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Combating Corruption - Moving from Words to Deeds by M.J. Schloss

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COMBATING CORRUPTION

-- Moving from words to deeds --

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WHAT WE KNOW ABOUT TACKLING CORRUPTION

The Issue

“Power corrupts. Absolute power corrupts absolutely.” (Lord Acton)

Corruption is a complex phenomenon and in many cases is the consequence of more deep-seated problems of policy distortion, institutional incentives, and governance. Therefore, it cannot be addressed by simple legal acts proscribing corruption. In fact, in virtually all countries, local laws forbid corrupt behavior. Yet, in more cases than is readily admitted, effective efforts to combat corruption have been limited. The reason is that, by definition, in many developing and transition economies, the judiciary, legal enforcement institutions, police, and other legal bodies are unreliable because the rule of law is often fragile and therefore can be captured by corrupt interests.

Corruption is a problem for rich and poor countries alike, but underlying governance issues are particularly serious in war torn areas.

But corruption is not limited to these economies. In developed countries, tax incentives, standards of conduct, and general attitudes often lend themselves to providing the resources for corruption. Indeed, "the abuse of public office for private gain", as corruption is generally defined, takes place in rich and poor countries and must be tackled as much in the places where payments originate as where they are received. However, where public governance arrangements are weak or non-existent, conditions are prone for corruption.

Implications

“There is no such thing as a free lunch” (Milton Friedman)

In the final analysis, corruption is as much a moral as a governance and development issue. It can distort entire decision-making processes on investment projects and other commercial transactions and the very social fabric of societies. Some fairly robust statistical evidence shows that higher corruption is associated with: (i) higher (and more costly) public investment; (ii) lower government revenues; (iii) lower expenditures on operations and maintenance; and (iv) ensuing lower quality of public infrastructure¹. The evidence also shows that corruption increases public investment by making it more expensive while reducing its productivity - not to mention the loss of resources to the countries resulting from uneconomic investments.²

By the same token, not only the size, but also the composition and associated quality of public investment programs are affected by levels of corruption. By and large, corrupt administrations tend to spend less on education and other social expenditures because expensive infrastructure or the maintenance of large defense (including arms) expenditures outlays crowd out spending on education and other investments in people.³ This suggests that corruption tends to mortgage future generations, since economic growth over the long haul is directly related with educational attainment. The secondary effects of policy

distortions can be equally staggering, since they produce multiplying effects throughout the economy, as discussed later on in this paper. This is particularly serious when generation of savings and surpluses are already far short of the investment, such as in Africa⁴.

In all, these are the vehicles through which corruption lowers economic growth. An implication is that economists should be more restrained in their praise of high public sector investment and stresses the importance of placing much greater attention on corruption as well as on the quality and composition of public expenditures. The issue of corruption, and its attendant effects of efficient and effective resource use, needs accordingly a much higher place in the policy debate among all concerned.

*Corruption
lowers
economic
performance
and fuels
unproductive
expenditures
including
arms sales.*

By the late 1980s and early 1990s, most countries in Latin America adopted structural adjustment, economic liberalization, and “modernization” policies, aimed at coping with and preventing economic crises by developing building blocks to improve the agility and effectiveness of public sector management. A mixed reform record has brought about recognition that the problems were more fundamental than they were thought of originally and that a “second generation” of reform is needed, such as decentralization/sub-national government reform, judicial reform, and anti-corruption efforts.

THE ROOTS OF CORRUPTION & CORRECTIVE ACTION

Tackling the Demand Side

“Money doesn't talk, it swears” (Bob Dylan)

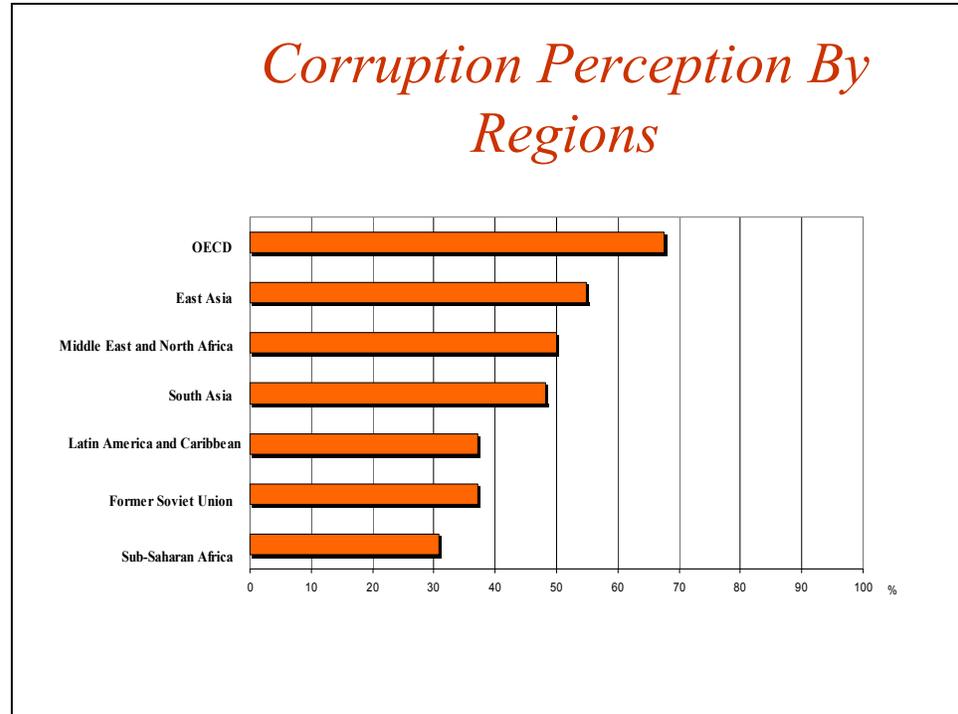
Clearly, a more comprehensive approach is needed than the popular road of issuing declarations, policy statements or even legislation. More importantly, to assure better results, a greater focus is needed on the underlying causes of corruption and on mutually supporting mechanisms between governments, business practices in the private sector, and civil society.

But corruption is not limited to these economies. In developed countries, tax incentives, standards of conduct, and general attitudes often lend themselves to providing the resources for corruption. Indeed, "the abuse of public office for private gain", as corruption is generally defined, takes place in rich and poor countries and must be tackled as much in the places where payments originate as where they are received.

To assist governments, the business community and other interested parties debate on the issue, Transparency International (TI) has been publishing an increasingly comprehensive **Corruption Perceptions Index (CPI)**. This index is a “poll of polls” drawing upon numerous distinct surveys of expert and general public views of the extent of corruption in countries around the world. Recent data show that the bulk of countries, including those in the Latin America region, have poor scores, - ratings of less than 50% - thereby strongly suggesting that

corruption is a serious issue, deserving much higher attention in the policy agenda of this region.

