004). People naturally favour their own family, clan, race or ethnic group: treating the rest of the world fairly is a matter of both evolution and resources. Societies which have travelled the largest distance from this natural state of things and produce an autonomous state which treats everyone equally and fairly are an exception, and the product of a long historical evolution.

Particularism is a latent, natural distribution mode, and is impossible to eradicate entirely. Networking and market favouritism are underestimated in many advanced societies (Rajan and Zingales 2004). In developing societies, the strategy of 'zero tolerance' means in fact 'zero particularism' and thus makes it impossible to reach an ideal. If exceptions from the norm of public integrity can be prosecuted in a limited interval of time, building the norm itself is a far more tedious process. Norm building programs amount to community building programs and therefore need to be sustained for at least one generation in order to take hold – a far longer interval than any donor budgeting perspective can survive.

The few historical developments in good governance and the eradication of particularism as a governance regime are complex and long term transitions. However, they all have a few commonalities: triggering factors (major financial crises and threats, lost battles to a better organized and less corrupt opponent), agents of change who speak on behalf of the status-quo losers, some form of bargaining between challengers and incumbents, and civil society active engagement. For example, the judicial breakdown on the Mafia in Sicily would have never succeeded without the mobilization of a previously accommodative civil society, starting with a few priests at the beginning and leading to a general mobilization once anti-corruption magistrates were assassinated (Stile 1996). As long as civil society on the whole behaved as a client society, honest magistrates would not have been able to disrupt the Mafia.

Similar agents of change and development processes can take place in other developing societies, as well. However, such an evolution is a political process to advance the rights of disfavoured people, therefore challenging the balance of

power. Providing support, both political and technical, to the genuine leaders of anti-corruption and drivers of change outside government is worthwhile, but the political nature of such endeavours should also be known. There are no win-win anti-corruption efforts: people who are in danger of losing their rents will fight back. If they dominate the government, then donors' support for anti-corruption projects by governments is both ineffective and immoral. It is not worth doing anything at all.

Theoretical approaches such as North et al employ (North et all 2006a; 2009), Mungiu-Pippidi (2006 b), Rothstein (2007) shift the focus from the usual question of 'what causes corruption', because 'what causes particularism' is absurd. Particularism exists by default, since most human societies have limited resources to share, and people try sharing them with their closest kin and not with everyone else. Modern states are based on universal citizenship, which entails fair treatment of every citizen by the government. But there are very few states which have succeeded in moving so far from a natural state to this ideal of modernity. In this case, the key question is not 'what causes corruption' but what makes particularism evolve into universalism. What determines a change in the equilibrium?

The rational choice approach generally views corruption as the result of an equilibrium between resources and costs (Nye 1967; Rose-Ackerman 1999). When costs are low and resources/opportunities high, it is rational for an individual to be corrupt. Robert Klitgaard (1988: 75) proposed the famous equilibrium formula describing a state of equilibrium:

Corruption = Monopoly + Discretion– Accountability (C=M+D-A)

The equilibrium model at the individual level is poorly connected in corruption literature with a similar approach at the national level. Quantitative models treating corruption as a dependent variable test historical causes of good governance together with policies, with little thought that control of corruption in a society is actually an equilibrium and should be conceptualized in such terms. There is also too much stress on structural variables. The fact that corruption is less associated with Protestant countries and former British colonies does not translate into any valid strategies or policies. The fact that early achievers are mostly splinters from the British Empire with a dominant Anglo-Saxon culture and high development levels is self-explanatory. Contemporary achievers (see Table 1) are mostly islands: should we include 'island' among 'causes' of corruption? A well governed state which splits into various parts will result in all likelihood in well governed successor states: there is no real cause of good governance behind this.

So far, the literature on causes of corruption (see also Treisman 2004) has included two broad categories of factors: i. structural factors (population, legacies, religion, past regime), and ii. current government policies pertaining to good governance (economic, but also specific anti-corruption policies). A review of determinants tested so far suggests that the equilibrium concept can actually make a more theoretically meaningful model. Such a model would include:

Under *resources*:

- Discretionary power resources (due not only to monopoly, but also privileged access under power arrangements other than monopoly or oligopoly; for example Weber's status groups, Mancur Olson's negative social capital networks, North and Wallis' social orders, cartels, etc.).
- Material resources (state assets and procurement budgets, foreign aid, natural resources, public sector employment, any other resources which can be turned into spoils or generate rents).

As *constraints*:

- Legal: This supposes an autonomous, accountable and effective judiciary able to enforce legislation, as well as a body of effective and comprehensive laws.
- Normative: This implies that existing societal norms endorse ethical universalism and monitor permanently and effectively the deviation from this norm (through public opinion, media, civil society, critical citizens/voters). For an effective sanction we need a population of autonomous and critical citizens capable of collective action.

Control of corruption or its opposite, particularism, can then be summarized in the formula below:

Corruption/control of corruption = Resources (Power + Material resources) – Constraints (Legal+Normative)

This equilibrium formula can be empirically tested and offers a more complex picture, not only of the individual causes of corruption (or even categories of factors), but also of their interaction, allowing for a better understanding of why certain policy combinations work and others do not. All elements of the formula can be affected by human agency. Resources, for instance, are not an absolute given; they can be manipulated by policy. Power resources can be increased by discretionary regulation and red tape, and decreased by transparency; many anti-corruption policies focus on that area. Material resources include four basic categories:

- public jobs, as the public sector can be politicized and each winning party fills not only political offices but many civil service positions with its own people;
- public spending, for instance the commissioning of public works, but also preferential bailouts, subsidies, loans from state banks, any form of monetary rents;
- preferential concessions and privatizations from the state property; and
- market advantages in the form of preferential regulation

The trajectory of former communist Europe, which has registered the greatest positive evolution of governance over the past twenty years (but also presents a large variation across the region), is a good illustration. The post-communist region departed from patrimonial Communism, in which most property was state-owned, which meant de facto party-controlled, with status groups (nomenklatura, secret services) enjoying important privileges and immense power discretion. While some elements, particularly on the state side (power arrangements), were similar across this region of Soviet sponsored Communism, others on the society side (normative

constraints, ability for collective action, degree of modernization) varied greatly, despite previous efforts of the Communist regime to homogenize these countries. Twelve countries (former Soviet Union) did not manage to democratize fully and evolved from Communism to neo-patrimonialism (group I), with the WGI Control of Corruption below the level of sub-Saharan Africa (see Figure 1). Fourteen countries evolved to competitive particularism (group II), of which seven are 'Central European' (score higher than 0) and seven transitioning 'Balkans' (scores under 0, but on the mend), with only two countries, Slovenia and Estonia, coming close to the best governed 'green' zone, Group III.

The three different governance regimes in the postcommunist world are the result of different equilibriums. Where constraints and resources were weak, full state capture resulted after 1989, usually in some neo-patrimonial form (what Grzymała Busse calls 'fusion'). The state became practically 'fully captured' by a particular person or group without any pretence of autonomy or universal distribution (see figure 6). Turkmenistan was a good example for this category until recently. If resources are superior but constraints are insufficient, systematic predation by a leader and his clan occurs but leaves the state with some limited autonomy (Azerbaijan). Poor resources combined with stronger constraints (existence of civil society and more judiciary independence) lead to moderate exploitation of state resources (Grzymała Busse 2007), where political actors can only politicize state jobs and distribute some government contracts preferentially but the administration and judiciary have important autonomy, allowing the two norms to coexist, sometimes confrontationally. Examples range from fully particularistic Bosnia, where a particular state design aligned on ethnic lines has led to the creation of veritable ethnocracies, to the political particularism of the Balkans and some Central European cases, where political parties rather than the ethnical groups serve as patron organizations and divide the public sector among themselves (Grzymała Busse 2007; Smilov and Toplak 2007). Here, occasional bribery and extortion coexist with other more systematic types of state capture described in Figure 6.

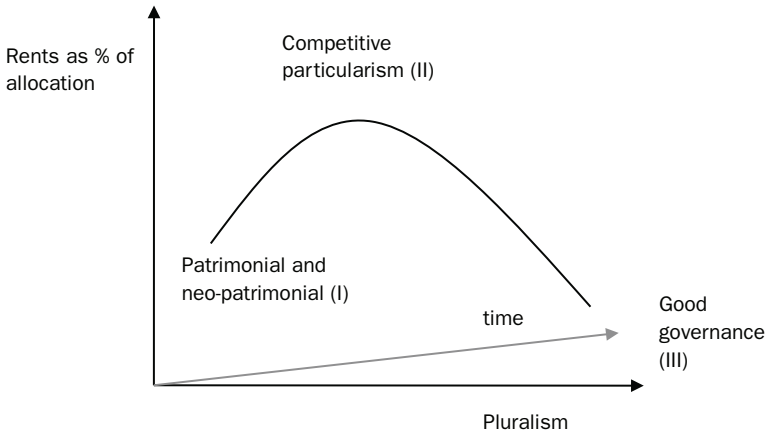
Figure 6. Types of corrupt practices by resources and constraints

	CONSTRAINTS	
RESOURCES	Weak	Strong
Poor	Fusion/full capture	Exploitation
Good	Predation	Clientelism

Can we rethink the large numbers of determinants of corruption tested in the literature as actually factors influencing an equilibrium from which either control (society free of corruption) or particularism (pervasive corruption) can result? Quite a large number of determinants of perception of corruption have been tested so far (see Lambsdorff 2005; Seldadyo and de Haan 2006 for a review), though work on the determinants' explanatory powers is scarce (Treisman 2000: 400). Various dependent variables were used but the inventory remains poor: either the subjective ratings compiled by ICRG, BI or Economist, or the aggregate indexes compiled by Transparency International or World Bank Institute which include all subjective ratings. These measures are all perception based and heavily correlated among themselves: the World Economic Forum or other business surveys tend to be more distinct, but they are also included in either CPi or WGI. We tested our models on the ICRG, WGI Control of Corruption, WEF Government Favouritism and CPI, with quite similar results.

A review of independent variables emerging from previous work uncovers some certainties, but also many controversial results. Several **economic determinants** have been found to significantly influence the quality of governance, although they lack a commonly agreed-upon theory. Corruption is determined by economic development (in terms of income and income distribution), openness to trade, import share, mineral exports as well as relative wage in public sector, size of government, competition among private firms, inflation to restrictions on foreign trade, foreign investment and capital markets (Seldadyo and de Haan 2006; van Rijckgehem and Weder 2001; Elliott 1997; Goldsmith 1999; Braun and Di Tella 2004; Paldam 2002; La Porta et al. 1999; Ades and Di Tella 1999; Treisman 2000; Kunicova 2001; Kunicova and Rose Ackerman 2005; Persson et al. 2001; Sandholtz and Koetzle 2000; Sandholtz and Gray 2003; Brunetti and Weder 2003). I would also include here the studies on the impact of wage size in the public sector, which are in fact a more focused measurement of economic development in general and whose results are mixed. Some authors found that corruption decreases with an increase of wages, and others found that there is no significant association (van Rijckeghem and Weder 1997; Alt and Lassen 2003; Rauch and Evans 2000; Gurgur and Shah, 2005; Treisman 2000).

Figure 7. Evolution of corruption in time, by power distribution



The **political determinants** of corruption tested in empirical studies can be divided into two broad categories, namely those investigating the impact of freedom and those examining the effect of various political institutions, formal and informal: federalism, presidentialism, electoral system, competitiveness of party system, political stability.

A paradoxical association exists between democracy and good governance and is widely debated in the literature. The classic political development approach, represented by Samuel Huntington and Joseph Nye, considered that democratization increases corruption based on evidence from US electoral history and Latin America. These classic authors also saw the positive aspects of corruption as an agent of political mobilization and state and constituency building. The contemporary democracy school exemplified by Larry Diamond (1999), for example, sees corruption as the main threat to democratic consolidation. Many empirical models side with Diamond, in that they find a positive association between democracy and control of corruption (proxies used are civil liberty, political freedom, political rights, length of democratic regime, freedom of the press), but important counterexamples persist (Treisman 2000; Kunicova and Rose-Ackerman 2005; Brunetti and Weder 2003). Freedom allegedly reduces corruption by imposing transparency and providing checks and balances within the political system. Political participation, political competition, and constraints on the rulers are supposed to increase the ability of the population to restrain the predatory behaviour of politicians. Why would democratization increase corruption when it gives more voice to the people? Charron and Lapuente (2010) hypothesize that the relationship between democracy and quality of government – based on *supply* and *demand* – is conditioned by economic development. Alternatively, building on political development theory, North, Weingast and Wallis (2009) and Mungiu-Pippidi (2006) suggest that the problem is the lack of political modernization translated into the low capacity of collective action ('organization') in many countries which hold elections but lack the capacity to impose normative constraints due to low numbers of critical, educated and economically autonomous citizens. The rural dependent societies that Huntington described in his *Social Order in Changing Societies* mix modern elements (in urban industrial areas) with pre-modern ones (in rural areas). We would therefore expect that large masses of voters in such societies are passive, dependent and manipulated, allowing political elites to engage in profit maximizing with only a few constraints. In line with a classic political modernization theory, our hypothesis is that democratic politics needs a considerable degree of ‚organization', as North et al call it (2009), and sophistication, which is missing in many new democracies. This allows parties to behave as unconstrained interest groups, capture the state and even form cartels – the model of competitive particularism. This might explain Sung's (2004) paradoxical finding, which proved that the relationship is 'j-shaped', meaning that when democracy is measured on a continuous scale, countries in the middle are outperformed by both strong democracies and strong autocracies on average but old democracies over perform autocracies by providing the best quality of governance. Figure 7 shows the trajectory in time of our two key categories, corruption and pluralism; corruption decreases in a second phase of democracy; however, most young democracies are currently on the top of the curve.

Finally, the results of empirical tests of institutions other than elections and press freedom are mixed and disputed, particularly concerning federalism, decentralization and electoral system but with some agreement on political stability (Persson et al. 2003; Kunicova and Rose-Ackerman, 2005; Brown et al. 2005; Chang and Golden 2004; Lederman et al. 2005; Park 2003; and, Leite and Weidmann 1999).

Cultural factors, such as ethno-linguistic differences and religion were also frequently tested. Countries with many Protestants tend to have lower corruption levels (Chang and Golden 2004; Bonaglia et al. 2001; Treisman 2000; La Porta et al. 1999), but seeing that the significance of this variable disappears if a control called 'common law system' or 'former British colony' is introduced, results can hardly be reported as a 'cultural' effect. An alternative explanation is that, as North and Weingast claim, England developed the institutions of capitalism and good governance in a very specific and path dependent way earlier than any other country, and then spread these institutions through colonialism to several countries. Early achievers from our Table 1 are mostly Commonwealth countries, and half the contemporary achievers are former British dominions which have become independent.

A fourth group of variables is the most problematic, since it refers to determinants which can be seen as part of the definition of control of corruption (in other words, as part of the dependent variable). These variables include **rule of law** (Damania et al. 2004), a notion equally vague and partly overlapping with control of corruption (the correlation between the two World Governance indicators is nearly 1, showing that they actually measure the same latent variable), **quality of bureaucracy** (Rauch and Evans 1997) and **judicial independence** (Ades and Di Tella 1997). We do not have consistent definitions and measurements across the globe for any of the three. But the main problem with all these variables is their use in cross-sectional models when the original theoretical argument came from history or political development. Arnold Heidenheimer (1970) and Robert Dahl (1989) have thus each argued independently that the development, prior to the introduction of elections, of a strong central bureaucracy and, respectively of the rule of law, have led to good governance in a core group of North-western countries. In particularistic countries, the judiciary is frequently part of the ruling elite (as in the della Porta model), and in open access societies it is independent. Otherwise, particularism cuts across bureaucracy, judiciary and the rest as it structures social order and hierarchy; as such, neither can be isolated as a 'cause' in a cross-sectional model. Historical analysis is the only way to identify if, for some reason, the judicial elite became more universally minded before the political elite (which was the case in Italy) and then managed to be a main driver of change. For most 'historical achievers', this was not the case, as we shall show in a further section. Contemporary cases are more controversial: Pakistan, for example, has a well-trained, independence minded legal profession elite which is openly engaged in the fight for freedom, but at the same time, evidence exists that magistrates are also quite corrupt. Italy's judiciary was sublime during *mani pulite*, but it was also accused of political partisanship.

Various policies with some anti-corruption impact have also been tested. Raising public sector wages returned controversial results, with van Rijckeghem and Weder (1997) finding no short-term impact, Gurgur and Shah (1999, 2000) noting a nega-

tive impact, and Treisman (1999) and Swamy et al. (1999) finding none. Tanzi and Davoodi (1998), LaPalombara (1994), and La Porta et al (1999) find that a reduction in public sector size leads to less corruption. Elliot (1997) found an inverse relationship between the budget size and corruption. Media freedom is negatively correlated with the level of corruption (see Brunetti and Weder, 1998). Fisman and Gatti (2000) find a negative relationship between decentralization and corruption. Anti-corruption agencies have been reported as successful in Chile, Hong Kong, New South Agencies Wales, Australia and Singapore (Clark 1987; Doig 1995; Klitgaard 1988; Segal 1999 and World Bank 1999), although doubts were also raised on their effectiveness in countries with endemic corruption.

We are interested in testing the explanatory power of the equilibrium model and compare it with the modernization model. We use many determinants previously tested but explain their role differently and put them into context with one another. We also add a few according to our theoretical model. Models are parsimonious; we seek maximum explanatory power with a limited number of variables. We dispense of some due to theoretical reasons (rule of law) or their lack of robustness in more complex versions (ethnic fractionalization, political stability).

To test the equilibrium model we selected proxies, generally already tested in literature, for all our categories. Among power resources we used the degree of power discretion over political, economic and private lives of individuals: government interventionism in economic affairs, abuses of individual freedom and excessive state bureaucracy. Despite testing a large set of variables measuring pluralism, power concentration and political organization from Polity and other databases (insignificant or very weak state or electoral system organization is simply not important) we finally chose, very conservatively, just two essential variables with high explanatory power. Our measures of power resources are both based on Freedom House: the index of personal autonomy and individual rights (since political development theory predicts that this is lacking in many developing countries) and the number of years a country is rated ‘free’ by Freedom House; thus, its social organization is not constrained by violence. Although we do not use it in our final models (it is not significant in complex versions), the ethnic or any form of sectarian fragmentation of a society should also be considered a resource for corruption, since competition of particular groups and intra-group favouritism lead to systematic discretion. Under material resources we list natural and mineral resources, government spending (we were unable, however, to find data for enough countries on procurement funds, as those are the universe of discretionary spending), red tape, foreign aid, and, as a novelty, informal economy as a proxy for informality in general. Informality signifies a pre-modern state-society relationship based not on universal trust and government impartiality, but on collectivistic and traditional bases (Shils 1960). We stipulate that informality is a resource for corruption.

Under legal constraints we only use independence of the judiciary (with the reservations already announced) in the basic model, although we shall discuss in sections the results of testing institutional transplants, which are part of the good governance package. This is the key variable; without an independent judiciary there is no point in having an anti-corruption agency because those charged with corruption

would never be sentenced. Under normative constraints we have tested Protestant religion, civil society (measured in simple numbers of CSO/100 000 inhabitants) and Internet access (signifying the presence of well informed, thus potentially critical citizens).

Table 9. Modernity as determinant of corruption

Independent variables	**Coefficient (std, error)**
Human Development Index by UNDP. 0-1 with 1 the most advanced	2.982*** (-0.33)
Informality (Informal economy as % of GDP, World Bank estimate)	-0.208*** (-0.005)
Constant	-0.967*** (0.326)
N	148
R^2	0.639

Legend: Linear regression with dependent variable WGI Control of Corruption, recorded for the year 2008. (* p<0.05, ** p<0.01, *** p<0.001)

The model in Table 9 shows the significant role of modernity (r^2 is 0.639) in controlling corruption; informality plays a major role, and so does human development (life expectancy, income and education). Table 10 departs from the modernization theory and tests the equilibrium model. The model is confirmed, with an overall explanatory value very good at nearly 84% in 114 cases. We found that informality and red tape are resources for corruption. In other, simpler variants of the model we also found that ODA, fuel resources and lack of economic liberalization (Fraser Institute index) are significant in this category. Power discretionary resources are also significant (Freedom House personal autonomy and rights index, but in other variants also the number of years the country has been free). Normative constraints also matter considerably: in this model we illustrate civil society (number of NGOs per 100 000 inhabitants), but also Internet users per 100 000 inhabitants. Protestant religion, reported in so many studies, becomes insignificant with these two determinants. In other versions we used media freedom from Freedom House, which is also significant[9]. Finally, judiciary independence is a significant predictor.

9 Freedom of the press explains 67% from control of corruption together with for development (HDI).

Table 10. Equilibrium model of corruption, resources and constraints

Independent variables	
MATERIAL RESOURCES	
Informal Economy (% of GDP)	-0.017***
	(-0.004)
Ease of Doing Business (1-183; 1 is best environment)	-0.004**
	(-0.001)
Fuel Exports (% of merchandise exports)	0.001
	(-0.002)
POWER RESOURCES	
Number of Years Ranked 'Free' (0-38; 38 is most 'Free' years)	-0.006
	(-0.006)
NORMATIVE CONSTRAINTS	
Internet Users (per 100 inhabitants)	0.013***
	(-0.003)
Protestant Religion (% of population in 1980)	0.004
	(-0.002)
Civil Society Organizations (per 100.000 inhabitants)	0.007*
	(-0.003)
Personal Autonomy and Ind. Rights (0-16; 16 is most autonomy)	0.073**
	(-0.027)
LEGAL CONSTRAINTS	
Independent Judiciary (0-2; 2 is most independent)	0.188*
	(-0.077)
CONTROL	
HDI (0-1; 1 is most developed)	-0.39
	(-0.568)
Constant	-0.091
	(-0.397)
N	114
R^2	0.839

Legend: Linear regression with dependent variable WGI Control of Corruption, recorded for the year 2008. (* p<0.05, ** p<0.01, *** p<0.001)

Featured as a control, the Human Development Index is not important in this final model, which was chosen for its large number of significant policy variables. Protestant religion also loses significance in this final version. If HDI is difficult to change in the short term, there are ample policy opportunities related to variables from nearly every category, since governments, civil society and donors are able to act in

all of these areas. While modernity remains a decisive determinant for particularism, the equilibrium model shows that room for significant policy intervention does exist.

Conceptualizing corruption in a broader social order framework, as a *governance regime,* has important policy consequences. Particularism is not a social 'malady', as corruption is usually described, but a state of default equilibrium, natural and therefore frequent. This section started from the classic formula of Robert Klitgaard to offer a *governance regime as equilibrium formula*, where governance is determined by power and material resources on one hand, and legal and normative constraints on the other. Rather than testing disparate causes of corruption, many of them with theoretical problems, the report proposes a model using exclusively determinants which are not controversial theoretically and whose relation not only to the dependent, but also with one another can offer a full theoretical model as a complex of interacting factors. This is *the resources versus constraints model*, which can be used qualitatively and test quantitatively both in cross-sectional and panel models (Table 12). The model is then put to empirical test on a database of 114 countries and proves to have high explanatory power and provide an alternative to the *modernization model*, with the advantage that most of its components are not path-dependent, structural determinants, but can be influenced by human agency.

4. Becoming Denmark: Understanding historical achievers

A change in the governance regime is therefore a change in the equilibrium. And the key to a successful policy is understanding how the equilibrium between resources and constraints at the basis of governance regimes can be changed by human agency. Here, historical examples are perhaps even better than contemporary ones. Two distinct streams of good governance development existed in Europe. One is a continuation of Roman republican tradition based on city self-government, which survived in European cities, most notably in Italy but also in other continental European cities (Montpellier, Toulouse, Arles, Trier, and several other old German cities). The other is a more innovative result of individual country development, achieved at a later stage and which evolved due to the confrontation between embattled monarchs in need of funds for their wars and their aristocracies (military and landowner class). The monarchs occasionally had the upper hand in confrontation, as in Denmark, Germany and France, and occasionally it was their challenger, as in England. Either way, a rationalization of government ensued from this confrontation, leading to a state increasingly autonomous from private interest and an egalitarian legal system (rule of law). The two different histories were also originally anchored in two different legal traditions, Roman on the one hand, and Germanic (with variants Viking, Norman) on the other. It was not an absolute separation: due to Church law, which was Roman, the two systems actually coexisted and communicated even in countries where German legal tradition was strong. Furthermore, in 1495 the German Emperor Maximilian officially endorsed Roman law, initiating a marginalization of customary law.

The evolution of the two good governance traditions diverged with time: while either triumph or defeat of the absolute monarchy in Britain, Denmark and Germany led to the consolidation of a modern state by 1848 - although quite different where democracy was concerned - the Italian city state Republican tradition succumbed to foreign invasion and rule, political ambitions of the Papacy and finally, nationalism. Modernity has not managed to build on Italy's pre-modern traditions. This positive heritage has mainly been lost, although some of it may still be traced in regional government, which explains the difference between the south and the rest of the country.

There are several stories to be told about these evolutions but for the purpose of this report, we are only interested in analogies that we can make with the developing world of today. ***The main remark is that good governance might be not a monopoly of modern states, as we can observe forms of good governance in the pre-modern world as well***. Furthermore, while modernity is generally consid-

ered as the only way to good governance, political modernization seems to challenge as well as empower its development. The way to good governance was much longer for countries which had not achieved equality before the law and an autonomous bureaucracy prior to universal franchise (France or the United States) than it was for countries that had (Denmark).

4.1 The city-state path to good governance

The Italy's experience with good governance can be documented from early medieval times and is considered a Roman heritage. By the times of Machiavelli, this picture had considerably been changed by foreign rulers and local despots who first manipulated the old political system, like the first Medici in Florence, and then simply privatized it in their favour. Venice was the last to lose – to foreign rulers- an aristocratic regime with ancient traditions. Eighteenth century Florence, whose corruption is described in detail by Jean Claude Waquet (1984), had a foreign dynasty supported by foreign troops which ruled over a far more interventionist state then in previous centuries, which made it far more corrupt than early medieval Florence.

The medieval and early Renaissance Italian city states had several basic features of good governance which would not be found in Western Europe until centuries later. As we can see in Genoa's colonies in the East (Chios or Caffa), such regimes were not democratic. First of all, they discriminated against the local population or the poorest stratum. Second, they were based on cooptation more than on elections, although elections always existed for the top positions. Without being democratic, they were nonetheless strongly bound by law, government and economic activity based on written contracts. But the characteristic of the merchant Republics, which makes them interesting examples for us today, was their belief that human nature is inherently corrupt, that government is used as a tool for self-enrichment and self-aggrandizing by default, and that good institutions have to provide against such abuses. By and large, we find the following characteristics of 'good governance' in Italian republican institutions:

1. Taxation draws on the voluntary work by the community, whose members are obligated to participate in such activities (in the Genoese colonies, the community of full rights citizens was organized as a shareholders community). Regions are divided into taxation units (nomahies), and each family in turn collects taxes from the area for a limited period of time; they will repeat their turn every few years. In the colonies, most funds collected in this way remained in the community after a share was sent to Genoa to be spent on defense; on the mainland the funds were mainly spent on defense and communal works.
2. All the positions were based on very short mandates and were not immediately renewable. Governors of Genoese colonies were expected to leave by the same boat that brought their appointed successor.
3. Most bureaucratic positions followed a quota logic by guild and clan (family), with the exception of the top executive position with its various systems. This meant that everyone participated. Combined with the military obligations of each clan, the system was very participatory and inclusive, especially given the fact that these were small communities (below one hundred thousand at a maximum, descending to the lower thousands). Each family was thus socialized

into public affairs and the business of government. Service was mandatory and unremunerated.

