Innovations in Anti-Corruption Approaches

A Resource Guide
Innovations in Anti-Corruption Approaches

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This Resource Guide is part of a series designed for readers, including students and practitioners, interested in exploring further some of the themes and issues raised in *The Global State of Democracy 2017: Exploring Democracy’s Resilience* (International IDEA 2017). The contents of the series reflect the topics of each chapter in the larger report, presenting current and past debates and key concepts related to each topic. This Guide complements Chapter 5, ‘Money, influence, corruption and capture: can democracy be protected?’ (Perdomo and Uribe Burcher 2017).

This Guide provides an overview and summary of the research related to anti-corruption policy interventions and reforms, and the anti-corruption strategies found in the academic literature. It discusses the recent shift in the theories underpinning corruption in society, and how this shift influences the design of policy and interventions.

In particular, it unpacks how corruption creates principal–agent problems and examines the limitations of anti-corruption interventions. The design of anti-corruption strategies and policies can better address the realities of corruption in society by treating corruption as a problem of collective action. From this perspective, anti-corruption efforts become part of the broader development agenda. Emerging research on corruption calls for a comprehensive approach to anti-corruption interventions that promotes holistic, integrity-based reforms.

*The Global State of Democracy* aims to provide policymakers with an evidence-based analysis of the state of global democracy, supported by the Global State of Democracy (GSoD) indices, in order to inform policy interventions and identify problem-solving approaches to trends affecting the quality of democracy around the world. The first edition, published in 2017, explores the conditions under which democracy can be resilient and how to strengthen its capacity as a system to overcome challenges and threats.

The full report can be accessed online: <http://www.idea.int/gsod>.
1. Introduction

Corruption is defined as the misuse of public office for private gain (United Nations 2004: 23). The most notable examples are bribery, fraud, extortion, influence peddling, kickbacks, patronage and election rigging. The high costs of the losses associated with misappropriated resources mean that corruption undermines human development and governmental legitimacy. In response, an ‘anti-corruption industry’ has developed since the 1990s, resulting in an increasing number of anti-corruption aid projects and funds, as well as increased cross-border cooperation between law enforcement agencies and development organizations (Marquette and Peiffer 2015a). Given this broad range of accumulated experience of anti-corruption efforts, after one and a half decades, scholars are now assessing the effectiveness and impact of anti-corruption reform.

The most recent literature has concentrated on the theories underpinning the various approaches to tackling corruption, arguing that the different approaches to understanding the concept and causes of corruption lead in turn to distinct policy designs and ‘solutions’. Scholars emphasize the shortcomings of viewing corruption as a principal–agent problem and recommend instead approaching it as a collective action problem. This helps to reveal the different dynamics and characteristics of corruption and has implications for anti-corruption policy design (Mungiu-Pippidi 2006; Teorell 2007; Rothstein 2011; Persson, Rothstein and Teorell 2013; Marquette and Peiffer 2015a, 2015b; Sundell 2016).

Another emerging idea is that corruption persists in many societies because ‘it works’ as a way to get things done. Incentive structures in developing countries where the rule of law is weak, or there are large informal sectors, often lead to high levels of deeply embedded corruption. From this perspective, tackling corruption must occur within a broader developmental agenda, rather than as a stand-alone policy effort. This emerging work calls for a new approach to anti-corruption interventions using holistic, integrity-based reforms. Such reforms must be comprehensive and coordinated across broader frameworks and institutions, as well as the actors working to fight corruption, and promote transparency and accountability in politics, the state and society. This would include new oversight instruments led by a variety of social and political actors, and improved anti-corruption mechanisms that work to enhance integrity systems in a wholistic manner.

This Guide provides an overview of the new anti-corruption approaches. Section 2 explores corruption as a principal–agent problem, and explains how traditional anti-corruption interventions are based on this theoretical framework. Section 3 outlines the more recent literature that illustrates the benefit of thinking of corruption as a collective action problem, and provides examples of interventions using this approach. Section 4 examines the recognition of corruption as a developmental issue, and Section 5 presents conclusions. The Guide also includes additional reading and resources, from International IDEA and other sources, related to anti-corruption efforts.