Corruption is a symptom of fundamental economic and political dysfunction.

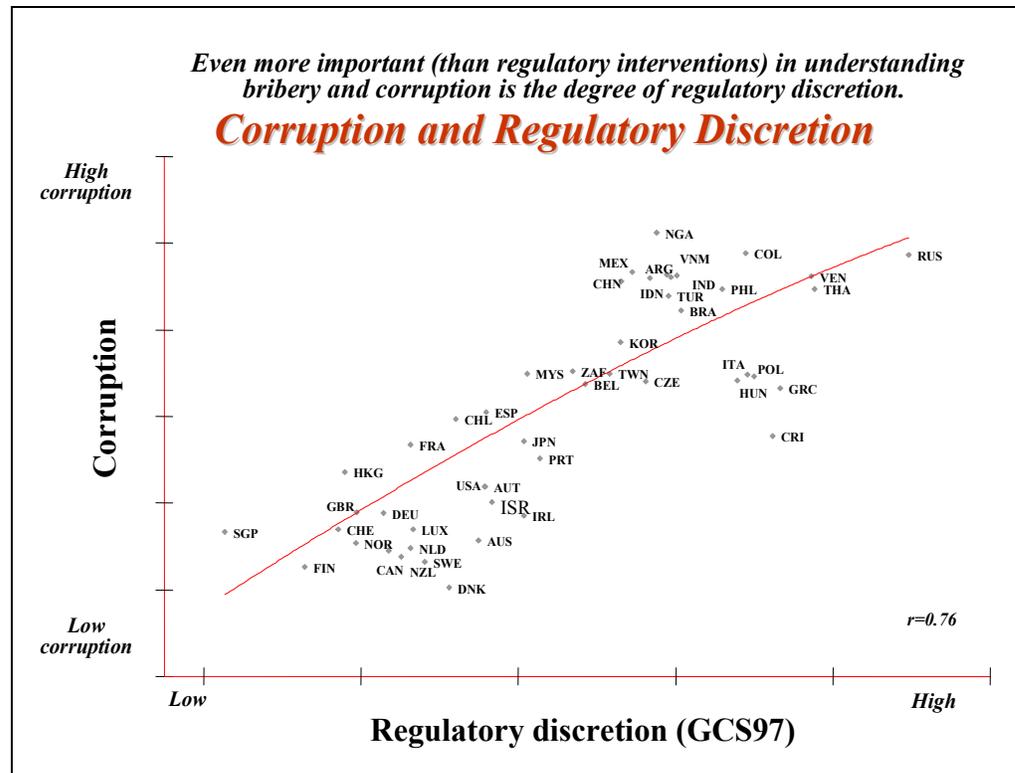


In this regard, it should be understood that bribery encompasses payoffs for a variety of illicit activities: (i) getting around licenses, permits and signatures; (ii) acquiring monopolistic power - entry barriers to competitors; (iii) access to public goods, including legal or uneconomic awards of public procurement contracts; (iv) access to the use of public physical assets or their outright stripping and appropriation; (v) access to preferential financial assets - credit; (vi) illegal trade in goods banned for security and health considerations, such as drugs and nuclear materials; (vii) illicit financial transactions, such as money laundering and insider trading; (viii) influencing administrative or legislative actions; and (ix) influencing judicial decisions.

In all these cases, corruption occurs when economic opportunities for it prevail and political will to combat it is lacking. In a way, corruption is a symptom of fundamental economic and political problems. Addressing them effectively therefore requires dealing with the underlying economic, political, and institutional causes. At the root of many of the problems, often times one can find excessive discretionary powers.

Even more important (than regulatory interventions) in understanding bribery and corruption is the degree of regulatory discretion.

Corruption and Regulatory Discretion

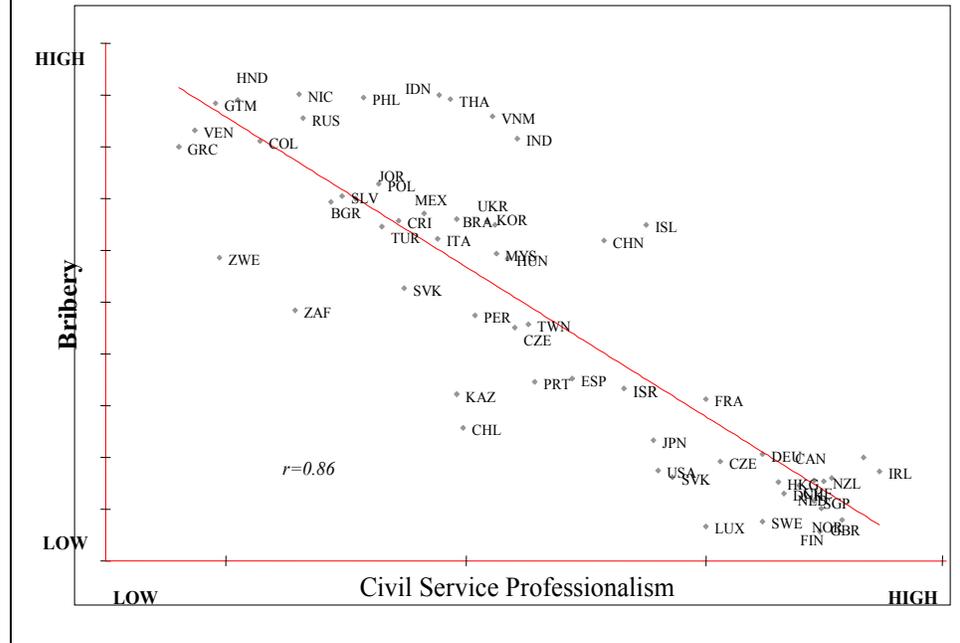


Reducing opportunities for discretion is often an important element for prevention

For this reason, reducing opportunities for discretion is often an important element for **prevention**. These typically include liberalization policies such as reductions of trade restrictions, subsidies, price controls, and directed credit, that have been undertaken in a growing number of countries in Latin America, as well as more recently in Africa and Asia.

Conversely, it stands to reason that the higher the professional levels in civil service on the sheer existence of a credible public administration (a particular neuralgic issue in zones of conflict), the lower are the perceived levels of corruption.

