Corruption:
Critical assessments of
contemporary research

Report from a multidisciplinary workshop

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Preface

Chr. Michelsen Institute (CMI) and the *Norwegian Institute of Foreign Affairs* (NUPI) in collaboration with the *Norwegian Agency for Development Co-operation* (NORAD), organised a workshop on 'corruption research' in Oslo 19-20 October 2000. The workshop gathered more than 30 international scholars and officials from bilateral aid agencies and Ministries of Foreign Affairs in Europe.

The workshop aimed to assess the current analytical approaches to corruption, with the specific objective of exploring present knowledge on corruption (approaches, causes, effects, etc.), present the major controversies, and identify the areas in most need of further research. The purpose of organising this as a workshop was to enhance discussions and dialogues both across and within disciplines.

This report summarises both the papers presented and the major issues discussed, emphasising the challenges identified for further research.

Workshop on corruption

Critical assessments of contemporary research

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Introduction

The workshop was hosted by *Chr. Michelsen Institute* (CMI), Bergen, and the *Norwegian Institute of International Affairs* (NUPI), Oslo, in collaboration with the *Norwegian Agency for Development Co-operation* (NORAD). It aimed to explore some of the following issues:

- How is corruption understood in various disciplines?
- What do we at present know about corruption (causes, effects and possible cures)?
- What are the major controversies within and between disciplines?
- What are the major challenges ahead for research on corruption?

The workshop brought together researchers from different disciplines with officials from various bilateral aid agencies and Ministries of Foreign Affairs in Europe working on anti-corruption policies (see the list of participants in appendix 2).

This report intends to summarise both the papers presented and the major issues discussed, emphasising the challenges for further research that were identified. The report follows the same outline as the workshop (Appendix 1).

Session 1   Research on corruption: A policy oriented survey

Odd-Helge Fjeldstad (CMI) and Jens Andvig (NUPI) held two introductions based on a drafted version of a comprehensive survey of corruption research, entitled *'Research on Corruption. A Policy Oriented Survey'*. The survey is commissioned by NORAD and developed by a team of researchers from CMI and NUPI. Research fellow Valter Angell (NUPI) convened this session.

Part 1.1   *O-H. Fjeldstad:* The 'state of the art' study - some findings

A striking property of present corruption research, Odd-Helge Fjeldstad claimed, is its explosive growth. This had in one sense made it quite difficult to select the research for the survey, and also fairly labour demanding to realise the objective of the CMI-NUPI study in reviewing 'the state of the art' of international corruption research. The study has two main objectives:

(1) To review the essential elements of various approaches that have been used to analyse the causes and effects of corruption.

(2) To explore how research has been applied in developing countries. What policy recommendations have been made? What might be learned from the anti-corruption campaigns and the policy applied in specific countries?

While the first objective has been covered, the second aim has not been reached to the same extent. It is, however, acknowledged that corruption research is at its most fruitful when country specific knowledge is combined with nomothetic knowledge on corruption. This is important not only when tracing the determinants of corruption and to understand its variety, but also for suggesting means of prevention and cures.

The report is organised in 10 chapters:

- Chapter 1 presents the background for the study.
- Chapter 2 explores how corruption is understood in various academic disciplines, and briefly reviews definitions and typologies of corrupt transactions.
- Chapter 3 deals with the problem of finding relevant observations of corrupt acts, eventually to find quantitative indicators of the extent of corruption, emphasising cross-country corruption perception indexes and their operationalisation.
- In chapter 4 the focus is on political variables and theoretical explanations developed within the political science traditions.
- Chapter 5 discusses anthropological perspectives on corruption.
- In chapter 6 economic and quantitative oriented studies for explaining the causes of corruption are discussed, along with empirical evidence.
- Chapter 7 synthesises research on the effects of corruption.
- In chapter 8 some of the micro-oriented theoretical analyses of corruption are presented, with an emphasis on principal-agent models.
- Chapter 9 focuses on how research is translated into policy recommendations, and discusses various anti-corruption measures.
- Finally, in chapter 10 challenges ahead for research on corruption are discussed.

A major obstacle for cross-national comparative empirical research has been the difficulty of measuring levels of relative corruption in different countries. In recent years, however, several

indexes ranking perceived corruption levels in a large number of countries have been developed. This has given rise to an extensive quantitative literature that has sought to explain the ranking econometrically. The clearest result among the empirical findings of this analytical approach is that the economic development level measured by GDP (Gross Domestic Product) per capita has the strongest impact on perceived corruption.

The survey discusses a number of other factors presumably influencing the aggregate corruption level, including democracy and the degree of decentralisation of a country. Although democratisation may be an end in itself, the linkages between corruption and democracy are not obvious. Is corruption lower in democratic countries and in those with a free press and strong civil associations?

A number of empirical studies have explored the possible correlation between corruption and democracy. For instance, Martin Paldam, in a study from 1999 finds that democracy seems to relate inversely to corruption, but the independent effect of democracy on the level of corruption is dubious. According to a study by Harris-White and White from 1996, the democratisation processes in the Philippines and Thailand have led to increased corruption. Furthermore, the corruption in these countries have become more decentralised and uncoordinated.

In a comprehensive cross-national study on the causes of corruption, Daniel Treisman (2000) finds that the current degree of democracy in a country makes almost no difference to how corrupt it is perceived to be. What matters is whether or not a country has been democratic for decades. The regression results suggest a painfully slow process by which democracy undermines the foundations for corruption. Those countries with at least 40 years of consecutive democracy behind them benefited from a significant, although small corruption dividend.

