



# International Cooperation Against Corruption

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*Combating corruption is such a difficult and sensitive issue that many national political leaders who support such efforts in principle are hesitant to undertake them in practice. How can international cooperation help build support for fighting corruption, both nationally and globally?*

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**V**IRTUALLY all forms of corruption are proscribed by virtually all countries. Why, then, don't countries take more steps to reduce corruption? If countries have trouble fighting corruption, it may be because they lack sufficient will or sufficient local capacities, such as proper strategies and structures (including incentives), to prevent corruption. In some instances, local capacities are constrained by costs, in others by a lack of know-how, and in still others by insufficient efforts to devise strategies to combat corruption.

International cooperation can help individual countries to develop the necessary

will and capacities. This article proposes several new initiatives in which international cooperation could play crucial roles in combating corruption. One is the sponsorship of regional diagnostic studies. Countries would cooperate in organizing and funding, and then share the results of, private sector studies of systematic corruption in several areas (such as procurement, health care, and courts). These studies would help identify systematic improvements that might be made and suggest how to ensure the permanence of improvements through monitoring.

The article also proposes holding a "contest" among developing countries to see which could develop the best national strategies for reducing corruption. Regional seminars could broach the idea of developing a national strategy against corruption and provide examples of how this might be done, and technical assistance could help countries that wished to enter the contest to design their proposals. The winners (perhaps one or two countries for each continent) would be rewarded with seven years of sustained and additional aid. The rest of the world would learn from the good ideas generated by the contest, many of which could be implemented even in the absence of extraordinary international assistance.

## Corruption's universality

In Belgium and the United Kingdom,

Japan and Italy, Russia and Spain, and other countries, allegations of corruption play a more central role in politics today than at any time in recent memory. Corruption is hardly a problem exclusive to developing countries or countries in transition. It is true that in Venezuela a local dictionary of corruption has been published in two volumes (*Diccionario de la corrupción en Venezuela*, 1989). But it is also true that a French author put together something similar for his country (Gaetner, 1991). Probably every country could publish a similar work.

The fact that much corruption in developing countries has important industrial country participation is now a commonplace. The nongovernmental organization Transparency International focuses on corruption in "international business transactions" and points out that there are First World givers of many Third World bribes. In coming years, the World Trade Organization is likely to find that this issue is a central one.

The reminder that corruption exists everywhere—in the private as well as the public sector, in rich countries and poor—is salutary, because it helps us avoid unhelpful stereotypes. But to contextualize the discussion is not to end it. In fact, noting that corruption is widespread may convey its own unhelpful subliminal messages. It may suggest, for example, that all forms and instances of corruption are equally harmful.

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Even more perniciously, it may lead less discerning listeners or readers to the conclusion that because corruption exists in every country, nothing can be done about it where they live. Consider the analogies to pollution or disease. Both phenomena may be observed everywhere, but their extent and patterns of incidence differ radically among various regions, countries, and localities. Questions of degree and kind are crucial, and this is also true of corruption. No one would conclude, for example, that because water pollution and AIDS exist in every country that nothing can or should be done to reduce them.

Corruption is a term with many meanings. The beginning of wisdom on the issue is to subdivide and analyze its many components. Viewed most broadly, corruption is the misuse of office for unofficial ends. The catalogue of corrupt acts includes—but is not limited to—bribery, extortion, influence peddling, nepotism, fraud, the use of “speed money” (money paid to government officials to speed up their consideration of a business matter falling within their jurisdiction), and embezzlement. Although people tend to think of corruption as a sin of government, it also exists in the private sector. Indeed, the private sector is involved in most government corruption.

## Effects of corruption

Different varieties of corruption are not equally harmful. Corruption that undercuts the rules of the game—for example, the justice system, or property rights, or banking and credit—devastates economic and political development. Corruption that allows polluters to foul rivers or hospitals to extort exorbitant or improper payments from patients can be environmentally and socially corrosive. In comparison, providing some speed money to get quicker access to public services and engaging in mild irregularities in campaign financing are less damaging.

Of course, the extent of corruption also matters. Most systems can stand some corruption, and it is possible that some truly awful systems can be improved by it. But when corruption becomes the norm, its effects are crippling. Such systematic corruption makes establishing and maintaining internationally acceptable rules of the game impossible, and is one of the principal reasons why the least developed parts of our planet stay that way.