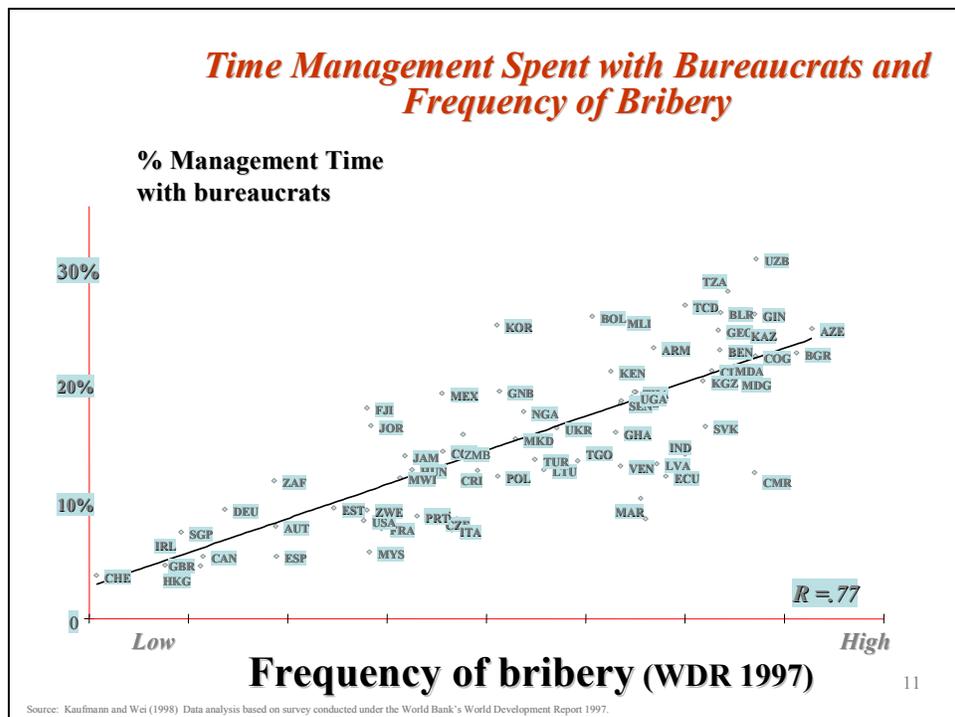
Bribery vs. Civil Service Professionalism



Corruption occurs when opportunities for it prevail and political will to combat it is lacking.

Quite apart of the wastefulness of corruption expenditures and associated misallocation of resources, valuable management time gets siphoned off through time spent with public officials.

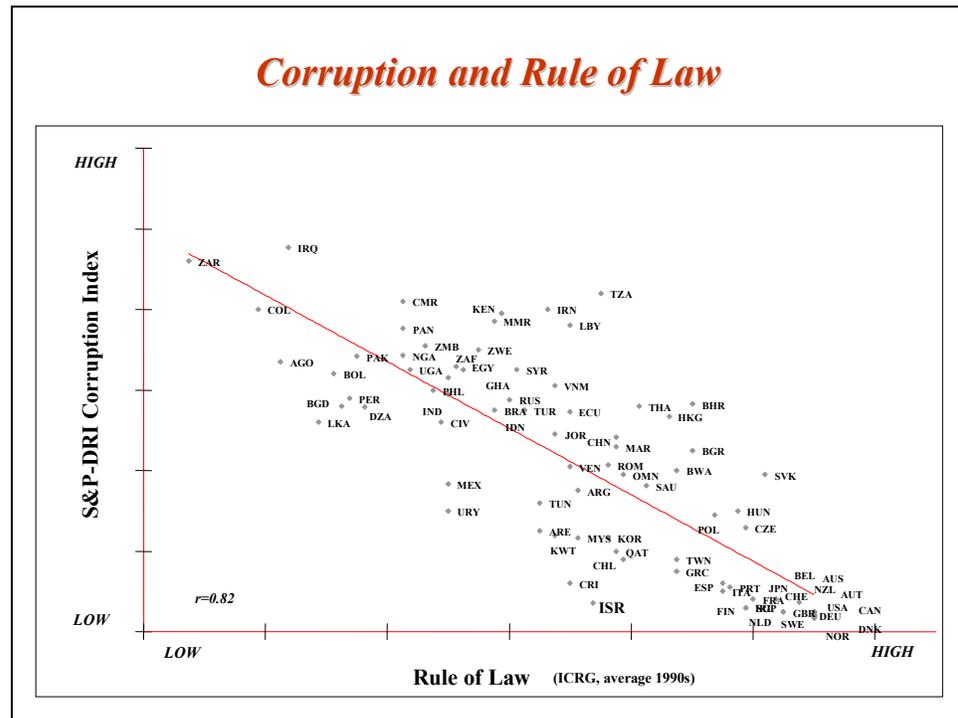
Time Management Spent with Bureaucrats and Frequency of Bribery



Source: Kaufmann and Wei (1998) Data analysis based on survey conducted under the World Bank's World Development Report 1997.

Accordingly, on the **enforcement** side, weak institutions often require the help of independent oversight commissions with powers to investigate and, at times, prosecute or adjudicate, as has been instituted in Chile, Hong Kong, Singapore,

and Botswana. This can be a particular promising avenue to dialog, or avoid as much as practical judicial systems, which tend to be cumbersome and slow in producing corrective action, given their underlying adversarial process arrangements. More generally, and not surprisingly, corruption perceptions tend to be higher, the weaker the rule of law in the countries concerned. Almost by definition, this factor makes zones of conflict easy prey for corruption.



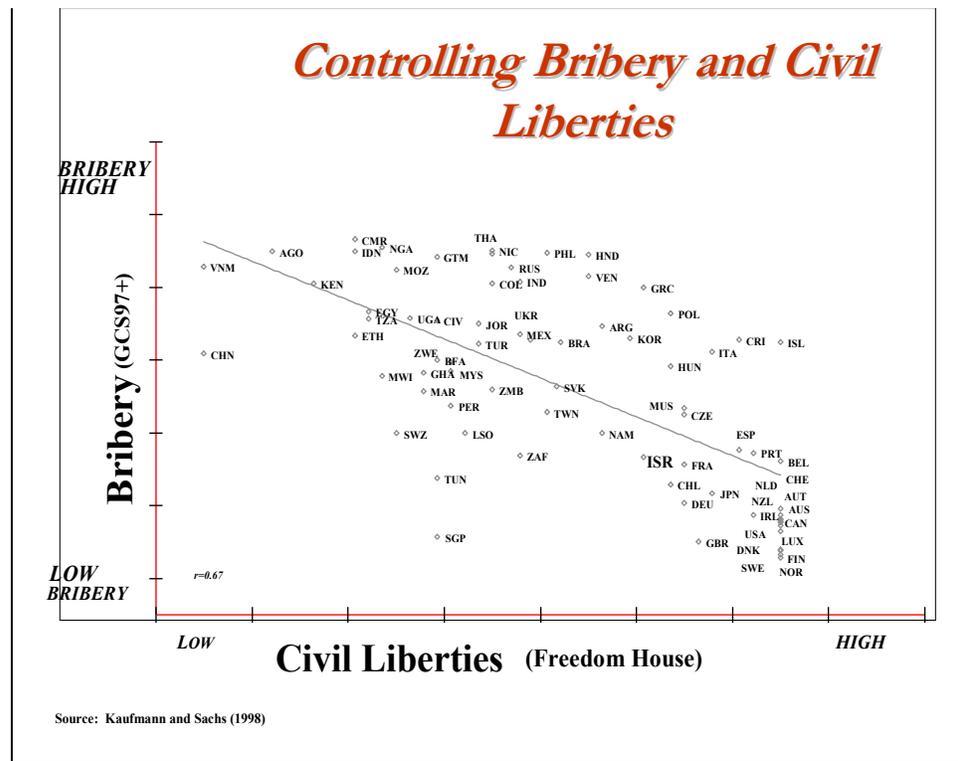
Civil societies must be partners with governments and business to remedy corruption.