4. To avoid local conflicts and particularistic governments, many Italian city states opted for what we would call today a city manager – a podestà, a professional manager hired from the market. It was mandatory that the podestà come from a different city so that he could not favour anyone locally, and he brought his own bureaucracy with him (a few law enforcers, some clerks and magistrates). He paid a security deposit at the beginning of term and after his final accountability report was accepted, he received his money back and his fee. He was usually appointed for one year and served as an executive with a legislative based on the local community (elected or corporatist). Podestà, as well as governors in Eastern colonies, were bound by strict conflict of interest regulations. Neither they, nor their staff, were allowed to perform any other activity than service, so that a collision of interests was avoided.
5. Permanent control and auditing was a steadfast feature of government. While one family might have to provide a tax collector, another was asked to provide an auditor. Committee duty for auditing and control was frequently implemented in Florence; thus, good governance was enforced by broad participation.
6. There were strict regulations guarding against conflicts of interest. Short mandates, rotation of positions by family and appointments of outsiders showed that Italians understood that a conflict of interest is ubiquitous and hurts government and business alike. These measures were aimed at permanently building an objective government.

Such designs are based on conditions which we can sometimes encounter in the present world and might be simpler to reproduce than building full-fledged modern states, which is more difficult to do from the outside. Communities of businesses could serve as auditors and self-organize to both collect taxes and supervise how tax money is spent. The same can go for a community of villages or other types of collectivistic organization: the only limit is size. Donors frequently miss their state building objectives because they try to organize modern states from the top down. Decentralization in weak or post-conflict states, as Afghanistan or Sierra Leone is understood as central government brought closer to the citizens, frequently as a way to ensure that donor money gets outside the capital. Such structures are not grounded in local communities and have poor sustainability, when not perceived as competitive altogether by traditional power structures and sidelined (as in Sierra Leone). Government should rather be designed from bottom up, starting with communities which collect themselves funds to solve their pressing needs, as it is highly unlikely central governments would be able to address them. A community which gets together to fund a local nurse will be far better in terms of collective action capacity and public health than one which waits for donor funds to leak down through a system of pipelines which has either never existed or it's blocked. A village which organizes itself to receive a small grant will progress by the simple fact that they need to match their voluntary effort to receive cash, to supervise one another, and the rest. Most state building efforts miss this social capital development perspective because they focus on national or nation-wide structures. They try building nations as well as states – and this is too ambitious.

Table 11. Pre-modern tools of good governance

Institution	Description	Original operation
Podestà	The institution of entrusting government to a foreigner selected for his lack of connections with local clans/elite.	Northern and central Italy 12th century and after
Rotating community (elite) based tax collection system	Tax collection as a community due activity	Genoese Oriental/Black Sea colonies
Community based audit	Community organized audits at end of term	Genoa, Venice
Absolute conflict of interest regulation	Governors appointed by Genoa for one non-renewable limited term were not allowed to engage in any local business, nor any members of their family and to leave at the end of term by the same ship on which their successor arrived	Governors in Italian colonies in Eastern Mediterranean and Black Sea
Safety deposit at the beginning of office	The *podestà* as professional manager paid a security y deposit as a guarantee against mismanagement and was reimbursed only at the term ended	Florence, Genoa 13th-15th centuries
Accountability committees	Permanent bodies based on short terms (participant automatically drafted from guilds) to check the quality of public services	Medieval Florence

Such European tradition is of interest to the modern corruption scholar and practitioner because the economic systems these city states operated represent the developments faced by practitioners today. Merchant city-states like Genoa or Florence which dealt with Mediterranean and Ottoman Europe lived in a dual economic system similar to the one found in many developing countries today, where genuine global capitalism cohabitated with domestic semi-controlled markets and economies of privilege. Such city states did not make the list of modern achievers. But their skill in creating good governance in pre-modern societies has recently recaptured the attention of historians (such as Carlo D. Cipolla in Italy) and political scientists (such as Avner Greif). Although an in-depth analysis is beyond the scope of the present report, Table 10 documents some pre-modern good governance institutions which could be of more interest for many development work locations of today, since they work in the absence of modernity and of autonomous and effective state agencies. As states modernized and centralized, many of these institutions were lost in favour of national institutions, including account courts, financial guards and a more specialized bureaucracy. A great investment was made at times to develop such modern agencies or to decentralize to poorly staffed and paid local ones. We should learn, however, from these pre-modern communities, which managed to defend themselves in very hostile environments by collecting

funds for defense and mercenaries. Good governance and a performing economy were necessary; thus, community-based mechanisms were developed to ensure it.

Such pre-modern institutions may not be a substitute for modernity but they can ensure two important things: They ensure that communities can receive aid and administer it themselves when the state lacks the basic capacity or impartiality, and that 'organization' - in other words collective action - is stimulated and communities learn how to solve their own issues. Communities which acquire such capabilities can later be trusted to build their own states themselves. Assisting developing countries to build institutions similar to those of contemporary developed states works poorly. Good governance is easier to build on an inclusive community level rather than on the entire level of political society. We want to create good governance and fair allocation, not necessarily modern states similar to current Europe.

4.2 The traditional monarchy path to good governance

The other path to good governance in Europe, as stated earlier, is not connected with the Roman republican tradition but to the rise of absolute monarchy and its aftermath. We shall present only one case study, Denmark, although references will be made to England and Germany. We chose Denmark because it appears to be everyone's ideal of governance. As Pritchett and Woolcock (2002) stated in a paper, getting to Denmark signifies getting to the benchmark of good governance. It is highly relevant, then, to understand how Denmark became Denmark.

In 1658, the Danish-Norwegian kingdom was forced to cede all the Scandinavian provinces east of the Oresund to Sweden, as a result of defeat in one of several wars during the 16th and 17th centuries. These included three large provinces in the southern part of present-day Sweden, and the loss of these territories reduced the total area of the Danish-Norwegian kingdom by almost one-third. This defeat led to a political crisis in 1660, which forced the nobles to transfer some of their power and privileges to the king, and changed the form of government to an absolute monarchy. According to the new King's Law of 1665, the monarch's authority was unrestricted; the hereditary sovereign thus replaced the former elective monarchy, which had been dominated by the aristocracy.

What might be regarded as a first set of good governance policies was born with the creation of the absolute monarchy in the years following 1660. The king consolidated his position as the sovereign, absolute monarch by centralizing power in Copenhagen and gradually replacing the traditional aristocracy in the crown administration with new groups of bureaucrats who were more likely to be loyal to him. The extent of corrupt practices such as nepotism, fraud, the sale of public offices and bribery in state bureaucracy in 19th century Denmark has not yet been thoroughly investigated. Several cases of such corruption appear on historical record, and it is probably correct to assume that corruption was an ingrained part of public administration in Denmark at the time of the constitutional revolution. It may also be safe to assume that it was at a level corresponding to that of the more advanced European states, for example England under the Stuarts.

The reorganization of the civil service in 1660 created a larger bureaucracy bound by the joint code of laws, the Danish Law of 1683. The standards for official duties were described in detail in this and subsequent legislation: Forgery by civil servants was included in the law and a clear ban was imposed. And while the Danish Law did not include a chapter on the abuse of office, fraudulent conversion was to be judged as theft from the crown. In 1690 the king issued a law specifying and regulating the penalty for fraud in office. A ban on bribery and the acceptance of gifts by civil servants was introduced in 1676 and renewed with greater penalty attached in 1700. The 1700 bribery law applied to all military, clerical and civil servants. Throughout the 18th century, the ban on bribery was renewed over and over and separate groups of officials, such as custom officers, were specifically addressed. By the beginning of the 19th century, it appears that bribery was no longer a common form of corruption and did not form a deep-rooted part of administrative culture (Gøbel 2000: 214; Knudsen 2006: 66–68; Frisk Jensen 2008). In short, the various laws which were adopted between 1676 and 1700 to regulate and define the civil servants' duties criminalized bribes, forgery and fraud. These laws constitute the first set of policies intended to control corruption in the state's administration.

The absolutist government reorganized itself and its administration in a highly hierarchical manner cantered on the king. Gradually, the aristocracy lost its prominence in the civil service of central and local administration, and was replaced by a new group of bourgeois bureaucrats. These civil servants were sworn in directly by the king - to whom they pledged loyalty and fidelity - throughout the era of absolutism, which lasted until the adoption of a liberal constitution in 1849. As a general rule, non-noble civil servants did not have private fortunes and were reliant on the income from their public office, which led to a form of interdependence between the king and his civil servants. By the beginning of the 19th century, only ten percent of civil servants were nobles and held offices primarily in the foreign service and diplomatic corps (Knudsen 2006: 66-71; Gøbel 2000: 103-107).

In 1736, the University of Copenhagen established a final examination in law and throughout the 18th century, its graduates slowly took over the bureaucratic offices, starting in the central administration in Copenhagen and gradually spreading to most regional and local higher public offices. In 1821, a law was passed which made it mandatory for civil servants to have a law degree from a university, thus formalizing a development in public administration which was already, to a large extent, reality. Around the beginning of the 19th century, recruitment to the royal nominations in the administration was fundamentally meritocratic (Feldbæk 2000: 318 – 326).

After a long period of peace and prosperity in the 18th century, Denmark became involved in the Napoleonic Wars. Denmark was an ally of France, so when France was defeated in 1814, Denmark was forced to cede Norway to Sweden. The cost of the war was immense; in 1813, the Danish state went bankrupt and the country was hit by a severe economic crisis in the years following. In the midst of a revolt in the duchies of Schleswig and Holstein and shortly after the February revolution in France in 1848, a public demonstration in Copenhagen demanded a liberal consti-

tution. The Danish king responded by renouncing absolute rule, and by June 1849, Denmark had become a constitutional monarchy with a representative elected government, separation of the powers, and freedom of press, religion and association. The constitution also separated the private wealth of the monarch from the finances of the state.

During the economic crisis at the beginning of the 19th century, corruption among Danish civil servants escalated dramatically. By the 1820s, one of the king's highest officials referred to the situation as "an epidemic of peculation" (Frisk Jensen 2008: 192). The civil servants – primarily in regional and local administration – were affected by runaway inflation; their real wages often lost more than half of their purchasing power within a few years. Their salaries simply became insufficient to allow them to make a living, and a significant number of civil servants compensated by spending the money they were hired to administer. In the years from 1810 to 1830, bureaucrats in regional and local administration in particular, as well as in central administration, were prosecuted for embezzlement to a much larger extent than previously. This increase was followed by a decrease in civil servant misconduct over the following thirty years. Around 1860, corruption reached a very low level and has remained fairly constant since. In short, corruption was to a large extent eliminated in Denmark by 1860.

The sudden increase in the administrative and economic misconduct of civil servants most likely created an extraordinary focus on the problem. Even though the press was not free during the period of absolutism and the king could not be openly criticized, the corruption of the king's civil servants was to some extent discussed in public. Corruption in the beginning of the 19th century primarily took the form of embezzlement; the civil servant stole from the public funds he was hired to administer. This had direct consequences in several cases for the citizens in the official's area of responsibility, such as in the administration of a deceased person's estate. If the civil servant did not pay the amount due to the citizens, they could complain directly to the king – and they did. Naturally, these crimes of peculation were hard to hide from the general public, who was the victim of these crimes, which led to public awareness and publicity. In fact, the problem of corruption amongst civil servants was debated in the consultative provincial assemblies which were established after 1834 (Jensen 1931: 122; Olsen 2000: 418-425).

In conclusion, a significant number of the basic principles of good governance and the rule of law were adopted in Denmark during the era of absolutism (1660–1849). The Danish Code of 1683 modernized, standardized and collected the former provincial laws, and – to a large extent – introduced the principle of equality before the law. The absolutist monarchy deprived the nobility of its political power, and later, inspired by the ideas of the Enlightenment, managed to build a fairly well organized (by the standards of the time) bureaucratic state characterized by egalitarian norms by the beginning of the 19th century.

The original drivers of governance improvement in Danish history are the Danish king and his top officials, who were motivated by the need to improve performance after a lost war. Only later, in the early nineteenth century, did bottom-up demand

for good governance increase. Despite still being a peasant society, Denmark was one of the first European countries to achieve full literacy in the early nineteenth century (driven by the Lutheran church) and important efforts were made to modernize Danish farms also at this time. The administration of civil servants was the direct responsibility of the king, and the sovereign monarch and his top officials were very aware of the kind of popular discontent that corruption could create with the king and his absolutist rule. With the French revolution in the background, Danish intellectuals were increasingly aware of liberalism and democracy, and the majority of the population was experiencing economic hard times. The king thus feared a potential revolution. It is likely that the king perceived the corruption of his civil servants as a liability of the absolute monarchy, and this motivated him and his advisors to take action. When found to be corrupt, each civil servant was suspended and the case was thoroughly investigated before he was put on trial. Maladministration was not accepted, even though it coincided with economic hard times. Civil servants indicted for fraud and embezzlement were sentenced to life imprisonment. Under absolutism, the king had the right to pardon his subjects, but he did not do so in these cases, and the consistent condemnation of civil servant misconduct at all levels was very characteristic for the period. This was most likely received as a strong message from the government announcing the beginning of an anti-corruption approach.

Something similar to a modern anti-corruption campaign took place after 1819. When the king and his top officials realized the full extent of civil servants' escalating corruption, they stepped up the control of the administration. Between 1819 and 1830, several top officials from the central administration and judges from the Supreme Court were sent to all the regions of the country to audit the administration, especially the account books and vouchers of the civil servants in regional and local administration (Jørgensen 1969).[10] This stepped-up surveillance by the Crown meant that the likelihood of corruption being discovered increased considerably. Combined with the will to hold civil servants responsible by prosecuting them and giving them harsh sentences, this audit campaign was probably a key element in changing the situation. In a fairly small country like Denmark, news of the Crown's strengthened sanctions against corrupt civil servants would have spread quickly – both among civil servants and the general population.

In the long term, the crisis at the beginning of the 19th century contributed to the introduction of a number of reforms which began to transform the Danish administration into a more Weberian type of universalist bureaucracy. One of the main conclusions in the reports made by the king's delegates who travelled through the regions to monitor the administration was that the standard administrative procedures for check, audits and accounting in general were out of date, badly organized and inefficient. In 1824, these conclusions led the king to appoint a committee of top officials to work out a new set of standards for the state's accountancy. The task was difficult and complicated, and the commission did not conclude its work until 1835, eleven years later. The commission's recommendations led to the adoption of a new law for the administration of public accounts in 1841. The law intro-

10 Regular inspection trips also took place from 1803 to 1807 but were forced to end because of the war. In 1819, they were re-implemented because of a large number of complaints about the civil servants administration by the population to the king.

duced a more detailed keeping of accounts, separate account books for separate offices and a considerable intensification and formalization of audits (Olsen 2000: 417–424; Frisk Jensen 2008). Very importantly from an anti-corruption perspective, the law also abolished civil servants' former right to borrow the public funds they were hired to administer. The law demanded a clear separation of civil servants' private and public funds, which had never existed before. The right to borrow from public funds had become very hard for civil servants to exercise responsibly in economic hard times. Before the new law was adopted in January 1841, a civil servant could have credit in public funds as long as he was able to pay his debt when his accounts were checked. With the unsystematic and inefficient audits, the debts of a good proportion of civil servants had simply escalated to a point where the chance of repayment had ceased to exist.

In 1840, a new general penal code was introduced which included a new law on misconduct in office. The crimes of embezzlement, fraud and forgery were described in far greater detail, and the penal code introduced new standards for meting out penalties. In the former penal code, the penalty for embezzlement had been fixed, which gave the civil servant no incentive to stop committing corrupt actions: The penalty would be the same no matter what the amount he had stolen from the public funds. The 1840 penal code was amended in 1866. The 1866 code included a separate chapter specifying the forms of public servant misconduct in even greater detail, and it also introduced the general principle of no punishment without law.

During several of the trials of civil servants convicted of corruption between 1810 and 1830, the salary system and insufficient wages were mentioned as part of their defense. By the beginning of the 19th century, a fixed salary was in place for the royal appointments in the central administration, in the Supreme Court and the higher regional courts. However, officials in regional and local administration were primarily paid in a combination of a small fixed amount and a certain percentage of service and legal fees (*sportler*) (Feldbæk 2000: 326-331). The service and legal fees provided civil servants with money on a daily basis, and the element of direct cash payments between the civil servant and the population continued to exist until 1861. The size of the fees had been regulated several times by law beginning at the end of the 18th century, but they continued to represent a potential source of income for the corrupt civil servant. By the 1850s, salaries had improved and civil servants in general became part of the well-to-do middle class. In 1861, a new law pertaining to the state's civil service salary system was passed which abolished the fee system and granted fixed salaries to all officials. During the 18th century, many of the civil servants' official duties had been added, and posts were accumulated in an attempt to provide civil servants with a living wage. By the middle of the 19th century, the majority of civil servants were full-time employees, even though the principle of full-time employment for civil servants was not fully established in Danish administration until approximately 100 years later (Knudsen 2001: 542-544; Knudsen P. U. 2001: 381-386). The constitution of 1849 specified the right of civil servants to receive a retirement pension at the age of 70 or in the case of illness. The detailed rules of the retirement reform were specified in an act in 1851, which

also specified that the right to a pension could be forfeited in the case of misconduct in office (Frisk Jensen 2008; Gøbel 2000: 235-239).

The increase in control of regional and local administrative practices which began in 1819, combined with the complex of legal and administrative reforms passed between 1840 and 1866, can be interpreted as a set of good governance policies which had a decisive influence on the history of corruption in Denmark. While they were not the first, they supplemented the administration developed during the era of absolutism, which was already fairly well established and well organized according to the standards of the time. Universal franchise was not introduced, however, until 1915.

The Danish path top good governance is therefore the path of enlightened absolutism, prompted first by military defeat, and second by fear of Revolution. Equality before the law, a bureaucracy based on merit and an accountable state apparatus preceded democratization. Party politics, even after full democratization, could not infringe on the autonomy of the state, and did not develop the extensive forms of political clientelism that we see in France or the United States. The chief assets of the Danish path to good governance are the early adoption of merit as only principle of selection in a bureaucracy (with a law degree from a university mandatory by 1821), control, auditing and harsh sentences against corruption with immediate suspension from the administration of officials allegedly corrupt until their clearance. Like many developing countries, Denmark struggled with an underfinanced administration; the situation was resolved by allowing civil servants to perceive fees officially as a supplement to their salary. Fees which are fixed and clearly linked to certain services are infinitely preferable to bribes, and can be gradually removed when economic development allows the raising of salaries. Private public-separation was instituted only by 1848.

4.3 A few European lessons from development of good governance

The development of an independent judiciary has been a recent occurrence in Western Europe. Britain was the leader, despite the fact that even today it retains a system of appointment which can be seen as anachronistic. Two elements seem to have been necessary to bring about progress (Neild 2002): The development of a legal elite with sufficient integrity, professionalism and respect from society to be able to stand political pressure; and the arrival at an equilibrium point where rulers have to surrender power over the judiciary. The advocacy of Montesquieu in favour of a separation of powers found adherents from American aristocrats to German liberals, but it was not easy to implement. While the principle of equality before the law also became an early part of constitutional tradition in Denmark, Britain, the US and France, and a Rechstaat was a constant demand of liberals in nineteenth century Germany, it was only by the 20th century that judges managed to become truly independent; issues of accountability and political partisanship have persisted up to present times. In France and Italy, the battle was fought between the two state powers, executive and legislative, after the Second World War and has still not come to an end. Germany needed a military occupation to reinstate the Rechstaat. Since on the one hand, an elite is needed (as produced by such universities as of Oxford, Copenhagen, Paris or Bologna starting in medieval times) and on the other

a situation of strong constraint upon rulers, the independence of the judiciary is the most difficult to reach among good governance prerequisites. **It did not lead to the historical development of good governance but seems rather to have been a result of it**. In any event, its development is determined mostly by politics. As Stephen Holmes put it, "Law is a tool of power" (Holmes 2002). Binding power to allow independence of the law is necessarily a political act. Many rule of law programs, if not all, fail because they lack – for obvious reasons- this political part and instead treat rule of law development as a problem of missing capacity.

The historical paths to equilibrium teach us some brief lessons. Denmark, the world's ideal of good governance, had in fact reached the essentials before democratizing. Unlike in Germany, the modernization of the state by an enlightened despot was followed by the gradual passage to a more inclusive political society. Political parties could not become significant spoilers, not even after the generalization of franchise because the state was already sufficiently developed and autonomous towards politics by the time universal franchise opened political access. The United States is the only country where the development of democracy precedes the development of good governance; the challenges were very similar to those of middle-income developing countries. Such specific sequences where rule of law and autonomous bureaucracy are achieved previous to the enfranchisement of new groups are quite difficult to reproduce in present countries, when so many countries already experienced free elections before rule of law and state autonomy. The group of non-democratic contemporary achievers has some claim to a part of this historical path. The governments of Qatar and the United Arab Emirates, for example, travelled to good governance on a synthetic path made of traditional and post-modern elements of governance: the modernity in between was partly skipped. If such countries also introduced elections, complete free and fair elections, their sequence would be complete.

Other institutions of good governance, not only judicial independence, are a result of specific Western transitions to good governance rather than the cause. Wars and financial crises were the best triggers of governance evolution, as well as revolution. A permanently competitive military environment led to the introduction of merit systems in the army and bureaucracy, and the rationalization of taxation. Enlightened despots came a long way in building states which were autonomous to all private interests but their own. The introduction of reforms sometimes toppled them, as in the case of Louis XVI, the first in Europe to publish the budget execution in 1781 and which led to public outrage. Mindful of these lessons, monarchs in Denmark and England continued to reform. The demand for good governance developed prior to populist politics, during times of limited participation and evolved through successive equilibriums, each institutionalizing the new shift in power by a new institution. The important thing is that some forms of power destabilization (revolution, the fall of a regime or threat of) preceded the adoption of what we consider today the most quintessential institutions of European good governance. In the US, for instance, the assertion of the notion that public jobs are not owed to political supporters but should be occupied by merit required the assassination of President Garfield by a disappointed supporter who aspired to an embassy.

The explanation for the performance of historical achievers is not to be found in their present organization (legislation, political institutions and should not be viewed as a cause, since it acts for the *maintenance*, rather than the *creation*, of good governance. The explanation lies in their history, seen as development through successive equilibriums. The introduction of such institutions in contemporary countries cannot reproduce such historical circumstances and will produce effects only if the change in equilibrium has already occurred, or else they will fail. The change is one of a political nature; a fundamental challenge to the status quo provides the window of opportunity (revolutionary uprising, civil war, economic crisis of a radical nature). The demand to produce recalibration between the old and the new order must be taken seriously, or there is the risk that such imported institutional devices will only be used as alibis by the proponents of the former order while not changing much. How effective such transplants actually are is addressed in the next section.

5. Performance of institutional transplants

The hope that the institutions of the advanced West can be transplanted to the rest of the world in a similar way that technologies can be transferred and put to use may seem patronizing today; but it worked for countries like Japan, who embarked on their modernization with a program of copying the West and beating it at its own game. The last books using the title 'institutional transfer' or similar variants date from the sixties, despite the return in force after 1990 of the belief, differently formulated, that the 'right' institutions can deliver development and increased evidence that aid does not work in their absence. We simply label and market this export differently. The Good Governance Agenda set to implement this hope by implementing similar policies and programs across the globe and by shaping the programs and budgets of development agencies.

In his classic book, *Comparative Constitutional Engineering,* Giovanni Sartori (1994) warned about the dangers of believing that constitutions shape countries, showing that lengthy Latin American constitutions had not translated after many decades into anything comparable to the US democracy, which had been their primary source of inspiration (Sartori 1994). Douglass North also was aware of local specificities determining that "different institutional structures will yield different results" (North in Andrews 2008: 381). Matt Andrews argues that much work on the good governance agenda suggested a "one-best-way model, ostensibly of an idyllic, developed country government: Sweden or Denmark on a good day, perhaps. […] The good governance picture of effective government is not only of limited use in development policy… It imposes an inappropriate model of government that "kicks away the ladder" that today's effective governments climbed to reach their current states" (Andrews 2008: 402). In Europe, the Council of Europe's Group of States against Corruption (GRECO) works by assessing individual countries' anti-corruption legislation and recommending that pieces of a universal repertoire of anti-corruption are adopted everywhere. In the US, a NGO called Global Integrity Index, whose work is much used in the aid policy of Millennium Corporation, created an index of mostly institutional tools from the repertoire of good governance, which o placed countries on a scale of institutional equipment against corruption. The global advocacy anti-corruption NGO, Transparency International, presses countries to adopt such instruments and sign international treaties and conventions to this effect. Finally, the United Nations Convention against Corruption explicitly spells out what best practice is and demands countries to adopt the repertoire in its more extensive form.

Assessments of the impact of this repertoire on corruption levels around the world have been neither very systematic nor very encouraging. In this report we focus on

four distinct good governance institutional efforts – ratification of the United Nations Convention against Corruption (UNCAC), endorsement of the Freedom of Information legislation/act (FOIA), establishment of an Anti-corruption Agency and of an Office of Ombudsman. While UNCAC is a very comprehensive and implementation demanding document, encompassing the most advanced laws and procedures, the other three have been around for much longer so their effect, or lack of it, has had more time to materialize. They all have been intensely promoted by the international community, with the result that they have been imported by a large number of countries (see Table 12). FOIA and ACA registered adoption on a massive scale after 2000. The Ombudsman was more popular as an accountability tool between 1990 and 2000, following democratic revolutions. The final result, however, is a literal explosion of institutional imports all around the world.

Table 12. The development of good governance equipment

Situation by	UNCAC	FOIA	ACA	OMBUDSMAN
1990		*15*	*12*	*47*
2000		27 new *Total of 42*	29 new *Total of 41*	53 new *Total of 100*
2008	*Total of 125* ratifications since 2003	34 new *Total of 76*	57 new *Total of 98*	35 new *Total of 135*

Sources: Hertie School Database[11]

To test this institutional equipment, we created two sets of variables, one a simple dichotomy indicating the existence of an anti-corruption tool (for example, an anti-corruption agency), and another indicating the number of years the tool has been in operation. The year of reference is 2008. These measures were then tested by two different procedures: A simpler, descriptive procedure comparing the evolution of corruption in time, before and after the introduction of a given institution (marked as year 0) and submitting it to a significance test; and a statistically more advanced procedure, regressing corruption, in bivariate and multivariate designs (with controls for development) for each of our measures. We used the ICRG measure of corruption for the evolution in time graphs because it is a straightforward, 1 to 6 indicator (6 indicates lower risk of corruption) that has been available for a longer period than the other corruption indicators. It is also a good measure since, despite its commercial purpose, it attempts to measure particularism rather than just bribing.[12]

11 This database draws on different sources. First, data recordings of countries, which ratified the UNCAC in 2008 and put some sort of FOIA in place, were obtained through existent databases. In the case of UNCAC, the dataset from the website of the United Nations Office on Drugs and Crime was used, which records information about the ratification of the Convention (applied to 193 countries in our database); in the case of FOIA, Roger Vleugels (2008) records of the existence of FOIA in countries worldwide were used (applied to 193 countries in our database). Vleugels FOIA dataset was checked against the comprehensive list of FOIA reported in Banisar's paper (2006) and both datasets confirmed the same results. Since there were a handful of countries listed by Vleugels that had adopted FOIA since 2006 and were hence not covered by Banisar, the former database was applied. The years since their ratification/implementation were reported for both variables, as well. The second method of data collection was country by country documentation. In the case of anticorruption agencies, according to the OECD categorization, 176 countries have been checked for the existence, year of establishment and type of anticorruption agency in 2008. Similarly, a set of 193 countries has been checked for the presence and year of establishment of a working Office of Ombudsman in 2008. The Hertie School datasets record the sole existence (year of establishment and type of an agency in the case of ACA) and do not include any estimate on the efficiency or independence of the institutions. Both self-composed datasets have undergone a review by anticorruption regional experts who verified the datasets, but divergence can still exist (for example, when an agency lost independence and merged with another, see Appendix 1 for lists).