The power allocation between centre and periphery is another possible determinant. Some scholars argue that concentrated power is an aggravating factor in corruption. Due to social pressure, local officials may be less prone to cheat or abuse people they know and live near. By contrast, other researchers argue that 'decentralised political systems are more corruptible', since the potential corrupter needs to influence only a segment of the government. In addition, in a fragmented system there are fewer centralised forces and agencies to enforce honesty. According to Manor (1999), decentralisation "is always attended by an increase in the number of persons who are involved in corrupt acts".

At the macro-level the policy-implications of the comparative, research has so far been somewhat discouraging. Policy decisions themselves either have little significant impact on corruption or else work rather slow. Democratisation does not have statistically noticeable effects until it has lasted for decades, and decentralisation may increase corruption.

Thus, some important questions to pursue in future research are :
- Are citizens in poor countries likely to be able to hold bureaucrats (and politicians) accountable?
- Are local government officials through sheer proximity more accountable for their performance?

Part 1.2   *J. Andvig:* **Where is economic theory on corruption going?**

Jens Andvig presented, somewhat abstractly, what he considered to be the some of the main issues touched upon in economic research on corruption, but unresolved in the CMI-NUPI survey. In the context of foreign aid, corruption as a moral issue recedes in importance. Its role in economic development should, however, also be kept in focus. One way to regard economic development is to consider it as composed of a large number of tasks, of which some directly result in production. Most tasks demand the co-operation of several individuals. Efficiency in task-solving demands, commitment and effort.

The most significant forms of corruption deal with situations where the tasks to be solved demand interaction between individuals who belong to different organisations. So far, economists have been rather silent about such interaction. Thus, it is no wonder that they have made little progress in specifying conditions when corrupt cross-organisational transactions cause reduced effort levels and when they do not. This is the crucial question when it comes to explain why corruption or corruption associated-behaviour sometimes appear to block economic development, and sometimes appear to be rather unimportant.

This state of 'non-explanation' may soon change. Some promising economic theory is developing in a direction that may cover such interactions by studying networks, economic behaviour inside and outside groups, norm-guided behaviour and so on. Corruption will become a natural field of application for these new theoretical developments. Here it may follow a fairly

recent but now established area in economics, which is studying economic interaction when at least some agents do not have full information about the others and their actions. A large number of corrupt transactions are based on such situations: At least one of the agents possesses secrets and may make actions valuable to outsiders where the motivation can not be revealed by his actions. This gives scope for selling either information or actions illegally, and in practice may be almost impossible to detect and punish. This informational asymmetry is not something that simply may be wished away, but is deeply embedded in the task structure of the public or private bureaucracies in question.

Hence, many forms of corruption that are practically impossible to fight, head on with anti-corruption campaigns and increased controls. Wishful thinking is a major problem in policy thinking both at the national and international level since anti-corruption policies have become 'fashionable'. When only symbolic actions are intended, it does not matter much whether policies work. However, a clear understanding of the real situation of the agents' is usually necessary in order to propose feasible policy proposals. For example, the recent OECD-convention forbidding citizens (businesspeople) from countries ratifying it to bribe public officials abroad, may work without centralised policing if every country has an interest in following the rules when others do so (i.e., an *assurance game*). If it is more to gain by not following this policy even if the others are (i.e., a *prisoners dilemma game*), the convention is likely to remain a case of wishful thinking without a centralised control apparatus.

For future corruption research the sociology-inspired trend in economics referred to above, may become of great interest both from a theoretical and practical point of view. It may, for example, explain when and why many of the economic incentive mechanisms proposed in different anti-corruption policies do not work.

Part 1.3   Discussion and comments

The discussion following the presentations focused on challenges ahead for research:

Petter Langseth: Researchers ought to be much more clear when criticising the role of the World Bank and donor agencies in laying the foundation for corruption, as well as on their half-hearted attempts to curb it. Here building trust among the people involved is essential, but as in many other areas of development aid much neglected in most donor organisations.

<u>Johan Graf Lambsdorff:</u> Much research has focused on anti-corruption initiatives, incentive schemes etc.. There has been very little research on the culprits involved in corruption. Who are the criminals, and how do they operate?

Session 2   Understanding corruption

In this session papers were presented by Professor Jean-Francois Médard, Department of political science, CEAN, University of Bordeaux, and Senior Lecturer Dr. Mushtaq Khan, SOAS, London. The session focused on macro issues and qualitative mixes of institutions. The session was convened by Dr. Arild Engelsen Ruud, Research Fellow, Centre for Development and the Environment (SUM), University of Oslo.

Part 2.1   *J-F. Médard:* **The crisis of neo-patrimonial states and the evolution of corruption in sub-Saharan Africa**

Professor Médard's analysis is based on his characterisation of African states as neo-patrimonial. This is a special mixture of Weber's ideal types of patrimonial and legal, bureaucratic domination. One characteristic of patrimonialism is the personalisation of power at all levels of authority, combined with a centralised set-up. That is, a person on a higher level may interfere in every decision made at a lower level. What is meant by higher and lower level may often not follow the formal hierarchy, however, but is determined by more or less informal structures. Given the acceptance of his superiors, a person in a patrimonial hierarchy is allowed to earn income from his positions in any manner he find profitable. In the *neo*-patrimonial context, however, there also exist formal, legalised bureaucratic structures, which the individuals in the patrimonial structure also operate. While in Europe patrimonial preceded legal bureaucratisation, in Africa bureaucratisation and patrimonialism developed together.