Finally, proper **interface** needs to be formed between civil society, the private sector, and governments to help assess the issues and develop support for combating corruption and to develop more effective ways of doing business. More than in any other field, corruption is not an area that lends itself to technocratic solutions developed by a few and executed by many; long-term and sustainable development requires a real stake of all concerned and often needs home-grown and tailor-made solutions.

Most civil societies are new and weak. The former have decision-making procedures and clear lines of communications; civil society has none of these. Governments and private companies have authorities to please and schedules to be followed; civil societies have nothing of the sort - and yet must respond organically to people's concerns. For the most part, there is a mismatch between civil society's capacity to perform its role and those of Government and private sector.

That being said, a number of regions have already started to undertake positive strides ahead in a number of key areas. In the United States, the United Kingdom, and many of the western democracies there is a long record of and experience built on transparency in decision-making and involvement of civil society. More

generally, though, the more pluralistic the societies, the lower the levels of corruption.



In developed countries, tax incentives, standard of conducts and general attitudes often lend themselves to providing resources for corruption.

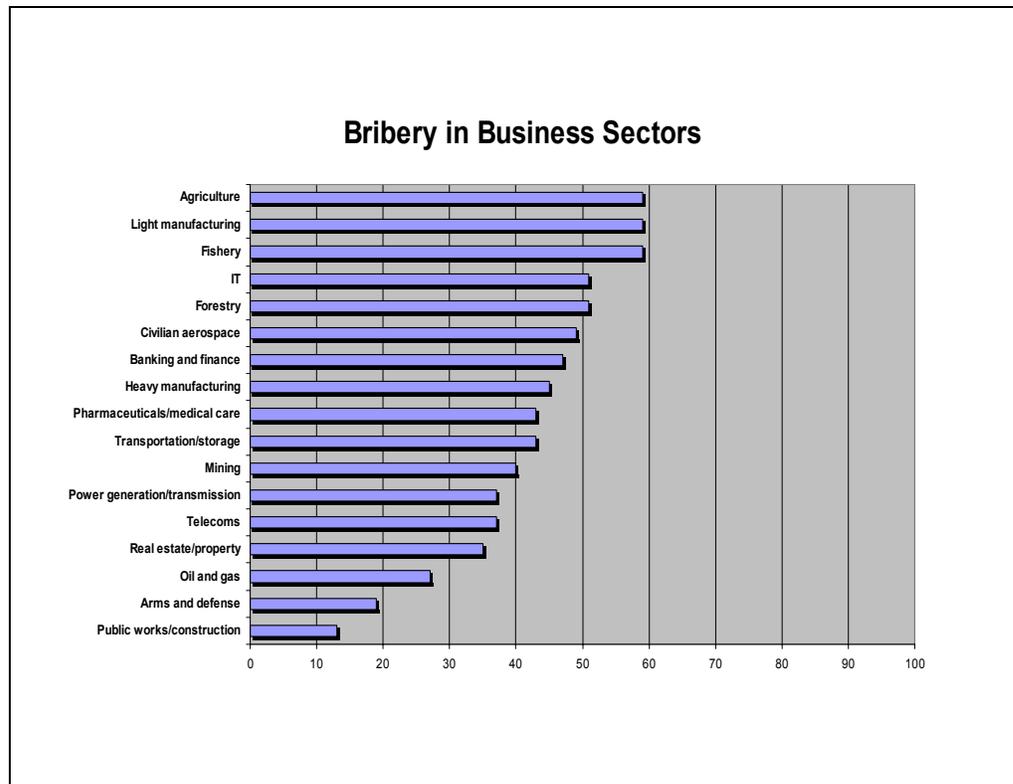
Also in a growing number of countries such as in Latin America, aside from the structural reforms under way, there is a growing civil society, including some twenty TI Chapters in various stages of formation, which are engaged in a growing number of strategic activities.

Addressing the Supply Side

“To lead people, walk behind them.” (Lao Tzu)

The **Bribe Payers Index (BPI)** ranks the leading exporting countries in terms of the degree to which their companies are perceived to be paying bribes abroad. The BPI indicates that corruption is widely seen as playing a significant role in international commerce. The data provides a disturbing picture of the degree to which leading exporting countries are perceived to be using corrupt practices.

Business executives and professionals in leading emerging market countries see international bribe paying to be greatest in the public works and construction sectors, followed by the arms industry.