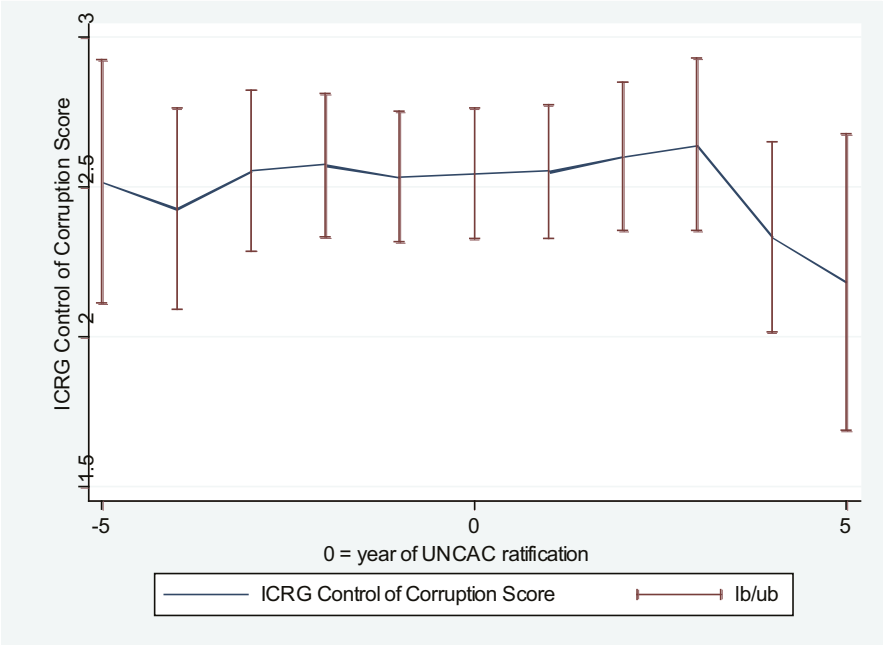
12 Available at: <http://www.prsgroup.com/ICRG_Methodology.aspx#PolRiskRating>, accessed April 1, 2011.

For the regressions, we use as dependent variables alternatively ICRG, TI CPI, WGI Control of Corruption (CC), change in ICRG and WGI CC from 1998-2008 and TI CPI to test the robustness of our models.

UNCAC

Our first anti-corruption tool tested in the United Nations Convention against Corruption (UNCAC), (entry into force 2005). Its chapter II (on preventive measures) and Chapter III (on criminalization and law enforcement) demands not only to ensure - in accordance with the fundamental principles of their state legal systems - the existence of a body, bodies or persons specialized in combating corruption through law enforcement but also to foster existence of a body or bodies that prevent corruption (Kreutner 2010: 52). However, the adoption of an effective follow-up monitoring mechanism is often considered to be one of the biggest challenges lying ahead. Not many developing countries have transposed the provisions of the UNCAC into national law, and are still facing the challenges of implementing them into practice. When viewing the image costs (international and domestic) for a country which did not adopt UNCAC, we would expect that far more countries had adopted the treaty than those which really meant to implement it. **Indeed, as figure 8 shows, our averages of corruption risk (ICRG) do not improve significantly after the ratification of UNCAC.** The finding is matched by our more refined analysis (see Table 13). There is no significant association between the ratification of UNCAC and lower corruption risk, either in bivariate equations or with control for development. These results are due not only to lack of time in the ratification of implementation, although testing should be repeated in the future. With 125 nationally ratified conventions in 2008 (today the number of ratifications among countries and territories has risen to 145), there was still more than one third of the world countries that had not ratified the UNCAC in 2008, thus the results of the regression cannot be omitted for the lack of diversification in the dummy variable. Also, the number of years since ratification does not associate significantly with ICRG, Control of Corruption and CPI. The database shows one country which adopted UNCAC five years ago, 14 countries which adopted it four years ago, 25 which adopted it three years ago, 41 two years ago, 25 which adopted it one year ago and finally, 19 which adopted it in 2008 (reference year is 2008).

Figure 8. ICRG Corruption before and after UNCAC ratification



Legend: Evolution of corruption (horizontal line) after ratification of UNCAC (year zero), averaged (confidence interval indicated by vertical bar), non-significant. ICRG corruption scale has the highest number of points indicating the lowest potential risk for that component and the lowest number (0) indicating the highest potential risk.

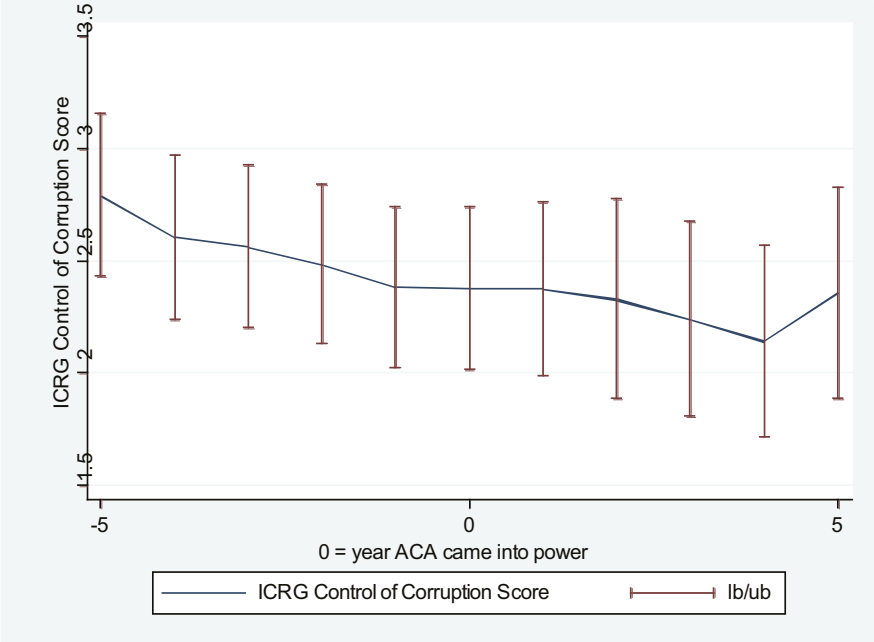
Anti-corruption agency

The establishment of an **anti-corruption dedicated body** has been one of the main institutional recommendations in the majority of anti-corruption conventions to date, so we test it next. The international community took the role of the major proponent of ACA, persistently recommending the creation of ACA as an important piece of the national institutional architecture and grand anti-corruption strategies. The ACA forerunners date to 1980s and 1990s (e.g. Hong Kong, Singapore, Australia), where external pressure was paired with internal corruption scandals and thus fostered the creation of these agencies. Additionally, poor performance by the conventional law enforcement bodies (e.g. police, courts, attorney-general offices) only strengthened the position of ACAs as the "ultimate institutional response to corruption" (De Sousa 2009: 2) by governments, donors and international organizations at the beginning of the 1990s. ACA was promoted by several good governance conventions (UNCAC, African Union's Convention, Inter-American Convention, Convention of the Council of Europe) and EU enlargement to post-communist Europe. **We would therefore expect that the existence of an ACA in a given country is associated with a better control of corruption or a positive trend, a hypothesis which can be tested.**

In line with our theory we presume that the existence of an anti-corruption agency only works if the rule of law already exists in a given country, meaning roughly a political elite respecting the independence of the judiciary which is accountable and

effective (in this case, an ACA is no longer needed). Figure 9 shows the evolution of ICRG Risk of Corruption before and after the introduction of an anti-corruption agency. **We find no significant improvement in the corruption risk estimate.** We used all types of dedicated anti-corruption agencies on record, although we also documented separated types according to OECD categories, but we found no significant results, neither with all agencies grouped together or separated. The finding is again matched by our more refined analysis (see Table 13). There is no significant association between the existence of an ACA and lower corruption risk, neither in bivariate equations or with control for development with dependent variables ICRG, Control of Corruption and CPI (see Table 13). Furthermore, using change in ICRG corruption score for twenty years as a dependent variable, we also do not find any effect of ACA.

Figure 9. ICRG Corruption before and after the introduction of ACA



Legend: Evolution of corruption (horizontal line) after introduction of ACA (year zero), averaged (confidence interval indicated by vertical bar), non-significant ICRG corruption scale from 0 to 6 has the highest number of points indicating the lowest potential risk for that component and the lowest number (0) indicating the highest potential risk.

There are several explanations for this lack of effect. The few agencies reported as successful had seen their bosses fired and budgets curtailed, in Africa as well as Eastern Europe. The initial enthusiasm about the ACAs soon faded, as agencies of all types fell short on delivery. Reported reasons underlying the institutional failures are numerous – ineffective institutional designs and lack of independence from the executive, dubious budgetary support from the legislature, poorly installed planning/management structures, lack of procedures for forwarding corruption cases for prosecution by the relevant judicial authorities, political manipulation against government opponents (De Sousa 2009; UNDP 2005; Heilbrun 2004). The prob-

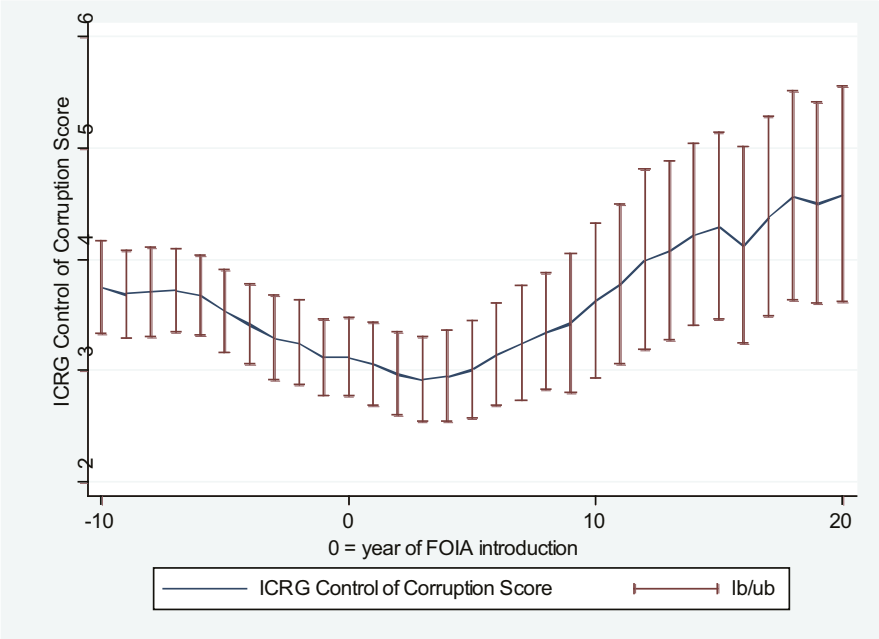
lem of ACA is the eternal problem of addressing corruption from a principal-agent perspective. How realistic is it to insulate an agency from domestic politics to make it an objective and effective principal? Why would governments in either neo-patrimonial or competitive particularistic countries want to change a system which is so profitable for them and empower truly independent, well-trained and equipped anti-corruption agencies to fight against them? After gathering some experience, reports have started to warn that ACAs can be effective tools only when they respond to the national consensus and a broad domestic coalition supports them (Heilbrunn 2004: 2). They also should not be created without a "systematic assessment of the local (political) context" (USAID 2006: 5).

FOIA

The third important anti-corruption tool is the Freedom of Information Acts (FOIA), which has existed for a longer period of time. Empirical results on the impact are mixed, however. Bac (2001: 88) argues that greater transparency leads to improved information about whom to bribe. On the opposite end, Islam (2006: 153) finds in her study that countries with greater transparency, measured through existence of FOIA, do have lower corruption rates. By the end of 2003, 46 countries had implemented some form of FOIA (Escaleras et al. 2010: 436) while by 2008 this number had increased to 82 countries (Vleugels 2008). The FOIAs differ in a number of aspects, however all Information Acts around the world tackle the few most essential questions – who can file a claim for information, what process must be followed (including time frames), how should legislation be enforced, is there a means for appeal, if certain information can be withhold, and if so, by whom (Escaleras et al 2010: 436).

These days, a growing body of treaties, agreements, action plans and other statements urges or requires nations to adopt a FOIA. The FOIA clauses are included in anti-corruption treaties, agreements on environmental protection and participation as well as in a number of international human rights treaties and regional conventions (Banisar 2006: 8). UNCAC also includes comprehensive support to measures aimed at improving public access to information as a means to fight corruption (Article 10 on "Public Reporting" and Article 13 on "Participation of Society"). Additionally, the Universal Declaration on Human Rights as well as the International Covenant on Civil and Political Rights both require that every person shall have the right to free expression and to seek and impart information (Article 19, UDHR). Most recently written constitutions from countries in transition (Central and Eastern Europe as well as Latin America) now include a right of access to information. Additionally, a number of countries with older constitutions (e.g. Finland, Norway) have recently embarked on amending their constitutions to include a right to access information (Banisar 2006: 17).

Figure 10. Improvement in control of corruption after introduction of FOIA



Legend: Evolution of corruption (horizontal line) after introduction of FOIA (year zero), averaged (confidence interval indicated by vertical bar), significant. ICRG corruption scale from 0 to 6 has the highest number of points indicating the lowest potential risk for that component and the lowest number (0) indicating the highest potential risk.

The test results are shown in figure 10, which traces the development of control of corruption from 10 years before the implementation of a FOIA (t=-1 to t=-10) up until 20 years following implementation (t=1 up to t=20).[13] The graph shows that there is a downward trend in control of corruption before the implementation of a FOIA, followed by an upward trend which starts a few years after its implementation. To establish whether the corruption score changed significantly after the implementation of a FOIA, t-tests were run, comparing the mean corruption score at t=0 with the means from later years, up to 20 years following the introduction. Taking into consideration the actual t-test, the increase in corruption score starts to be significant at the 5% level 2 years after the implementation of FOIA already and remains so for 20 years after the introduction of FOIA. However, control of corruption was also significantly higher 10-5 years before the implementation of FOIA.

This positive result is mirrored in our regressions, both bivariate and controlling for corruption (see Table 13). **The existence of FOIA is positively associated with lower corruption and a significant positive trend in controlling corruption.**

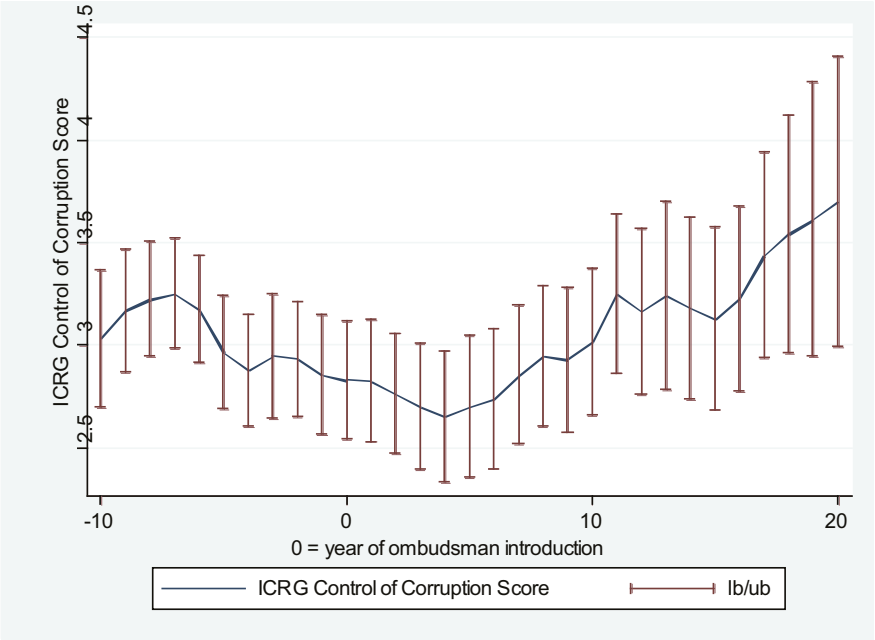
Ombudsman

While the UNCAC does not mention the Ombudsman's Office in the puzzle of anti-corruption measures, this accountability tool was heavily promoted in the first

13 The graphs were produced using the xtgraph procedure in STATA, showing averages of a single outcome measured at several points over time. Standard errors and confidence intervals are calculated separately for every time point, using the t-distribution.

phases of democratization as a good governance measure. The role of the Ombudsman has been mostly related to making administrative law simpler for 'aggrieved persons' to challenge government actions in courts (Brown and Head 2004: 5). However, the Ombudsman's mandate of protecting citizens from abuse directly addresses particularism, which in many countries is an importance grievance which causes large scale discrimination and unfairness. Even though nowadays "the mandate of the Ombudsman generally goes beyond corruption cases and includes incidence of maladministration attributable to incompetence, bias, error or indifference that are not necessarily corrupt" (UNDP 2005: 14), cases exist where the Ombudsman is given a mandate of direct investigation of corruption complaints and even acquires the role of an ACA (e.g. Philippines, Papua New Guinea). In any case, as guarantor of an accountable, impartial and fair government, the Ombudsman as an institution should contribute to better governance through improvement of government accountability. **We would therefore expect that countries which have adopted an Ombudsman perform better on control of corruption.** However, none of the tested differences between the ICRG score at the time of implementation of an Ombudsman and the years immediately following are significant (see Figure 11). The results are confirmed by our regressions in Table 13, which show that the presence of an Ombudsman is not significantly associated with lower control of corruption.

Figure 11. Evolution of corruption control after adoption of an Ombudsman



Legend: Evolution of corruption (horizontal line) after introduction of Ombudsman (year zero), averaged (confidence interval indicated by vertical bar), significant. ICRG corruption scale from 0 to 6 has the highest number of points indicating the lowest potential risk for that component and the lowest number (0) indicating the highest potential risk.

Conclusions

All the results attesting to the impact of FOIA, and the lack of impact by UNCAC, Ombudsman and ACA are displayed in Table 13. **These results are robust, since we tested them on a large number of countries and with a control for development, using HDI as a proxy (N=130-189). Except for FOIA, which turns out a significant and robust predictor of control of corruption even when controlling for development (also the variable 'years since adoption of FOIA' is significant), we find no difference in control of corruption between countries which have adopted these institutions and countries which have not.** To better capture the limited interval of time when these institutions could have acted we also use change in control of corruption (ten years on CC-WGI, twenty years on ICRG) as dependent variables. Is the change in corruption in this interval determined by the existence of any of these institutions? The answer is no, and is again a robust answer, perhaps unsurprisingly so when we reflect that so little significant change existed in this period of time.

Table 13. Testing the effect of good governance tools

Dependent Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Institut. transplants	WGI Control of Corruption (CC)	TI Corruption Perception Index	ICRG Corruption	WGI with CONTROL (HDI)	TI with CONTROL (HDI)	ICRG with CONTROL (HDI)	ICRG change 1988-2010
UNCAC	NS	NS	NS	NS	NS	NS	NS
Years since UNCAC	NS	NS	NS	NS	NS	NS	NS
FOIA	0.671*** (N=189)	1.554*** (N=172)	0.718*** (N=137)	NS	NS	NS	NS
Years since FOIA	0.015*** (N=189)	0.035*** (N=172)	0.017*** (N=137)	0.006* (N=162)	0.016** (N=155)	0.010** (N=130)	NS
ACA	NS	NS	NS	NS	NS	NS	NS
Ombudsman	NS	NS	NS	NS	NS	NS	NS

NS: not significant (p>0.05), N: Number of country cases; * p<0.05, ** p<0.01, *** p<0.001

The conclusions of this review of the impact of good governance favourite tools, tested alone or in the context of the broader model of corruption, are clear. In line with our theory that particularism is a governance regime, a country can hardly be expected to progress just because it imports one or another institutional tool (or all of them) when state and society actually operate largely by particularism. Since our dependent variables are expert scores which also measure the governance regime and not only the narrowly defined corruption, we find no evidence to prove the impact of these tools, with the partial exception of FOIA.

This section tested the performance of institutional imports which were privileged by many anti-corruption policies such as AC agencies, Ombudsmen, Freedom of Information Acts and the ratification of United Nations Convention against Corruption. Except for FOIA in simpler models, none of them are found to be significant determinants of either control of corruption or change in control of corruption. The results are extremely robust, tested on more than one dependent variable, alternative statistical methods and with control for development.. The report argues that over-reliance on these tools and on legal constraints in general is responsible for the ineffectiveness of many anti-corruption policies. Governance regimes are states of equilibrium historically reached, which can be changed only by those who have a stake in different rules of the game at the national level, which is the main playground. Governance regimes are therefore difficult to change and their change is an eminently *political* process, a battle of losers of the *status quo* against predatory elites. How the few countries which succeeded in recent times have managed is examined in the next section.

6. Understanding contemporary achievers

Although we have little significant global progress on good governance, some positive developments are present. This chapter investigates the transition to good governance of eight countries (of which two are clearly only in the borderline phase) with the aim to identify changes that explain each country's improvement in control of corruption. The time frame for this analysis corresponds to the most recent democratization in each country, although information about previous periods is mentioned occasionally.

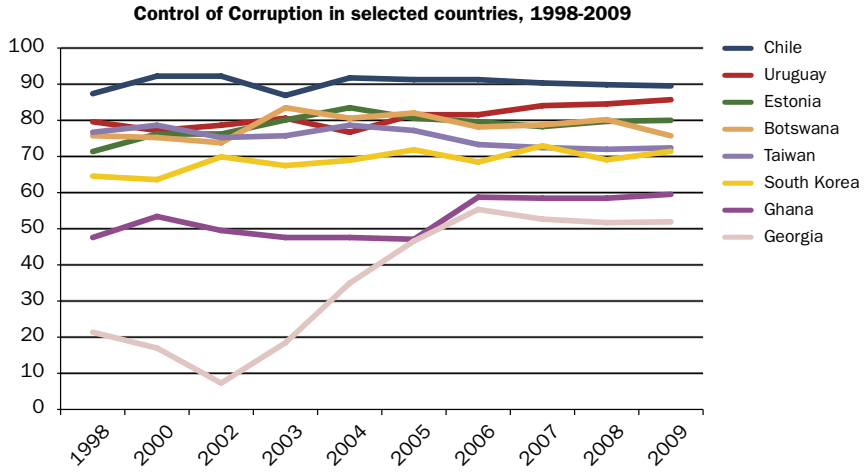
The choice of this particular group of countries was driven by two criteria: (a) whether the country is classified above the 70 decile on the World Bank Control of Corruption, or is a regional achiever doing significantly better than its region/continent; and (b) whether the country has acquired this status in contemporary times, particularly in the last twenty years overlapping with the Good Governance agenda. Different continents, using the World Bank Governance Indicators classification,, were observed separately with the objective of identifying local "achievers", i.e. countries that have reached very good standards in control of corruption. The Worldwide Governance Indicator (WGI) Control of Corruption was used as a reference for this assessment. Since our main goal is to generate policy advice, we excluded countries rated as 'not free' by Freedom House. We presume that polities run by enlightened despots have enough power and resources to reform themselves (as our historical cases prove), so we direct our advice to democratic or democratizing states.

We therefore selected from each continent two contemporary achievers: an older one and a more recent one. There is important variation across this group, which includes Estonia and Georgia in Eastern Europe, Chile and Uruguay in Latin America, Botswana and Ghana in Africa and South Korea and Taiwan in South-East Asia. Except for Eastern Europe, where Slovenia is also 'green', this case selection ignores the precious few cases which have reached good governance in the past two decades by a democratic process (mostly small islands in Caribbean and Africa). Ghana and Georgia are still below the border of 65th percentile in control of corruption we set for the group, despite improving very much in recent times.

Botswana and Uruguay are important achievers in their respective regions. The former is the country with the best Control of Corruption score in Sub-Saharan Africa and has been above or very close to the 75th percentile since 1998. The latter has the second best score in Latin America – it is outranked only by Chile, which achieved the 86th percentile rank in the WGI indicator. Estonia has been a "green

country" since 2000. In the last decade, it has achieved the second highest score among Eastern European and post-Soviet Union countries (after Slovenia), as it moved from the 71st to the 80th percentile. South Korea still remains in the "yellow area", but has come closer to the 75th percentile threshold. Taiwan ranks slightly above South Korea; according to the indicator, its score has somewhat deteriorated in the last years but still remains among the best in East Asia. Ghana shows the highest improvement in Sub-Saharan Africa (0.31 compared to Georgia 0.61, the greatest, Uruguay 0.35 and Estonia 0.40), even if it still ranks only at the 60th percentile; it requires further improvement to really become an achiever.

Figure 12. Selected ‚achievers' evolution



Source: Worldwide Governance Indicators, World Bank.

Table 14 summarizes Control of Corruption scores and percentile ranks for the eight cases and how they changed between 1998 and 2009. The last column shows how the country ranks in its region according to the latest available data; the number in parenthesis represents how many countries there are in the region. Figure 12 shows the full trajectory of the Control of Corruption indicator for each country.

We follow a number of research questions in this comparison across performers. We presume that countries which evolved must have managed to modify the equilibrium, but how big a change was necessary and over what time interval? Is the adoption of institutional transfers responsible for this positive change? How many of the four dimensions defining the equilibrium changed in the interval? What, if anything, is common between these countries' processes of evolution towards good governance? How do these achiever cases compare against their continent which enabled them to out-perform other countries? The whole analytical matrix is presented in Appendix 3, so we shall present only the conclusions here.

Table 14. Control of Corruption in contemporary achievers' countries

Country	Region	Control of Corruption score			Control of Corruption % rank			Rank in the region (2009)
		2009	1998	Change	2009	1998	Change	
Chile	Latin America	1.37	1.32	0.05	90	87	3	1 (20)
Uruguay	Latin America	1.22	0.87	0.35	86	80	6	2 (20)
Estonia	Eastern Europe and post-Soviet Union	1.00	0.60	0.40	80	71	9	2 (28)
Botswana	Sub-Saharan Africa	0.86	0.71	0.15	76	76	0	1 (48)
Taiwan	East Asia	0.57	0.74	-0.17	72	77	-5	2 (6)
South Korea	East Asia	0.52	0.27	0.25	71	65	6	3 (6)
Ghana	Sub-Saharan Africa	0.06	-0.25	0.31	60	48	12	9 (48)
Georgia	Eastern Europe and post-Soviet Union	-0.23	-0.84	0.61	52	21	31	14 (28)

Source: Worldwide Governance Indicators, World Bank.