## Corruption as a system

Consider two analytical points. First, corruption may be represented as following a

formula:  $C = M + D - A$ . Corruption equals monopoly *plus* discretion *minus* accountability. Whether the activity is public, private, or nonprofit, and whether it is carried on in Ouagadougou or Washington, one will tend to find corruption when an organization or person has monopoly power over a good or service, has the discretion to decide who will receive it and how much that person will get, and is not accountable.

Second, corruption is a crime of calculation, not passion. True, there are both saints who resist all temptations and honest officials who resist most. But when bribes are large, the chances of being caught small, and the penalties if caught meager, many officials will succumb.

Combating corruption, therefore, begins with designing better systems. Monopolies must be reduced or carefully regulated. Official discretion must be clarified. Transparency must be enhanced. The probability of being caught, as well as the penalties for corruption (for both givers and takers), must increase.

Each of these introduces a vast topic. But notice that none immediately refers to what most of us think of first when corruption is mentioned—that is, new laws, more controls, a change in mentality, or an ethical revolution. Laws and controls prove insufficient when systems do not exist in which to implement them. Moral awakenings do occur, but seldom by the design of our public leaders. If we cannot engineer incorruptible officials and citizens, we can nonetheless foster competition, change incentives, and enhance accountability—in short, fix the systems that breed corruption.

## Anticorruption strategy

Fixing flawed systems is not easy. Successful examples of doing so exist, however, and they contain several common themes.

### *Punish some major offenders.*

Successful strategies begin by “frying a few big fish.” When there is a culture of engaging in corrupt acts with impunity, the only way to begin breaking it up is for a number of major corrupt figures to be convicted and punished. The government should quickly identify a few major tax evaders, a few big bribe givers, and a few high-level government bribe takers. Since a campaign against corruption can too often become a campaign against the opposition, the first big fish to be fried should be from the party in power.

*Involve the people in diagnosing corrupt systems.* Successful campaigns

against corruption involve the people. If only they are consulted, citizens are fertile sources of information about where corruption is occurring. Ways of consulting them include carrying out systematic client surveys; setting up citizens’ oversight bodies for public agencies; involving professional organizations; consulting with village and borough councils; and using telephone hot lines, call-in radio shows, and educational programs. Business people and groups should participate with the protection of anonymity in studies of how corrupt systems of procurement, contracting, and the like actually work. Such studies would emphasize systems and not individuals.

*Focus on prevention by repairing corrupt systems.* Successful anticorruption efforts fix corrupt systems. They use a formula such as  $C = M + D - A$  to carry out “vulnerability assessments” of public and private institutions. Like the best public health campaigns, they emphasize prevention.

Of course, reducing corruption is not all that one needs to care about. If, for example, so much money were spent attacking corruption and so much red tape and bureaucracy were created that the costs and losses in efficiency outweighed the benefits of reduced corruption, such efforts would be counterproductive. Ways in which countries can design effective anticorruption strategies are the following: change the “agents” carrying out public activities, alter the incentives of these agents and of citizens, collect information in order to raise the probabilities of corruption being detected and punished, change the relationship between agents and citizens, and increase the social consequences of corruption. In each case, one has to work through the putative benefits, as well as the many possible costs, of anticorruption activities.

*Reform incentives.* In many countries, public sector wages are so low that a family cannot survive on a typical official’s salary. Moreover, measures of success are often lacking in the public sector, so that what officials earn is not linked with what they produce. It should be no surprise that corruption flourishes under such conditions.

Fortunately, around the world, experiments in both public and private sectors are emphasizing performance measurement and the overhauling of pay schemes. Fighting corruption is only one part of a broader effort that may be called *institutional adjustment*, or the systematic recasting of information and incentives in public

and private institutions (Klitgaard, 1995). Institutional adjustment is the next big item on the development agenda.

## Political will

“What you say is fine,” it might be argued, “but what if the people on top are themselves corrupt? What if international business people and local business cliques have powerful incentives to do the corrupting? If the people on top in the public and private sectors are benefiting, will the reforms you mentioned have a chance of taking hold?”

The worry is that corrupt officials on top are monopolists unwilling to sacrifice their rents, and international and local business people are locked in a prisoners’ dilemma in which the dominant strategy is to bribe. A corrupt equilibrium is reached, as a result of which rulers and top civil servants and some private companies gain, but society loses.

What can be done in such a situation? The reflexive answer is “nothing.” But consider the analogous question, “Why would national leaders, who are mindful of their self-interest, ever undertake free-market reforms, privatization, and related policies, all of which sacrifice their personal control over the economy?” Yet such reforms have swept the world, as has the remarkable “third wave” of democratic reforms.