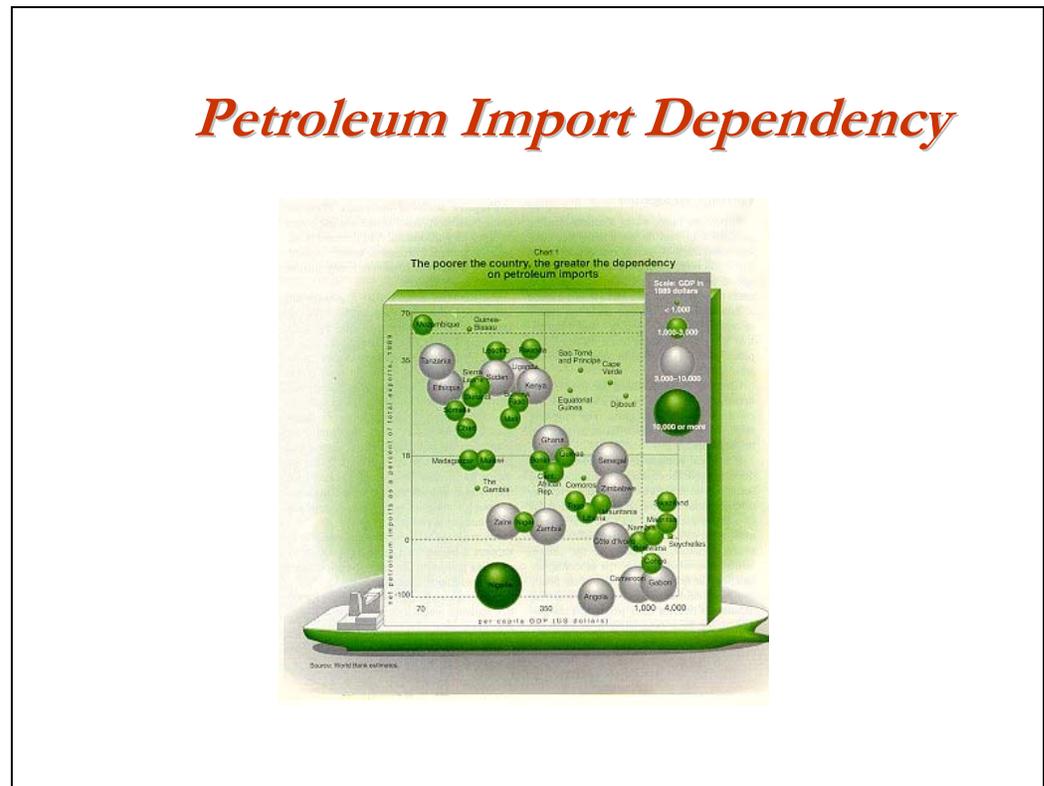


Particularly disturbing is the high corruption associated with resource-based industries – the economic bedrock for many developing countries⁶. Take the case, for instance of petroleum, where countries like Nigeria, Indonesia, Algeria, Mexico export anywhere between US \$2 to 35 billion, depending on oil output volumes and prices - - and yet their performance in terms of GDP growth is significantly lower than countries in the same income per capita levels. Where has that money gone that there is so little to show for?

It thus is not surprising that petroleum producing countries tend to fall in the lower percentile categories of governance ratings, where corruption figures high:

resources for the other uses and potentially reducing the poverty level do these countries.

Greater efficiency in procuring and distributing petroleum products would free resources for other uses and allow reducing poverty levels in low income countries.



And yet massive resources “disappear” from the way the business is conducted. If corrected, savings of about US\$ 1.4 billion a year at 1989-90 prices. This amount is greater than total World Bank annual disbursements of adjustment policy loans, and close to 50 per cent higher than the net disbursement to the entire region combined. These savings represent the difference between the actual cost of supplying petroleum products to consumers and benchmark cost corresponding to procuring these products from world markets under competitive conditions.

As one reviews transaction throughout the supply chain, fully half of resources cost could be recuperated at the point of procurement, some 40 % at the refining stage, and the remainder through inland distribution.

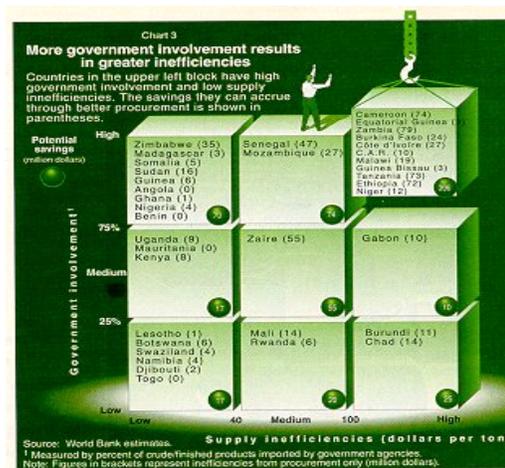
Potential Savings

Massive resources “disappear” from the way the natural resource-based business is conducted.



Moreover, the greater losses are associated with discretionary power and monopoly arrangements.

Government Involvement and Levels of Inefficiency



The inescapable conclusion is that hydrocarbons procurement and distribution must be opened to the discipline of greater competition. Indeed, the experience recorded in other regions (Western Europe, southeast Asia, and Latin America) that have allowed numerous available suppliers to compete in their markets suggests that a policy change in Africa along these lines would provide significant benefits to the continent, in the form of more efficient and corruption free petroleum procurement and trade.

New global standards of behavior are emerging, and need to be furthered beyond their current development through more institutionally binding standards.

Going beyond the production and distribution of natural resources industries by multinational companies, corruption is of growing concern to donors, nongovernmental organizations, governments, businesses more generally, and citizens, in developing and industrial countries alike. Fortunately, the opportunities to address corruption are also greater than they have ever been. New global standards of behavior are emerging, driven partly by changing attitudes toward transnational bribery in industrial countries and partly by heightened awareness in developing countries of the costs of corruption. But much more work is needed to develop institutionally binding industry standards. These could be furthered through more effective inter and industry standards, and proper coalition building with relevant civil society organizations.

Governments. Quite apart of economic and public sector reforms along the lines noted above, a number of initiatives have been taken at the international levels that are bound to have constructive repercussions in many countries.

- Twenty-five countries signed the landmark Inter-American Convention Against Corruption in March 1996, two years after the issue of corruption was put on the agenda of the Summit of the Americas by the leaders of the Western Hemisphere. The convention requires countries that have not already done so to criminalize transnational bribery and all illicit enrichment. Other provisions include building commitments to provide greater mutual assistance laws and to establish a framework for cooperation on extradition. In addition, the convention encourages countries to adopt a wide range of laws and regulations to prevent corruption. These measures include conflict of interest rules, disclosure of assets of high public officials and their families, establishment of national organizations for the oversight of such laws, protection of whistleblowers, and open government procurement.
- Similarly, in late 1997, thirty-four countries signed the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions. The purpose of the convention is to criminalize corruption of foreign officials and to end the tax deductibility of bribes, thereby removing the associated fiscal incentives. This is a historic first step forward, and one that provides a sound, though limited, framework for an international anti-bribery system.
- Multilateral development banks have similarly begun to play their role in their respective areas of expertise and responsibility. The IMF has started to restrict its operations in countries where the level of corruption is deemed to negatively affect in a material way their economic performance. The World Bank has initiated a more comprehensive program. First, it introduces

The purpose of the OECD Convention is to end corruption generated by their citizens and companies abroad.

sanctions on firms and governments engaged in corrupt practices. Under this arrangement, it would ban firms that offer bribes from future Bank financed procurement worldwide. It would also cancel loans to governments whose officials solicited bribes. Lastly, the World Bank reoriented its disbursement procedures to strengthen borrower accountability for sound procurement and financial management.

While these are undoubtedly important steps, their proper implementation is key to deliver on the promise of accountable governments and hospitable business environments. Nothing, of course, prevents countries from developing their own action without a common framework in the region. After all, effective action on the fight against corruption will require more than acting through criminal law and sending people to prison.

On the multilateral development institutions' front, additional actions are also being taken; the Inter-American Development Bank has started to tighten procurement guidelines and enhance support for public sector reform programs. It would be desirable that organizations, such as the World Trade Organization, review their programs to see how they could underpin more forcefully efforts to combat corruption. The World Bank needs to strengthen its working arrangements with relevant civil society institution, and sharpen its country assistance strategies by mainstreaming anti-corruption efforts in its policy, public sector reform, projects, and other lending, as well as its economic and sector work.