Methodologically we proceed in three steps:

1. We analyze how well these countries fit the modernization model and the model of regional (continental) corruption[14], comparing the country against the continent.
2. We analyze the *process* of change in its dynamics (the transition to good governance) in order to understand the underlying agency, the drivers of change and the context.
3. We analyze the formal institutional framework and in particular the anti-corruption tools to check on our second hypothesis.

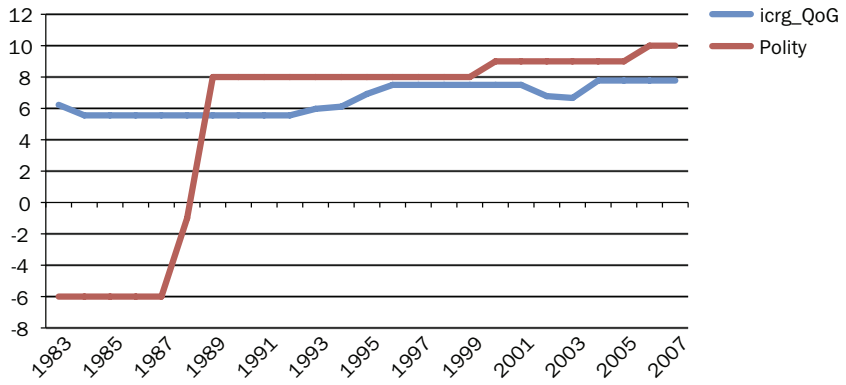
Chile, the great performer of Latin America, experienced patrimonialism, competitive particularism, and universalism during the twentieth century. During the colonial period, state "ownership" was concentrated in the hands of few, power distribution was unequal and access limited, and informal institutions and rules were dominant, making the distinction between private and public practically impossible. Following independence and the development of pluralism, elite groups began to dispute important positions in the government, as well as state rents. Access was limited by

14 The continental model of good governance is a variant of our equilibrium model (control of corruption as main dependent) using countries on only one continent. Although these models have smaller N than the ones presented in section 4, using the continent and not the entire world population has two advantages: it allows for new variables to be introduced (for example data from the African Barometer or other regional surveys) and the case selection provides a control for continent. The latter rests on the assumption that geography matters for good governance, in more than one way.

social status, allocation of public goods was both unpredictable and unfair, and the use of clientelistic practices became widespread. The distinction between private and public was poor, especially towards the end of the 1960s and at the beginning of the 1970s: the growth in the scope of the state under Allende led to the multiplication of rent opportunities. In 1973, after the military coup, political parties and civil society organizations were outlawed, and General Pinochet installed an authoritarian regime based on power monopoly. However, unlike other authoritarian regimes in the region, an economic reform based on decentralization and privatization was initiated, which reduced opportunities for rent seeking behaviour. The main reforms which might have played a role in control of corruption came from neoclassical economics: (i) *property rights security*; (ii) a *subsidiary role of the State*, which limited state interventions to cases of clear market failures, except for the preservation of the state owned firm in the mining sector; (ii) *freedom of choice*: reflected in the elimination of trade permits and prohibitions, as well as rationing procedures and price controls, which pervaded every activity by the end of Allende's government; (iv) *fiscal consolidation and orthodox management of monetary and foreign exchange policies*; (v) *systematic reduction of the spaces for public discretion and potential arbitrariness, introducing impersonal rules whenever possible;*(vi) *trade and financial openness*, which would provide the impulse for growth that the limited size of the domestic economy could not provide, as well as creation of competition in the local economy, and (vii) *institutionalization of the "rules of the game" in such a way that it would not be easy to change them*, with the purpose of granting stability of those rules under different governments (Edwards and Lederman 1998).

After the re-democratization of 1990, politics resumed under two large coalitions (in favour or against the authoritarian regime) and although pluralism was quickly installed, it did not evolve into competitive particularism but preserved the positive qualities of government (see Figure 13). Corruption and government favouritism are exceptions rather than the norm.

Figure 13. Good governance first, pluralism after. The Chilean path



Legend: Evolution in time of ICRG Quality of Government and pluralism (Polity2)

Chile is an example of the gradual building of good governance. Each period of democratization left some positive heritage, as did authoritarianism. Chile's success seems to be related to the liberalization of the economy and of the financial system, the privatization of companies that offer public services, and the consolidation of markets; in other words, to the drying of resources. But this is simplistic, as we find older traces of good governance reforms which managed to take root. In the 1950s, Chile was already highly institutionalized, with an independent judicial system, a strong oversight institution - the Office of the Comptroller General-, and autonomous agencies. The clientelist nature of politics showed in the persistent scandals related to slash funds for election campaigns or pork barrel legislation. But Chile is one of the few countries in the world which effectively managed to control political clientelism, the main corruption source in democracies. To rein in particularistic allocation in a highly competitive Congress, with almost unlimited powers to legislate benefits for key constituencies, (pension benefits being a prominent instrument) (Chumacero et al. 2005: p.16), a constitutional reform was passed at the end of Eduardo Frei Montalva's administration, expanding the budgetary authority of the Executive and effectively depriving Congress of the prerogative of legislating in the areas of social security, taxation, wages and fiscal budget. Laws that targeted spending aimed at specific constituencies were also forbidden (Montecin 2003). Eduardo Frei Montalva also promoted other reforms, including strong incentives to develop civil society and community level collective action. The 1980 Constitution reaffirmed many of the budgetary rules that were already present in the legislation before the authoritarian regime, that is to say, the president has exclusive initiative to propose legislation related to wages, public employment, social security, and other entitlement programs. In this sense, the Congress had 'limited opportunities and mechanisms to bargain with and extract concessions from the executive branch' (Montecin 2003: 14). Corruption has been a concern of each presidency, with each successive president committed to fighting against it.

Uruguay's interest lies in its more recent evolution. Here we find positive evolution of all four components, i.e. the country has seen a reduction in power discretion and material resources and a strengthening of legal and normative constraints. As in Chile, the recent transition to good governance is built on an older history. A strong civil society, for example, contributed to increased normative constraints, even before the last democratic transition, although specific civil society engagement in watchdog activities remains somewhat limited. Changes in material resources began during the military regime, when important privatizations occurred, and continued throughout the 1990s and also in the 2000s, following an economic crisis. Starting in the early 1970s, the economy of Uruguay became more outward-oriented. The consolidation of an independent judiciary also took place early, not long after re-democratization, and the process toward increased political competition reached an important point already in the mid-1990s. Therefore, the WGI Control of Corruption placed this country in the "green area" in 1998. Later positive developments, such as the adoption of specific anti-corruption legislation, appear to have reinforced a foundation that was already in place.

Chile and Uruguay are predictable performers. When we place the two cases on the regional model, we find them over-performing on income (Chile with 11,301 GDP/

capita, PPP and Uruguay with 9,087 compared to the Latin American average of 6,465 (without the Caribbean), on political rights and on ethnic homogeneity, which are all important factors for control of corruption. Chile does better than average and Uruguay worse on property rights and trade openness, and they are both unitary states, with federalism a significant determinant of corruption in the Latin American model.

Estonia has made the most spectacular progress in the world, from a totalitarian regime to a quality democracy in less than twenty years. The country has seen improvement in all four dimensions since restoration of its independence. In this case, however, changes in the different dimensions happened almost simultaneously. During the first government of Mart Laar (1992-1995), policies that reduced material resources and strengthened legal constraints were implemented. Estonia pioneered important liberal reforms, for instance the adoption of a flat tax which then became very trendy in Eastern Europe and a very advanced e-government inspired from the neighbouring Finland. It also had the most radical policy towards Soviet time judiciary, replacing most of it and restarting practically all over with new magistrates. Normative constraints are also high, with a public opinion intolerant of particularism, an active civil society and a free press. Estonia is the only Eastern European country where civil society and government agreed to dedicate a part of European funds to civil society activities, showing the good quality of political elites as well as self-assertiveness on the part of civil society. Estonia's goodness of fit on the regional model shows it was a leader in urbanization and literacy since the 19th century. As a champion of liberal economic policies, civil society and e-government, Estonia progressed considerably after 1989. The cost of its liberal consensus was the exclusion from the vote of non-Estonian speakers (about a third of Estonia's population is made of Russian speakers settled during Communism, a group higher on collectivism and lower on support of market economy than the Estonian population, according to surveys). Nationalism and liberalism combine in explaining Estonia's success, but the achievement is not small when considering that the country has inherited similar problems as former Soviet area, and party competition brought similar incentives for political clientelism, just as anywhere else. Slovenia, the other Eastern European case, began from a far better position (early economic integration with neighbouring Austria, small population, excellent goodness of fit), so Estonia's success to open access order remains the most significant in post-communist Europe.

The example of Botswana demonstrates the difference between particularism and individual acts of corruption. The integration of the political and economic sphere and patrimonial elements has not disappeared in Botswana, but the patrimonialisation of the state is weaker than in other countries in sub-Saharan Africa (von Soest 2009). The country also has a high average income in African terms and falls in the lower middle income category. Today, this might provide a check against widespread corruption. However, when Botswana became independent, it was one of the poorest in the world. Botswana, like Uruguay, was already rated "green" by World Bank in 1998. Transparency International has also consistently rated Botswana as the least corrupt of all African countries included in its Corruption Perception Index. Its improvement seems to have been mostly on behalf of the legal constraints side,

limited by setbacks, however, on normative constraints (press freedom regressed). Although its political system has limitations in terms of competition (dominant party has never lost office), it is the country with the longest uninterrupted democratic regime among the selected cases. Throughout its 45 years of democracy, it appears that power discretion and material resources have remained high. Nevertheless, two positive aspects can be traced back to the foundation of the state: the establishment of an autonomous civil service, in the sense that politicization of public positions was much limited, and of a *de facto* autonomous judiciary body. Botswana took in most institutional transplants with the creation of an ACA and the Ombudsman office in the early 1990s, right after a number of corruption scandals surfaced.

This contemporary achiever began the fight against corruption quite early. President Khama, the first president, pursued a tough stance against corruption (e.g. Adamolekun and Morgan 1999: 592), which earned the country a reputation for the "clean" management of public resources early on. Despite high marks on the corruption indices, Botswana has not been corruption-free. Serious high-level corruption erupted in the 1980s and 1990s. One area particularly prone to irregularities has been the allocation of state land to private business persons and members of the political elite. A series of further scandals reached its climax in 1993, when newspapers revealed that government politicians (and other elite members) had accrued huge repayment arrears with the state-owned National Development Bank (NDB), which nearly led to the bankruptcy of Botswana's largest public lending institution (Tsie 1996: 602; Good 1994: 511). Then-president Masire was also among the loan defaulters. These cases were documented in reports by various presidential commissions to demonstrate the capacity for controlling corruption. Institutions for executive control were also created. The most prominent were the Directorate of Corruption and Economic Crime (DCEC) (launched in 1994) and the position of the Ombudsman (launched in 1995) (on the DCEC see Olowu 1999; on the Ombudsman see Fombad 2001). Their achievements and their reputation, however, are controversial.

A general problem has been the public-private separation of Botswana's political and economic elite, which in all likelihood allows certain particularistic practices. Members of the BDP government are also very often owners or directors of commercial companies and farming enterprises. The BDP, for example, has consistently refused to pass legislation which requires MPs and cabinet ministers to declare their assets and economic interests. As a result, there are indications of existing "old-boys networks" which link economic and political interests. Recurrent reports have also criticized the relationship between the BDP and the diamond company De Beers which hold a joint venture, with state owning the national diamond company Debswana in the crucial diamond sector. Reports revealed that De Beers had supported the BDP financially, in particular during the presidency of Sir Ketumile Masire (1980-1998). In another corruption scandal, the minister of defense, security and justice, Dikgakgamatso Seretse, was forced to step down. Seretse, a cousin and a close personal ally of Khama, had been making headlines for allegedly using his position to influence the award of public tenders in favour of his family's company, RFT Botswana. As the DCEC is headed by another relative of Seretse and Khama,

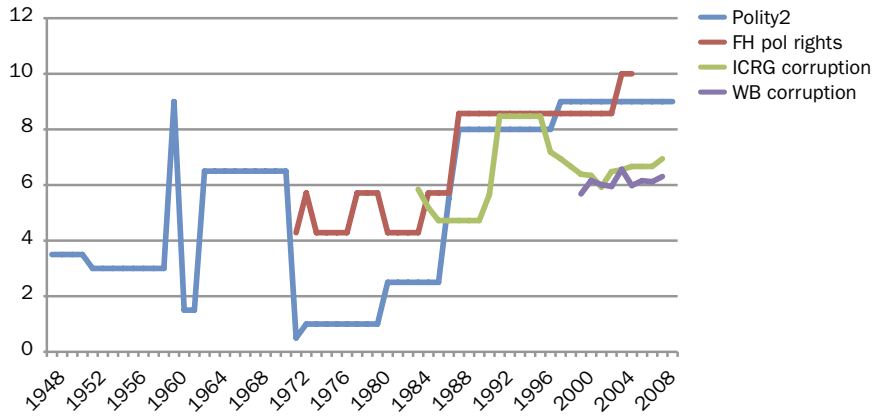
Rose Seretse, many had feared that there would be no investigation into the case. Yet, as with the high profile corruption cases in the 1990s which also involved politicians from the ruling BDP, the case was investigated.

Taiwan's progress was due to democratization and a reduction in power discretion, together with an increase in legal and normative constraints. Legal constraints were reinforced first with legislation on asset disclosure by public officials (1993) and then following the alternation in power in 2000. Chen, the elected president, soon implemented a clear anti-corruption agenda. However, those efforts lost credibility as his personal involvement in corruption scandals came to light. Enforcement of anti-corruption legislation was strengthened after another change in government in 2008, but there are signs that oversight and enforcement institutions are still vulnerable to partisan interests. Normative constraints have also improved in recent years, as signalled by the popular movement against President Chen and the low trust in government institutions; NGOs and think-tanks are a very active presence. Harsh penalties against corruption, applied to the top level (a former president sentenced for life), demonstrate the significance of this increase in legal constraints. Taiwan's goodness of fit to the model is very good, so it is a predictable performer.

South Korea, like Uruguay, had experienced positive change in all four dimensions. The trigger was the financial crisis in 1997, which led to a change in policy towards institutionalized rents of *chaebols* and a gradual opening to more economic competition. We find, however, older roots to Korea's good governance, as well as to the external support for its improvement in governance. South Korea gradually achieved important milestones, including a major land redistribution (1950s), the creation of a meritocratic and efficient bureaucracy (1960s to 1980s), industrialization and the creation of an educated and financially independent middle-class (1960s to 1990s), and finally, a track record of democratic elections and a free press (since 1987). Particularism persists around South Korea's big industrial conglomerates (Chaebol), which exert their influence through political finance, family ties and public relations campaigns, while bribery and petty corruption are quite uncommon. More recently, improvements on the constraints side have also developed gradually: Some anti-corruption policies were adopted in the early 1990s and were supported by increasing anti-corruption activism in the civil society since 1996, one with massive participation. Legal constraints continued to increase with the implementation of a comprehensive anti-corruption agenda by Kim Dae-Jung (1998-2002), the first opposition leader elected president, whose policies also contributed to the reduction of material resources. Although the Judiciary has proved its independence at least since 2003 and has convicted many politicians and businessmen on corruption charges, some individuals received light sentences or even presidential pardon. While Korea's ratings are inferior to the other cases reported above, it is the most populous country among achievers cases, which makes its progress even more significant. As figure 15 below shows, its progress was significantly associated with an increase in pluralism and was not linear, with breakthrough followed by backsliding, as the ICRG corruption risk rating shows. The recent suicide of a former country president due to corruption allegations shows how strong normative concerns have become. Korea is doing significantly better in regional averages on all components

of the good governance model: it is nearly three times richer, better educated by a half and less ethnically heterogeneous than many other countries in the region.

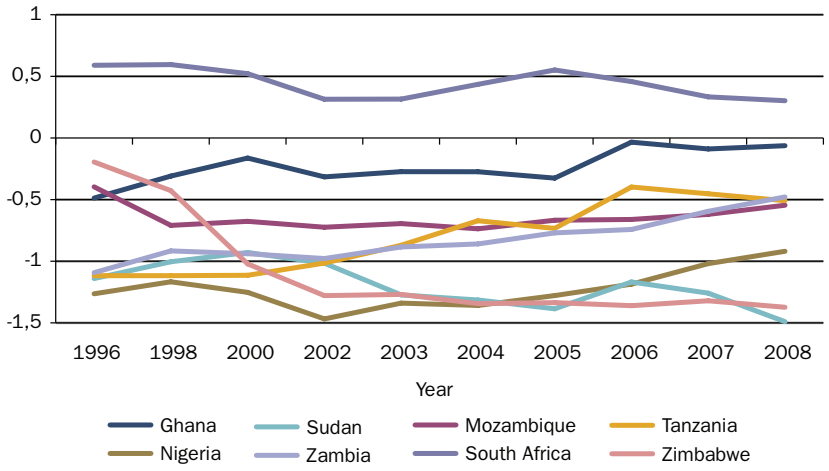
Figure 14. Confrontational norms. The South Korean path



Ghana has the poorest goodness of fit to the modernization model of all the cases described here (see Figure 14). It can be considered an achiever only in the context of the sub-Saharan region, where the only significant trends are Zimbabwe's regress and Tanzania's moderate progress, and in the context of its low income, since it out-performs its income group significantly. Its magistrates and law enforcers receive very low wages and poverty is a significant issue, influencing motivation to enter politics, voters' autonomy and other fundamental political modernization issues. For example, in 2010 a judge's beginning salary in Ghana was US $5,290, compared to South Africa's US $38,454; the equivalent comparison at the level of the Supreme Court was of US $8,488 to US $89,134, ten times the difference. Ghana has somewhat better fit to the good governance model, having been a British colony and having a common law system and a larger percentage of Protestants than the sub-Saharan Africa average (all three are determinants of corruption in the regional model). Ghana's performance on control of corruption (59.5 percentile) is far ahead of the average of its income group. Ghana has experienced some degree of change in all four determinants over the last fifteen years. Before democratization, liberalization reforms initiated by the previous regime contributed to the reduction of material resources. Nevertheless, later increases in government spending may have offset that effect. Anti-corruption legislation was passed in the 2000s and enforcement has become stricter, as shown by an increase in prosecutions based on corruption charges. However, the effectiveness of such improvements is limited by restrictions to the mandate of oversight and control institutions and their vulnerability to political influence. The alternations in power in 2000 and 2009 helped reduce power discretion, although there was also a temporary increase in corruption during this interval. Additionally, there is evidence of an increase in normative constraints as press freedom improved and civil society became stronger in recent years. Public awareness is high; in fact, the African Barometer shows an increase in the perception of the presidency as a corrupt institution, as citizens become more critical towards office holders who get elected with promises of zero

corruption and then become patrons of particularism. CSOs remain, nonetheless, largely dependent on external donors and the norm in public spending is still competitive particularism. Figure 14 shows, however, the gradual narrowing down between South Africa, which is on top of good governance, and Ghana.

Figure 15. Ghana in regional perspective



Source: World Bank (2009)

Georgia has been labelled by the World Bank as the country that has made the greatest progress in good governance (it progressed nearly five deciles in just a few years) and has been self-promoting this label intensely during the last several years. Georgia is also regarded by Transparency International as the "least corrupt" of all the former USSR countries, aside from the Baltic three, now members of the EU. Having said that, however, it must be remembered that Georgia's CPI score for 2008 is a mere 3.8 (on the scale of 1 to 10, where 1 is the most corrupt and 10 the least), and it first received a score above 3.0 only in 2007, which is identifies corruption as "rampant" in a country.

After gaining independence following the fall of the Soviet Union, Georgia's goodness of fit to the model of good governance was very poor due to Soviet heritage and a near-failed state that was torn and impoverished by ethno-territorial and civil wars. Yet, today it is one of the few countries credited for anti-corruption progress in a relatively short period of time, particularly since the "Rose Revolution" of 2003. Then, the mass protests prompted by the obviously fraudulent parliamentary elections resulted in the resignation of President Shevardnadze and a revamp of the governing elite, sweeping the opposition's Mikheil Saakashvili to power with over 90% of votes in January 2004. The three leaders of the reformer faction campaigned on an anti-corruption platform, calling the country to rid itself of the destructively corrupt Shevardnadze leadership and to engage on the path of modernization. Following the change in power, Mr. Saakashvili cracked down on the high officials of the former Shevardnadze government and his affiliates, including his family members, particularly intensively in December 2003 and January 2004. Those indicted were usually summoned to the Prosecutor's office for questioning

and were then charged of corruption and embezzlement and arrested often with live national TV coverage. They were asked to repay the allegedly stolen amounts, at times several million US dollars, and then released without standing trial or further criminalization. While the media thrived and most of the public felt vindicated, the practice was actually in breach of the Georgian legislation. These heavy-handed tactics, however, allowed the government to quickly mobilize enough revenue to repay the outstanding arrears in pensions and wage payments for the public employees. Fighting corruption did not stop with chastising the associates of the old regime. The entire staff of the old traffic police, notorious for its bribery and incompetence, was fired and replaced by the well-equipped and newly trained patrol police in 2004. Another major achievement was overhauling the thoroughly corrupt system of university admissions. For the first time in 2005, the system became centralized and standardized, replacing the individual admissions by universities, with safeguards put in place as to make corruption or favouritism all but impossible.

These two reforms had a great impact on the ordinary citizens, due to their extensive contacts with these systems. Other reforms implemented were mostly aiming at easing the business environment and reducing excessive red tape. Among these, the changes in the spheres of licenses and permits – reducing the number of spheres requiring licensing - dramatically fell by 85% (from the previous 900 or so licenses), and introducing the “one stop shops” and the principle of “silence means consent” not only sped up the bureaucratic procedures, but also dramatically reduced the opportunities for corruption.

Following Mr. Saakashvili’s formal election as the president in January 2004, the anti-corruption council created under previous president Shevardnadze’s presidency in 2001 announced self-liquidation. The body had not been effective in curbing corruption given its limited powers and lack of political will, but rather served as a research and policy-oriented body. No new national strategy or body has replaced it since, and the growing urban opposition to the regime claimed that while petty corruption has been successfully eradicated, grand corruption has increased, and it is only acknowledged by prosecution and the president when the high official in question falls out of favours or becomes politically troublesome. Allegations also exist of the near-total capture of media by the new regime, both through change of ownership and censorship or self-censorship of the journalists.

Georgia’s improvements have clearly drawn on all dimensions. Resources were drastically curtailed by red -tape cuts and economic liberalization proved stronger than in Estonia. Legal and normative constraints created a new equilibrium through a big bang change, brought about by an uprising (Rose Revolution) followed by top-down reforms. Mr. Sakashvili was a clear anti-corruption leader, and although he seems to underestimate the value of participation, and has a growing opposition, his achievements remain significant. Seeing Georgia’s poor fit to the good governance model (civil war, poverty) Georgia over-performed so far and there are lessons to learn from her experience.

The ‘achievers’ present important variation on many dimensions: the number of years since they are free, current trends (the most advanced stagnate or even

regress slightly). Ghana and Georgia are more advanced than all their neighbours and on a positive trend, but they both face important challenges due to their less than ideal fit to the model; they are below 60, so far behind the other achievers; they also rely extensively on foreign aid, which is not conducive to good governance. Estonia and Georgia needed a revolution (actually two if one counts the Georgian Rose Revolution as more than a popular uprising), top anti-corruption leaders and popular participation to achieve their progress. South Korea, Taiwan and Ghana have gradual, but confrontational evolutions, where each step forward was fought back, leading to an oscillating progress curve. As a EU member, Estonia is in the safest position of all progress cases, as it has now joined a club based on good-governance rules which is a good omen for its further consolidation. But the external factor is strong in other cases as well. South Korea and Taiwan were in the front line of the Cold War, so they both received assistance in critical moments, part of it conditional on reforms. Emulation of foreign models, in particular the Anglo-Saxon liberal model played a role in Chile, Estonia and Georgia, where local elites in charge of the economy were frequently educated in America; but also in South Korea, with the model being Japan, where a considerable part of local elites were educated. In Estonia, there is also emulation of the Finnish good governance model (and assistance of Scandinavian countries).

Table 15. Contemporary achievers at a glance

	Type evolution	'Goodness of fit' to model	Sequence	Trend	External triggers and influences
BOTSWANA	Gradual	Poor	Good governance preceded genuine pluralism	Stagnant	Southern African Customs Union
CHILE	Gradual	Good	Good governance preceded pluralism	Stagnant	Economic crisis prior to first GG reforms; American model emulation
ESTONIA	Big-bang Revolution	Good	Pluralism preceded good governance	Positive	EU accession Scandinavian emulation
GEORGIA	Big-bang Revolution	Poor	Pluralism preceded good governance	Stagnant	Some diffusion across former Republics American emulation
GHANA	Gradual, confrontational	Poor	Pluralism preceded good governance	Stagnant	Foreign aid important

	Type evolution	'Goodness of fit' to model	Sequence	Trend	External triggers and influences
SLOVENIA	Gradual	Very good (highest income in ECE from the onset of transition)	Good governance preceded pluralism	Stagnant	EU accession Central European emulation (Austria)
SOUTH KOREA	Gradual, confrontational	Good	Pluralism preceded good governance	Positive	American and IMF conditionality Japan emulation
TAIWAN	Gradual, confrontational	Good	Good governance preceded pluralism	Stagnant	Important American aid in the past
URUGUAY	Gradual	Good (highest literacy rate in Latin America)	Good governance preceded pluralism	Positive	Little foreign influence

Improvements in control of corruption in all cases can be explained by changes of no less than three dimensions in the model. In the legal constraints dimension, there seems to be a distinction between "green" and "yellow" countries with regards to enforcement institutions. It is possible to observe that, in "green" countries, judicial independence was established quite early in the democratic regime, whereas in "yellow" countries this has happened either much more recently, as in South Korea, or is not yet fully functioning, like in Taiwan and Ghana. As argued in the historical part, it is usually the change in the political equilibrium which seems to allow freedom to the judiciary, and not the other way around. Legal constraints were nowhere the determinant factor, and the institutional equipment of these countries is quite varied. Only Botswana has a prosecuting anti-corruption agency, but no Freedom of Information Act; all other countries have FOIAs. Some, however, were adopted fairly late so that they had a negligible impact on good governance measures so far (Chile). Audit and controlling institutions seem to carry some weight in Chile, Uruguay, Taiwan, South Korea. All countries have had some sort of anti-corruption policy coordination committee with no direct constraining power, but which might have played a role in the cohesive formulation of good governance policies. Liberal economic policies with simplified taxation systems and low red tape played a role in five cases: Estonia, Georgia, Chile, Botswana and Korea. Democratization played an important and positive role everywhere, as corruption is high on the public agenda and candidates have to champion integrity. What matters is political dynamics, however, and not formal institutions, as these eight cases have presidential, semi-presidential or parliamentary systems, all possible electoral systems and various types of party financing legislation (party financing is actually

still a sensitive area in most of them), as well as various types of judicial organization. Some political leaders emerge as heralds of an anti-corruption agenda, as can be observed in Estonia, Taiwan, South Korea and Ghana. In almost all the selected cases, the Executive is quite strong; if power discretion is low, it is mostly due to strong accountability mechanisms and functioning checks and balances. Recent alternations in power in Taiwan, South Korea and Ghana also created momentum for the adoption of anti-corruption policies and for increased investigations and prosecutions on corruption charges. Collective action from civil society and press freedom played a considerable role in all these countries, except Botswana, and including the two ones where civil society is still insufficiently strong, Ghana and Georgia. In South Korea and Estonia, its role seems to have been greater than elsewhere. Pressure by media is a key factor, but media itself seems to have sustainability problems in some of these cases.

