Data and research

Overview

By Fredrik Galtung

Corruption hardly lends itself to measurement. It tends to be hidden from view, and the parties to a successful corrupt transaction seldom have an incentive to be open about their dealings. Until the mid-1990s, most empirical findings on corruption in the academic literature were of an incidental or anecdotal nature. Aggregated analyses, whether across time for a given business sector, or in cross-country comparisons, were speculative and theoretical, often citing 'impressionistic evidence' as their basis.[1] In a methodological essay, entitled 'What Cannot be Analysed in Statistical Terms,' corruption was cited as the classic example of an observable phenomenon that was not quantifiable since 'there cannot be statistics on a phenomenon which by its very nature is concealed'.[2]

Transparency International's (TI) Corruption Perceptions Index (CPI), first published in 1995, changed these assumptions. In subsequent years, there has been a remarkable growth in empirical research on corruption, fuelled to a great extent by growing international interest in finding the means to curb it. It has been bolstered by support and interest from multilateral organisations, foundations and researchers at universities in a host of countries.

This section of the *Global Corruption Report 2001* reviews some of the current comparative empirical studies of corruption undertaken by international organisations, aid agencies, research centres, NGOs and private companies. The studies range from opinion polls and composite indices to regression analyses, focus groups and diagnostic studies. They can be divided into three sub-sections: surveys and polls on a variety of aspects of corruption; recent secondary analysis of corruption data; and studies of public integrity and institutions.[3]

Surveys and polls

Opinion surveys are now the most frequently used diagnostic tool in the assessment of corruption levels. Survey samples include polling of the general population, the private sector and segments of public administrations.

Business people are a frequently used sample since they are thought to be knowledgeable in this area. TI's CPI (p. 232), for example, is a composite index that largely uses private sector surveys, or surveys produced for the private sector. Another helpful recent effort is the World Business Environment Survey

(p. 249), an initiative of the World Bank Group, which surveyed over 10,000 enterprises in 80 countries. Respondents in East Asian developing countries reported the highest incidence of 'irregular additional payments to government officials' (over 60 per cent). At the other extreme, only 28 per cent of respondents in Latin America and 12 per cent in OECD countries reported such payments. Significant differences were found between small, medium and large enterprises.

PricewaterhouseCoopers (PwC) conducted a private sector survey of chief financial officers of major companies, equity analysts, bankers and PwC employees in January 2001 that estimated the adverse effects of public sector 'opacity' on the cost and availability of capital across several dozen countries (p. 276). The final results will be available at the end of 2001. Preliminary findings revealed that opacity has a significant negative effect on foreign direct investment rates and is a major additional 'tax' on private enterprise.

A Control Risks Group survey of 121 companies in the US and Northern Europe found that the number of companies deterred from investing in high-corruption countries has increased in recent years (p. 279). It also found that the number of companies with anti-corruption codes was rising. But the Dow Jones Sustainability Group Index of private sector 'sustainability leaders' – major companies that perform particularly well against a variety of environmental, economic and social indicators – demonstrated that there are still significant differences from region to region (p. 282). Whereas 82 per cent of US-based companies in the survey had explicit codes prohibiting employees from offering items of value to government officials, only 66 per cent of Japanese companies and 50 per cent of South American-based companies had similar rules. A study by The Conference Board (p. 285) used a combination of interviews, focus groups and working group discussions with executives from 151 companies from all major industries and regions. It found that the single most powerful stimulus to the development of a corporate anti-corruption strategy is the leadership and commitment of senior management, far ahead of any moral, legal or risk management concerns.

TI's Bribe Payers Index (BPI), prepared in the summer of 1999, was an effort to capture a snapshot of the supply side of international bribery (p. 237). Intended as a complement to the CPI, the BPI ranked 19 leading exporting countries according to the degree to which their companies were perceived to be paying bribes in order to win business abroad. Researchers sampled the views of 779 business professionals in 14 leading emerging markets.

Comparative samples of public officials are more difficult to obtain. A study by Court of bureaucracies and corruption in Africa drew on the assessments of five senior officials in each of the 20 countries surveyed (p. 296). The survey showed mixed results on the propensity to bribe, but elicited subjective evidence that corruption now adds considerably more to bureaucrats' salaries than it used to. In a more comprehensive effort, the World Bank PREM Network conducted a survey of 7,011 public officials in 16 countries that appeared to confirm that where political patronage is low, organisational performance tends to be high (p. 252). The survey also found that the reward or recognition of individual staff performance by senior staff leads to increased productivity and loyalty even in high-patronage environments.