2. Corruption as a principal–agent problem

Corruption levels and trends are difficult to measure. By definition, corruption is a secretive act. According to the International Monetary Fund, public sector corruption siphons off USD 1.5–2 trillion annually in bribes from the global economy—or about 2 per cent of global gross domestic product (Lawder 2016). While bribes are a big problem, the most significant costs come from rent seeking, or the manipulation of public policy or economic conditions to increase profits, which stunts economic growth and leads to sustained poverty and lost tax revenues. In addition, corruption does not affect everyone in the same way. The poor tend to pay a higher percentage of their income in bribes. For
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example, in Paraguay, a poor household pays 12.6 per cent of its income while a rich one can expect to pay ‘only’ 3.8 per cent (World Bank 2017).

To date, the majority of corruption research and anti-corruption interventions have used the principal–agent approach as a basis for understanding the problem. This means that most anti-corruption reforms are based on this conceptualization of corruption. Ugur and Dasgupta’s analysis of 115 corruption studies demonstrates the prevalence of the principal–agent approach in understanding corruption (see Box 2.1). They found that all the studies either ‘explicitly’ or ‘very closely’ adhered to a principal–agent approach to corruption (Ugur and Dasgupta 2011: 43). As a result, the design of current anti-corruption reforms and policy interventions was underpinned by the same understanding of how to ‘solve’ the principal–agent problem of corruption. Such solutions typically include oversight mechanisms to inform the ‘principals’ and sanctions to incentivize the ‘agents’. However, Sundell (2016), Persson, Rothstein and Teorell (2013), Rothstein (2011) and Marquette and Peiffer (2015a, 2015b) all identify limitations in understanding corruption only as a principal–agent problem. For example, such ‘principals’ may not exist in reality, or may themselves participate in corrupt behaviour. These studies argue that alternative views of and approaches to corruption can explain why some anti-corruption efforts fail, and that drawing on these would improve the impact of anti-corruption strategies.

The impact of anti-corruption strategies
The attention, effort and investment put into controlling corruption in the development cooperation and law enforcement sectors in the past 15 years have led to the birth of an ‘anti-corruption industry’ (Marquette and Peiffer 2015a; Mungiu-Pippidi 2006). However, there is significant evidence that earlier anti-corruption efforts had only a very limited impact. For example, in a 2012 study analysing the evidence for successful donor activities to reduce corruption, the authors found that in only a few cases, such as in the cases of public financial management reforms and the introduction of audit institutions, did interventions reduce corruption (Johnsøn, Taxell and Zaum 2012: 42).

Another example is the record of corruption in Africa, a region that has received significant attention and where much anti-corruption reform has been implemented.

BOX 2.1

The principal–agent problem
A principal–agent problem assumes two actors: the agent and the principal. The former has more information and decision-making power than the latter. Due to this information asymmetry, the principal is unable to monitor the agent’s actions perfectly, which means that the agent has the potential to pursue his or her own interests if the interests of the two diverge. Corruption is conceptualized along this theory in two ways.

First, political leaders are often tasked with the role of ‘principal’, monitoring the actions of bureaucrats, or ‘agents’, as a means of holding them to account. However, political leaders or principals may have imperfect information about the agent’s, or bureaucrat’s, actions due to logistical and oversight constraints. Corruption takes place when a rational-minded bureaucrat uses their discretion over resources to extract rents when such opportunities arise.

In the second variation, the public is cast as the ‘principal’ while public officials (bureaucrats or politicians) are classed as the ‘agents’. Here, the agents (public officials) are able to abuse their office and discretion over public services to secure rents from the public, while the public (the principals) are unable to perfectly monitor or hold the public officials to account (Ugur and Dasgupta 2011).
However, despite the fact that many countries in sub-Saharan Africa have anti-corruption laws that are rated ‘very strong’ in Global Integrity’s 2008 ranking, improvements in the level of corruption have been negligible (Global Integrity 2008; Persson, Rothstein and Teorell 2013). Indeed, Transparency International’s Corruption Perception Index (CPI) shows either stagnation or a worsening of the situation in the major African countries (Banoba 2017).