Contemporary achievers have managed their performance at different speeds and by different paths (see Table 12), but all cases confirm that progress is achieved only by a change in the equilibrium involving all dimensions. Some arrived at good governance during decades of build-up, other mixed gradual evolution with big-bang approaches. Half of the selected countries built good governance on the rule of law and sound economic policy inherited from a previous authoritarian regime; half started with pluralism and competition for power and then turned to control of corruption. Most of them have a reasonable fit to the basic modernization model: some, like Estonia and Uruguay, have an excellent fit, making those whose distance from the model is greater (Georgia) quite extraordinary cases. Political elites were indispensable in these good governance cases, as it is only them which can decide to drain the resources for discretionary spending and particular allocation. Crises provided the windows of opportunity for these tough decisions. It is remarkable, however, that after the crises had passed, these elites preserved such policies, which shows broader support in these societies for good governance policies.

This section examined six contemporary achievers (Chile, Uruguay, Botswana, Estonia, South Korea and Taiwan), and two borderline cases (Georgia and Ghana) to conclude that change occurred only by an evolution on at least three elements of the resources and constraints formula, and through domestic agency (sometimes emulation), triggered frequently by major destabilization, not maverick import institutions.

7. The role of external agents

By the end of the 1990s, disappointment with performance of foreign aid was on the rise. Academic evidence was increasingly supporting the view that donors had little control over how a recipient government financed its projects and that foreign aid was an incentive to corrupt practices. As Burnside and Dollar (2004), authors of the most quoted and disputed paper put it: "We found these results quite intuitive: a corrupt, incompetent government is not going to use aid wisely and outside donors are not going to be able to force it to change it habits.[15]" The pivotal role of 'good' institutions in promoting development became the mantra of the next decade, as more evidence became available (Acemoglu et al 2001; Rodrik et al 2004). These studies generally found that non- transparent, unaccountable, and non-inclusive governance was detrimental to development and welfare, while the opposite tendency was beneficial (Kaufmann et al 2005). However, other studies point to influences other than policy variables such as geography, climate, political stability, per capita income and the extent of poverty within a country (Riddell 2008).

Performance-based aid was proposed as an alternative to the failed traditional approach whereby donors make aid conditional on the reform promises of recipient countries. This selectivity principle mainly consists in giving more aid to countries that have already implemented policy and institutional reforms to increase their governance. Discredited in development, conditionality was living a second life in Eastern Europe, whose progress was attributed by many EU studies s to enlargement-related conditionality (Schimmelfennig and Sedelmeier 2005; Schimmelfennig and Scholz 2008).

This section is briefly revisiting this debate by addressing the following questions: has the tying of foreign assistance to governance improvement been effective in promoting good governance so far? What does the evidence show? What explains the limitations of foreign donors' influence? To answer these questions, three sets of experiences will be very briefly surveyed: i. Millennium Corporation Threshold grants, a pilot project offering countries grants with the specific task of improving their control of corruption rating (among others); ii. European Union assistance (including Governance facility) through the European Neighbourhood Policy, a EU policy addressed to Mediterranean and Eastern European countries[16]; and EU accession, which conditioned entrance to good governance for the eight new post-communist members, as well as to a host of aspiring candidates in the Balkans.

15 See Collier and Dollar 2002 for a synthesis of the debate.

16 Kleemann, Kristof 2010: *The European Neighbourhood Policy – A Reality Check. How effective is the European Neighbourhood Policy in promoting good governance?* available at: <http://www.againstcorruption.eu/uploads/rapoarte_finale_PDF/The-%20 European-Neighbourhood-Policy-A-Reality-Check.pdf>. The essential data is synthesized in the table on page 11.

Conditionality is a set of requirements, determined in the grant or loan agreement, which must be implemented prior to further disbursement of the loan or grant (Jonhson and Zajonc 2006). A first critique to conditionality was that donor-supported reforms were poorly adapted to the specific situation of each developing country. As stated by the World Bank (2000): "Donors come to development problems with their own mandates, histories, ideologies, and political realities and often do not see situations in the same way as other donors or the recipient countries." A second critique was related to what *kind* of conditionality was used. It is not always clear what policy conditions are the most appropriate to ensure sustained growth and development. The conditionality of the IFI's structural adjustment programs of the 1980s and 1990s for instance were highly criticized and these programs were blamed to have caused a worsening of social indicators, with little effects on stabilization and economic growth. However, authors like Nicholas van der Walle (2001) argued that conditions were de facto seldom implemented. Conditionality makes governments less accountable for their own failures, or as Collier (1999) argues "conditionality is often dysfunctional because it implies a transfer of sovereignty that undermines the domestic political process." A third critique refers to inconsistent enforcement due to 'exit failure', the donors' incapacity to make credible threats of stopping aid. Evidence shows that there is a weak relationship between aid flows and changes in policy. Donors have at times repeatedly imposed the same reforms from recipient countries, paying for reforms that never materialized or that were soon reversed. At the same time, the breach of promises was rarely sanctioned by donors like the World Bank (Mosley et al 2004; Svensson 2003; Radelet 2005).

This dynamics between aid donors and recipients shows why conditionality fails: Recipients do not see the conditions as binding, and most donors are reluctant to stop giving aid when conditions are not met, resulting in low compliance, while the release rate of loan instalments remains high (World Bank 2000). Because aid continues flowing, bad policies are perpetuated.

All these circumstances gave rise to a "new aid paradigm" that was expected to raise aid effectiveness. In response to the lack of effectiveness of policy conditionality, donors began to stress the need for selectivity in the aid allocation, only providing aid to countries with proven good policies and good governance. The main proponents of performance-based allocation aid were Collier (Collier 1997; Collier et al. 1997) and Svensson (2000, 2003). The authors called for a fundamental change in donor behaviour to reward reform-minded recipient countries. Aid allocation would be based on retrospective performance appraisals, rather than being conditional on reform promises. This proposal altered the conditionality debate completely. As Radelet (2005) put it: "In the language of the principal agent problem, donors should spend less time trying to write contracts that force an alignment of incentives and instead give more aid to countries that on their own demonstrate similar motivations and objectives."

The Millennium Challenge Corporation (MCC) is our first case study. Established in 2002 to counteract these concerns in foreign aid, it has adopted an approach that emphasizes the careful selection of aid recipients, rather than the imposition of restrictive conditions on how aid may be used. Its selection criteria are

publicly accessible and objective criteria. MCC is addressing corruption in three ways: (i) the selection process is a powerful incentive for countries to adopt tough anti-corruption reforms (ii) using the 'threshold' program to scale up and accelerate the anti-corruption programs of reform-minded governments and (iii) by advancing the global anti-corruption agenda by institutionalizing the idea that foreign aid should be a two-way street. If donors are going to provide more assistance, recipient countries need to provide greater accountability and deliver results. MCC works given the principle that successful anti-corruption programs must be tailored to local institutions, knowledge, culture, social structures, and technologies. Every country's history of governance is different and each policy intervention needs to be tailored to these particularities. This is a response to critics of "one size fits all" policies.

The MCC's threshold program grew out of a concern that too few countries would pass the eligibility selection criteria. To allay these fears, the MCC's rules authorize up to ten percent of total funds "to provide assistance to a candidate country... for the purpose of assisting such country to become an eligible country" (Staats 2010). The threshold program is intended to help candidate countries become eligible for an MCC Compact. Using the incentive of a potential MCC Compact, the Threshold Program is meant to encourage partner countries to design and undertake a challenging reform program (MCC, fact Sheet 2010). MCC has funded twenty-three threshold programs worth over $495 million up to the present. The program is administered through USAID in co-operation with the MCC. The program can also be seen as a response to a shortcoming arising from the selection criteria for compacts, the fact that it may exclude the countries that are most in need of MCC aid. Even if there is political will, it is difficult for an impoverished nation to raise health or education standards (and particular corruption) to a level high enough to meet the eligibility criteria when there are no funds available to do so. For this reason, the threshold program is intended to support countries with a grant focusing on the very deficiencies that make them fail to qualify for a compact grant. In order to qualify for assistance, countries must submit concept papers identifying: (i) where and why the country failed to pass specific indicators; (ii) proposals for reforms that would improve these indicators; and (iii) types of assistance, required to implement these reforms (US Congress 2007).

Since control of corruption is the only "hard" indicator that must be satisfied in other to classify for compacts, 54 percent of threshold budget is directed towards this indicator. So far, all but four threshold programs (Burkina Faso, Guyana, Jordan, and Sao Tome and Principe) have focused on the control of corruption. Appendix 4 shows all threshold countries that received funding to control corruption, the other indicators below the mean at the time of threshold eligibility, the reforms that the threshold program targets and the evolution of two corruption indicators, WBI – Control of Corruption, and the CPI. Two countries, Paraguay and Albania, already signed second threshold programs, both to continue to battle corruption.

Improvements in policy performance in countries that are either seeking to become eligible for MCC assistance (threshold countries), or have already been selected and are continuing the reform process are presumed to occur due to some 'MCC effect'.

The MCC people believe in it. In the words of former MCC CEO John J. Danilovich: " The incentive of becoming MCC eligible has prompted many countries to re-evaluate their policies, regulations, and legislation related to good governance, health and education, and their business climate… this is a welcome result of something I call the MCC effect"[17]. In a 2006 working paper, Harvard economists Doug Johnson and Tristan Zajonc checked empirically for an effect early in the MCC's existence. Examining the rate of reform of governance indicators both before the advent of the MCC and after its creation, from a sample of 102 possible recipients, they found that 'Controlling for general time trends, potential recipients of MCC funds improved 25 percent more indicators after the MCC was created than before it." A more recent study, from Öhler, Nunnenkamp and Dreher (2010) focusing specifically on the control of corruption find that the MCC was successful in promoting better control of corruption. Their conclusion is that "Candidate countries that had reasonably good chances of gaining access to the MCC […] fought corruption more effectively than other candidate countries. "

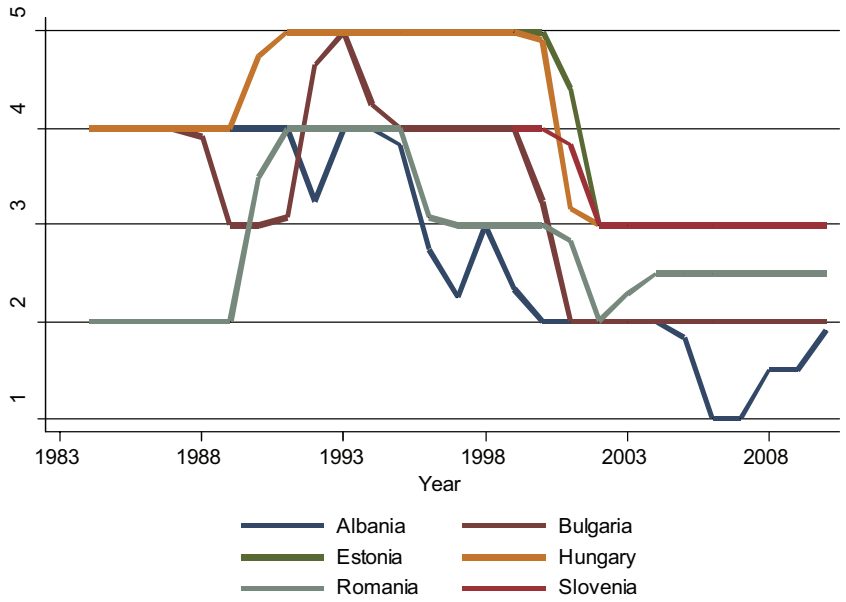
We also check for the MCC effect, not on potential recipients, but strictly on the threshold countries themselves (so on the part of the program which combines conditionality with selectivity) assessing their performance on the control of corruption indicator. Taking the time interval 2004-2009 as reference interval, we find no significant effect at 90% confidence interval except if we extend the interval to 2000, in which case Tanzania progressed significantly. The time lag for this indicator and the divergence among sources on which WGI *Control of Corruption* is based might be responsible for this lack of perceived change in the study interval. Relaxing confidence error to 75%, we find some improvement during the threshold period in Albania, Indonesia, and Paraguay, and regress in Kyrgyz Republic, while Peru, Uganda, Ukraine, Zambia, Malawi, the Philippines and Timor Leste stagnated. Paraguay is the best example that change can happen in a shorter interval if there is enough political will.

Our second case study looks at the impact of the European Neighbourhood Policy (ENP) on good governance in the partner states. The European Neighbourhood Policy constitutes one of the most recent and innovative foreign policy tools of the European Union and the promotion of good governance lies at the heart of this new framework. A survey of the governance performance of the partner states since its initiation shows that the influence of the EU in initiating change has been rather limited (Kleemann 2010). Countries which received more per capita funding did not improve more – most of them actually regressed. With the exception of Lebanon where regression can be explained by the war with Israel in 2006, countries such as Tunisia or Jordan which have received high per capita funding of above € 40 have in fact regressed during the investigated period, and the uprisings in the winter of 2011 should not have been a surprise. Moreover, countries with relatively low amounts of per capita funding such as Georgia have progressed substantially. Higher per capita funding does not seem to produce any statistically significant improvements in the governance scores of the partner states. This observation reinforces previous studies, which have shown that higher aid levels lead to

17 MCC 2006 press release, available at: <http://www.mcc.gov/pages/press/release/release-090606-annualreportifc>.

worse governance outcomes in neo-patrimonial or competitive particularistic contexts. It has repeatedly been argued that "aid weakens governmental accountability, by retarding the development of a healthy civil society underpinning democracy and the rule of law" (North, 1990: 2). Moreover, in his study on the relationship between aid levels and the quality of governance, Knack found that: "periods of higher aid levels coincide with periods of lower-quality governance" (Knack, 1999: 12). Overall, the lack of impact of EU funds gives a first indication that per capita funding does not automatically lead to improvements in the partner states. **However, countries that received higher amounts of funding tied to good governance programs have shown progress**. On average, Eastern states have received governance-related per capita funding of € 6, while this only amounts to € 3.1 in Mediterranean/Middle East countries. Important aid recipients such as Egypt had only 5% of total funds dedicated to good governance, compared to 4% to Jordan and 7.5 to Tunisia in the 2004-2008 period (Kleemann 2010). *The data shows that per capita good governance funding and technical programs, although modestly funded have been more effective in initiating governance change than overall funding*. However, countries which have received higher per capita good governance funding have probably been more willing to implement reforms to start with. Finally, the impact of Governance Facility, this new and innovative instrument might be too early to assess, as it has only been in place since 2007, but its level of funding is extremely limited (€ 16.6 million per year). The only clear progress case, Georgia (and more recently Moldova to some extent) cannot be attributed to EU support. The introduction of a flat tax on personal income tax, the simplification of the customs regime or the dismissal of the traffic police have all contributed to the significant reduction in corruption levels in Georgia, while influence of ENP policies was rather limited (Scott 2007). It is quite probable that domestic factors (commitments of the political leadership) rather than international factors have caused improvements in governance scores in Georgia. To sum up, the findings correspond with previous studies on Europeanization, which argued that "the conceptual discussion [on the impact of the EU in the accession states] tends to overestimate and generalize the effects of EU conditionality vis-á-vis domestic factors" (Sasse 2008: 300). The absence of impact can be explained by several factors, (1) conflicting interest of the EU in the neighbourhood (trade off between fear of immigrants and wish to improve governance); (2) a mere replication of accession policies without adjusting them to local conditions; (3) lack of sufficient incentive structures; (4) inadequate involvement of civil society and (5) too much reliance on front-loaded aid (Kleemann 2010).

Figure 16. EU pre-accession, accession-year and post-accession performance



Legend: International Country Risk Guide corruption score for selected EU accession countries plus Albania. As in WGI CC the highest on scale means more control of corruption.

Finally, EU enlargement to post-communist countries is our third case study, as it represented an unprecedented amount of conditionality and assistance focused on institutional transformation, surpassed only by extraordinary circumstances such as after military occupation in Iraq or Afghanistan. Although the new member states had undergone important reforms to reorganize their governments after communism (Goetz et al 2009), this was largely an unfinished job by the beginning of EU negotiations. During negotiations with EU, reform of the judiciary, administration, policymaking structures and civil service were important issues. Despite EU not having an acquis per se in these areas, the European Commission, with the help of other international organizations, invested a considerable amount of assistance, monitoring and coaching in these areas. Conditionality was also strong, particularly for the 'laggards' Romania and Bulgaria and a safeguard mechanism was created for the three post-accession years, in case the new member countries would not meet their commitments in the area of corruption, home and justice affairs more generally.

The results as reflected in the control of corruption indicator at three points in time (1998, 2004, 2008) and the ICRG Corruption Risk (see Figure 15) show two clear facts. The first is that the good scores of Central European countries already existed at the beginning of accession, so their governance evolution was largely done by that time. However, since the average of Eastern Europe (without Soviet Union) is still far lower than the OECD average (see Figure 1), the expectation was that conditionality and technical assistance would cause further improvement during the negotiations with EU (which started in 2000) and after accession (completed in 2007 for Romania and Bulgaria and 2004 for all others). However, what we see in

Figure 17 is that none of the eight EU new member countries recorded any significant progress after being invited to join in 1998-2000. In fact most of them register regress- only Albania, which plans to apply for EU membership, made significant progress. Once the EU membership offer has been made, progress seems to slow down, and once countries have joined, they actually backslide. **The mechanism which seems to work here, is selectivity rather than conditionality: countries with a chance to join emulate good institutions in order to achieve progress. Countries already invited to join, as the mechanism is irreversible, slow down reforms, even when though conditionality is in place.**

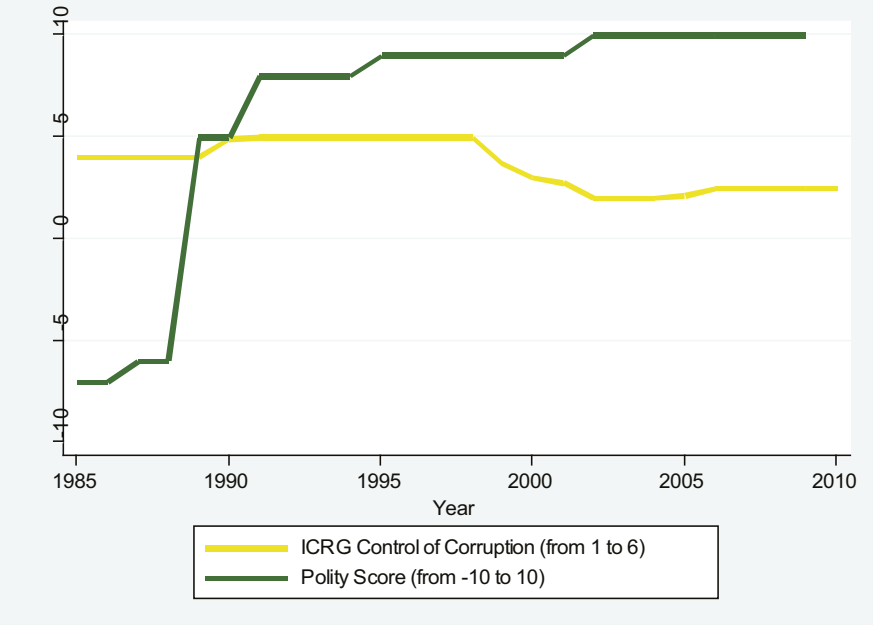
As resilient particularism is engrained even in the most developed post-communist countries, EU accession conditionality struggles to prompt an improvement in governance. Hungary, for instance, used to be perceived as one of the cleanest countries in the region, according to Transparency International and GRECO (2003: 3). However, particularism seems to be equally institutionalized. Political parties are perceived as the most corrupted sector in the country[18]. Interviews with businessmen indicate that corrupt practices span across political boundaries both at the local and national levels, increasingly leading to institutionalized forms of corruption (Pálinkó et al 2008). The Centre for the Study of Democracy in Bulgaria, which has been organizing regular surveys, shows that the number of self-reported cases of involvement in corruption transactions by adult Bulgarian citizens decreased from 2002 up to the mid-2000s, only to return in 2008 to values nearly similar to the previous ones (CSD 2008). Bulgaria was sanctioned by the European Commission after its accession in 2007 by a cut of most of its EU funds, as evidence of massive fraud was uncovered despite governance indicators showing some progress. Poland, which is close to the 'green' zone, acceded to EU membership in 2004; in a Transparency International survey in 2005, 62% of Poles perceived that corruption had increased, while3% believed it had decreased (Transparency International 2005:21). A majority of respondents remain sceptical about the effectiveness of official anti-corruption measures (TI 2008; TI 2009a: 33).

During accession years, an unprecedented institutional transfer occurred towards the EU accession countries in the field of anti-corruption: EU invested heavily in raising legal constraints. This led to a poor association between the amount of legal equipment and the effective control of corruption. Georgia, a non-accession country, which has registered the greatest improved in the control of corruption indicator, adopted very few of the typical anti-corruption instruments. During their EU accession, Romania, Bulgaria and Macedonia turned into world leaders of anti-corruption preparedness according to the Global Integrity Index, but their systematic particularism was barely touched; and ECE as a whole now enjoys the best legal equipment in the world. A compiled index of anti-corruption laws and regulations (Dorhoi 2004) shows, that dozens of laws have been adopted since 1998, not only by candidate countries, but also by countries like Moldova or Kazakhstan, who surpassed even some of the new EU member countries. The anti-corruption policy of these countries consisted in fact of huge collections of new laws and the creation of various anti-corruption bodies. The weakness of this approach was further shown when

18 Transparency International Global Corruption Barometer 2009b: 28-31.

anti-corruption institutional framework built during EU accession years was not properly implemented before it began to be dismantled the day after EU accession. Many anti-corruption agencies saw their budgets cut and their leaders under threat of removal, when their whole existence was not altogether put into question[19]. In Romania and Latvia anti-corruption 'heroes' were fired after accession, just when their anti-corruption agencies had started to work, beginning to make significant arrests. In Slovenia, the anti-corruption prevention agency, which was monitoring the assets of politicians, was saved *in extremis* by the Constitutional Court, while in Poland and Romania the same courts dealt serious blows declaring anti-corruption legislation unconstitutional years after it had been enacted. Even so, in the Slovak Republic the anti-corruption court was significantly weakened and in the Czech Republic, the anti-corruption unit was closed down. The regress on control of corruption, although within the margin of error, is thus confirmed by facts. A separate graph for Poland (figure 16), illustrates well this typical trajectory as ICRG ratings go back in time. Prior to 1989, we see a governance regime which remains fairly stable through the major political change and improvement of pluralism in 1989, until 1998, when it actually starts declining and remains at a lower level throughout EU accession and after membership. A real 'good governance gap' thus exists between the level of democracy in Poland and the level of governance, explained by its particularistic legacy, untouched by EU accession.

Figure 17. Pluralism (Polity 2) and control of corruption. The Polish path 1985-2010



What factors can explain this situation? For the post-communist candidate countries, conditionality was the key mechanism that EU relied upon: a mixture of conditional positive incentives (closure of negotiation chapters) as well as negative

19 Focus group with regional experts from GRECO, USAID, OECD, Freedom House and civil society at the Hertie School of Governance in Berlin, November 18, 2009.

(delaying negotiations closure, delay of accession date, safeguard mechanism, withholding of EU funds). Conditionality is supposed to be smart power. It offers an incentive to shape behaviour. But it may well be that a general incentive (EU integration) is insufficient to motivate all the social groups which need to change their behaviour. The fundamental alteration of rules of the game for politicians, bureaucrats and magistrates in the ECE countries, for instance, presumes that they would stand to win more than lose from the change. In other words, for such a process to be successful it has to incentivize key groups and not just rely on the presumption that what is good for the country is also good for them. Supportive constituencies of EU accession are not the same as key groups for reforms. Those directly concerned, from bureaucrats to magistrates, displayed considerably less enthusiasm than the general public or democracy-minded NGOs. A review of every significant area in the field of governance reforms shows that motivating agents to change was extremely difficult. Incentives for local elites in the accession process seem to have been often wrong, confusing or absent, leading to an overall effort very much shaped like an old communist plan.

The countries where EU conditionality was at a maximum, Bulgaria and Romania, did not manage to become achievers, their progress fails the significance test, as well as the qualitative assessments (Center for the Study of Democracy 2010; Romanian Academic Society 2011). One other potential achiever, Slovakia, regressed, as did the front group Hungary, Poland and Czech Republic. The only country which evolved during EU accession, Estonia (significantly on Freedom House Nations in Transit corruption; not significantly on World Bank CC), presented in the previous section, is a domestic success, not a result of EU conditionality. Its emulation of a libertarian economy and of the Finnish e-government enabled the domestic elite to perform.

A review of all three case studies delivers some unequivocal results:

- European conditionality related to good governance was rendered inefficient by conflicting goals, inconsistent enforcement, poor or perverse incentives, lack of understanding of local political dynamics and of targeting assistance to help real domestic drivers of change.
- The failure of conditionality has less to do with countries and more with donors themselves. Most notably, it has little to do with goodness of fit to the good governance model. While the modernization fit of new EU member countries is very good and the modernization fit of some ENP or threshold countries is poor, we still encounter exactly the same problems regardless of the level of development. A country with a poor fit like Georgia managed to progress, while a country with an excellent fit like Hungary stagnates. Political dynamics and the mobilization against the equilibrium by challengers matters at least as much as structural factors in the model.
- While selectivity is still a new approach and, while, due to the time lag of governance indicators, we find little significant evolution, both Millennium Corporation threshold grant experience analyzed here and the EU accession one seem to indicate that cash on delivery might be a more effective approach. The great advantage of selectivity is that it empowers rather than constrains local actors of change and creates a new domestic political dynamic. A country like Ukraine,

targeted with massive sums by both European Neighbourhood Partnership and a threshold from Millennium (44 millions, probably the largest good governance grant on record) due to its strategic position as a counterweight to Russia failed to deliver essential legislation (blocked in the Parliament), let alone implementation. It is clear that Ukraine would have benefitted far more from a cash-on-delivery approach as advocated by Center for Global Development (Birdsall and Savedoff 2011) than by repeated advances from donors who signalled they would continue to support it regardless of results.

This section examined what circumstances seem to render external agents more influential in conditioning good governance in a country. Three sets of experiences with conditionality for good governance are examined (Millennium Corporation threshold grants, European Union accession and European Neighbourhood Policy) to conclude that countries seem to progress more only they have the incentive of being upgraded to a desirable situation rather than under classic conditionality. Particularly in the field of anti-corruption, where incentives vary across key groups and partners might have vested interests in the status quo, donors should not advance, but only disburse funds upon delivery of desired changes and verifiable outputs.

