

Step Back or Step Up¹

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It is a pleasure to greet you via videoconference from California, and a pleasure to welcome the insights of *Public Sector Reform: What Works and Why?*³

“What works and why” is a daunting question in any area. To have credible answers, one needs a lot of theory and a lot of data. One tends to lack both when it comes to many important issues of public policy—and so, too, when it comes to reforming government and controlling corruption. As an old OED study noted:

It will be difficult to: (i) measure changes in levels of corruption that may have occurred over the life of the development assistance activity being evaluated; (ii) attribute directly to World-Bank-supported efforts any changes in levels of corruption.

As a result, that report dodged estimates of effectiveness.

This makes it unwise now to focus our evaluation on efficacy, efficiency and sustainability, where credible conclusions require reliable data on changes in corruption levels, as well as well-founded assumptions about causation. We *are* able, however, to focus on the *relevance* of Bank-supported activities.⁴

The new report we are considering today adds a second reason why it is difficult to figure out what works, where. The report notes that in most countries, the Bank’s strategy does not directly take on the big corruption (state capture, high-level corruption, or whatever the label) but works at lower levels, on bureaucratic corruption.⁵ Often projects cloaked in anti-corruption are the same old public

¹ Informal remarks at the workshop “Public Sector Reform—What Works and Why? An IEG Evaluation of World Bank Support,” The World Bank, Washington, DC, May 21, 2008.

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³ Independent Evaluation Group, The World Bank, 2008.

⁴ OED, *Helping Countries Combat Corruption and Improve Governance: A Review of the World Bank Approaches Since 1997*, p. 4.

⁵ “The Bank’s lending support for anticorruption efforts has mostly used indirect methods, which still predominate, often through reforms to PFM, civil service, and tax administration...” (p. 60). “The Bank’s country strategy and major operations have directly addressed state capture only in rare cases... Advocating wholesale transformations of neopatrimonial governments has been

administration projects championed by the Bank and the UNDP and others for many disappointing decades.

As a result, the Bank's projects addressing bureaucratic corruption may have little impact, because if state capture is let be, civil servants and citizens may not take anti-corruption reforms seriously. Hypocrisy and impunity undercut reform.

Or perhaps the reforms at the low levels may in fact work, as the BEEPS data indicate (p. 61); yet "in perception-based indicators of corruption...the persistence of state capture may obscure progress in fighting corruption" (p. 63).

Over and over, the Bank's own work has supported taking context into account and also has emphasized the importance of those most difficult of contexts, the countries most in need of governmental reform, which usually happen to be the places with the most heartbreaking poverty.

Ten years ago, in his insightful, example-filled paper "Reinvigorating State Institutions," Sanjay Pradhan concluded as follows:

These countries need to strengthen formal instruments of restraint—judicial independence, effective separation of powers—to enhance credibility and accountability. Within the executive, several countries lack the most basic underpinnings of rule-based bureaucracy. Even reform-minded leaders cannot translate their goals into reality because the machinery linking policy statements to action has ceased to function. As a result, a vast gap has opened up between what the state says and what it does, between the formal rules and the real ones...

The first step toward building a more effective public sector must be to close these gaps...⁶

How can the Bank help do this? Five years ago, the Bank's Public Sector Group gave a fascinating, fact-filled briefing called "Our Difficult Climb: Initial Progress and the Ascent Ahead."⁷ It concluded with these points about what the Bank does well and not so well:

politically difficult for the Bank and is usually avoided, even when formal or informal analytical work identifies the problem [examples follow]" (p. 63).

⁶ Sanjay Pradhan, "Reinvigorating State Institutions," in Robert Picciotto and Eduardo Weisner, ed., *Evaluation and Development: The Institutional Dimension*, The World Bank, 1998: 69.

⁷ Public Sector Group, WB. "Our Difficult Climb: Initial Progress and the Ascent Ahead," briefing, March 2003.

Excellent diagnostics, Good at addressing the ‘surface’ manifestations, Good technical solutions and design, and this works when

- Committed leadership
- Coalition for reform
- Capacity

But, struggling to address ‘deeper’ underlying issues

- Enhancing domestic and international pressures for reform
- Overcoming vested interests against reform
- Reversing the “culture” of corruption in the public sector
- Tackling political drivers of corruption (e.g., party financing)
- Within WB, mainstreaming across sectors and countries

These remain first-order issues. What, then, should you do?

One response is to step back. If you are not going to take on high-level corruption—because you cannot or will not or don’t know how—then your efforts to reduce corruption may not be worth the candle. Perhaps you should step back and leave anti-corruption efforts per se to the bilateral donors and of course to the countries themselves.

Another response is to step up. You should take on high-level corruption in the world’s poorest countries, where it clearly constrains development. To begin, you should work with government leaders who want to do exactly that. Give them huge support, and make them into role models. (In my experience there are many such reformers around the world.)

Fortunately, there are successes from which to learn. They reduce monopoly, clarify discretion, and enhance accountability. They focus on corrupt systems instead of corrupt individuals. They fry big fish. They involve what the report calls “demand-side” approaches, including involving citizens more in reporting problems, diagnosing corrupt systems, and evaluating progress

To decide whether you should now step back or step up, you have to ask about the Bank’s comparative advantages in this domain, given what countries are doing or could do with your help, and given what other donors are doing. Also, you have to consider your own context.

In the wake of Mr. Wolfowitz’s departure and the Volcker report, you may face special challenges right now. With regard to anti-corruption, the Bank has issues of perceptions and credibility. The present report’s verdict of “moderately unsatisfactory” anti-corruption impact (p. 72) could add to that. Imagine people around the world saying,

“They claim they want to tackle corruption, but look inside the institution itself, look at how they don’t step up to state capture, and look at the ‘moderately unsatisfactory’ results they’ve had in the past decade.”

So, what is your context and what are your comparative advantages in this domain? Here are a few ideas for discussion.

- Regarding the demand side, the Bank has been a pioneer in information about good government. You can continue to help with better information, as you do now with surveys and beyond that through participatory diagnoses and benchmarking involving citizens, professional organizations, NGOs, and others.
- In tackling high-level corruption, you must continue to make sure that your own projects fry big fish when necessary. Outside the projects you fund, you should encourage the condemnation and follow-up of instances of high-level corruption.
- You have special expertise to contribute to supply-side reforms that reduce monopoly, clarify official discretion, and enhance accountability—especially in financial management, procurement, and the like.
- Given your immense stature in the field of development, the World Bank may have a special ability to stand up to state capture. You would have to define high-level corruption as the quintessential economic crime. You would emphasize how it undercuts your central mission and the neediest of your partners. You would then pick out a few partners willing to take on big-time corruption, and help them become exemplars.

You were the ones who put out the word about corruption in the 1990s. What about now? Is it time for you to step back? Or rather, is it time to step up?