The fight against corruption requires more than sending people to jail.

Private Sector. There are differences of opinion about the value of corporate anti-corruption programs and associated codes of conduct. Given the many parties involved, the “going alone” practices have proven to be particularly ineffective. Coalition-building approaches with relevant constituencies is thus indispensable. Many in the business community believe that self-regulation is the right solution and that it is preferable to government regulation. Others argue that self-regulation is a sham and only government action can be expected to curb corruption. When seen, however, as a component of a comprehensive anti-corruption program, they could provide a stimulus to more business-like and effective economic activity. They are not a substitute for government regulations: both are needed and each reinforces the other.

A wave of global, sectoral and professional codes has emerged to respond to these concerns. They are listed below

The Response

Global Business Codes

- International Chamber of Commerce (ICC) Rules
- Code of Conduct to Combat Extortion and Bribery 1996
- Pacific Basin Economic Council (PBEC) Charter
- Draft TI/SAI Business Principles for Countering
 - Bribery
 - MNC Corporate Codes

The Response: Other Codes

Sectoral Codes

- Wolfsberg Global Anti-Money-Laundering Guidelines For Private Banking
- Voluntary Anti-Bribery Code for the Mining Sector?

Professional Codes

- FIDIC code (consulting engineers)
- IBA code (lawyers)
- IFAC code (accountants)

Conduct influence corporate behavior when corporations have effective compliance programs in place.

A "best practices" study undertaken by Transparency International USA in 1996 of anti-corruption programs used by major American companies⁶ stressed that whether a code of conduct is only a piece of paper or it controls corporate behavior, depends on the compliance program the company uses. Unequivocal

commitment by top management is essential. Among the key elements of such codes, the study highlighted:

- A clear policy statement that the company prohibits employees and third parties representing the company from offering anything of value, directly or indirectly, to a government official to influence or reward an action.
- Detailed guidelines regarding gifts and entertainment, travel expenses and strict compliance with applicable laws and regulations regarding corporate political contributions and their disclosure.
- The existence of a system of internal controls and record keeping that ensures that company books accurately reflect its transactions, overseen by an audit committee, composed of outside directors and associated internal reporting.

The key in evaluating the role of corporate anti-bribery codes of conduct is their interplay with government programs. The effectiveness of corporate codes is enhanced by governmental measures. Similarly, corporate codes reinforce the effectiveness of government anti-bribery programs. The main elements to build such synergy are:

The threat of penalties and tax treatment is a potent influence on enterprises.

- The threat of penalties through criminal law is a potent influence. Managers tend to be concerned about their personal exposure to large fines and prison terms, and such provisions have been found useful in turning off extortion by local or foreign officials by making refusals to pay credible. The synergy between government enforcement and corporate compliance programs is further enhanced by U.S. Justice Department's sentencing guidelines. These provide more lenient treatment for companies that conduct proper compliance programs. The sentencing guidelines provide a strong incentive for companies to establish compliance programs and usually include auditing and monitoring arrangements, enforcement of disciplinary mechanisms, and appropriate response and due diligence after detection. This approach exists in the United States, and several European countries, Australia, and Canada have or are in the process of adopting similar legislation.
- The tax treatment of bribes can also make a major difference in corporate behavior. When the tax laws treat bribes as tax-deductible, the message is that foreign bribes are considered a legitimate business expense - if not a subsidized activity by government. Denying tax deductibility for bribes requires corporations to distinguish between proper and improper business expenses. This means that relevant corporate managers will be carefully scrutinized, as they can be exposed to liability for tax fraud.

Civil Society. A growing number of structures, institutions, and associations - outside state apparatus and profit-making businesses - are evolving for the joint and proactive pursuit of shared interests. Chambers of commerce, professional and religious associations and various forms of non-governmental organizations are becoming players, shaping opinions, building coalitions, providing testimonies and monitoring government and enterprises.

What legitimates civil society organizations is a concern about issues that are not adequately represented in the normal political process and a focus on problems that often go beyond the limited reach or capabilities of the nation-state, where market forces are unlikely to result in desired results. Moreover, their rules do not arise out of self-interest or profit-orientation, but from people or organizations that are committed to the public interest in a specific area, such as corruption.

*Corruption
can often be
corrected by
deregulation
and
depolitization
of economic
activities*

In the end, though, civil societies are the stakeholders and the ultimate affected parties of corruption - and thus must be engaged constructively to get the support and buy-in for the necessary reforms. Only in this way can the necessary policy and institutional changes become viable and sustainable. Countries that have been hospitable and supportive of civil society bodies -through hearing arrangements in their regulatory and legislative procedures and involving them in oversight institutions - have in fact enabled the organic and internally driven evolution of policies and institutions.

As the argument goes, if civil society gets involved as a partner and its efforts at monitoring the state are encouraged, this would contribute to the eventual elimination of corruption⁷. However, the issue of partnership is a complex one. Governments, multilateral development institutions and private sector institutions are for the most part established and strong.

MOVING FROM WORDS TO DEEDS

Poising for Action

“Everything is in the execution” (Napoleon)

A growing number of countries have started to take actions that one way or another address some of the issues referred to before. Institutional and civil service reforms in the form of privatization, salary reforms. Disclosure of assets has been introduced in countries ranging from Bolivia and Ecuador to Georgia and others. Economic policies are being revamped through deregulation, de-licensing, tax administration reforms changes in custom administrations in Latvia, Ecuador, Albania and many others. Financial controls and changes in public procurement arrangements have been introduced in Georgia, Ecuador and Bolivia, to mention a few. Public and civil society oversight arrangements are enhanced through ombudsmen offices, private sector monitoring arrangements, diagnostic surveys with civil society involvement in Ecuador, Albania and others. So are legal and judicial reforms, including changes in Supreme Court organization, changes in judicial procedures, new competency and selection arrangements of judges, introduction of mediation and arbitration procedures in Bolivia, Chile, Albania and others.