8. Conclusions and lessons learned

The question at the end of this review is not if the anti-corruption glass is half-full or half-empty: one tends to answer such questions according to one's preconceptions rather than the evidence, anyway. The real question is, what lessons can the anti-corruption community learn to make the next fifteen years the years of impact, considering that the past fifteen years were years of awareness? Here is the tentative list:

Lesson number one is that although globalization has made of corruption a global phenomenon which has been adequately answered by some attempts at global governance (anti-bribery conventions, UNCAC, the emergence of a global civil society), **the battlefield upon which this war is lost or won remains national**. For example, the present international effort to recover assets of deposed neo-patrimonial rulers is a commendable one, but we must understand that even if recovered, they would soon disappear as water in the sand in their original countries if neo-patrimonialism persists or is succeeded by competitive particularism. Increasing international constraints, particularly in the field of bribing, have made some progress. But as long as constraints remain low on the national front and particularism the rule of the game in a given country, simply preventing international businessmen from bribery would not change much and would not result in fair competition. Case studies of historical and contemporary achievers show that although external constraints played a large role in inducing disequilibrium in particularistic countries and triggering change, a transformation has to be reflected in a new equilibrium of power at the society level for it to be both profound and sustainable.

Lesson number two is therefore that the transition from corrupt regimes to a regime where ethical universalism is the norm is a political and not a technical-legal process. There is no global success case of anti-corruption as promoted by the international anti-corruption community. Successful countries followed paths of their own. Fighting corruption in societies where particularism is the norm is similar to inducing a regime change: this requires a broad basis of participation to succeed and it is highly unrealistic to expect this to happen in such a short interval of time and with non-political instruments. **The main actors should be broad national coalitions, and the main role of the international community is to support them in becoming both broad and powerful**. All good governance programs should be designed to promote this political approach: audits, controls and reviews should be entrusted to 'losers' and draw on natural competition to fight favouritism and privilege granting. No country can change without domestic collective action, which is both representative and sustainable over time. The media,

political oppositions and civil society should not be seen as non-permanent guests taking part in consultations on legal drafts but as main permanent actors in the process of anti-corruption and holding decisive seats in all institutions promoting ethical universalism. **Which windows of opportunities to use, which actors are more interested in changing the rules of the game and how to sequence the change depends on the diagnosis of each society and cannot be solved by a one-size-fits-all solution**. Chapter 2 of UNCAC, Preventive measures, can accommodate a variety of such programs. But also a number of what are seen as democracy promotion efforts (building a free media, civil society, community voice, empowerment) are, in fact, also anti-corruption programs.

Lesson number three is that on this political front, the international community has often played an ambiguous and inconsistent role and has thus sabotaged its own efforts. The failure of the anti-corruption conditionality is partly grounded in the lack of understanding of particularism as a regime of governance and in consequently selecting various implausible principals as main actors to change the regime. Just as importantly, it is also partly caused by the overriding of good governance promotion by other strategic policy priorities. Those will continue to exist; thus, we have not seen the last of supporting neo-patrimonial dictators with good governance fund, or of rewarding predators for paying lip service to Transparency International's discourse. **To minimize this in the future, good governance programs and particularly UNCAC implementation should be tied to assistance on a cash-by-delivery mechanism only, as the European Union has already suggested for its revamped North African European Neighbourhood Policy support**. Diplomacy should also act in concert with aid, promoting representative anti-corruption actors in societies and avoiding the 'professionalization' of anti-corruption by limitation to a circle of 'experts'.

Lesson number four is that there are no silver bullets or maverick institutions in fighting corruption. We found no impact of anti-corruption agencies (explained by their inadequacy in an environment without an independent judiciary and where particularism is the rule of the game, not the exception) and of Ombudsman (explained by the control of such agencies by the government or group in power). Particularly in African countries, where particularism is the norm and predatory elites are in charge, it is inadequate to transplant new institutions and try to ring-fence them against particularism (Simons 2008). We found, however, some limited impact of FOIA. The impact of FOIA and the second generation transparency tools (transparency of budgets, legislative drafts, statements of assets), which is substantiated by qualitative evaluation studies,[20] is explained by the fact that their implementation depends to a great extent on non-governmental actors. Political oppositions, media and NGOs will naturally push for more transparency once the instrument exists. They cannot do the same for prosecutions, which are not transparent and far more litigious.

A World Bank evaluation (Huther and Shah 2000) differentiated between high, medium and low quality of governance environments, suggesting that the most fre-

20 See Civil Society Against Corruption, http://www.againstcorruption.eu/uploads/rapoarte_finale_PDF/The-Experience-of-Civil-Society-as-an-Anticorruption-Actor-in-East-Central-Europe.pdf

quently used anti-corruption tools would not work in the medium and low quality context (for a very good reason; they are imports from the high governance contexts). But the main message of the anti-corruption industry, even after this World Bank report, remained that particularistic (group II of Figure 6) or neo-patrimonial countries (group I) should replicate the institutions of universalistic countries (group III). In other words, transfer the formal institutions underpinning the universalistic approach, raise some awareness, adopt some ethical codes of behaviour, pass some laws and particularism is finished. This has not and cannot work. The winners of particularistic arrangements are bound to lose from anti-corruption so they oppose it with all their means. This win-win approach, which presumes that anti-corruption activists resemble missionaries spreading the word of good governance to pagans who have not yet had the luck to stumble onto it by themselves, is naïve at best.

Lesson number five is about the lack of significant impact by the UNCAC (in statistical tests) after five years, which should not come as a surprise in this context. After all, five years after the 1948 adoption of the Universal Declaration of Human Rights, only a handful of countries were considered as fully respecting such rights. By 2010, according to Freedom House, their number had grown to 87, representing 45 percent of the world's 194 polities and 43 percent of the global population. 57% percent of the global population still lives in countries where human rights are only imperfectly observed, if at all. The advance in this interval is attributed to liberalizing autocrats, international pressures for norm adoption and implementation, but primarily to freedom fighters and the rise in demand for freedom in each of these countries. The story of UNCAC is similar. The norm was set: many countries formally adopted ethical universalism as a norm, which simplifies the job of anti-corruption fighters. But without massive demand for new rules of the game and public participation in a sustainable mechanism which would prevent the eternal reproduction of privilege and shift allocation to ethical universalism, we are unlikely to see significant progress. Strategies must be conceived accordingly: UNCAC is a collection of institutional tools, not all similarly effective or useful, of which some have the potential to become effective weapons. This is true, however, only if local actors take them up and fight the long fight with them. Imagine UNCAC ratification as throwing an arsenal over the wall of a prison. Some arms require high specialization and no one knows how to use them; others are not fit for use in confined spaces. But among them all these weapons there is a handful of grenades which could bring the wall down – if only someone was brave enough to pull the pins.

What the international community can do, in any event, is to push UNCAC implementation and review as a mechanism to stir collective action. UNCAC will have an impact only if the entire society contributes to a check on the government. Such a permanent check could play a far more important role than the international review of UNCAC. For example, if the corrupt country of Ruritania were to ratify UNCAC, donors should push for a national stakeholders' commission to check on implementation, including media, local communities, anti-corruption NGOs. The review should take place on an annual basis and those in charge of implementation should report to this body and make the report public. Accountability to the entire society regard-

ing the implementation of UNCAC is a minimal requirement in building the general accountability of governments. In this context, the ownership principle in anti-corruption must simply be interpreted as ownership by the society, not by the government. Particularism or closed-access order is inherently discriminative: In fact, there is evidence that it is a major source of inequality and uneven access to public services around the world (Rothstein and Uslaner 2005). **We simply must stop fighting particularism in partnership with those who benefit from it**. Funds for anti-corruption should also be disbursed only in consultation with such an inclusive stakeholder body and after its evaluation of trend and impact.

Lesson number six is about the importance of civil society, which is now confirmed in our models (Table 12). But if there are not many real life cases where civil society plays an important role (South Korea, Central Europe), it is because the kind of civil society needed to serve as a watchdog at the community as well as national level is frequently missing. Even where some civil society exists, it does not always exercise its essential role in increasing normative constraints, preferring to cooperate and even receive funds from corrupt governments to pass legislation which remains without effect. In the last ten years and due to donors funding, the world was more populated with professional 'expert' civil society than with watchdog and whistle-blowing civil society. Far more development is needed to arrive at a civil society which organizes more than seminars to 'raise awareness' (although victims of predators are highly aware, although resigned, of their situation) and engage in more direct whistle-blowing or disclosure activities.

Any country ruled by particularism is bound to have many losers who are shortcut by networks of privilege. Only occasionally do we find large client constituencies which include everyone, and then it is probable that huge resources exist to feed the system (income from natural resources, for instance). There is nothing to be done in such situations. For the rest, however, empowering the losers is the only possible strategy in an environment where particularism is the norm. This is not easy, as businesses in such contexts fear arbitrary controls and might be dependent on public money; citizens also lack sufficient autonomy and so forth. But in South Korea and Estonia (more recently also in the Czech Republic, Ghana) we see how groups gradually organize themselves to promote open access. This does not mean that they can be fully organized by donors if this does not happen naturally. Many donor-sponsored, anti-corruption coalitions were formed by rounding up professional civil society and remained active only as long as paid and organized seminars and trainings were provided which yielded no impact[21]. Donors should ask for proof of real action and then support those who engage in such actions: matching funds for voluntary work to ensure people's commitment remains the only safety mechanism.

Lesson seven is about developing indicators and measurement to allow better monitoring of trends and impact of policies. The aggregate measures of corruption, particularly the WGI Control of Corruption, which allows measuring confidence errors as well as perception of corruption, have played a great role by setting

21 See full report on East European experiences with donor funded anticorruption, available at <www.againstcorruption.eu>.

the stage for a global competition for integrity among countries. But once it comes to the process of change itself and the impact of certain policies, they are powerless to help us. Policymakers and donors rely excessively on input and output indicators to evaluate AC policies. But when a policy or program is not adequate to the problem, reports which evaluate how many seminars were held or policemen were trained have very little to tell about the progress of our efforts. What we suggest in section 3 of this report is to use different types of indicators, as in the evaluation of progress in the two borderline cases, Brazil and Romania. **A new generation of research informing anti-corruption programs and policies is needed; one based on policy impact indicators which allow us to understand what the real norm (practice) is and how it changes over time**[22]. The full reports on Brazil and Romania posted online[23] present such indicators.

Lesson eight is about the fit of repressive policies to various development contexts. It is very risky to fight corruption by repressive means whenever particularism is the main allocation norm because some people will be above the law and the selection of those to be prosecuted cannot help be biased. The risk is that the whole judicial aspect of AC will simply become a hunt for opponents or those poorly connected who cannot bail themselves out. If the country's per capita income lies below 2,700 USD and its modern state is more pretence than reality (also strongly captured), repressing minor forms of corruption is not helpful and not even moral. For example, the case of corruption determined by scarcity when the government is in payment arrears or severely underfunds certain sectors, deserves a completely different treatment. In the developing world, this is a frequent situation in which the state does not have the capacity to perform the welfare tasks it assumed under its more general pretence of modernity, forcing workers in such sectors to resort to direct payments from citizens. A repressive approach has never solved scarcity problems. Either the state should abandon the task if it is unable to fund it, or funds should be found to pay policemen, doctors, and the rest. Resorting to a more ancient system of collecting fees for services, or transferring ownership of the service to anyone who can fund it, might prove palliative. This problem cannot be fought by anti-corruption measures, and should not be even considered as corruption. Unless such policies are implemented, an investment on the part of the country and donors of raising legal constraints will fail (and this is frequently the only AC policy promoted). **Investment in strong legal constraints only works in developed institutional environments**.

Lesson number nine is that policies of drying resources for corruption are essential, along with increasing normative constraints. The long term advocated – and partly discredited – economic liberal policies of the World Bank have an important good governance component which has proved significant both in our statistics models (and of others) and in the case studies. The discredit does not come from their failure to produce growth but from the difficulty of transposing them into practice: privatizations often produce private rents, as governments embark in such policies and then try to control competition and preserve them. But

22 The full reports on these two countries are available at: <www.againstcorruption.eu>.
23 <www.againstcorruption.eu>.

the success stories are mostly the successes of liberal economic policies, particularly of red tape reduction, tax simplification and privatization.

The final lesson – number ten – is about formalization, which plays such an important role in explaining corruption. Societies become transparent, and thus modern, following a process of bargaining where individuals agree to pay taxes in exchange for certain public goods. This agreement does not exist in particularistic societies, as everyone knows that access is not equal, and this hinders the development of these societies. **Societies hide from predatory rulers to defend themselves, and this is why it is important that government and society work together for more transparency**. Successful policies of formalization are based on bargaining, not repression, except in the area of criminal economy (smuggling, drugs, traffic, money laundering). Such policies should seek to simplify legislation, build trust, remove tax collection and control of collection from predators or their unpaid tax farmers and establish it closer to those who would benefit from the collected revenue and registering property fairly and cheaply. In a neo-patrimonial context, offering assistance to a regime to build tax collecting agencies is frequently like helping predators extort more effectively from their victims (von Soest 2007). However, formalization, understood as a process of persuasion and incentivizing of property and business registration, is an essential step in reducing informality. When William the First ordered the complete registration of all property in conquered England in 1086 (twenty years after Hastings), among the items to be listed was not only land but also cattle, pigs and smaller property items. It took scribes twenty years to compile it all in the Doomsday book, and England was relatively small compared to the average contemporary country. This is how development began.

The first step in an effective anti-corruption strategy from a donor perspective is therefore a process of elimination: rule out what is not worth doing. The second step is the evaluation of actors or principals: is there a willing or credible actor for the role? What circumstances could empower such groups/coalitions? Our analysis is therefore based primarily on the 'who' and 'when' prior to the 'what' of good governance, as the last varies – as it should – from one country to another and should be addressed by programs and policies grounded in the specific political economy analysis of each society.

We therefore propose the following steps, which leave aside humanitarian intervention:

1. 'IF – CHOICE OF INTERVENTION'

Donors should carefully weigh these four circumstances:

1.1 *Engaging in unconditional aid (without a good governance-as-means approach):* This should never be the case, neither in neo-patrimonial or competitive particularistic countries, since aid would only turn into a resource for predatory elites and would not reach intended recipients unless directly distributed by donors themselves.

1.2 *Engaging in aid with good governance-as-means approach*: Build a mechanism to ensure that aid reaches recipients and is used for designated purpose. This makes sense where, based on various grounds, intervention is

indispensable. The best strategies for such situations is to engage in some form of direct provision through charities which work directly at grassroots level in cooperation with targeted recipient communities and apply both external and community based mechanisms of audit and control (with the great advantage of also developing local organization and collective action capacity). Pre-modern community based mechanisms described in this report (section 5) can hopefully be a source of inspiration here. Organizing procurement by donors themselves could also be a solution. However, the attempts to build financial and management grant capacity of particularistic governments have notoriously failed. since such transfers increase resources for corruption so much that constraints do not work.

1.3 *Engage in good governance-as-end programs (build good governance) alongside other types of assistance:* Combining assistance with neo-patrimonial or competitive particularistic contexts with good governance/ state modernization strategies has been attempted on a large scale during the past fifteen years and has yielded disappointing results. The good governance strategies were not implemented and conditionality was either not enforced or caused programs to be terminated due to the failure to fulfil conditions. Legal and administrative systems are medium- to low-specificity activities with high transaction volumes, i.e. they are the most difficult to reform (Fukuyama 2004b). The state and rule of law building, heavily promoted and funded by donors for many years despite scepticism espoused by notable scholars (Fukuyama 2004a, Carothers 1998), has not been very successful. On the one hand, advanced new public management or administrative reforms are grossly inadequate for informal societies and should be avoided. On the other hand, evidence shows that achievers do their own state-building by emulating proper models, when faced with the necessity, and that non-achievers (for example Romania and the Ukraine, two countries which top the list with the greatest donor investment in the area) do not, regardless of external help and conditionality. since Elites are not constrained enough to accept the disablement of their spoiling machines. If Georgia managed to reform its notoriously corrupt traffic police and the Ukraine did not, although the Ukraine had more international grants than Georgia in that period, it is clear that only domestic agency matters.

1.4 *Engage only in good governance building programs to help countries improve their control of corruption without any other assistance:* Evidence is insufficient on Millennium threshold grants (they are too recent) to allow a clear cut conclusion. A preliminary conclusion, however, is that such programs might be useful only if they empower agents of change seeking to establish a new equilibrium, and not just reward country leaders for their political orientation, as in the case of the Ukraine.

2. WHEN – (CHOICE OF TIMING)

Evidence from the cases of historical and early 'achievers' indicates the important role of certain contexts in promoting good governance. Windows of opportunity are offered by crises of any sort; elections (when actors need to compete to prove their integrity), revolutions and status upgrade perspective (joining international club or free trade agreement). Changes in equilibrium are greatly helped by such circum-

stances, and intelligent support should make the most of them. Aid selectivity or cash-on-delivery are ways of engineering such circumstances, however weaker than natural ones. Individual projects can also try to make the best of windows of opportunity or engineer them, as shown in Appendix 4.

3. WHO (ACTORS CHOICE)

Who are the plausible agents of change and how long would they remain so if they were to gain power? Historical lessons from the past and more recent times point to professional groups as more sustainable allies of good governance than individual leaders, who frequently turn from champions to chief profiteers. Merchants motivated by profit and lawyers and journalists motivated by the need to have equal access with the privileged classes were in the vanguard of historical good governance. 'Achievers' all had professional elites engaged in changing governance regimes: lawyers trained in the US and bureaucrats trained in Japan in South Korea, economists trained at American universities in Chile and Georgia. There is insufficient rational explanation as to **why these elites engage in changing their societies and are not co-opted into the predatory group at some point**: It is emulation of a model they have seen work, the drive of real change, the belief of reaching similar or higher profit by ethical universalism rather than by spoiling. The most frequent situation is indeed the reverse: we see in the World Economic Forum survey that countries with high degrees of corruption also have high rates of brain drain. The best of such societies either leave or are co-opted. But deliberate efforts to recuperate them when windows of opportunity appear do pay well (former Soviet Union member Estonia and Georgia both called back their best and brightest). Donors tried their hand at such programs with uneven results, since educating people tends to endow them with an individual capital that they would rather not invest in a particularistic economy. However, it must be clear that in the absence of educated and autonomous professional groups fighting for good governance, sustainable development does not exist. Training civil servants or magistrates deprived of fundamental autonomy (financial and otherwise) is a poor palliative. They will evolve when the demand for them arises. Creating collective action – and providing political support - at the level of strategic groups *within society* seems to be the only good governance strategy which has worked in the past.

4. WHAT (MENU CHOICE)

Corruption should be a concern only when a polity is free of major violence and has no essential stability threats. When groups can obtain what they want by violent means, different strategies, including offering them privilege in exchange of laying down their arms, unfortunately might be necessary. Bosnia is corrupt because it is no longer violent: Ethnocracies exist because the price of disarming them was to allocate the country among ethnic groups. While we can now start considering good governance strategies for Bosnia, we need to understand that particularism was one of the chief foundations of the Dayton Peace Accords. Particularism was built into the Bosnian Constitution and will endure until it is radically changed.

Regarding political stability in place, the next thing to consider is to what extent the significant determinants in Table 12 can be acted upon by donors without relying upon the notoriously absent political will of governments. **This consideration**

divides the already small arsenal of tools that we found as statistically significant into a BASIC package (it works in any environment regardless whether the government is committed or not and is basically reduced to normative constraints areas, highlighted in grey in Table 12) and a FULL package (which covers what we found as significant determinants in all areas and requires some government cooperation, which makes its implementation more uncertain). The two packages should be combined with a selectivity/cash-on-delivery approach, as Table 16 shows. Choices should also be weighted by income of countries: Below a certain level of income, set at approximately 2,700 USD/capita by Paul Collier, corruption can be seen as a survival strategy and an alternative to violence, with each situation being judged differently.

Table 16. Contextual choices of good governance assistance packages

	Neo-patrimonialism	**Competitive particularism**	**Borderline**	**Requirements as to government participation**
	Diagnosis	**Diagnosis**	**Diagnosis**	
Power resources	Support for groups challenging power monopoly, civil society	Cash-on-delivery for adoption of FOIA and second generation FOIA legislation, domestic conflict of interest laws, red tape cuts		Minimal; implementation will be pushed by civil society
Material resources	Cash-on-delivery against successful privatization of natural resources, budget transparency	Cash-on-delivery against successful privatization of natural resources, budget transparency Formalization programs (property registration) when income > 2,700 USD/capita	Cash-on-delivery against successful privatization of natural resources, budget transparency	Medium; requires implementation in good will
Normative constraints	Internet infrastructure support at community level Media and civil society watchdogs support	Internet infrastructure support at community level Media and civil society watchdogs support	Internet infrastructure support at community level Media and civil society watchdogs support	None

	Neo-patrimonialism	Competitive particularism	Borderline	Requirements as to government participation
	Diagnosis	**Diagnosis**	**Diagnosis**	
Legal constraints	Political pressure for judicial independence	Political pressure for judicial autonomy and accountability; support for legal education	Technical assistance support for judiciary, audit agencies, etc	Large

The first step of any anti-corruption strategy is to diagnose the governance regime and chart the key actors' groups as opposed to or in favour of the status quo. In neo-patrimonial societies, the source of the problem is the leader and his clique: Providing legal anti-corruption instruments would only enable them to control their opponents more and extort their societies Thus, we recommend only the BASIC package, if conditions allow. In competitive particularistic countries, the main problem is the limited access to power and resources and the collusion of what should be competitive interests. The key strategic action is then to break the equilibrium by empowering groups outside the colluding cartel of parties or leaders. As good governance is impossible without the collective action of such groups, they need empowerment and help to act strategically and grow. In other words, while selectivity/ cash-on-delivery should be used to plant the grenades in UNCAC or other policies, direct assistance is needed to support and train those who will eventually detonate them.

The evidence is clear; what we have battled against is not 'corruption', the undue individual gain from a public position. What we have been attempting to do in the last fifteen years is to change governance regimes, and this is why we have failed. Because although there is wisdom in the concept that individual corruption cannot be addressed in an environment of systemic corruption, changing a governance regime is not something which can be attempted and evaluated on a year-by-year basis because most assistance programs are structured. Neither can domestic wars be fought and won internationally, although we should think of smart anti-corruption assistance as empowerment. This report has covered a bit more than two decades. If one takes such a broad perspective, evolution exists, although less than donors would desire or expect. What is needed in this context is to better connect the domestic dynamic to the international effort and be more strategic in the choices of intervention. One cannot hunt Moby Dick across every sea and every ocean but must focus efforts on where he is most likely to appear, and expect a long chase.

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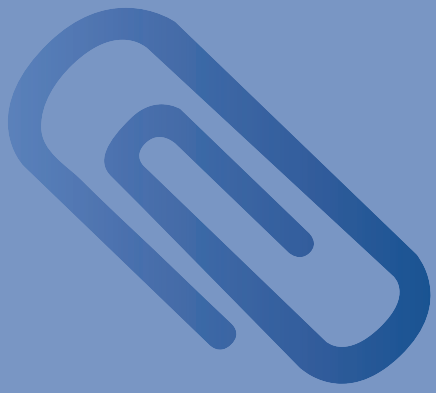
Annexes



Annex 1:
List of anti-corruption agencies and Ombudsman's offices (2008)

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Albania	Anti-corruption Commission and Monitoring Group	People's Advocate
Algeria	/	/
Andorra	/	Office of Ombudsman
Angola	/	Office of Ombudsman
Antigua and Barbuda	/	Office of Ombudsman
Argentina	Anti-corruption Office	Office of Ombudsman
Armenia	Anti-corruption Council	The Human Rights Defender
Australia	Independent Commission Against Corruption (NSW)	Commonwealth Ombudsman
Austria	/	Ombudsman Board
Azerbaijan	Commission on Combating Corruption	Human Rights Commissioner
Bahamas	/	Office of Ombudsman
Bahrain	/	/
Bangladesh	Anti-corruption Commission	/
Barbados	/	Office of Ombudsman
Belarus	/	/
Belgium	Central Office for Repression of Corruption	Federal Ombudsman
Belize	/	/
Benin	Centre for the Fight against Corruption	Office of Ombudsman
Bhutan	Anti-corruption Commission	/
Bolivia	/	Office of Ombudsman
Botswana	The Directorate on Corruption and Economic Crime	Office of Ombudsman
Brazil	Comptroller General	/
Brunei	Anti-corruption Bureau	Office of Ombudsman

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Bulgaria	/	Office of Ombudsman
Burkina Faso	Superior Authority of State Control	Office of Ombudsman
Burundi	Centre for the Fight against Corruption and Economic Mismanagement	/
Cambodia	Anti-corruption Unit	/
Cameroon	National Anti-corruption Commission	/
Canada	/	Canadian Human Rights Commission (also a number of other regional ombudsman offices)
Cape Verde	/	/
Central African Republic	/	National Ombudsman
Chad	/	/
Chile	Comptroller General	Comptroller General
China	/	/
Colombia	Presidential Anti-corruption Program	Office of Ombudsman
Comoros	/	/
Congo	No information found	/
Congo, Democratic Republic	/	National Observatory of the Human Rights
Costa Rica	Office of Public Ethics	Office of Ombudsman
Cote d'Ivoire	/	/
Croatia	Office for the Suppression of Corruption and Organized Crime	Office of Ombudsman
Cuba	No information found	/
Cyprus	/	Commissioner for Administration
Czech Republic	/	Public Defender of Rights
Denmark	/	Parliamentary Ombudsman
Djibouti	/	Mediator of Republic
Dominica	No information found	/
Dominican Republic	Department for Corruption Prevention	/

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Ecuador	Commission for Civic Control of Corruption	Office of Ombudsman
Egypt	/	/
El Salvador	/	Office of Ombudsman
Equatorial Guinea	/	/
Eritrea	/	/
Estonia	Estonian Security Police	Legal Chancellor of Estonia
Ethiopia	Federal Ethics and Anticorruption Commission	Office of Ombudsman
Fiji	Independent Commission Against Corruption	Office of Ombudsman
Finland	/	Parliamentary Ombudsman
France	Central Service for Prevention of Corruption	Mediator of the Republic
Gabon	No information found	Office of Ombudsman
Gambia	Anti-corruption Commission	Office of Ombudsman
Georgia	/	Public Defender of Georgia
Germany	Federal-level ACA arrangements	Petitions Office (also a number of other regional ombudsman offices)
Ghana	Commission on Human Rights and Administrative Justice and Serious Fraud Office	Commission on Human Rights and Administrative Justice
Greece	/	The Greek Ombudsman
Grenada	/	/
Guatemala	Commission for Transparency and Anti-corruption	Human Rights Attorney
Guinea	/	Office of Ombudsman
Guinea-Bissau	/	/
Guyana	Integrity Commission	Office of Ombudsman
Haiti	/	Office of Ombudsman
Honduras	Anti-corruption Council	Office of Ombudsman
Hong Kong SAR	Independent Commission against Corruption	Office of Ombudsman
Hungary	Anti-corruption Coordination Board	Office of Ombudsman
Iceland	/	Office of Ombudsman
India	Federal-level ACA arrangements	Central Vigilance Commission