Pointing to the causes and sustainability of neo-patrimonial corruption in Africa, Médard advocates that power is personal rather then institutional. In vulnerable political circumstances in Africa, the neo-elite in power combines corruption with clientilism. The main issues at stake are political and economic survival ('the elites eat as much as possible as fast as possible'). The result is a rent seeking elite intrinsically rooted in a rent seeking state, turning state monopoly companies to their personal benefit, and to the benefits of the family, friends and clients. Since present-day patrimonialism in Africa lacks ideological legitimacy, a way of legitimising power is through extracting resources and redistributing them for consolidating the political power.

So far, these resources have been spent in ways that have impeded growth. To fight it is difficult, but not impossible. The first condition for the effectiveness in combating corruption is through internal support of the collective action. To succeed, the action must have legitimacy, and this legitimacy is not likely to be generated from outside. Internally it is not impossible, however, since the legitimacy of most patrimonial structures in Africa is rather weak and modern conceptions of proper government are on the rise. To succeed, collective actions from the constituents are necessary, which may prove difficult. Such initiatives may be encouraged but not generated from external actors and institutions, including donor agencies. Many Africans are angered by corruption and at least some partially successful fights have been recorded such as in Botswana and Ghana.

Part 2.2 *M. Khan:* Analysing corruption as a process: Competing paradigms in economics and political economy

Mushtaq Khan's point of departure is the observation that corruption is endemic in all the countries in South and South East Asia. In spite of this, some of these countries have grown very fast.

Khan refers to the World Bank approach to fighting corruption as 'a nice, neat market-based ahistorical approach'. This approach is, however, very influential for policy purposes, and also influences much academic literature, in particular in economics. This model is based on very simplistic assumptions of what constitutes the perfect economy. The story of developing countries, however, is that they are in transition. State interventions are very often implemented through patron-client networks. A large part of Mushtaq Khan's message was presented through a criticism of what he considered to be the main, neo-classical or World Bank view of corruption, which he calls the 'ahistorical market model'. It contain four propositions:

(1) A Competitive Market Economy (CME) with well-defined property rights generates efficient rent-free allocations that give the greatest scope for growth.

(2) The state's main task is to support CME, which is more likely to happen in legitimate democracies.

(3) A state intervention that does not support CME gives rise to rents and rent-seeking, including corruption.

(4)   These rents are caused by wrong policies and institutions that may be moved back on track through correct anti-corruption policies.

The vicious circle indicated by (3) and (4) and by the possibility that the public officials who suggest and implement wrong policies may gain substantially by them. Wrong policies may therefore continue until they are deliberately broken.

Khan argues that this analysis does not correspond to the reality of capitalist development in the past and contemporary developing countries in Asia. Any capitalist growth, particularly in its early 'primitive accumulation' stage always gives rise to rents that are a precondition for growth. At this stage the growth process demands not well-defined, but rapidly changing property rights. Corruption is often a method for rapid change in property rights. While rents under certain conditions may concentrate resources necessary for growth, it may under other conditions create wasteful consumption or destructive forms of rent-competition.

To determine these conditions is the key problem in corruption research, since corruption is extensive everywhere in developing countries. It requires a historical approach where the institutional conditions are specified that allows or does not allow the rents to end up in the hands of capitalist owners willing to expand production. The mechanics of this eventual transfer is determined by the specific configuration of patron-client networks related to the state in question. The dynamics of this process of 'primitive capital accumulation' may better be regarded as determined by its potential for group actions. The configuration of classes is of exceptional importance for determining the role of corruption in growth.

Part 2.3   Discussion and comments

The discussion focused on Mushtaq Khan's paper, and included some of the following issues:

Rick Stapenhurst: Some of the cases where corruption and economic growth are positively related may be flawed because of the way growth is measured. Some countries may experience high growth which are founded on a devastating and not sustainable environmental policy (e.g., deforestation).

Robert Manchin: It is too optimistic just to consider corruption as a side-effect of transition.

N. Bazaara: The state is not an unchanged phenomenon. In Africa the state is in continuous change. This also leads to changes in the composition and characteristics of the civil service, and thus the patterns of corruption.

Mushtaq Khan: All corruption is bad, but some corruption is very bad. Fighting corruption should concentrate on the last type. Democracy is an end in itself, but it is doubtful that democratisation is a solution to fighting corruption. An indicator of this is the fact that all developing countries that have developed have been authoritarian. This observation is of course problematic, because supporting authoritarian regimes is bad. However, all good things cannot go together. The reason why anti-corruption campaigns do not work, is because the ruling class/elites do not want changes.

Session 3   How do we monitor and assess corruption? A methodological consideration

Professor Johann Graf Lambsdorff, Göttingen University, and Dr. Petter Langseth, Programme Manager, United Nations Global Programme Against Corruption, Vienna, presented papers. The session was convened by Dr. Arild Schou, Research Director, Norwegian Institute for Urban and Regional Studies (NIBR), Oslo.

Part 3.1   *J. Lambsdorff:* Measuring corruption: State of the art and future challenges

Johann Lambsdorff discussed the methodology used by *Transparency International* (TI) in developing the 'Corruption Perception Index' (CPI).

The CPI assesses the degree to which public officials and politicians are *believed* to accept bribes, take illicit payment in public procurement, embezzle public funds, and do similar things. The term 'degree' is either related to the frequency of corrupt acts and the amount of bribes being paid or the overall gain that contractors achieve by means of corruption. The term 'level of corruption', on the other hand, includes both the frequency of corruption and total value of bribes involved in transactions. In this respect, Lambsdorff emphasised that more research is

required to deepen our understanding in terms of levels and types of corruption, and the extent to which corruption differs between countries.

