

Toward a Turning Point against Corruption

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Around the world, new leaders such as Mauricio Funes in El Salvador, Petr Nečas in the Czech Republic, and Juan Manuel Santos in Colombia have prioritized the fight against corruption. Malaysia is in the midst of a promising government transformation program. President Benigno Aquino, Jr., of the Philippines campaigned on the slogan “If there is no corruption, there will be no poverty.”

These brave leaders are not (just) moralists. They have declared war on corruption because their citizens demand it. As popular movements from Tunisia to India show, systemic corruption has fostered distrust, anger, and political instability. The World Bank calls corruption one of the foremost obstacles to economic development.

But in their fight for good government, these leaders are not getting the help they need.

Around the world, the usual approaches to fighting corruption are not producing good enough results. These approaches pass new laws, dictate codes of conduct, train public administrators, and buy computers. With regard to civil society and the business community, there are meetings, speeches, and surveys that measure how many citizens and companies are paying bribes.

These steps are not so much wrong as incomplete. Having state-of-the-art laws doesn't guarantee their implementation. Elaborate codes of conduct are often only ornaments. Knowing that X% of citizens pay bribes ministry A and Y% in ministry B doesn't mean that the social costs of corruption A are greater than in B. Nor of course do such data say what corrective actions are cost-effective in A or B.

We need a new approach. It will recognize that:

- Corruption is a problem of political cultures as well as bad laws and poor policies.
- Corruption involves informal systems that work in parallel to the ostensible, legal systems.
- Reformers have to build credibility and momentum by “frying big fish” and achieving some quick, highly visible successes.

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- The business community and civil society must participate in diagnosing and healing corrupt systems.

Fortunately, we can base a new approach on real examples of reducing corruption. These examples cannot simply be copied from one setting to another, because local politics, institutional arrangements, and economics vary greatly. But lessons can be discerned, which local people will of course need to adapt to their local realities.

The sum of these lessons is a new approach to corruption. With the right leadership and the right assistance, this new approach can achieve a turning point in the fight against corruption.

Step 1: Diagnosis

The first steps are diagnostic.

Analyze where we stand. Using a variety of country-level indicators of governance and competitiveness, a country can quickly learn where it stands compared with other nations. Combining this information with an economic analysis of the constraints facing the economy, an econometric model can help a country estimate how much governance improvements are likely to improve investment, job creation, and growth.

Profile the anti-corruption apparatus. Governments need an action-oriented analysis of the strengths, weaknesses, and risk profiles of the key institutions needed for effective governance. In addition, they need an assessment of the status of collaboration across government agencies in fighting corruption.

Hear the people. Next come surveys of citizens. In Peru, for example, the remarkable NGO Ciudadanos al Día has implemented a tool for measuring satisfaction with government agencies at the national and local levels. This custom-designed survey is administered through a private agency rather than the government. The findings help diagnose where in local, regional, and national government citizens are least satisfied. From the beginning the press can be involved in learning about the surveys and sharing the results. The media can become an ally in pursuing good government and in publicizing progress that can help citizens and civil servants avoid cynicism.

Analyze corrupt systems. In areas ranging from procurement to the courts, from tax collection to election financing, things are supposed to work thus-and-so. In practice, how do they really work? Where are the weaknesses in the ostensible, legal system, which allow the parallel system to arise? Equally important, what are the weaknesses in the corrupt parallel system? How can these weaknesses be exploited to bring the corrupt system down?

We have witnessed and employed powerful methods for answering these questions. The surprise: the methods enlist the very people who are participating in the corrupt systems.

The key is to *focus on systems and not individuals*. First, conduct one-on-one interviews with leaders of companies active in these parallel systems. Ask them not to name names but to analyze how the parallel systems work. Do the same thing with some key government officials. It is a remarkable truth that people speaking confidentially and one-on-one can

through careful questioning reveal how the parallel systems work—and suggest ways to make the preventive measures work better.