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Indonesia	Corruption Eradication Commission	National Ombudsman Commission
Iran	No information found	Office of Ombudsman
Ireland	/	Ombudsman of Ireland
Israel	/	Office of Ombudsman
Italy	Anti-corruption and Transparency Service	/
Jamaica	/	Office of Public Defender
Japan	/	Ombudsman Network
Jordan	Anti-corruption Commission	/
Kazakhstan	Agency of the Republic of Kazakhstan on Fighting with Economic and Corruption Crimes	Office of Ombudsman
Kenya	Anti-corruption Commission	Public Complaints Standing Committee
Kiribati	/	/
Korea, North	No information found	/
Korea, South	Anti-corruption and Civil Rights Commission	National Human Rights Commission
Kuwait	/	/
Kyrgyzstan	National Agency for the Prevention of Corruption	Office of Ombudsman
Laos	/	/
Latvia	Corruption Prevention and Combating Bureau	Latvian National Human Rights Office
Lebanon	/	/
Lesotho	Anti-corruption Directorate	Office of Ombudsman
Liberia	Anti-corruption Commission	/
Libya	/	/
Liechtenstein	No information found	/
Lithuania	Special Investigation Unit	Office of Ombudsman
Luxembourg	/	Mediator of the Grand Duchy of Luxembourg
Macedonia	State Commission for Prevention of Corruption	Office of Ombudsman
Madagascar	Bureau Independent Anticorruption	Mediator of the Republic
Malawi	Anti-corruption Bureau	Office of Ombudsman
Malaysia	/	/

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Maldives	Anti-corruption Commission	Human Rights Commissioner
Mali	Support Unit to the Control Structures of the Administration	/
Malta	Commission against Corruption	Office of Ombudsman
Marshall Islands	/	/
Mauritania	/	Mediator of the Republic
Mauritius	Independent Commission against Corruption	Office of Ombudsman
Mexico	Interministerial Commission for Transparency and Combating Corruption	National Commission for Human Rights
Micronesia	/	/
Moldova	Centre for Combating Economic Crimes and Corruption	Centre for Human Rights
Monaco	/	/
Mongolia	National Anti-corruption Agency	Human Rights Commission
Montenegro	Directorate for Anti-corruption	Office of Ombudsman
Morocco	Central Forum for Prevention of Corruption	Office of Ombudsman
Mozambique	Central Office for Combating Corruption	Office of Ombudsman
Myanmar	No information found	/
Namibia	Anti-corruption Commission	Office of Ombudsman
Nauru	/	/
Nepal	Commission for the Investigation of Abuse of Authority	Commission for the Investigation of Abuse of Authority
Netherlands	/	National Ombudsman
New Zealand	/	Office of Ombudsman
Nicaragua	Office of Public Ethics	Office of Ombudsman
Niger	/	National Committee of Human Rights and Fundamental Freedoms
Nigeria	Independent Corrupt Practices and Other Related Offences Commission	Public Complaints Commission
Norway	The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime	Parliamentary Ombudsman for Public Administration
Oman	No information found	/

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Pakistan (1972-)	National Accountability Bureau	Office of the Wafaqi Mohtasib (Ombudsman) of Pakistan
Palau	/	Office of Ombudsman
Panama	National Council of Transparency against Corruption	Office of Ombudsman
Papua New Guinea	/	Office of Ombudsman
Paraguay	No information found	Office of Ombudsman
Peru	/	Office of Ombudsman
Philippines	/	Office of Ombudsman
Poland	Central Anti-corruption Bureau	Commissioner for Civil Rights Protection
Portugal	Central Directorate of Corruption and Economic and Financial Crimes	Office of Ombudsman
Puerto Rico	No information found	Office of Ombudsman
Qatar	/	National Human Rights Committee
Romania	National Anti-corruption Directorate	People's Advocate
Russia	/	Human Rights Commissioner
Rwanda	/	Office of Ombudsman
Samoa	/	Office of Ombudsman
San Marino	/	/
Sao Tome and Principe	No information found	Office of Ombudsman
Saudi Arabia	/	/
Senegal	National Commission for Combating Corruption and Bribery	Mediator of the Republic
Serbia	Anti-corruption Council/Agency	Office of Ombudsman
Serbia and Montenegro	Anti-corruption Council	Ombudsman
Seychelles	No information found	Office of Ombudsman
Sierra Leone	Anti-corruption Commission	/
Singapore	Corrupt Practices Investigation Bureau	/
Slovakia	Anti-corruption Unit of the Special Prosecutors Office	Public Defender of Rights

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Slovenia	Commission for the Prevention of Corruption	Human Rights Ombudsman
Solomon Islands	/	Office of Ombudsman
Somalia	Good Governance and Anticorruption Commission	/
South Africa	Special Investigating Unit	Office of the Public Protector
Spain	Special Prosecutors Office for the Representation of Corruption-Related Economic Offences	Office of Ombudsman
Sri Lanka	Commission to Investigate Allegations of Bribery or Corruption	Parliamentary Commissioner for Administration
St Kitts and Nevis	/	Office of Ombudsman
St Lucia	/	Office of the Parliamentary Commissioner
St Vincent and the Grenadines	No information found	Office of Ombudsman
Sudan	Southern Sudan Anticorruption Commission	National Commission for Redress of Public Sector Grievances
Suriname	/	/
Swaziland	No information found	/
Sweden	National Anti-corruption Unit	Parliamentary Ombudsman
Switzerland	No information found	/
Syria	/	The Central Body of Control and Inspection
Taiwan	/	
Tajikistan	/	/
Tanzania	Prevention and Combating of Corruption Bureau	Commission for Human Rights and Good Governance
Thailand	National Anti-corruption Commission	Office of Ombudsman
Timor-Leste	Independent Anti-corruption Commission	Office of Ombudsman
Togo	National Commission for the Fight against Corruption and Economic Offences	/

Country	Anti-corruption Agency (working institution in 2008)	Office of Ombudsman (working institution in 2008)
Tonga	Anti-corruption Commission	Commissioner for Public Relations
Trinidad and Tobago	Anti-corruption Investigation Bureau	Office of Ombudsman
Tunisia	/	Office of Ombudsman
Turkey	/	/
Turkmenistan	No information found	/
Tuvalu	/	/
Uganda	Inspectorate of Government	Inspectorate of Government
Ukraine	Parliamentary Commission on Combating Organized Crime and Corruption	Commissioner for Human Rights
United Arab Emirates	/	/
United Kingdom	Serious Fraud Office	Parliamentary and Health Service Ombudsman
United States	The United States Office of Government Ethics	The United States Ombudsman Association
Uruguay	/	/
Uzbekistan	/	Office of Ombudsman
Vanuatu	/	Office of Ombudsman
Venezuela	Commission for the Power of Citizens	Office of Ombudsman
Vietnam	Office of the Steering Committee for Anti-corruption	Government Inspectorate
Yemen	The Supreme National Authority for Combating Corruption	/
Zambia	Anti-corruption Commission	/
Zimbabwe	Anti-corruption Commission	Office of Ombudsman

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Annex 2:
Comparison across selected countries (Section 6)

Table A1. Power discretion

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Year of	1830	First in 1918, then in 1991	1966	Not independent	1948	1957
System of government	Presidential Republic since 1985, with bicameral Legislative	Parliamentary Republic since 1991, with unicameral Legislative; indirectly elected President nominates Prime, Minister, who is finally appointed by Parliament	Parliamentary Republic with President selected by National Assembly; the other Legislative House (House of Chiefs) represents the country's main tribes but has no real legislative power (Polity IV, 2008)	Semi-Presidential Republic since 1949, with unicameral Legislative; President is directly elected and appoints Prime Minister	Presidential Republic with unicameral Legislative	Presidential Republic with unicameral legislative
Introduction of free elections	1918	1992	1966	1992	1987	1960 – followed by political instability
Authoritarian rule	1933-1942 (civilian); 1973-1984 (military)	1934-1940; 1944-1991 (Soviet rule)	None	1949-1991 (under martial law)	1948-60 (civilian); 1961-1988 (military)	Several coups until 1981; authoritarian regime until 1992

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Political elites	Predominance of educated and business elites, with some families historically involved in politics; late integration of former Tupamaro guerrilla members with new party Frente Amplio	Associated with the independence movement or interest groups from different sectors; members of the communist regime have not remained important players (EIU, 2008)	The leaders of the main party are mostly land and cattle owners or older members of the urban middle class (TI, 2007), with connections to leaders of local tribes (Johnston, 2005)	Gradual prominence of local Taiwanese politicians over the mainland elite that first established the regime (Huang, 2006)	Close network of politicians and businessmen, usually from the same region and educated at the same university; new groups were integrated after 1998 (Johnston, 2005)	Clear ethnic divide between two main parties; NPP's base is the Akan population, while the NDC draws support from the other ethnic groups; Christian southern elite dominates politics (Gyimah-Boadi, 2010)
Ruling party	Frente Amplio since 2005; in 2009 former guerrilla member José Mujica was elected with 54.8% of votes in presidential runoff; majority in both Legislative houses in the last two legislatures	After 2011 elections, Reform Party (33 seats of 101) is likely to continue as government leader, but the coalition hasn't been yet defined	Botswana Democratic Party (BDP) holds Executive and has wide majority of 45 seats out of 57 in the National Assembly	Kuomintang (KMT) holds Executive and has majority with 81 of 113 seats in the Legislative Yuan	Grand National Party (GNP) holds Presidency and a majority in the National Assembly (153 of 299 seats)	National Democratic Congress (NDC) holds the Presidency and has a near majority in Parliament (114 of 230 seats)
Opposition	National Party has the second largest number of seats in both Houses, followed by the Colorado Party	Center Party continues as main opposition (26 seats) after 2011 elections	Main opposition party is Botswana National Front (BNF)	Main opposition party is the Democratic Progressive Party (DPP), with 27 of 113 seats	United New Democratic Party (UNDP) has the second largest representation (81 seats)	Main opposition party is the New Patriotic Party (NPP), with 107 legislative seats
Alternation in power	First alternation in 1958; historical predominance of Colorado Party, with two alternations to National Party and more recently to Frente Amplio	Several alternations followed successive changes in the governing coalition	BDP has always been in power since independence	First alternation when DPP won presidential elections in 2000; KMT back in power since 2008	First alternation in 1998, with opposition victory in the presidential run	First democratic alternation in 2000, when NPP won elections after 8 years of NDC democratic rule

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Party competition	Bipartisan system since the 19th century; in 1971, left-wing Frente Amplio emerged; each party has several factions	Competitive multiparty system with large number of smaller parties; entry barrier with 5%-vote threshold	Multiparty system with absolute BDP dominance	Multiparty system, but with two dominant parties; vote-buying in elections has been reported (BF, 2010)	Competitive multiparty system with two main parties and emergence of numerous small parties; cases of vote-buying are common (TI, 2006)	Multiparty system, with two main parties
Separation of powers	Clearly defined; however, Executive has a large role in proposing legislation (Melo, 2009)	Executive has been vulnerable to changes in the governing coalition; Judiciary is independent	Some executive and legislative powers are not clearly distinguished, and Executive has strong legislative role (TI, 2007); Judiciary is independent	Unique five-branch structure; relationship between President, Legislative and Head of Cabinet is poorly defined; Judiciary still subject to political influence (Polity IV, 2008; FH, 2010)	Well-defined, with traditional three branches and additionally the independent Constitutional Court and Election Commission; Executive has important legislative role (BF, 2010)	As half of the Cabinet must be recruited among MPs, separation between these branches becomes less clear (Gyimah-Boadi, 2010); Judiciary is seen as politically influenced (EIU, 2008)
Government tenure	5 years without reelection	4 years (President and Members of Parliament)	5 year-term; President may hold two consecutive terms	4 years; President may hold two consecutive terms	5 years without reelection (President); 4 years (Legislative)	4 years; President may hold two consecutive terms
Accountability mechanisms	Mechanisms of judicial and parliamentary review of government decisions function well (BF, 2010)	Prime Minister directly accountable to Parliament	Parliament's overall power to check the Executive is not clear; judicial review has become the main accountability mechanism (BF, 2010)	Legislative powers to check President are limited, since President may dissolve the legislature (Shin and Chu, 2004)	Legislative has significant powers to check and oversee the Executive (Polity IV, 2008)	Legislative is weak relative to Executive; appointment of MPs to the Cabinet creates disincentives for Legislative oversight of Executive (Gyimah-Boadi, 2010)

Table A2. Material resources

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Natural resources	Newly-found offshore gas reserves (BF, 2010)	Mineral and timber products account for about 25% of exports (EIU, 2008)	Extensive diamond reserves have been exploited since shortly after independence; copper and nickel are also significant	No significant natural resources	No significant natural resources	Gold is main resource since the colonial period; manganese, bauxite and newly-found oil reserves are also important
Government consumption spending[24]	Stable between 11% and 13% in the last two decades; public expenditure is mostly fixed and there is small margin for discretionary spending; overall spending has been reduced (WB/IDB, 2005)	Increased to 22% in the last two years, after a decreasing trend since 1999; public sector as a whole was subject to downsizing and efficiency reforms in the last decade (Randma-Liiv and Tõnnisson, 2006)	Has remained above 20% for almost all the period since 1980, and reached 24% in 2009	12% in 2007 (EIU, 2009)	Increased from 12% in 2000 to 16% in 2009	Varied between 10% and 15% between 2000 and 2009
State-owned companies and property	State-owned monopolies exist in sectors such as basic services and oil refining; some have been privatized, but public opinion has resisted privatization in some sectors (BF, 2010)	Appointments to state companies' Executive Boards have become a political perk, as they entail very high salaries and little work time (BF, 2010: 19)	Diamond exploitation is a monopoly operated by a joint venture between state-owned Debswana and De Beers; a case of embezzlement in Debswana was recently exposed (BF, 2010)	Privatization processes are reported to have benefited politicians, who used inside information to invest in profitable companies (Hsueh, 2007)	State controls companies in the provision of public utilities and owns shares of a number of other enterprises, but has plans to privatize a large part of them (BF, 2010)	Public land has been object of rent-seeking through illegal sales to developers (Gyimah-Boadi, 2010); privatizations have occurred as part of liberalization reforms

24 Based on the indicator "General Government Final Consumption Expenditure (% of GDP)", from the World Bank database.

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Public contracting	Public contracting procedures ensure free competition among bidders, and corruption is not a serious problem in this area (WB/IDB, 2005)	Contracting at local level is vulnerable to corruption, because most municipalities lack institutional capacity (TI-Estonia, 2009); collusion among bidders has been reported (Pettai and Molder, 2010)			Introduction of e-procurement has improved the system but cases of corruption still occur; legislation provides for public participation in procurement decisions (TI, 2006)	World Bank has reported that only 37% of government purchases go through competitive bidding; many abuses in the award of contracts have been reported (Gyimah-Boadi, 2010)
Public employment	Traditionally represented a large share of employment, but was significantly reduced after a public sector reform in the 1990s (Panizza, 2001)	1996 Public Service Act aimed at ending patronage and transforming public service into a merit-based system (Randma-Liiv and Tõnnisson, 2006)	45% of work force (Martin, 2008: 46); recent increase in government employment to accommodate conflicting interests in the BDP (von Soest, 2009: 14)	Professional and non-politicized at mid- and low level; Examination Yuan, an independent branch of government, is in charge of education, recruitment, and evaluation (BF, 2010)	Nepotism is outlawed; system is believed to rely mostly on merit; tenure of ministers is typically very short (TI, 2006)	Politicized appointments are common, especially at the local level and in state companies and special agencies (Gyimah-Boadi, 2010); cases of "ghost" employees have been reported (GI, 2009)
Privileges to companies	Numerous incentives in the form of industrial policy, but capture by private interests seems low (Rodrik, 2008)	Recent scandal showed that real estate companies profited from a policy to expand conservation areas (BF, 2010)	Favouritism in decisions by public officials is minimal (BF, 2010), but there is evidence of irregularities in the allocation of public land to private businesses (von Soest, 2009: 15)	Companies with connections to parties, especially during KMT rule, were favoured by government policies; this continued under DPP rule (Hsueh, 2007)	Major conglomerates (chaebols) were long favoured by government policies and resources (TI, 2006; Johnston, 2005)	

Table A3. Legal constraints

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Oversight institutions	Committee of Transparency and Public Ethics (3 members appointed by the President), Court of Accounts	Law enforcement institutions and Parliamentary Committees	Directorate on Corruption and Economic Crime (DCEC) and Ombudsman, Parliamentary Committees, Auditor-General	Control Yuan, established as an independent government branch	Board of Audit and Inspection, Korean Independent Commission Against Corruption (KICAC), Public Prosecutor's Office	Audit Service, Economic and Organized Crime Office and Commission on Human Rights and Administrative Justice (CHRAJ)
ACA	No central agency	No central agency	DCEC created in 1994; head appointed by President	No central agency	KICAC (2002); however, it has no investigation powers (Quah, 2010)	CHRAJ has this role, but can't start investigations on its own and can't prosecute (GI, 2009)
FOIA	Law of Access to Public Information (2008)	Public Information Act (2000)	---	Freedom of Government Information Law (2005)	Disclosure of Information by Public Agencies Act (1996)	---
Ombudsman	---	Chancellor of Justice, since 1993	Operating since 1997, is appointed by the President	Control Yuan exercises this function	Operating since 1994, is since 2005 a presidential body	CHRAJ exercises this role as well
UNCAC ratification	2007	---	Not signatory	---	2008	2007

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Prosecution for corruption	Enforcement against corruption is effective; corrupt officials have been severely prosecuted (BF, 2010)	Several high-level government officials have been prosecuted and a former Minister of Environment was convicted of bribery in 2009 (Pettai and Mölder, 2010: 207-208)	President has immunity; many low-level public officials have been prosecuted and convicted, whereas high level officials usually face formal charges only after leaving office (TI, 2007)	President, MPs and ministers have immunity; former president Chen (2001-2008) was convicted to a life sentence for corruption (Polity IV, 2008); other high-level officials have been prosecuted (EIU, 2009)	Parliamentarians have immunity; high-level officials have been prosecuted, but lightly punished; bribery of prosecution officials to protect politicians and businessmen have been reported	President has immunity; as Attorney-General is both chief legal advisor to the government and chief prosecutor, position is seen as subject to political influence; claims of selective prosecution of NDC members during the NPP government (Gyimah-Boadi, 2010)
Judicial independence[25]	Independent since 1985, functions without interference from other branches, but there are efficiency problems (BF, 2010)	Independent since 1992; new Courts Act from 2009 attempts to further improve the functioning of the Judiciary	Not constitutionally guaranteed, but in practice is very strong; however, Judiciary's budget is connected to the Executive's budget (TI, 2007)	Partially independent; it is argued that some prosecutions are politically motivated (Shin and Chu, 2004)	Independent since 2003; however, doubts about effectiveness of law enforcement still exist (TI, 2006)	Partially independent; potential for political influence is high (Gyimah-Boadi, 2010)
Political finance regulation	Party financing law passed in 2009, with limits to private donations (BF, 2010)	1994 Law on Political Parties, with later amendments; party financing has been prone to scandals recently (FH, 2010)	Weak regulation, with no disclosure requirements (TI, 2007)	2004 Political Contribution Act limited donations and increased transparency (BF, 2010), but enforcement has limitations	Political Fund Act was amended in 2004 to outlaw contributions from corporations; scandals of illegal financing continued (TI, 2006)	There are no limits to contributions nor to expenses; requirements to disclose party finances are weakly enforced (GI, 2009)

25 Based on the classification by the CIRI Human Rights Data Project (not independent, partially independent and generally independent), complemented with qualitative information. http://ciri.binghamton.edu/

Table A4. Normative constraints

	Uruguay	Estonia	Botswana	Taiwan	South Korea	Ghana
Civil society	Civil society tradition developed early (BF, 2010); there are numerous CSOs, but very few are dedicated to fighting corruption	Very active in the elaboration of anti-corruption policies (Velykis, 2010); government support through Civil Society Development Concept (2002)	Involvement in political issues has increased; many non-political CSOs, however, are dependent on public funding (TI, 2007)	CSOs operate freely in general (FH, 2010); some CSOs, such as trade associations, are dependent on government subsidies (Shin and Chu, 2004: 20)	Numerous CSOs monitor the public administration; government supports sector with Act on Support for Non-Profit Civil Organizations (TI, 2006)	CSOs offer technical support and service provision; participation in the policy process is limited (Gyimah-Boadi, 2010)
Media and press freedom	Free press; three main media conglomerates have connections to right-wing political parties (Solares, 2011)	Free press, with mostly private media, except for state-owned TV and radio channels; media consumption is very high in the country (Dirks, 2011)	Downgraded to partly free press in 2005; main media outlets are state-owned and report partially on government policies (FH, 2008)	Free press with large number of channels and companies; state-owned media, however, are said to be somewhat politically influenced (FH, 2010)	Government influence is minimal; private sector has more influence through advertising (TI, 2006)	Free since 2001; multiple private outlets reduce overall government interference, but government advertising has been used to influence the sector (Gyimah-Boadi, 2010; GI, 2009)
Political pluralism and participation	Strong political participation, due to mandatory voting, but low civic participation (Boidi et al, 2010)	Main obstacle to participation is the non-citizen status of Russian minority, which is almost 20% of the population (BF, 2010)	Main limitations are BDP political dominance and some discrimination of ethnic minorities	High level of pluralism and participation	Political participation has decreased in recent years, as shown by low voter turnout of 46% in 2008	Some obstacles to participation have been the relatively low voter turnout and the clear dominance of two parties
Trust in government institutions	High trust in the government, particularly in the Electoral Court (72%) and the President (73%) (Boidi *et al*, 2010)	Moderate trust in institutions; most trusted are Judiciary (53%) and national government (38%) (Eurobarometer, 2009)	High trust in most institutions (>65%), except for opposition parties (30%) (Afrobarometer, 2008)	Low trust in most institutions (Asian Barometer, 2006)	Trust in government institutions has eroded in the last decade and reached very low levels (<10%) (Park, 2009: 11)	Strong trust in the President (75%) and the Electoral Commission (66%) (Afrobarometer, 2008)

Annex 3:
Summary of threshold programs and evolution of corruption indicators

Country	Date threshold program grant signed	Grant total (in millions)	Indicators below the median (when deemed eligible for threshold status)	Threshold program focus	WGI 2009 2004	TI 2010
Albania* (2004-2009)	April 3, 2006	13.85	Control of corruption Rule of law Primary education expenditures Credit rating Days to start a business Trade policy Fiscal policy	Control of corruption (tax administration reform, public procurement reform, business registration reform)	-0.40 -0.46 -0.60 -0.72 -0.72 -0.76	3.3 3.2 3.4 2.9 2.6 2.4 2.5
Albania II	September 29, 2008	15.7	Control of corruption Government Effectiveness Rule of law Health Expenditures Girls Primary Education Completion Natural Resource management Fiscal Policy	Control of corruption (improving rule of law in administrative court proceedings, tax administration reform, business registration reform building and construction permitting reform, Support of Civil Society)	-0.40 -0.46 -0.60 -0.72 -0.72 -0.76	3.3 3.2 3.4 2.9 2.6 2.4 2.5
Indonesia* (2002-2009)	November 17, 2006	55.00	Control of corruption Immunization rate Health Expenditure Primary education expenditures Cost to start a business Days to start a business	Control of corruption (judiciary reform, strengthening capacity of accountability centers, implement electronic government procurement); Immunization rates	-0.71 -0.61 -0.60 -0.75 -0.86 -0.90	2.8 2.8 2.6 2.3 2.4 2.2 2.0

Country	Date threshold program grant signed	Grant total (in millions)	Indicators below the median (when deemed eligible for threshold status)	Threshold program focus	WGI 2009 2004	TI 2010
Kenya	March 23, 2007	12.70	Control of corruption Government effectiveness Rule of law Voice and accountability Health expenditure Primary education expenditure Days to start a business Trade policy Fiscal policy	Control of corruption (procurement reform, health care reform, enhancing procurement M&E)	-1.11 -1.01 -0.92 -0.88 -1.02 -0.87	2.1 2.1 2.1 2.2 2.1 2.1 1.9
Kyrgyz Republic* (2000-2009) Obs-downgraded	March 14, 2008	16.00	Political rights Civil liberties Control of corruption Government effectiveness Rule of law Voice and accountability Fiscal policy	Rule of law; Control of corruption (judicial reform, law enforcement reform, criminal justice reform)	-1.22 -1.07 -1.19 -1.21 -1.18 -1.01	2.0 1.8 2.1 2.2 2.3 2.2 2.1
Malawi* (2000-2009)	September 23, 2005	20.92	Control of corruption Girls' primary education completion Credit rating Fiscal policy	Control of corruption (corruption case processing, public procurement reform, audit capacity-building, media strengthening)	-0.47 -0.54 -0.70 -0.64 -0.79 -0.69	3.4 3.3 2.8 2.7 2.7 2.8 2.8
Moldova	December 15, 2006	24.70	Control of corruption Primary education expenditures	Control of corruption (judiciary reform, health care system reform, tax reform, customs reform, police agency reform, NGO anti-corruption monitoring)	-0.74 -0.61 -0.59 -0.63 -0.68 -1.00	2.9 3.3 2.9 2.8 3.2 2.9 2.3

Country	Date threshold program grant signed	Grant total (in millions)	Indicators below the median (when deemed eligible for threshold status)	Threshold program focus	WGI 2009 2004	TI 2010
Niger	January 30, 2008	23.00	Control of corruption Immunization rates Health expenditures Girls' primary education completion Natural resource management Business Start-Up Trade policy	Control of corruption (strengthening the legal framework, improving public procurement systems and supporting the anticorruption efforts of civil society and the media) Starting a business Land rights and access Girls' primary education	-0.66 -0.80 -0.84 -0.92 -0.71 -0.91	2.6 2.8 2.6 2.3 2.4 2.2 (started in 2005)
Paraguay* (2004-2009)	May 8, 2006	34.65	Control of corruption Government effectiveness Rule of law Health expenditures Primary education expenditures Days to start a business	Control of corruption (enforcement of anticorruption regulations, formalization of economic activities)	-0.88 -1.00 -1.25 -1.31 -1.51 -1.45	2.2 2.4 2.4 2.6. 2.1 1.9 1.6
Paraguay II	April 13, 2009	30.30	Control of corruption Government effectiveness Rule of law Immunization rates Business Start-Up	Control of corruption Rule of law	-0.88 -1.00 -1.25 -1.31 -1.51 -1.45	2.2 2.4 2.4 2.6. 2.1 1.9 1.6

Country	Date threshold program grant signed	Grant total (in millions)	Indicators below the median (when deemed eligible for threshold status)	Threshold program focus	WGI 2009 2004	TI 2010
Peru	November 30, 2007	35.60	Government effectiveness Rule of law Health expenditures Primary education expenditures Natural resource management Business start-up Trade policy	Control of corruption (improving administrative systems and procedures, strengthening enforcement and increasing public awareness) Immunization rates (improving administrative and supply chain systems at the Ministry of Health)	-0.36 -0.22 -0.30 -0.26 -0.41 -0.33	3.5 3.7 3.6. 3.5 3.3 3.5 3.5
Philippines	June 26, 2006	21.00	Health expenditures Days to start a business Fiscal policy	Control of corruption (tax and customs administration reform)	-0.71 -0.67 -0.66 -0.72 -0.55 -0.53	2.4 2.3 2.5 2.5 2.5 2.6 2.5
Tanzania** (2000-2009)	May 3, 2006	11.15	Control of corruption Political rights Primary education completion Trade policy	Control of corruption (civil society monitoring, rule of law for good governance, Financial Intelligence Unit, public procurement reform)	-0.42 -0.41 -0.37 -0.28 -0.72 -0.61	2.7 3.0 3.2 2.9 2.9 2.8 2.5
Timor-Leste	May 28, 2010 (3 years)	10.5	Control of corruption Government effectiveness Rule of law Immunization rates Girls' primary education completion Primary education expenditures Natural resource management Regulatory Quality Lands Rights and access Business Start-Up Trade Policy	Control of corruption Immunization rate	-0.99 -0.90 -0.95 -0.89 -0.76 -0.55	2.5 2.2 2.6 2.6

Country	Date threshold program grant signed	Grant total (in millions)	Indicators below the median (when deemed eligible for threshold status)	Threshold program focus	WGI 2009 2004	TI 2010
Uganda	March 29, 2007	10.40	Political rights Civil liberties Control of corruption Rule of Law Voice and accountability Immunization rate Health expenditures Fiscal policy	Control of corruption (public procurement reform, improvement of audit and financial management practices, strengthening of civil society, capacity building to follow up on reported corruption allegations)	-0.87 -0.82 -0.80 -0.75 -0.86 -0.71	2.5 2.6 2.8 2.7 2.5 2.6 2.2
Ukraine	December 4, 2006	45.00	Control of corruption Girls' primary education completion Primary education expenditures	Control of corruption (civil society monitoring, judicial reform, enforcement of anticorruption regulations, higher education)	-0.90 -0.73 -0.71 -0.62 -0.65 -0.89	2.4 2.5 2.7 2.8 2.6 2.2 2.3
Zambia	May 22, 2006	22.74	Control of corruption Government effectiveness Primary education expenditures Girls' primary education completion Credit rating Trade policy Inflation Fiscal policy	Control of corruption (property registration streamlining, border/trade management)	-0.51 -0.45 -0.52 -0.72 -0.81 -0.86	3.0 3.0 2.8 2.6 2.6 2.6 2.6

Annex 4:
Anticorruption project designs developed by author

The common feature of these projects is their reliance on the 'losers', those who stand to lose directly from the state's deviation from ethical universalism. Their goal is to promote integrity and fairness of authorities but also to stimulate collective action on the side of civil society in order to make results sustainable. All these projects are meant to increase normative constraints to the discretionary allocation of public funds in any form and they are grounded at civil society level. They all have three elements:

1. Identification and eventually adoption of institutional 'weapons' (Design instruments);
2. Use of existing or creation of windows of opportunity (Manipulate enabling contexts);
3. Use of 'weapons' by 'losers' army' (Empower people).