The CPI is not based upon information from *Transparency International's* own experts but is constructed as a weighted average of different indexes from different organisations. The majority of these indexes are based on fairly general questions about the level or frequency of corruption perceived either by experts or business managers. About half are based on expert opinions with built-in checks to ensure cross-country consistency. The other half is mainly based on questionnaires sent to middle/high level management in either international or local firms. Only one organisation is asked directly about the respondent's own experience. Thus, the CPI is mainly a 'poll of polls', reflecting the perceptions of business people and risk analysts who have been surveyed in a variety of ways.

TI has opted for a composite index since it considers it as the most statistically robust means of measuring perceptions of corruption. Each of the original surveys uses different sampling frames and methodologies. The definition of the concept 'corruption' also varies. One of the drawbacks of this approach is the year-to-year variation of a country's score due to changing perceptions of a country's performance and changes in sample and methodology. No valid time-series are available. Moreover, in general, the surveys do not distinguish between administrative and political corruption. However, a new mode of research is promising in the future to differentiate political and administrative corruption.

Part 3.2 *P. Langseth:* Qualitative versus quantitative methods

The paper presented by Petter Langseth questions the quantitative method used by *Transparency International* for preparing the Corruption Perception Index (CPI). Langseth compares the CPI with qualitative approaches in measuring corruption in developing countries. Langseth acknowledged the CPI as a brilliant awareness-raising tool. In particular, it has proved useful to alarming the international audiences, including the private sector and donor agencies.

However, corruption is understood differently in different countries. Thus, if data is collected by a foreign agency for external use, it usually has little impact on the recipient communities. International surveys are often filled with statistical flaws. The essential part of data collection should be an integrated qualitative approach to assess the quality of decision-making, planning

and implementation, as well as proper monitoring of the development projects in the recipient countries.

Langseth argues that data must be collected regularly to establish a base line for transparent monitoring and future assessment of corruption in a particular country. The benefit of collecting data on the level of corruption is to increase the accountability of the state by establishing measurable performance indicators that are transparent, independent and monitored over time. In this perspective, a comprehensive country assessment aims at examining the levels, locations, costs, causes and remedies for corruption. Inherent in this approach are surveys of the perceptions of the general public, the private sector, civil servants, as well as case-studies and focus groups studies at the national, sub-national and municipal levels.

According to Langseth, the best way to reduce poverty is through an integrated approach towards development by addressing quality growth, environment, education, health and governance. This proposition, he claims, has come through lessons learned during the survey conducted by the *United Nations Global Programme Against Corruption* (GPAC) in selected countries. These countries are Benin, Colombia, Hungary, Indonesia, Lebanon, Nigeria, Romania, South Africa and Uganda. The intended use of these studies is evidence-based planning as a mechanism for change.

The government of a developing or transitional country cannot alone control widespread corruption. To some extent, it may be possible by encouraging a broader and more expeditious dissemination of valid information on corruption, which in turn can raise the national and sub-national levels of awareness among the masses. What remains to be seen at this point is the level of progress made in addressing corruption. This needs to be further clarified by subsequent surveys. Such an effort will additionally reinforce the objectives among the surveyors and the respondents, and will raise their expectations for greater improvements in terms of minimising the risk of corruption. Moreover, The *UN's Global Programme Against Corruption* (GPAC) will provide assistance to the member countries in its effort to curb corruption.

Part 3.3   Discussion and comments

Robert Manchin: It is possible to measure levels of corruption, and the CPI has proved that such an exercise may have a good 'mobilisation value'. However, it is necessary to have a more

representative response group in the surveys which found the basis for the CPI. The perceptions of international business people most likely differ very much from the perceptions of ordinary people in the country in question.

Jean-Francois Médard: The problem with the CPI is that it puts all kinds of corruption into one measure: Frequency, extortion, embezzlement, etc.. Each person may have a distinct perception of what is corruption. Furthermore, scandals may have short-term impact on the perceptions of corruption.

Fredrik Galtung: It is not fair to criticise *Transparency International* for what is not included in the indexes. Developing the CPI, for instance, is a process which started just a few years back. It takes time to develop, and to make it operational 'everything' cannot be incorporated into one single index.

Jens Andvig: I am glad that TI now is taking seriously the issue raised by *World Bank* researchers of possible high sampling errors in its country ranking. Another middle level problem with the CPI and other corruption indexes may not be the indexes themselves, but how the indexes are used in research. Strong conclusions are often made on the basis of very poor information.

Johann Graf Lambsdorff: The level of confidence between the CPI and the index developed by the *World Bank* is not very different. However, in contrast to the CPI, the WB has only one source for a large number of countries.

Mette Masst: The use of quantitative and qualitative methods is important, in particular because of the power quantitative analysis and 'figures' have on policy making.

Session 4   Corruption and democratisation

In this session, Professor Alan Doig, John Moores University, Livepool and Dr. Inge Amundsen, Research Director, Chr. Michelsen Institutte, Bergen presented papers. The convener was Bazaara Nyangabyaki, Director, Centre for Basic Research, Kampala.

Part 4.1   *A. Doig:* Development, democratisation and donors: Competing with or competing for corruption?

Alan Doig analyses the role of donors in anti-corruption campaigns. Most donors are driven by their own myopic interests and are really not interested in an effective, rationally organised and co-ordinated aid policy. In anti-corruption policy donors focus in general on macro-reforms, such as economic liberalisation, privatisation, democratisation and decentralisation, which will take years to achieve in both developing and transitional countries. The focus at present should be on petty corruptions that directly affect the lives of the poor.