On the basis of many such interviews, a preliminary diagnosis of the parallel system is created. It is shared with the interviewees and the government and revised. The next step is to organize workshops in which the relevant government agencies and private sector are induced to *design together practical corrective measures*. Annual replications of this methodology can help the government and the business community to gauge progress in reforming the corrupt systems.

Identify big leaks. Many countries have suffered from large outflows of stolen assets through embezzlement, fraud, and kickbacks. They need a frank assessment of the sources, amounts, and destinations. They also need a realistic appraisal of the prospects of recapturing lost assets that have been transferred abroad.

Step 2: Strategies

The new approach begins by recognizing that corrupt systems are politically entrenched, meaning that powerful interests want to preserve them. These systems can become a self-fulfilling equilibrium. A key question is how to destabilize a corrupt equilibrium without bringing ruin.

Subvert corrupt systems. Corrupt parallel systems have their own economics. They rely on secrecy in how they recruit participants, make and enforce contracts, make payments, and hide illicit gains. Each of these steps constitutes a point of vulnerability in the corrupt system. Understanding these weaknesses can enable us to subvert corruption. The needed measures go beyond prevention to something akin to interventions against organized crime.

Unlike the usual strategies, the new approach begins by recognizing that corrupt systems are politically entrenched.

Analyze politics carefully, including the risks in fighting corruption. A successful strategy against systemic corruption must go inside the country's politics. Stakeholders must analyze the political landscape and the sources of political support in the country and internationally—and examine the politics of possible anti-corruption measures.

The strategy must challenge political leadership without entailing political suicide.

Help business act collectively. It must recognize the Prisoners' Dilemma aspect of many forms of corruption, where firms bribe because others do. Therefore, solutions should build on collective business self-interest.

To create such strategies, countries have to build on the diagnostics of step 1 and learn from what has worked internationally. Combining case studies with frameworks for policy analysis, leaders need to adapt international experience to local realities. We have witnessed and sometimes abetted highly participatory techniques to help countries, ministries, and cities work with the private sector and citizens groups to forge hard-headed, effective strategies for transforming governance.

In Malaysia, for example, citizen consultation helped the government determine primary areas of concern and then devise specific objectives to meet those concerns. These “laboratories” involved people from civil society, business, and government and established the timelines and resources needed to reach those objectives. Briefings with the civil service, government leaders, business people, and the community added their inputs. Finally, mechanisms were created to track the implementation of the agreed-upon goals.

More generally, we have seen and participated in “convenings” in which leaders together (1) consider examples of proven success from other countries, (2) adapt frameworks for policymaking, and (3) engage in practical exercises to develop distinctive local solutions to distinctive local problems. From these events, participants can turn a set of disparate anti-corruption activities into a powerful, feasible strategy. The result is a politically realistic roadmap for transformation, which separates immediate actions, medium-term steps, and long-term initiatives—all with measurable outcomes.

Change the economic calculations of the corrupt. Then systemic reforms are required. Monopoly powers have to be reduced and competition increased. Discretion and arbitrariness in official actions and in the rules of the game must be avoided. Transparency and accountability need to be enhanced, through objective performance indicators and through systematic feedback from citizens, businesses, and public officials themselves. Positive and negative incentives need to be changed, for bribe givers as well as bribe takers.

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Step 3: Implementation

Create confidence and momentum. It is tempting but mistaken to try to do everything at once. Instead, leaders need to focus on short-run measures that signal to cynical audiences that things are different. A few big fish must be fried, both bribe-givers and bribe-takers—and including people from within the ruling party. Highly visible examples of improvement must be a priority—including publicity campaigns. Once again, international experience contains many examples of effective steps, which a country’s leaders can use to springboard creative, practical problem solving.

Reorganize the government’s fight against corruption. No one agency of government can fight corruption by itself. But coordination across government entities is a chronic problem; as one expert put it, “No one likes to be coordinated.” Fortunately, the world contains useful examples of coordination across government agencies, from stand-alone anti-corruption bodies to dynamic methods for inter-agency communication and collaboration.