A list of projects with short description is found here:

1. Black lists for politicians. Coalitions for clean Parliaments consist in creations of large coalitions of citizens who negotiate integrity criteria for politicians and agree with political parties that candidates in elections will be screened in accordance with the criteria. Further on, candidates are monitored accurately and parties asked to drop the candidacy of those who do not correspond. Failure to do so attracts black-listing culminating in requests by coalition that a candidate is not voted on integrity grounds, targeted at his/her constituency. The project is fairly effective if it is managed impartially and objectively, as parties will have to compete to prove cleaner during electoral campaign. Opponents of black-listed candidates and media serve as natural amplifiers of campaign, which ensures high visibility. Many countries have meanwhile attempted such coalitions. In the original one in Romania in 2004, 98 black-listed candidates did not make it to office, about a half of the black-listed candidates. Design is equally effective with mayors or local councils, but needs an acknowledged non-partisan group or alliance in civil society to succeed.
2. Integrity rankings of universities (schools). Large stakeholder coalitions which organize themselves and delegate a professional group to rate and rank educational units on integrity/fairness. Rankings are followed by recommendations and are made public. What results is a competition of universities/school to avoid bad reputation and improve their procedures to agree with stakeholders' criticism.

3. Community Ombudsman. Civil society based Ombudsman who represents plaintiffs with the authorities, mixing advocacy, litigation and public disclosure to promote equal and fair treatment by the public authority/service.
4. Community audit. Certain services do not require high specialization and can be audited by volunteer members of the community. Communities could also be offered grants to pay professional auditor, but they should be the client, not government or the audited public service.
5. Transparency rankings. Monitoring instruments are based on transparency, with response from the administration built in the rating. In other words, the monitoring agent asks for procurement documents, budgets, etc and grants a rating on response. If she does not get them the rating is published as such (assumption agency is corrupt or it would disclose its procurement instruments). As ratings are public and ranked in tops of transparency/integrity/quality of public service, agencies are forced to cooperate as lack of cooperation is rated similarly with lack of integrity.

Good instruments are all those increasing costs are decreasing resources. Blacklists, rankings, any public disclosure forms are generally effective if authors can prove impartiality and accuracy in compiling them, if the process is transparent and based on a broad coalition.

Enabling contexts are those when targeted actors need to compete to prove themselves: elections or competitions of any kind. The goal is to create a market for integrity where agents cannot afford not to compete for credibility and good name.

(More instruments are to be found on <www.againstcorruption.eu>)

Annex 5:
Association of UNCAC ratification (2010) with control of corruption

1 Significance of UNCAC ratification in cross-sectional models

	3	6
	ICRG Corruption (2010)	**ICRG (2010) with CONTROL (HDI)**
UNCAC	**NS**	**NS**
Coef.	-0.063	-0.029
Std. Err.	0.316	0.251
p-value	0.843	0.907

Regression models with dependent variables ICRG Corruption Risk (2010), Independents UNCAC ratification level end 2010, Human Development Index. No significant association found.

2 Time series models explaining control of corruption

Fixed-effects panel regression model of corruption

	WBGI 1	**WBGI 2**	**WBGI 3**	**ICRG 1**	**ICRG 2**	**ICRG 3**
	Coeff. Std. err.	**Coeff. Std. err.**	**Coeff. Std. err.**	**Coeff. Std. err.**	**Coeff. Std. err.**	**Coeff. Std. err.**
UNCAC *(dummy; 1= adopted)*	-0.01 *-0.019*	-0.033 *-0.022*	-0.032 *-0.022*	-0.143* *-0.063*	0.047 *-0.073*	0.061 *-0.073*
Press Freedom *0 (most free) to 100*		-0.003 *-0.002*	-0.003 *-0.002*		-0.017*** *-0.005*	-0.015** *-0.005*
Pluralism/Democracy *(0-10; 10 is most democratic)*		0.031* *-0.015*	0.032* *-0.015*		-0.023 *-0.046*	-0.005 *-0.046*
Informal Economy *(% of GDP)*		0.048*** *-0.008*	0.050*** *-0.009*		-0.046 *-0.027*	-0.007 *-0.029*
Net ODA received		0	0		0.001	0

	WBGI 1	WBGI 2	WBGI 3	ICRG 1	ICRG 2	ICRG 3
	Coeff. Std. err.	**Coeff. Std. err.**	**Coeff. Std. err.**	**Coeff. Std. err.**	**Coeff. Std. err.**	**Coeff. Std. err.**
per capita (current US$)		*-0.001*	*-0.001*		*-0.002*	*-0.002*
Business Freedom *0 (least free) to 10*		-0.002*** *-0.001*	-0.002*** *-0.001*		0.005* *-0.002*	0.006** *-0.002*
Economic freedom *0 (least free) to 10*		0.05 *-0.028*	0.051 *-0.029*		-0.035 *-0.089*	-0.008 *-0.09*
Internet Users *(per 100 inhabitants)*		-0.002* *-0.001*	-0.002* *-0.001*		-0.019*** *-0.003*	-0.016*** *-0.003*
HDI *(0-1; 1 is most developed)*			-0.003 *-0.007*			-0.063** *-0.02*
Fuels exports *(as % of merchandise exports)*			0 *-0.001*			-0.002 *-0.004*
Constant	0.161*** *-0.007*	-1.732*** *-0.297*	-1.607*** *-0.386*	2.784*** *-0.021*	5.446*** *-0.907*	7.897*** *-1.189*
Timepoints	600	600	600	661	661	661
Countries	115	115	115	106	106	106
R2-within	0.001	0.14	0.141	0.009	0.127	0.143
R2-between	0.05	0.365	0.407	0.017	0.286	0.351
R2-overall	0.013	0.368	0.408	0.006	0.271	0.272

* p<0.05, ** p<0.01, *** p<0.001

Business Freedom from Heritage Foundation; Economic Freedom from Fraser; Democracy computed by Freedom House/Polity; Human Development Index computed by UNDP; Press Freedom computed by Freedom House; Informal Economy estimates computed by World Bank.

Annex 6:
Terms of reference

1 About the contracting authority

The Norwegian Agency for Development Cooperation (Norad) is a directorate under the Norwegian Ministry of Foreign Affairs (MFA). Norad's strategy towards 2010 states that Norad:

- aims to be the centre of expertise for evaluation, quality assurance and dissemination of the results of Norwegian development cooperation, jointly with partners in Norway, developing countries and the international community
- will ensure that the goals of Norway's development policy are achieved by providing advice and support to the Ministry of Foreign Affairs and Norwegian foreign service missions
- will administer the agency's grant schemes so that development assistance provided through Norwegian and international partners contributes effectively to poverty reduction

These goals will be achieved on the foundation of Norad's current competencies, through highly qualified staff, a flexible and practical organisation, good administrative support functions and a working environment characterised by transparency, respect, equality, responsibility and quality. For more information, see http://www.norad.no.

The Evaluation Department of Norad is responsible unit for the procurement of services under this contract.

2 Background

The Paris Declaration on Aid Effectiveness of 2005 established principles for development cooperation and delivery. It calls for greater alignment of donor polices to national policies; national ownership of the operational development strategies in countries receiving foreign aid; more harmonisation among donors to avoid duplication and excessive bureaucratic loads at the recipient end; a stronger results orientation, and the acceptance of mutual accountability between donors and recipients of aid. The requirement to document effectiveness in achieving results also pertains to donor-funded anti-corruption initiatives.

Recent evaluations of anti-corruption initiatives have raised serious questions as to the effectiveness of the conventional approaches used to fight corruption. The reasons for weak results have pointed to several factors: inability to see and understand the way in which informal institutions interact with formal institutions; lack of understanding of societal power structures and how these influence the possibili-

ties for effective reforms with sustainable results; technical approaches that leave out the need to address the political side of reforms; poorly designed institutional reforms in relation to the need for long-term political independence; insufficient institutional mandates of specialised anti-corruption institutions , which relay on other institutions for effective results; over-reliance on repressive means (ex post) and under-reliance of preventive means (ex ante); lack of identification of the incentives structures that maintain a certain equilibrium of corruption and how to strategically address these to lower the equilibrium. In addition, the indicators used to measure progress and results have, in many instances, been insufficient, and providing little locally actionable data.

Directly connected with the choice of indicators and reform time frames is a belief that corruption levels can be lowered within a relatively short time frame (less than 5-7 yrs). Much of the understanding of how to fight corruption comes from the well-documented successes of Hong Kong and Singapore. However, whereas the political-economic analysis of the situations surrounding these successes may have been understood and the institutions designed accordingly, the replications of these institutions elsewhere appears to not have paid sufficient attention to the political-economy and what that would require in terms of design and dependence on other institutions.

These weaknesses have now begun to be addressed by better indicators, greater use of improved political economy analysis, including informal institutions and power structures. Still, there are aspects which are poorly understood and which may impact greatly on the effectiveness of anti-corruption initiatives. One such aspect relates to how the phenomenon of corruption relates to the societal level of development[26]. If *the function of corruption*[27] in a natural state[28] is directly related to patronage relations and power logic on the one hand, and as a welfare insurance system on the other, corruption is likely to have an entirely different function in an open access order[29] with no patronage system, a reliable European-type welfare system and a Judiciary ensuring rights. Also between Newly Industrialized Countries (NICs) and Low Income Countries (LICs), where there is a wide gap in terms of economic, social and political rights, the function of corruption may differ greatly (as well as between the countries within these or other groupings[30]).

Should this be true, it ought to have profound importance in terms of how to address the aim of lowering the corruption level equilibrium or to change the prevalence of the most harmful forms of corruption. This also ought to have implications for what to expect in terms of the time frame for effective change, as well as what to measure in order to confirm effectiveness. Such information would greatly influence strategic choices in the good governance and anti-corruption agendas of

26 On the importance of *governance regime* for the relationship between economic growth and corruption, see http://www.econ.cam.ac.uk/faculty/aidt/papers/web/JCE.pdf: "…faster growth reduces corruption in countries with high quality institutions, while in countries with poor institutions, growth has no impact on corruption". The findings suggest that corruption may also have a different function relative to the governance qualities of the respective regime type (type A: institutions allow citizens to use the threat of replacement to reduce corruption; type B: institutions are deficient and citizens cannot control their rulers).

27 http://www.wiiw.ac.at/balkan/files/Krastev.pdf ; Blundo, G. and de Sardan, J-P O: Everyday Corruption and the State –Citizens & Public Officials in Africa (London: Zed Books, 2006); http://www.journalofdemocracy.org/articles/gratis/Mungiu-Pippidi-17-3.pdf; http://lnweb90.worldbank.org/eca/eca.nsf/Attachments/Anticorruption5/$File/chapter5.pdf

28 North, Wallis and Weingast: Violence and Social Order –A Conceptual Framework for Interpreting Recorded Human History (Cambridge: Cambridge University Press, 2009).

29 Ibid.

30 http://www.worldbank.org/ieg/licus/licus06_map.html

development agencies for the benefit of enhanced effectiveness. Norad would, in its advisory capacity, benefit greatly from this understanding.

Given the cross-cutting nature of corruption, knowledge does exist in many strands of research. However, not all have received the same prominence in the development context. In particular, some research aiming to understand the mechanisms that support and enable corruption have been perceived as apologetic and thus conflicting with the often political nature of the anti-corruption agenda. The current development context of searching for improved approaches has spurred the search for a better understanding of why results are lacking and how to adapt to context. Drawing together the available research on the function of corruption is useful to further that understanding, particularly as political economy analysis is becoming more and more prominent as an instrument to assess the governance environment and seeing the context. Understanding the function of corruption in such analysis holds the potential of greatly facilitating prioritization and sequencing of interventions. Such understanding may further help advance the options with which donor governments can address various relationships of accountability, i.e. effectiveness of addressing corruption varies with its logic in each context. Support of enforcement institutions as a symbol for taking action against corruption by donor governments need not be the only choice of symbol once further sophistication is established. Understanding the contextual function of corruption may thereby help advancing effectiveness in donor interventions as they become less guided by the need to satisfy "symbol politics".[31]

It is envisaged that synthesizing interdisciplinary knowledge to delve deeper into the understanding of corruption can be of particular value for development of anti-corruption initiatives by *strengthening the process of selecting approaches to address harmful corruption*. However, whereas the previous anti-corruption agenda may have been unconditional due to donor country political determination (supply-driven), the next generation of anti-corruption initiatives may need to be more selective in the light of understanding the function of corruption and what that means for donor involvement. It should be noted that connecting the function of corruption with development levels is not intended to substitute for advanced attention to national or local contexts by aggregating nations into groups, but rather to complement such analysis with additional understanding of relations. How useful this will eventually be is a matter the study aims to clarify.

3 The assignment purpose

The Consultant shall, based on available research in literature, provide an outline of a typology of the function of corruption as it relates to various levels of development. The defining characteristics of the functions shall be formulated in such a way that they are measurable.

31 For many bilateral aid agencies, development policy is perceived an instrument to attain foreign policy goals. Further, there is, due to organizational mandates, a split between development policy formulation and development policy implementation/execution, the latter normally rests with development agencies. To the extent that technical expertise is represented in the development of development policies, effectiveness can be expected to be affected.

4 Study methodology, scope & report requirements

Whereas the study is mainly intended as a desk study, the Consultant may complement the literature review through other relevant research methodology, including by the inclusion of in-country case studies.

The report shall be written in English and be of such quality as to not require further editing before publication. The report shall consist of maximum 25.000 words, excluding annexes. It shall contain an Executive Summary. Besides regular academic requirements on quality, the report shall *as a minimum* address a number of questions relevant for arriving at the typology, the policy options and the indicators:

- a critical discussion around how to define various "development levels" in this context
- a critical discussion around how to define the "function of corruption"
- a critical discussion on the relevant mechanisms behind achieving sustainable *effective change* regarding corruption through anti-corruption initiatives
- a critical discussion around how the function of corruption influences the possibilities of achieving sustainable *effective change* regarding corruption through anti-corruption initiatives
- a critical discussion around how contextual factors, such as power structures, formal and informal institutions, relate to and influence the function of corruption.[32]
- a critical discussion as regards time aspects for wanted change and how that relates to the current development agenda with focus on development effectiveness
- if possible, provide short cases or examples to illuminate conclusions more concretely

5 Consultant qualifications

Academic:

The Consultant shall represent relevant academic research experience and qualifications in the area of corruption/anti-corruption. The Consultant shall furthermore have knowledge of the donor community's approaches to anti-corruption initiatives[33] as well as the situation regarding measuring their effectiveness[34]. It is preferable that the Consultant is familiar with the current use of political-economic analysis as the basis for designing governance and anti-corruption initiatives.[35] This includes knowledge of concepts such as informal institutions[36] and power structures and how these provide incentives for individual behaviour. Finally, the Consultant should possess an understanding of the dynamics and conditions of sustainable change and mid- to long-term development processes. While awareness of the existing discourse is necessary, integrity in thinking, as well as ability to think freely and question the foundations of conventional beliefs in the current governance and anti-corruption agenda is highly desirable.

32 Compare with how contextual factors are accounted for and analysed in relation to factors relevant for change in political-economy analysis.

33 http://feeds.odi.org.uk/~r/ODI_Aid/~3/282675127/GAPWP3.pdf ; http://dspace-prod1.anu.edu.au/bitstream/1885/43013/1/PDP05-3.pdf ; http://www.norad.no/en/Tools+and+publications/Publications/Publication+Page?key=119213

34 http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1424591_code468680.pdf?abstractid=1424591&mirid=1 ; http://www.gsdrc.org/go/topic-guides/measuring-governance ; http://www.odi.org.uk/resources/download/3135.pdf

35 http://www.clingendael.nl/publications/2007/20071000_cru_occ_unsworth.pdf ; http://www.odi.org.uk/events/report.asp?id=2104&title=political-economy-analysis-donor

36 http://www.oecd.org/document/19/0,3343,en_2649_33935_39471507_1_1_1_1,00.html

Language:
Excellent knowledge of English and ability to express ideas and research in a clear and accessible language, supported by an ability to structure the report in a logically clear and supportive way.

EVALUATION REPORTS

1.99 WID/Gender Units and the Experience of Gender Mainstreaming in Multilateral Organisations
2.99 International Planned Parenthood Federation – Policy and Effectiveness at Country and Regional Levels
3.99 Evaluation of Norwegian Support to Psycho-Social Projects in Bosnia-Herzegovina and the Caucasus
4.99 Evaluation of the Tanzania-Norway Development Cooperation1994–1997
5.99 Building African Consulting Capacity
6.99 Aid and Conditionality
7.99 Policies and Strategies for Poverty Reduction in Norwegian Development Aid
8.99 Aid Coordination and Aid Effectiveness
9.99 Evaluation of the United Nations Capital Development Fund (UNCDF)
10.99 Evaluation of AWEPA, The Association of European Parliamentarians for Africa, and AEI, The African European Institute
1.00 Review of Norwegian Health-related Development Cooperation1988–1997
2.00 Norwegian Support to the Education Sector. Overview of Policies and Trends 1988–1998
3.00 The Project "Training for Peace in Southern Africa"
4.00 En kartlegging av erfaringer med norsk bistand gjennomfrivillige organisasjoner 1987–1999
5.00 Evaluation of the NUFU programme
6.00 Making Government Smaller and More Efficient.The Botswana Case
7.00 Evaluation of the Norwegian Plan of Action for Nuclear Safety Priorities, Organisation, Implementation
8.00 Evaluation of the Norwegian Mixed Credits Programme
9.00 "Norwegians? Who needs Norwegians?" Explaining the Oslo Back Channel: Norway's Political Past in the Middle East
10.00 Taken for Granted? An Evaluation of Norway's Special Grant for the Environment

1.01 Evaluation of the Norwegian Human Rights Fund
2.01 Economic Impacts on the Least Developed Countries of the Elimination of Import Tariffs on their Products
3.01 Evaluation of the Public Support to the Norwegian NGOs Working in Nicaragua 1994–1999
3A.01 Evaluación del Apoyo Público a las ONGs Noruegas que Trabajan en Nicaragua 1994–1999
4.01 The International Monetary Fund and the World Bank Cooperation on Poverty Reduction
5.01 Evaluation of Development Co-operation between Bangladesh and Norway, 1995–2000
6.01 Can democratisation prevent conflicts? Lessons from sub-Saharan Africa
7.01 Reconciliation Among Young People in the Balkans An Evaluation of the Post Pessimist Network

1.02 Evaluation of the Norwegian Resource Bank for Democracyand Human Rights (NORDEM)
2.02 Evaluation of the International Humanitarian Assistance of theNorwegian Red Cross
3.02 Evaluation of ACOPAMAn ILO program for "Cooperative and Organizational Support to Grassroots Initiatives" in Western Africa 1978 – 1999
3A.02 Évaluation du programme ACOPAMUn programme du BIT sur l'« Appui associatif et coopératif auxInitiatives de Développement à la Base » en Afrique del'Ouest de 1978 à 1999
4.02 Legal Aid Against the Odds Evaluation of the Civil Rights Project (CRP) of the Norwegian Refugee Council in former Yugoslavia

1.03 Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund)
2.03 Evaluation of the Norwegian Education Trust Fund for Africain the World Bank
3.03 Evaluering av Bistandstorgets Evalueringsnettverk

1.04 Towards Strategic Framework for Peace-building: Getting Their Act Togheter.Overview Report of the Joint Utstein Study of the Peace-building.
2.04 Norwegian Peace-building policies: Lessons Learnt and Challenges Ahead
3.04 Evaluation of CESAR´s activities in the Middle East Funded by Norway
4.04 Evaluering av ordningen med støtte gjennom paraplyorganiasajoner. Eksemplifisert ved støtte til Norsk Misjons Bistandsnemda og Atlas-alliansen
5.04 Study of the impact of the work of FORUT in Sri Lanka: Building CivilSociety
6.04 Study of the impact of the work of Save the Children Norway in Ethiopia: Building Civil Society

1.05 –Study: Study of the impact of the work of FORUT in Sri Lanka and Save the Children Norway in Ethiopia: Building Civil Society
1.05 –Evaluation: Evaluation of the Norad Fellowship Programme
2.05 –Evaluation: Women Can Do It – an evaluation of the WCDI programme in the Western Balkans
3.05 Gender and Development – a review of evaluation report 1997–2004
4.05 Evaluation of the Framework Agreement between the Government of Norway and the United Nations Environment Programme (UNEP)
5.05 Evaluation of the "Strategy for Women and Gender Equality in Development Cooperation (1997–2005)"

1.06 Inter-Ministerial Cooperation. An Effective Model for Capacity Development?
2.06 Evaluation of Fredskorpset
1.06 – Synthesis Report: Lessons from Evaluations of Women and Gender Equality in Development Cooperation
1.07 Evaluation of the Norwegian Petroleum-Related Assistance
1.07 – Synteserapport: Humanitær innsats ved naturkatastrofer:En syntese av evalueringsfunn
1.07 – Study: The Norwegian International Effort against Female Genital Mutilation
2.07 Evaluation of Norwegian Power-related Assistance
2.07 – Study Development Cooperation through Norwegian NGOs in South America
3.07 Evaluation of the Effects of the using M-621 Cargo Trucks in Humanitarian Transport Operations
4.07 Evaluation of Norwegian Development Support to Zambia (1991 - 2005)
5.07 Evaluation of the Development Cooperation to Norwegion NGOs in Guatemala

1.08 Evaluation: Evaluation of the Norwegian Emergency Preparedness System (NOREPS)
1.08 Study: The challenge of Assessing Aid Impact: A review of Norwegian Evaluation Practise
1.08 Synthesis Study: On Best Practise and Innovative Approaches to Capasity Development in Low Income African Countries
2.08 Evaluation: Joint Evaluation of the Trust Fund for Enviromentally and Socially Sustainable Development (TFESSD)
2.08 Synthesis Study: Cash Transfers Contributing to Social Protection: A Synthesis of Evaluation Findings
2.08 Study: Anti- Corruption Approaches. A Literature Review
3.08 Evaluation: Mid-term Evaluation the EEA Grants
4.08 Evaluation: Evaluation of Norwegian HIV/AIDS Responses
5.08 Evaluation: Evaluation of the Norwegian Reasearch and Development Activities in Conflict Prevention and Peace-building
6.08 Evaluation: Evaluation of Norwegian Development Cooperation in the Fisheries Sector

1.09 Evaluation: Joint Evaluation of Nepal´s Education for All 2004-2009 Sector Programme
1.09 Study Report: Global Aid Architecture and the Health Millenium Development Goals
2.09 Evaluation: Mid-Term Evaluation of the Joint Donor Team in Juba, Sudan
2.09 Study Report: A synthesis of Evaluations of Environment Assistance by Multilateral Organisations
3.09 Evaluation: Evaluation of Norwegian Development Coopertation through Norwegian Non-Governmental Organisations in Northern Uganda (2003-2007)
3.09 Study Report: Evaluation of Norwegian Business-related Assistance Sri Lanka Case Study
4.09 Evaluation: Evaluation of Norwegian Support to the Protection of Cultural Heritage
4.09 Study Report: Norwegian Environmental Action Plan
5.09 Evaluation: Evaluation of Norwegian Support to Peacebuilding in Haiti 1998–2008
6.09 Evaluation: Evaluation of the Humanitarian Mine Action Activities of Norwegian People's Aid
7.09 Evaluation: Evaluation of the Norwegian Programme for Development, Research and Education (NUFU) and of Norad's Programme for Master Studies (NOMA)

1.10 Evaluation: Evaluation of the Norwegian Centre for Democracy Support 2002–2009
2.10 Synthesis Study: Support to Legislatures
3.10 Synthesis Main Report: Evaluation of Norwegian Business-related Assistance
4.10 Study: Evaluation of Norwegian Business-related Assistance South Africa Case Study
5.10 Study: Evaluation of Norwegian Business-related Assistance Bangladesh Case Study
6.10 Study: Evaluation of Norwegian Business-related Assistance Uganda Case Study
7.10 Evaluation: Evaluation of Norwegian Development Cooperation with the Western Balkans
8.10 Evaluation: Evaluation of Transparency International
9.10 Study: Evaluability Study of Partnership Initiatives
10.10 Evaluation: Democracy Support through the United Nations
11.10 Evaluation: Evaluation of the International Organization for Migration and its Efforts to Combat Human Trafficking
12.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative (NICFI)
13.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Brasil
14.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Democratic Republic of Congo
15.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Guyana
16.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Indonesia
17.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Tanzania
18.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative

1.11 Evaluation: Results of Development Cooperation through Norwegian NGO's in East Africa
2.11 Evaluation: Evaluation of Research on Norwegian Development Assistance
3.11 Evaluation: Evaluation of the Strategy for Norway's Culture and Sports Cooperation with Countries in the South

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