Democracy is about winning and victories have price tags. Elections have to be financed. Democracy comes with a price tag which may be corruption. Corruption is, however, a very dynamic problem. The important issue at stake is the trust of the poor in the state. Dealing with petty corruption is therefore fundamental because of its destructive effects on the poor. Grand corruption does exist even in developed countries, but petty or street corruption does not, in general. Therefore, fighting petty corruption should be given priority in developing countries.

Multilateral and bilateral donors in general overlook the importance of proper analysis and country assessments when dealing with corruption issues. Furthermore, donors often control and have access to enormous files of information and data, which they do not want to share systematically neither with other donors nor with individuals because of the 'donor competition'. It is crucial that donors put as much information as possible on the web. Furthermore, they should work collectively in their anti-corruption campaign efforts.

Part 4.2   *I. Amundsen:* Corruption and state-formation in Palestine

Amundsen used institutional and neo-patrimonial approaches to describing the linkages between state formation and corruption in Palestine. Despite the democratic symbols, the distribution of power is highly concentrated, both in formal and informal terms. It is monopolised by Yassir Arafat and the various organs of the PLO leadership. The Oslo framework only provided for an interim elected president, but PLO has created a strong PLO presidency. None of the basic institutions of state formation has yet gained political legitimacy and operational capacity in the State of Palestine. Widespread and entrenched corruption exists, which also involves the presidency.

Centralisation of political and financial authority, detailed micromanagement and lack of delegation of administrative authority have increased in recent years. Furthermore, the Parliament is severely undermined due to the overlapping and confused sharing of responsibility between the various organs of national authority and the various organs of PLO. No constitution or basic law exist in Palestine.

Comparative research substantiates the view that neo-patrimonial states are generally corrupt. This proposition is applicable to Palestine, too. One of the basic characteristics of neo-patrimonialism is presidentialism and the informal power concentration in the presidency. Other structural characteristics are the accumulation of political positions and the tendency of converting them to private wealth (as professor Médard has discussed before). Clientialism and patronage in Palestine are manifested through Arafat's ways of co-opting different groups in the state power structure. Economic activities in Palestine are controlled largely according to political and patrimonial objectives. Furthermore, the PLO leadership seems to be alien to the population of West Bank and Gaza because of its long exile.

Part 4.3   Discussion and comments

Mette Masst: What is the scope for donor interventions? How to contribute to improved accountability and transparency in politics and the public sector? Building institutions? The donors' impacts may be very limited.

Robert Manchin: Development aid to the former Yugoslavia is an excellent case for analysing the linkages between aid and corruption. Fortunes are now built in the Balkan, partly by diverting aid money. Another question, though partly related, is why should taxpayers in Western countries contribute in building these fortunes while the countries themselves have no income tax imposed on their own citizens and companies?

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Several donor officials at the workshop expressed a wish that research should try to trace the mutual effects of the recent and coming aid to the Balkan and the corruption in the area.

Session 5 Corruption, political stability and crime

In this session, Professor Kalle Moene, Department of Economics, University of Oslo, and Dr. Brian Cooksey, Director, TADREG, Dar es Salaam, presented the papers. The convener of this session was Dr. Gunnar Sørbø, Executive Director, CMI, Bergen.

Part 5.1 *K. Moene:* Corruption, political stability and violence: An economic perspective

In his paper, Kalle Moene outlined a set of models he has developed with Dr. Halvor Mehlum (University of Oslo) to explain the simultaneous occurrence of poverty, political stability *and* intensely violent struggles that characterise the present situation in many African countries.

The first model portrays a kind of anarchy where nobody has control of state power (examples are Somalia and Sierra Leone). A number of centralised groups are here fighting for a given rent, received by the winner, that may, for example, come from natural resources or foreign aid. The probability of winning hinges upon one group's efforts compared to the efforts of others. The group with the lowest costs, i.e. the otherwise poorest members, will fight the most. The worse the anarchy, i.e. the larger the number of fighting groups and the more poor the average person, the more fighting. Political stability decreases with the size of the rent, but increases with group variability. Social waste (measured by the opportunity costs of labour time spent on fighting) is inversely related to political stability. While an increase in average poverty increases the extent of fighting, it has no impact on political stability.

Many of the results change when the situation is such that the group that gains the state power (and rent) thereby increases its probability of winning next time, by becoming the 'king of the hill'. In this case social waste often may increase with increasing stability. More surprisingly, the extent of fighting is not necessarily reduced when political stability increases, since the 'value of winning' then increases.

In a final set of models, the incumbent is able to influence the level of rent extraction. As he increases the rent, the alternative costs of fighting drops for the losers, and the probability of fighting increases. If the ruler also enjoys a peace dividend (i.e., a part of his rent as ruler that is destroyed when fighting starts), he will be more careful in his rent extraction. In countries with concentrated natural resources that are easy to exploit and develop, the piece dividend will be

small. Such countries will tend to have poor populations and violent conflicts. The different implications for foreign aid policy should, however, be noted: While aid in anarchy will tend to increase violence, in a 'king-of-the-hill' country it will reduce it, if it is tied to the peace dividend.

Part 5.2   *B. Cooksey:* Corruption and international crime: What are the linkages?

Brian Cooksey explored the multiple dimensions and linkages between international crime and corruption; money laundering, drug trafficking, counterfeiting, human trading, trade in nuclear wastes and smuggling. Money laundering in the world's financial market is an integral part of the process of reproduction and accumulation by the world's major criminal organisations. This black money is channelled through offshore tax havens. The world's major international banks and financial centres are involved in the cleansing process. Corrupt politicians, civil servants and bank officials help to keep the crime syndicates in business.