Build partnerships across the public-private divide. International experience shows the vital importance of involvement by business and civil society. A key step is to improve information flows among citizens, business leaders, and government. These flows create feedback loops that enhance efficiency and reduce the scope for theft, fraud, and bribery. Leaders in all three sectors can learn together from examples from other countries and

from frameworks for partnerships, which can stimulate their creativity in designing locally workable solutions.

Enable social networks. Many governments ask citizens to denounce corruption. But what to do when the accusations roll in? Even the most motivated governments find it difficult to investigate all the complaints received in an efficient and timely fashion.

A new approach is to enable and encourage citizens themselves to investigate—and then to go beyond individual complaints to suggesting systemic improvements. Social networks are promising. Recent international experience includes

- Platforms for reporting corruption and mapping of patterns and trends, such as “I paid a bribe” in India, “Pera Natin ‘to’ [It’s Our Money] in the Philippines, and “Saatsaam” in Cambodia;
- Databases on bribes, non-transparent procurement procedures, and state budgeting and spending, such as “Porcisme” in Romania, “Rospil” in Russia, and “Mars Group” in Kenya; and
- Online forums, such as China’s “Wikileaks”.

These initiatives are developed by NGOs and private individuals. Some social networks have built constructive relationships with the public authorities. Governments can use the information developed by social networks to monitor corruption in public services, to highlight legal issues that need addressing in a participatory way, and to rethink budgets and funding with input from social networks. An implementation strategy should evaluate how social networking could (a) complement the existing government systems for citizen complaints and denunciations and (b) assist in the diagnoses of well- and poorly-performing government agencies.

Strengthen capabilities. Many countries require more and better hands-on training in ethics, leadership, and management. They need to build better systems in vital areas such as internal audit, procurement, tax bureaus, and public works. Unfortunately, many capacity-building efforts overlook incentives for performance and better information flows about inputs and outcomes. International experience once again suggests the importance of involving business and civil society, even in what look like public-sector capacity building. Countries can benefit from training that helps businesses, nongovernment organizations, political parties, and citizens groups enhance their “know-what” and “know-how” for effective action. In the long term, citizens and especially youth should be educated on these issues

Recover assets. Part of the implementation program should follow up the analysis of “big leaks” with programs of plugging leaks and retrieving the stolen assets.

Step 4: Outreach

As the country makes progress in transforming governance, it needs to convey the good news in credible ways to local and international audiences.

Metrics of performance. The diagnostic information in step 1 should be replicated over time.

Exemplars. Even within highly corrupt countries and cities, some agencies, programs, and projects are doing much better than others. Help people in the country study them, reward them, and spread their lessons.

Documenting and sharing success within the country can be a wonderful thing. It can enhance the morale of citizens and government employees. The success stories can become teaching materials for government training programs and educational institutions. Short, journalistic presentations of examples of “it worked for me” can be widely disseminated.

Practical checklists. A crucial point is to translate success stories into practical “checklists” at the level of individual government offices (within ministries, agencies, municipalities, hospitals, etc.). These checklists help effective practices to spread.

International outreach. Success should also be brought to the attention of international opinion leaders and investors. Countries should be aware of how widely used indices of good governance and international competitiveness are created—and what the countries can do to convey better information about their progress. Countries should also take advantage of appropriate governmental, professional, and academic platforms for leaders to share its progress and challenges.

The steps just described can have powerful impact on the pride and professionalism of the civil service, on citizens’ confidence in government, and on international perceptions of the country. These impacts in turn can lead to enhanced investment, greater citizen support, and improved ratings in the Corruption Perception Index.

Concluding Thoughts

This description of a new approach to fighting corruption is necessarily schematic. But each step is based on real examples of things that have worked. In contrast to the usual approaches to anti-corruption, the new approach takes seriously the economic and political forces that reinforce corrupt practices. It emphasizes implementation and outreach. And it recognizes the central importance of participatory processes that encourage local problem solving abetted by the best of international experience and knowledge.

Fighting corruption is not just a moral requirement. It can lead to concrete results: better public services, more investment and jobs, more citizen satisfaction, and improved ratings on international indices of competitiveness. And possibly to a turning point in a country’s development.