Some governments do, of course, resist establishing good governance. But in the decade ahead, the crucial problem will not be inducing governments to do something about corruption but rather helping them to decide what should be done and how. Because of democratic reforms, new leaders dedicated to fighting corruption and improving public administration are attaining power as never before. Election campaigns from Nicaragua to Pakistan feature corruption as a major issue. And not just in developing countries, as public outcries about electoral campaigns in Italy and Spain, and negative publicity about campaign contributions in the United States, suggest. Many new leaders would like to improve customs and tax agencies, clean up campaign financing and elections, reduce bribery and intimidation in legal systems and the police, and, in general, create systems of information and incentives in the public sector that foster efficiency and reduce corruption. Their problem is not political will but know-how.

But it is also true that in many countries leaders are of two minds. They may

appreciate and decry the costs of systematic corruption, but they may also recognize the personal and party benefits of the existing, corrupt system. To assist them in moving toward a long-term strategy, it is necessary for several steps to be taken.

First, leaders must see that it is possible to make systemic improvements without committing political suicide. Sensitive consulting and technical assistance may help leaders learn from anticorruption efforts elsewhere, adopt a systematic approach, and analyze confidentially the many categories of political benefits and costs.

Second, in developing strategies, leaders must recognize that not everything can be done at once. They should undertake

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behind closed doors a kind of cost-benefit analysis, assessing those forms of corruption having the greatest economic costs (for example, corruption that distorts policies as opposed to determining who gets a specific contract) while considering where it will be easiest to make a difference. The anticorruption effort might begin where the public perceives the problem to be most acute. A good rule of thumb is that to be credible, an anticorruption campaign must achieve some tangible successes within six months.

Third, leaders need political insulation. International collaboration can help provide it, permitting countries to admit to a common problem (“corruption is not just our problem, or my party’s, or my administration’s”) and move together to address it. Indeed, international conditionality that applies across many countries might help a national leader justify anticorruption measures that might otherwise be embarrassing or difficult to make credible.

## International initiatives

International cooperation can help engender both the will to fight corruption and the capability to do so. Despite the obvious sensitivity of devising and implementing strategies to combat systematic corruption, international organizations can—and, indeed, already do—help by providing aid to support democratic reforms, more competitive economies, and improved governance.

But a more focused effort is needed: a systematic attack on systematic corruption.

Let us consider three international initiatives that could help galvanize the incipient international movement against corruption.

## Regional diagnostic studies

*Purpose:* Such studies would be designed to encourage the taking of systematic action by both the private and the public sectors to reduce corruption in a region (for example, Latin America or Francophone Africa).

*Basic idea:* Each country would invite the private sector to carry out confidential diagnostic surveys of three or four areas prone to corruption, such as government contracting, the courts, hospitals, and revenue agencies. These surveys would ask business people confidentially to diagnose how corrupt systems might work in practice—that is, where the holes, weaknesses, and abuses in the current systems might be. The idea is to analyze systems, rather than

identify particular individuals in either the public or the private sector. The goal is not to do academic research but to obtain a quick assessment that can be used to formulate an action plan. Relevant information obtained from a small sample of 40 business people could well be sufficient to prepare a useful report. When each country’s diagnostic study was complete, an international conference would share the results and analyze remedial measures, including possible international cooperation to combat corruption.

*Political benefits:* The fact that such a study was international would make it clear that corruption was not just a problem of country *X*, but an international problem needing international solutions. It would also emphasize that corruption is not just a problem of the government (or the current administration) and that the private sector is part of the problem and needs to be part of the solution. Political leaders would consequently be able to make the issue much more attractive politically. They could say that the diagnostic survey was being done continent-wide—addressing, for example, the international dimensions of bribery as well as their countries’ particular difficulties. And they could point out that the survey was being carried out by and encompassed both the private sector, members of which are usually complicit where corruption exists, and the public sector.

## **An anticorruption contest**

*Purpose:* Holding a contest to choose the best national anticorruption programs would help to communicate the idea that a country can have an effective strategy against corruption. Such an international contest could capture the imagination of people around the world.