Globalisation and economic liberalisation have facilitated a significant growth in international criminal activities and corruption. The lowering of tariff barriers and the growth in international trade, have made it extremely difficult for customs and revenue authorities to control the flow of illegal products, including human beings, across frontiers. Similar effects follow the de-regulation of international financial market. Moreover, financial liberalisation and privatisation of state corporations have increased the opportunities for crime syndicates to make money through political influence and intrigue.

To understand the relationship between criminal and non-criminal accumulation requires an analysis of the investment strategies adopted by criminal syndicates. Significant variables in this context are the proportion of the shares in the major stock exchanges, government debts and deposits in the major banks, owned directly or indirectly by international crime syndicates.

Part 5.3   Discussion and comments

Moene's paper gave rise to a lively discussion, most of it focused on understanding the points of the models. Jean-Francois Médard underlined the appropriateness of combining research on these forms of violent rent-seeking and corruption.

Alan Doig: A large share of money laundering is from tax evasion in Western countries, and not linked to international crime. Thus, Cooksey's paper needs to be moderated to take such facts into consideration.

Session 6 How is research on corruption translated into policies?

In this session, Dr. Rick Stapenhurst, Senior Research Fellow, World Bank Institute, and Frederik Galtung, Research Fellow, Cambridge University, presented papers. The session was convened by Dr. Robin Hodess, Project Manager, Transparency International, Berlin.

Part 6.1   *R. Stapenhurst:* Fighting systematic corruption: Foundations for institutional reforms

Corruption, Stapenhurst claimed, is a symptom of deep-seated economic, political and institutional weaknesses. Consequently, to curb fiscal corruption it is essential to focus on its causes and rationale. Emphasis should therefore be placed on preventive measures that contribute to reduce the opportunities for and payoffs of corruption. Relevant measures include economic, political and institutional reforms.

Rick Stapenhurst presented the World Bank's multi-pronged anti-corruption strategy, which includes measures to integrating political leadership, coalition building and rigorous data collection. Rigorous data collection is essential for tailoring anti-corruption efforts in the country context. Data provides a powerful tool to persuade leadership and mobilise the population.

The World Bank's latest diagnostic approach towards combating corruption is through detailed questionnaires where the parties involved are interviewed directly about both opinions and own experience. Private households are also covered. The new survey instruments and interview techniques have made the respondents willing to answer.

Once the results are disseminated, they tend to stimulate debates, making it difficult for corrupt agencies and politicians to deny the importance of corruption. Such institutionalised monitoring mechanism can play a major role in reducing corruption.

Part 6.2 *F. Galtung:* The political economy of corruption control

Fredrik Galtung discussed two quite different issues in his paper. In the first part, he presented a critical assessment of surveys of literature available on corruption from different disciplines. Around, 4000 books and journal articles have been published on corruption in 44 languages the last couple of decades. Approximately 50% are on developing and transitional countries, 45% from industrialised countries and the remaining 5% are global and regional in nature. A striking feature is that few works are based on the authors'/researchers' own fieldwork.

In the anti-corruption literature, the absence of historical accounts of anti-corruption policies is striking. Less than one percent of the literature deals with history. The absence of macro-analysis of corruption in industrialised countries in the economic literature, is also striking.

The second part of Galtung's presentation was a macro-analysis of anti-corruption experiences in Italy in the 1990s' based on his own fieldwork. In spite of economic success and growth, systematic corruption exists not only in the south but also in the north of Italy, both at the higher political offices and in different levels of public administration. Galtung raised the question why and how in 1992, massive anti-corruption campaigns were ignited against parliamentarians, politicians and bureaucrats in Italy and several other industrialised countries in Europe. He argued that it is difficult to disassociate entirely the economic success in Italy from its corruption level. The small, medium and large-scale companies in Italy have greatly benefited from corruption, both nationally and internationally for many years, by being part of corruption networks.

Part 6.3   Discussion and comments

Kalle Moene: Putnam's approach on social capital and trust-relations is interesting and probably important for the analysis of corruption, and its differences between regions and countries. Nevertheless, the high incidence of corruption in the north raises the question of the relationship between trust and corruption.

Fredrik Galtung: There is, for instance, a lot of trust within ethnic groups in Africa, but people do not trust the state systems. One potentially important issue to pursue in connection with anti-corruption (AC) reforms, is how to make short-term AC-successes sustainable. How do we

explain the fact that most AC-campaigns after initial successes have broken down, and corruption levels have returned to pre-reform high levels? For instance, all the cases put forward by Robert Klitgaard as successes (in his seminal 1988-book *'Controlling corruption'*), have failed.

Rick Stapenhurst: The potential important role of Parliamentarians and the media in fighting corruption through awareness raising needs to be explored.

Session 7 Closing session: A summary of the discussion

Jean-Francois Médard: Research on corruption may provide a functional light on political, economic and social institutions. Furthermore, we have to closely evaluate the political patterns and their shortcomings, including political competition, the nature and role of the press, legal institutions etc. Some new directions for research may be:

- Collecting more facts on corruption through systematic qualitative research.
- Analysing the mechanisms of corruption, who are involved, how they operate, corruption networks etc..
- How does 'corruption' become corruption for the people?

Phil Mason: What works? What are the criteria for successful anti-corruption reforms? We need examples of successes, for instance at local government levels. Furthermore, studies on the impacts of donor co-ordination and the blacklisting of corrupt companies on fighting corruption, are needed. In general, however, policy makers must be realistic about what donors can do.