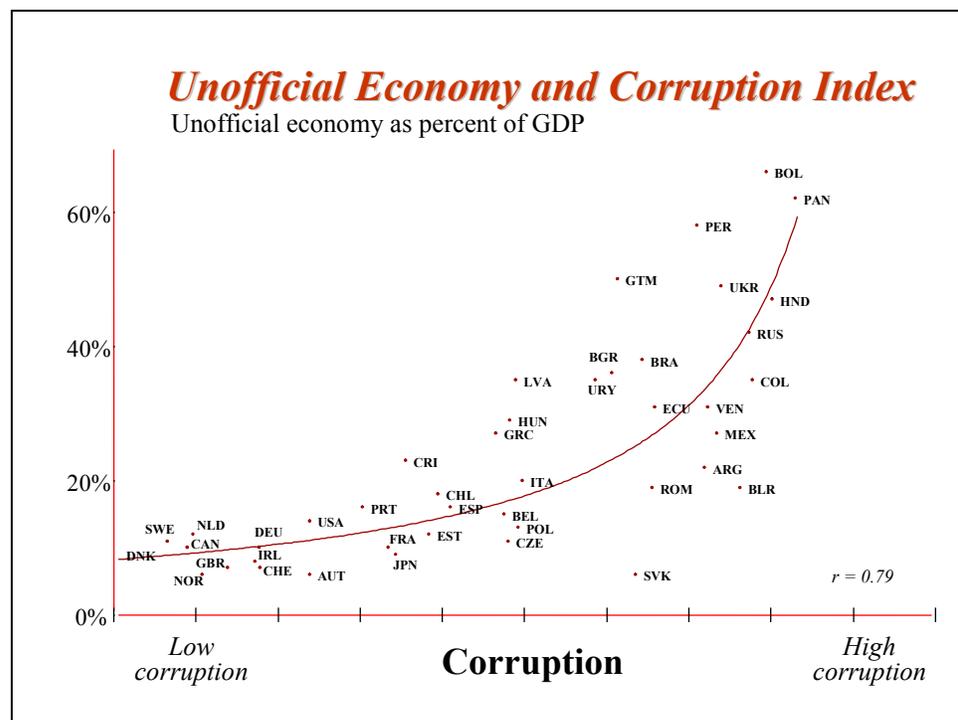
In the end, these reforms are not so much about laws and top-down changes, but more about empowerment, transparency, scrutiny, changes in incentives. More

broadly, a combination of actions on prevention, enforcement, and support of the local community could help in overcoming the problems. Many of the corrective actions are associated with deregulation and depolitization of economic activities, generation of information and data for greater transparency and associated accountability, build-up of appropriate legal institutions or set-up of parallel ones - or self-regulating bodies where this is not possible, and development of coalitions to promote coherent actions among different players in a society.

Leveling the Playing Field

“Sunlight is the best disinfectant” (Latin American aphorism)

Where such interface is poor, there is a tendency to “crowd out” the economy into the informal sector and with it the levels of corruption.



Effective action can only be sustained through the presence of institutions that can catalyze the various interest groups in a non-partisan manner.

For this reason, Transparency International (TI) has been set-up to facilitate the intervention between different groups, particularly civil society with governments and the private sector.

As effective action can only be sustained through the presence of institutions that can catalyze the various interest groups in a non-partisan manner, TI has been established as a not-for-profit and non-governmental organization to counter corruption in international business transactions. Over the years, it has fostered National Chapters to build alliances, enhance awareness, create support for actions to combat corruption, help overcome resistance of those with a stake in the status quo, and mobilize people and expertise behind meaningful action - and

in the end, to improve the interface between governments, businesses, and civil society for effective governance.

Devising Strategies

"One of the reasons why governmental corruption has grown to be pervasive...is primarily because much effort has been spent to remedy the problem rather than understand it." (Olowu 1992)

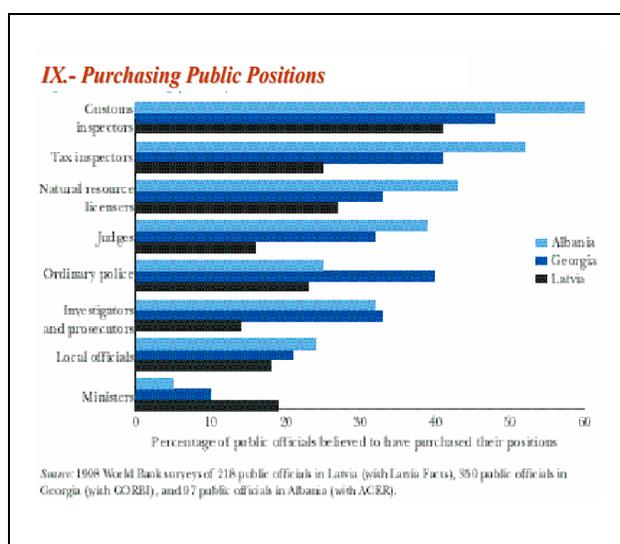
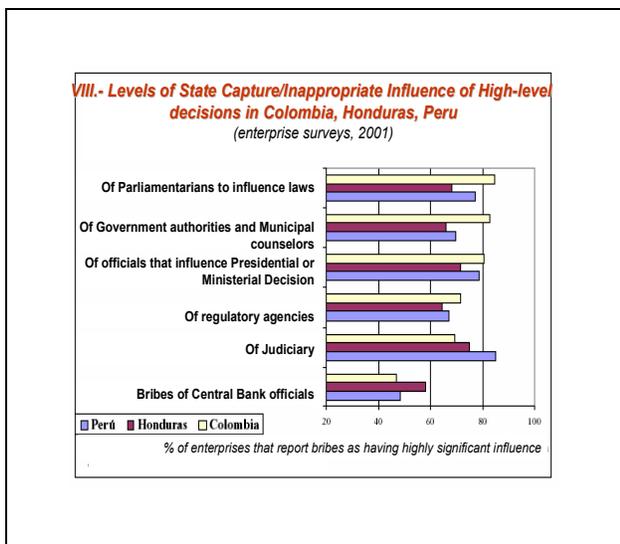
For anyone familiar with the entrenched interests explaining the current state of affairs, the above listing may sound rather comprehensive – if not downright forbidding. How does one move “from here to there”? Like any complex undertaking, experience suggests that, one way or another, one need to follow three steps:

- Understanding and diagnosing how the specific corrupt system works in the particular country or regional context;
- Overcoming political and bureaucratic resistance, and garnering support; and
- Crafting a sequenced plan of action to heal corrupted systems, break the culture of cynicism, and build political momentum and transformation of government, civil society and enterprise sectors.

a) Understanding the country specifics

There is one thing that is common to all countries: they are all different. The above-mentioned “levers of change” are the same for nearly every situation, but they can take you only so far, and play themselves out differently in every particular situation.

There are various vehicles for assessing the concrete areas of vulnerability, the amounts of bribe being paid for which activities, and thus pinpointing the relative importance of the government, civil society or private sector apparatus in dysfunction. Such approaches range from systematic surveys “triangulating” and assessing each of the areas of governance vulnerable to corruption¹⁰ to simple participatory discussions among people familiar with the workings of various aspects of society. In the former, like in the medicine’s equivalent of cat-scans or more rudimentary X-rays, various levels of corruption, government capture by special interest groups¹¹ and other critical governance issues could be pinpointed, as illustrated in the graph bellow, and “drilled down” to specific areas in need of corrective action. Tables VIII and IX illustrate the extend of government capture and positions sold, respectively in different countries.