*Basic idea:* Special international aid should be allocated—by international organizations and bilateral aid agencies—to countries willing to undertake reforms to address systematic corruption. Suppose international cooperation creates a program that promises seven years of special and significant support to the three developing countries that proposed the best national strategies against corruption. To help kindle interest in this contest, donors could fund international and local workshops. Then cross-country studies involving both the private sector and the government might focus on key areas such as revenue raising, procurement and public works, and the justice system. (This idea obviously dovetails with the proposed regional studies.) The focus would be on the vulnerability of systems to corruption, rather than on particular individuals. Participating countries would share the results of these studies, and national and international measures would then be designed to remedy structural defects. At this stage, interested countries would prepare their national anticorruption strategies. The three best strategies—perhaps one each from Africa, Asia, and Latin America—would be supported by special funds. Other country strategies or components thereof might well be supported by other aid providers—and, of course, by the participating countries themselves.

*Political advantages:* The existence of a competition would create incentives for countries to show they are serious about corruption, and in preparing for the competition they would be assisted in learning (including from each other) what a strategy against corruption might contain. The measures to be included in an anticorruption strategy would depend on the country context, but they would often include:

- administrative reforms that designated an anticorruption focal point and simultaneously facilitated interagency coordination;
- mechanisms to enhance accountability, especially by involving business and citizens;
- measures designed to enhance capabilities in investigation and prosecution, and to improve the effectiveness of the courts;

- experiments with reforms of incentives in the public sector; and

- legal reforms designed to prevent irregularities in campaign financing and illicit enrichment, and to modify regulatory and administrative law to provide fewer opportunities for corruption.

Such an initiative could also be helpful to international organizations by showing that they were taking corruption seriously. It would give them a chance to fit various development initiatives, including civil service reform and institutional development, into a new and dynamic framework with high political salience.

### **“Toolkits”**

*Purpose:* There is a clear need to accumulate and disseminate best practices in reducing corruption, by function, sector, level of government, and other relevant categories.

*Basic idea:* International cooperation could help to assemble and disseminate examples of best practice, as well as frameworks for policy analysis—a combination that might be called “toolkits” for fighting corruption. Possible areas in which these might be developed are revenue raising, including tax and customs agencies; the justice system; health care (from hospitals to the importation and distribution of pharmaceuticals); and government procurement, licensing, and contracting. Another possibility is an area where many industrial countries could make considerable improvements: the interfaces between money and politics, including political contributions, and party and campaign financing.

*Tasks:* In each area chosen, international organizations would create toolkits containing the following:

- Analytical frameworks for diagnosing and dealing with corruption. These would comprise not only generic frameworks but also specific ones for tax administration, customs administration, police, prosecution, judges, procurement, and contracting.
- Case studies of best practices and successes in reducing corruption, at different levels of government and in different sectors and domains.
- Participatory pedagogies—a variety of devices to enable citizens, businesses, non-governmental organizations, the media, and government employees to learn, and teach each other, about corrupt systems and what to do about them.

## **Conclusion**

When corruption becomes systematic, fighting it must go beyond implementing

liberal economic policies, enacting better laws, reducing the number and complexity of regulations, and providing more training, helpful though these steps may be. Fighting systematic corruption requires administering a shock to disturb a corrupt equilibrium. It might include such steps as the following:

- formation of a national coordinating body that is responsible for devising and following up on a strategy against corruption, along with a citizens’ oversight board;
- identification of a few key agencies or areas on which the anticorruption effort might focus its efforts in the first year, in the hope of achieving some momentum-building successes;
- a capacity-building strategy within key ministries that takes the problems of incentives (including incentive reforms) and information seriously; and
- identification of a few major offenders whose cases will be prosecuted.

Combating corruption should focus on the reform of systems. It requires an economic approach, coupled with great political sensitivity. The design and implementation of the measures this article has been discussing must obviously be tailored to each country’s conditions, but, at the same time, international cooperation can make a difference. Sometimes this may mean providing specialized technical assistance—for example, by organizing high-level anticorruption workshops or strategic consulting, or hiring international investigators to track down ill-gotten deposits overseas. International cooperation can help national leaders develop political resolve. Finally, international action can convey the useful truth that we are all involved in the problem of corruption—and that we must find solutions together. **[E&D]**

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### *Suggestions for further reading:*

- Diccionario de la corrupción en Venezuela, 1989, 2 vols. (Caracas: Ediciones Capriles).
- Gilles Gaetner, 1991, *L’Argent facile: dictionnaire de la corruption en France* (Paris: Stock).
- Robert Klitgaard, 1988, *Controlling Corruption* (Berkeley and Los Angeles: University of California Press).
- , 1995, “Institutional Adjustment and Adjusting to Institutions,” *World Bank Discussion Paper No. 303* (Washington).
- Robert Klitgaard, Ronald MacLean-Abaroa, and H. Lindsey Parris, *forthcoming*, *Corrupt Cities*.