Jens Andvig: What has come out of corruption research from a foreign aid policy point of view, is not so much good advice on how to design anti-corruption reforms, that so far have been rather unsuccessful, but reasonable hypotheses about which areas (countries) and sectors that are most vulnerable to corruption. Such knowledge is of importance for policy makers. This implies that a fruitful anti-corruption policy should give rise to an overhaul of the whole existing portfolio of aid projects and programmes and their geographical location. Corruption is not the only consideration, however. Most of the poorest countries are also the most corrupt. A thorough anti-corruption policy demands a reconsideration of the aid organisations themselves, where corruption experiences and problems are brought to light and discussed. The Scandinavian 'action research' tradition may be helpful in this area.

Rick Stapenhurst: The degree of analysis presented in this workshop is interesting and quite impressive. What is interesting for us to look into, is the essence of what works in our anti-corruption efforts. There is no macro-analysis of the options we have, and I have not discovered any really helpful ideas about not only what works but in what circumstances do certain options works.

Co-ordination between donors is important in fighting corruption. Transparency International's anti-corruption measures are useful to a certain extent, although political corruption is still a 'black box'. There is, however, a need for more research on how to measure corruption, and on the impacts of aid conditionality in fighting corruption.

Jens Andvig: It is interesting that the World Bank now is considering to take political forms of corruption seriously, but would not that imply that the World Bank has to develop into a 'Fifth International'?

Kalle Moene: Independent research is important in general and for corruption research in particular. The new management style of research is damaging for creativity and quality, and in the long run its usefulness for policy making.

Petter Langseth: There has been little research on remedies to fight corruption. An action research perspective where the local population is involved brings forward both useful data on corruption and fruitful policies.

Odd-Helge Fjeldstad: Corruption is a complicated and multi-faceted phenomenon. Thus, one challenge for the research community is to pursue multi-disciplinary research. Another is to carry out comparative research, where one tries to learn from the experiences of other countries and regions. In particular, it might be productive to carry out comparative research on patters and mechanisms of corruption in Asia and Africa.

One potentially important area of research is to explore why so many anti-corruption reforms have not succeeded. For instance, there have been some very optimistic experiences of institutional reforms in Tanzania and Uganda (e.g., in the tax administrations), but after a few years, they seem to have been eroded and corruption levels are on the rise. Lack of political will

at the highest levels is not the problem in these countries. The political leadership strongly advocates these reforms. Why then so little success? Research has focused much on policy making. There is, however, a need for more research on the implementation stages of the reforms, too. In this context, there is a need for exploring both formal and informal institutions. How important are informal structures, social networks and neo-patrimonial systems when implementing AC- reforms? Another potentially important research topic concerns the roles played by international organisations and multinational companies, in fostering as well as combating corruption.

Mushtaq Khan: Corruption is integrated into a process of transition and it is extremely serious and painful. If donor agencies are interested in political corruption, they should realise that it cannot be controlled by mere information and publicity. It can only be checked through political action within the country. It may be difficult for donor agencies to do something in this respect because donors cannot take sides in the internal conflicts in a recipient country. However, donors can play a role of an advocate and peruse the recipient countries through dissemination of country analyses of political problems. However, corruption is a wrong area to focus on. Anti-corruption policies tend either to try the impossible, or they become harmful.

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Thus, the workshop presented strong and controversial arguments to its end. While some may be settled through further research, others will remain unexplored in the foreseeable future.

Appendix I: Programme

Day 1
Thursday October 19, 2000

11:30 – 12:00 Arrival of participants and registration
12:00 – 12:10 Welcome address
              Kjell Storløkken, Acting Director General, NORAD

Session 1   **Research on corruption: A policy oriented survey**

12:10 – 12:40 Presentation of the "State-of-the-Art Study", Main Findings
              By Jens Andvig (NUPI) and Odd-Helge Fjeldstad (CMI)
12:40 – 13:15 Discussion
              Convenor: *Valter Angell, Research fellow, NUPI/TI-Norway, Oslo*

13:15 – 14:00 Lunch

Session 2   **Understanding corruption**
14:00 – 14:30 "Understanding Corruption. The African Case"
              Jean-Francois Médard, Professor, Institut d'études politiques de Bordeaux
              CEAN/CNRS, Bordeaux
14:30 – 14:50 "Analysing Corruption as a Process. Competing Paradigms in Economics and
              Political Economy" *Mushtaq Khan, Senior Lecturer, SOAS, University of*
              London, London
14:50 – 15:30 Discussion
              Convenor: *Arild Engelsen-Ruud, Research fellow, SUM, University of Oslo*

15:30 – 16:00 Coffee break

Session 3   **How do we monitor and assess corruption?**
                   Methodological considerations

16:00 – 16:30 "Measuring Corruption - State of the Art and Future Challenges"
              Johann Graf Lambsdorff, Professor, Göttingen University, Göttingen
16:30 – 16:45 "Qualitative versus Quantitative Methods"
              Petter Langseth & Robert Manchin, UN's Global Programme Against
              Corruption (CICP), Vienna, & Gallup Hungary, Budapest
16:45 – 17:30 Discussion
              Convenor: *Arild Schou, Research director, NIBR, Oslo*

19:30   Dinner at 'Café NORAD'

Day 2
Friday, October 20, 2000

Session 4   Corruption and democratisation
09:00 – 09:30 "Development, Democratisation and Donors: Competing with - or Competing for - Corruption?"
Alan Doig, Professor, John Moores University, Liverpool
09:30 – 09:45 "Corruption and State Formation in Palestine"
Inge Amundsen, Research director, Chr. Michelsen Institute, Bergen
09:45 - 10:30 Discussion
Convenor: *Bazaara Nyangabyaki, Director, Centre for Basic Research, Kampala*