Taking into account the difficulties of measuring corruption and consequently the impact of anti-corruption reforms, the above examples illustrate that there is ample room for making anti-corruption interventions more effective. Most explanations for the shortcomings of earlier anti-corruption efforts attribute ineffectiveness to the absence of political will or variations in cultural understanding of what constitutes corruption (World Bank 2015; Marquette and Peiffer 2015a). The recent critical literature on anti-corruption interventions, however, has re-examined how the problem of corruption is approached and theorized.

**Missing principals**

Contemporary analysts of anti-corruption interventions, such as Mingiu-Pippidi (2006), Teorell (2007), Rothstein (2011), Persson, Rothstein and Teorell (2013), Sundell (2016) and Marquette and Pieffer (2015a and 2015b), argue that the principal–agent theory does not sufficiently describe corruption. Solutions based solely on this theory therefore consistently fall short. The most common explanation for why most anti-corruption efforts are ineffective is that few local stakeholders are willing to enforce anti-corruption laws and policies in highly corrupt environments because widespread acceptance of corrupt behaviour makes enforcement costly for those stakeholders. In short, in corruption-rife environments, the assumed ‘principal’ is absent, or constantly ‘shirks’ their responsibilities to change the behaviour of ‘agents’.

**RESOURCES**

**Relevant International IDEA publications**


For example, Persson, Rothstein and Teorell (2013) draw on qualitative fieldwork in Kenya and Uganda to explain how political leaders and citizens ‘seem to at least passively maintain the corrupt system’ despite officially denouncing corruption (Persson, Rothstein and Teorell 2013: 454). In corruption-rife environments, even where citizens would prefer a less corrupt public service, corruption remains a deeply embedded social norm (World Bank 2015). Social networks may even punish individuals who do not abide by this norm. For example, in a study of public officials in Kenya and Uganda, Fjeldstad, Kolstad and Lange (2003) found evidence that public officials who did not use their position of influence to assist friends and family risked ostracism. In short, there is evidence of a lack of stakeholders willing to implement existing legal frameworks to curb corruption—the absence of ‘principled principals’ in highly corrupt environments. Instead, contemporary critics argue the value of viewing corruption as a collective action problem.

3. Corruption as a collective action problem

Scholars such as Teorell (2007), Rothstein (2011), Persson, Rothstein and Teorell (2013), and Marquette and Peiffer (2015a, 2015b) argue that the collective action problem lens better explains some aspects of corruption. This informs a distinct approach to tackling corruption. Using the collective action theory, a corruption-free environment becomes the goal and free-riding behaviour becomes corruption itself (see Box 3.1). Here, the motivation behind corrupt behaviour is an individual putting his or her interests ahead of those of the group, and corruption causes the depletion of tangible resources to be suffered by all (Marquette and Peiffer 2015b). This is fundamentally distinct from the principal–agent approach as it explains why no ‘principals’ exist: systematic corruption persists because everyone participates in corruption as no one can trust that others will not do the same. ‘Principals’ abstaining from corruption would lose out.

**BOX 3.1**

**The collective action problem**

A classic collective action problem assumes a common desire or goal held by a group of individuals. It is traditionally more associated with environmental politics and may be referred to as the ‘tragedy of the commons’, as in Ostrom’s work on governing natural resources used by many individuals (Ostrom 2015). The common goal is a non-exclusive and non-rival good that if attained, all individuals will benefit from equally.

However, individual action towards achieving this goal is costly and the non-exclusive nature of the good means that individuals who do not contribute will still benefit as ‘free-riders’. Therefore, individuals do not contribute fully or at all, which means that the common goal is not fully realized and inaction or free riding becomes the expected behaviour of all.