But not every situation needs such sophisticated and costly approach to identification of problems. In the initial stages of corrective actions a more intuitive approach is oftentimes sufficient to at least detect the “more obvious” areas of dysfunction.

There is one thing that is common to all countries: they are all different

Citizens, entrepreneurs, and government officials who work in systematically corrupt institutions will help to analyze where and how that corruption occurs. This may be surprising, but it is often true – as long as the focus is on corrupt systems and not particular individuals. In workshops on corruption, which the author has facilitated in a number of countries, including some emerging from civil war¹² after some time people turn out to be remarkably forthcoming about corruption that exists, how it works, and how it might be prevented.

In general, participatory diagnosis enables people to discuss such systems analytically and without fear of reprisal, even providing for a therapeutic approach to a sick institution. As in good therapy, the participants then move to self-diagnosis and self-prescription. The results can be remarkable. Corrupt systems are diagnosed, and a useful start is made as to how they might be rectified. Out of such participatory diagnoses two conclusions can emerge: a deeper, shared understanding of corrupt systems and a plan of action for reforming them.

One way or another, priorities will have to be selected, choices will have to be made for areas needing more immediate or longer terms attention. To this end, such discussions could be usefully oriented towards addressing the following questions:

- What are the costs (and the possible benefits) of various forms of illicit behavior?

- For each kind or area of corruption, what kinds of preventive measures might reduce corruption?
- What are the benefits in terms of reduced corruption and perhaps enhanced efficiency of the preventive measures? What are the costs of these measures?
- What are the interactions among various anti-corruption measures, both positive and negative?

b) Overcoming resistance; garnering support

To poise for action and implementation, it is imperative to think through the dynamics of change, and pose questions such as: how can allies be mobilized and potential enemies neutralized or coopted?; how will the choice of measures going to help or hinder the policymaker's (or government's) ability to move in other important domains?; how can the officials implementing the policies gain ownership over what is done?; given the answers to the above, what sequence of measures should be adopted at what levels?

One must create a climate, an information structure, and a set of incentives so that public sector employees and private citizens engage in the necessary corrective actions. This requires understanding what induces various kinds of corruption and how they cause social harm and what benefits and the costs are of various anti-corruption measures. Then it requires an implementation plan for moving from where the country is to where its leaders hope to be, taking account of the costs of doing so. Broadly speaking, any such plan should aim, as clearly as possible at: (a) selecting agents; (b) setting rewards and penalties; (c) obtaining information about results; (d) restructuring the principal-agent-client relationship: reduce monopoly, clarify and limit discretion, and enhance accountability; (e) raise the "moral costs" of corruption.

Fighting corruption in the right ways can become a lever to achieve broader ends, by remaking the relationship between the citizens and their government.

c) Crafting a strategy and action plan

The need for strategy may sound obvious, but anti-corruption campaigns or governance reforms often lack just that. Having a strategy also means that government and societies should usually not attack all forms of corruption at once. Authorities must distinguish various types of corruption and recognize that they are not all equally harmful, even if this is not admitted so in public.

Developing an implementation strategy involves addressing the following type of concerns: (a) organizing the government's efforts and establishing a coordination and focal point; (b) "picking low-hanging fruit" – i.e. choosing a relatively easy-to-fix problems first to start creating a momentum through "easy wins" and visible progress; (c) aligning with favorable forces (national, international, private sector, NGOs); (d) breaking the culture of impunity by "frying big fish"; (e) raising the profile of the anti-corruption effort through publicity; (f) doing something good for government officials before seeming to attack them; (g) strengthening institutional capacity not only through "supply-

side measures” (more training, more experts, or more computers) but especially through changing systems of information and incentives; (h) considering how anti-corruption campaigns can galvanize boarder and deeper changes in government (such as client consultation, pay-for-performance, or privatization with high quality regulation).

Seen in this light, fighting corruption in the right ways can become a lever to achieve much broader ends, not only financial survival but also remarking the relationship between the citizens and their government.

SUMMING UP

If experience elsewhere is to serve as a guide for effective anti-corruption efforts, then a purely technocratic approach to the subject will not be feasible or sustainable. Thus, the process of reaching correction actions will be as important as their content. Indeed, in this field, more than anywhere else, the wide ramifications of change can only take place as a result of the dialogue that is internally driven - in each country, in each situation. Only home-grown strategies developed in full partnership with civil society have any chance of success. The means, of course, the technical assistance and other efforts usually provided by the donor community have to move from introducing standard “best practice” to “good fit”, tailor-made solutions - better designed to meet local institutional and cultural concerns. In the end, it is for each society to find answers to its own challenges. Others can assist, present a menu of options and practices and inform the process, from which local anti-corruption coalitions - the primary actors - must find and force their own solutions and associated strategies for reform.

Good anti-corruption efforts include promoting good governance, inclusive political systems, good public services and an enabling environment for development.

More broadly, strong societies with inclusionary institutions, such as efficient and non-corrupt bureaucracy, are more likely to be able to prevent or withstand the socioeconomic and political shocks associated with internal conflicts. Accordingly, step-by-step efforts need to be oriented towards:

(i) Building, **empowering** and enabling an active **civil society** that protects the rights of the individual and of groups while engaging and holds emerging state institutions accountable to the rule of law, including actions that: (a) ensure freedom of information; (b) provide for publicly driven hearing or similar arrangements for drafting laws, regulations or other vehicles of governmental acts; (c) develop of media, civil society organizations, etc. and (d) build checks and balances to ensure: independent and effective judiciary, decentralization with accountability, and support the above-mentioned civil society oversight arrangements.

(ii) Starting **build-up of public administration** and public finance through setting up the rudiments of: (a) meritocratic civil service; (b) transparent, monetized public sector with adequate remuneration; and (c) associated accountability in expenditures (by setting up independent treasury, audit, procurement functions and processes)

(iii) ***Establishing accountability of political process and finance*** through: (a) disclosure of parliamentary or equivalent legislature votes; (b) transparency in party financing; (c) asset declaration, conflict of interest rules and/or similar actions to build transparency of associated sections of political processes.

(iii) ***Establishing mediating mechanisms***, requiring as limited institutional-intensive arrangements as possible to facilitate an enabling environment for the development of movements and entrepreneurs, however fledging, though competition and entry through: (a) competitive restructuring of monopolies; (b) regulatory simplification; and (c) reducing discretionary powers of public authorities to the maximum extend practical

(iv) ***Supporting local efforts through global institutions***, by building up the transparency of their transactions, including their tax and royalty payments, imports and exports, and their business standards and associated internal control arrangements.

Notes:

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