10:30 - 11:00 Coffee break

Session 5   Corruption, political stability and crime
11:00 – 11:30 "Corruption, Political Stability and Violence. An Economic Perspective"
Kalle Moene, Professor, University of Oslo, Oslo
11:30 – 11:45 "Corruption and International Crime: What are the Linkages?"
Brian Cooksey, Director, TADREG, Dar es Salaam
11:45 – 12:30 Discussion
Convenor: *Gunnar Sørbø, Director, CMI, Bergen*

12:30 – 13:30 Lunch

Session 6   How is research on corruption translated into policies?
13:30 – 14:00 "Fighting Systemic Corruption: Foundations for Institutional Reforms"
Rick Stapenhurst, World Bank Institute, Washington DC
14:00 – 14:15 "The Politcal Economy of Corruption Control"
Fredrik Galtung, Research fellow, Cambridge University, Cambridge
14:15 – 15:00 Discussion
Convenor: *Robin Hodess, Project Manager, Transparency International, Berlin*

15:00 – 15:30 Coffee break

Session 7   Challenges ahead for research on corruption
15:30 – 16:30 General Discussion and Concluding Remarks
Convenor: *Valter Angell, Research fellow, NUPI/TI-Norway, Oslo*

Appendix II: List of Participants

Name	Title	Institutional affiliation	E-mail address
INTERNATIONAL REARCHERS			
Bazaara, Nyangabyaki	Dr., Director	Centre for Basic Research, Kampala	Bazaara@cbr.or.ug Cbr@imul.com Cbr@cbr-ug.org
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Summary

Chr. Michelsen Institute and the *Norwegian Institute of Foreign Affairs* in collaboration with the *Norwegian Agency for Development Cooperation* (NORAD), organised a workshop on 'corruption research' in Oslo 19-20 October 2000. The workshop aimed to assess the current analytical approaches to corruption, with the specific objective of exploring present knowledge on corruption (approaches, causes, effects, etc.), present the major controversies within and across disciplines, and identify the areas in most need of further research. This report summarises both the papers presented and the major issues discussed, emphasising the challenges identified for further research.

Recent Working Papers

WP 2000: 16 NORDÅS, Hildegunn Kyvik
The Snorre Field and the rise and fall of Saga Petroleum. Bergen, 2000, 21 pp.
WP 2000: 17 GRANBERG, Per
Prospects for Tanzania's mining sector. Bergen, 2000, 23 pp.
WP 2000: 18 OFSTAD, Arve
Countries in conflict and aid strategies: The case of Sri Lanka. Bergen, 2000, 18 pp.
WP 2001: 1 MATHISEN, Harald W. and Elling N. Tjønneland
Does Parliament matter in new democracies? The case of South Africa 1994-2000.
Bergen, 2001, 19 pp.
WP 2001: 2 OVERÅ, Ragnhild
Institutions, mobility and resilience in the Fante migratory fisheries of West Africa.
Bergen, 2001, 38 pp.
WP 2001: 3 SØREIDE, Tina
*FDI and industrialisation. Why technology transfer and new industrial structures may
accelerate economic development.* Bergen, 2001, 17 pp.
WP 2001: 4 ISMAIL, Mohd Nazari
Foreign direct investments and development: The Malaysian electronics sector. Bergen,
2001, 15 pp.
WP 2001: 5 SISSENER, Tone Kristin
Anthropological perspectives on corruption. Bergen, 2001, 21 pp.
WP 2001: 6 WIIG, Arne
Supply chain management in the oil industry.The Angolan case. Bergen, 2001.
WP 2001: 7 RIO, Narve
The status of the East Timor agricultural sector 1999. Bergen, 2001, 32 pp.
WP 2001: 8 BERHANU, Gutema Balcha
Environmental, social and economic problems in the Borkena plain, Ethiopia. Bergen,
2001, 17 pp.
WP 2001: 9 TØNDEL, Line
*Foreign direct investment during transition. Determinants and patterns in Central and
Eastern Europe and the former Soviet Union.* Bergen, 2001, 41 pp.
WP 2001: 10 FJELDSTAD, Odd-Helge
Fiscal decentralisation in Tanzania: For better or for worse? Bergen, 2001.
WP 2001: 11 FJELDSTAD, Odd-Helge
Intergovernmental fiscal relations in developing countries. A review of issues. Bergen,
2001.
WP 2001: 12 SUMAILA, Ussif Rashid and Samuel A. Laryea
Determinants of inflation in Tanzania. Bergen, 2001, 17 pp.
WP 2001: 13 FJELDSTAD, Odd-Helge and Bertil Tungodden
Fiscal corruption: A vice or a virtue? Bergen, 2001.
WP 2001: 14 TUNGODDEN, Bertil
A balanced view of development as freedom. Bergen, 2001, 21 pp.
WP 2001: 15 SKAAR, Elin
Judicial independence and human rights policies in Chile and Argentina. Bergen, 2001,
24 pp.
WP 2001: 16 TJØNNELAND, Elling N. *Rainbow justice and peace building. South Africa 1994-2001.*
Bergen, 2001, 11 pp.
WP 2001: 17 ANDVIG, Jens Chr., Odd-Helge Fjeldstad and Amit Shrivastava
*Corruption: Critical assessments of contemporary research. Report from a
multidisciplinary workshop.* Bergen, 2001, 29 pp.