This view of corruption emphasizes the collective over the individual nature of corruption, and acknowledges the systematic nature of the phenomenon. It identifies the norms, behaviour and level of trust in society as the main challenges facing anti-corruption efforts. The collective action approach to understanding corruption therefore influences a distinct design of anti-corruption strategies that emphasizes inclusive community engagement geared towards building trust and integrity (Marquette and Peiffer 2015b).
Anti-corruption strategies

This collective action approach to understanding corruption is still relatively new in the field. The theoretical framework focuses on the incentive structures and resulting behaviours in a society. Such broad social change requires comprehensive reform and a wide range of institutions, actors and initiatives to work to restore or enhance integrity. This contrasts with the previous top-down monitoring and sanctioning of narrower anti-corruption strategies. Rather than relying on a select few government officials, policies must address broader social incentive structures (see Box 3.2). This new approach negates the problem of lack of political will, as it uses incentives and everyday norms to address corruption. Examples include changing salary levels in the public sector as part of a package to reform the behaviour of those driving the system, such as the police, politicians and civil servants, and curb the incentives to accept bribes (DFID and UKAID 2015).

Complementary approaches

The recent literature highlights certain complementarities between principal–agent and collective action problems and argues that both approaches make an important contribution to understanding the dynamics of corruption (DFID and UKAID 2015). Viewing corruption as a collective action problem provides a strong explanation for the previous failures of anti-corruption interventions, and reveals different characteristics and drivers of corruption to those of principal–agent theory (Persson, Rothstein and Teorell 2013). However, the principal–agent approach still provides important insights on anti-corruption efforts. In practice, interventions should employ a mixed approach, focusing on the specific types of collective action problems powerful principals face when deciding which anti-corruption reforms to implement. Interventions should also clearly identify the implementation challenges principals are likely to face from their agents (Marquette and Peiffer 2015b).

BOX 3.2

Demonetization in India: a collective action solution?

A high-profile recent example of an effort to tackle corruption as a behavioural societal problem is India’s demonetization drive. The initiative originated in November 2016 and involved withdrawing 86 per cent of the country’s currency in circulation when Prime Minister Narendra Modi announced the overnight elimination of the 500 and 1000 rupee notes (Vaishnav 2016). This intervention could arguably be seen as reinvigorating the public debate around the need for collective integrity and action on the issue of corruption.

A case study by Beyes and Bhattacharya shows initial public support for the innovative intervention, to the extent that ‘consensus was so strong, it outweighed even personal inconvenience and potential economic losses’ (Beyes and Bhattacharya 2017: 1). This support was possible through the strategic positioning of the policy as a collective nation-building exercise. Here, ‘the common man’ was the real owner of the fight against corruption. Modi asked Indians to ‘extend [their] hand in . . . this celebration of integrity, this festival of credibility’ (Modi in Beyes and Bhattacharya 2017: 4–5).

Effectively, Modi positioned corruption in the minds of citizens as a collective action problem. While the intervention is still too recent to produce measurable results, this example demonstrates the divergence of this approach from classic top-down interventions that try to curb corruption through stricter regulation by the authorities. Instead, the behaviour of the everyday citizen becomes the target. While not discussed here, it should also be noted that this initiative has been criticized for its economic impact on the agricultural sector and the poor in India, who live in a mostly cash-based economy.
4. A third way to complement the approaches: corruption as an aspect of development

So far, corruption has been conceptualized using two different lenses. In practice, these two approaches can be married in policy interventions. However, this solution does not account for the fact that in many environments corruption continues simply because it is considered a solution in itself. In the absence of formal enforcement institutions, patron–client relationships emerge to allocate resources. This is particularly true in developing countries, which generally suffer from high a degree of corruption, weak enforcement of formal rules and weak institutions (Khan 2006; Khan et al. 2016).

This also corresponds with the emerging work of corruption as an ‘informal institution’ that affects governance and politics (Helmke and Levitsky 2004). Social science sees institutions as ‘rules and procedures that structure social interaction by constraining and enabling actors’ behaviour’ (Helmke and Levitsky 2004: 727; see also North 2000). Informal institutions are the structures, norms or socially shared ‘unwritten rules’ that are created, communicated and enforced outside of official channels (Helmke and Levitsky 2004: 725). For example, an informal institution observed in the past in Japan was the practice of amakudari, where senior officials could rely on the ‘unwritten rule’ that on retirement they would be offered top positions in private sector corporations (Helmke and Levitsky 2004). Again, this developmental approach should be seen as complementary and related to other key approaches to corruption.

The developmental approach to corruption focuses on political settlements, and acknowledges the stabilizing role of corruption in a society. When looking to mobilize or stabilize political support, political leaders in developed economies can generally rely on the function of and respect for legal fiscal budgetary transfers. They can also count on a diversified economy where interests align with following the formal rules (Khan et al. 2016). In some developing environments corruption continues simply because it is considered a solution in itself.

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countries, on the other hand, maintaining political stability can be challenging, especially in economies with little diversification and a tax system with only limited functioning.

Weak rule of law and unpredictable institutions are often part of developing contexts. Societal cleavages also add to the challenge of governance. However, political actors remain stable and manage to consolidate the support needed to remain in office. Off-budget patron–client networks, or the exchange of resources for political support, is both a classic definition of corruption and a common method of corruption (Khan et al. 2016; Marquette and Peiffer 2015b). At all levels, corruption becomes a means for bypassing unpredictable ‘formal’ institutions. Paying a bribe might be the only way to receive a public service (Persson, Rothstein and Teorell 2013). Accordingly, politicians, public officials and citizens view corruption as a strong ‘informal institution’—the ‘only game in town’. In the light of weak rule of law and poor service delivery, patron–client relationships and corruption serve social functions (Marquette and Peiffer, 2015b). In these contexts, the informal institution of corruption becomes the ‘rules of the game’—informal rules that are created, communicated and enforced to complement an existing incentive structure (Helmke and Levitsky 2004).

To address this, scholars draw again on the collective action approach to corruption. Successful transitions from corrupt societies to significantly less corrupt systems have occurred in places such as Georgia, Denmark, Hong Kong, Singapore, Sweden and the United States (Persson, Rothstein and Teorell 2013). The optimal pace for these reforms is still being debated. For example, Rothstein (2011) argues for a ‘big bang’, or sudden and complete reform package of political, social and economic reforms such as in Georgia and Singapore, while other scholars such as Sundell (2016) highlight the slower incremental approach and its successes in places such as Sweden.

RESOURCES

More online resources

Global Initiative for Fiscal Transparency (GIFT): <http://www.fiscaltransparency.net/>


OECD Integrity Week [held annually in Paris since 2013]: <https://www.oecd.org/cleangovbiz/oecd-integrity-week.htm>


World Bank Group, Enterprise Surveys [data on the prevalence of bribery in 139 countries]: <http://www.enterprisesurveys.org/data/exploretopics/corruption>
Despite this debate, scholars agree on the need to formalize the informal practices often considered as ‘corruption’. One example of this is the Swedish case, where over the course of a century the bribe-like sportler practice of providing informal payments to public officials was formalized to become part of a public official’s salary (Sundell 2016). Such regularization allows the standardization, accountability and regulation of such practices, making them a formal fee rather than a bribe. This Swedish experience provides insights for countries where informal payments in the public sector continue to be the norm.

The overarching solution to corruption according to the developmental approach is economic and institutional development itself—especially strengthening institutions, increasing their predictability and formalizing the ‘informal institutions’ of corruption, as in the case of Sweden. Significantly, the developmental approach also negates cultural explanations for corruption. With development, attitudes, values and social norms, such as corruption, have the ability to change.

5. Conclusion

After 25 years of pouring attention, effort and investment into anti-corruption efforts in development cooperation and law enforcement, the limited effect of these efforts puzzled observers. In an attempt to understand the problem, the recent scholarly literature argues that previous theoretical understandings of corruption had important limitations. Lack of political will and cultural reasons are not the only drivers of corruption. Scholars now argue that corruption is not just a principal–agent problem—it is also a collective action problem and a developmental problem.

These new approaches to understanding corruption allow policy design to address the failures of previous anti-corruption reforms. Viewing corruption from multiple perspectives has led to new anti-corruption strategies that aim to change social norms and behaviour, and to engage broader coalitions of actors and institutions to enhance integrity in society. Pursuing better theories of corruption and its persistence should, in turn, lead to more effective interventions.
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