Randomised nationwide samples of adult populations are particularly useful in assessing first-hand experiences of petty corruption. The Latinobarómetro survey of 17 South and Central American countries showed that, while there may be an overwhelming consensus that corruption constitutes a 'very serious' problem in a particular country, this view does not necessarily correlate with the actual or verifiable levels of corruption (p. 312). Whereas 61 per cent of Mexicans polled in 2000 considered corruption to be 'very serious', a greater percentage of respondents held the same view in Chile, a country with notably lower levels of corruption. The Afrobarometer of seven Southern African countries established that there are wide variations in perceptions of the level of government corruption. It also found that personal experiences of corruption are generally lower than perception levels, and that corruption does not uniformly figure among citizens' most significant problems (p. 307).

The International Crime Victims Survey showed wide variations in the number of people with first hand experience of corruption, with 60 per cent of respondents in Tirana claiming to have encountered corrupt officials, 8 per cent in Prague, and insignificant levels in most Western European countries (p. 266). The New Europe Barometer (p. 310), conducted in Eastern Europe and the former Soviet Union, showed how the readiness to pay bribes also varies. Miller, Grødeland and Koshechkina (p. 303), who carried out a study of four post-communist countries, found that large numbers of respondents admitted to having paid bribes or offered other favours for public services, while the majority of officials sampled also confessed to having accepted 'presents' from clients.

Taking the findings of these surveys together, a consensus seems to emerge across Latin America, Eastern Europe and the former Soviet Union that corruption has significantly increased in recent years. Nearly 90 per cent of Ukrainians said that corruption has 'increased', and 91 per cent of Hondurans that it has 'increased a lot'. Interestingly, respondents in five countries in Southern Africa – Botswana, Lesotho, Namibia, South Africa, and Zambia – took a different view, saying that the current government was 'the same' or 'less corrupt' than the previous one. Since no comparable data is included for Asia, Western Europe or North America, it is not yet possible to determine a global trend. In 2001–02

Transparency International will begin to gather such data through in-country diagnostic surveys in more than 70 countries. The aim is to produce a more comprehensive assessment of changes in corruption levels around the world.

Secondary analysis of corruption data

A.T. Kearney/*Foreign Policy* suggested that countries that rank highly on their Globalization Index™, which measures levels of cross-national economic, social and technological integration, are also the least corrupt (p. 287). Wei provided further nuance, positing that corruption reduces the benefits of globalisation while raising its risk elements (p. 289).What seems to be clear from these studies is that the benefits of globalisation accrue to those countries that are least tolerant of corruption. Neither study confirmed the suspicion – held by some – that increases in corruption may be due to increased globalisation.

The World Bank and IMF have studied the macro-economic and social implications of corruption in depth, publishing dozens of working papers, journal articles and books on the phenomenon over the last five years. The IMF has provided a useful summary of its research in table form for this volume (p. 255). Four IMF studies of whether corruption damages per capita GDP growth found that public-private wage differentials are a major causal factor. Less surprisingly, corruption was found to have a negative impact on infrastructure maintenance. Kaufmann, Kraay and Zoido (p.244) have presented the diagnostic tools used by the World Bank. These include what they describe as qualitative, relatively imprecise measures of governance; the Bank's quantitative data based on private sector selfassessment; and detailed surveys that triangulate the responses of households, enterprises and public officials.

Levy compared the recently developed Environmental Sustainability Index (ESI) with levels of corruption, using the World Bank's aggregated governance indicators (p. 300). He found that corruption is the variable with the highest correlation with the overall ESI. Adserà et al. (p.293) found that corruption is a function of the degree to which citizens are empowered to hold officials accountable, with the frequency of news access a significant explanatory variable.

Assessing national integrity systems and governance

Several recent studies have explored the workings of what TI calls the National Integrity System (NIS), moving on from researching the causes of corruption to assessing the institutional framework needed to curb it and enhance governance. With a focus on the private sector, USAID designed 'Investors

Roadmaps' for 40 countries, highlighting the existing administrative barriers to investment, and exploring how these might be reduced (p. 272).

The OECD used a checklist approach to assess the quality of implementation of its 1998 Recommendation on Improving Ethical Conduct in the Public Service (p. 269). The survey covered 29 OECD countries, tabulating the number of countries with such factors as their rules on the use of official information, work outside the public service, and whether ethics is a consideration in recruitment. Only six OECD member countries were found to have dedicated government offices with responsibility for ethics in public service. UN DESA conducted a similar study in ten African countries, with a focus on 'ethics infrastructure' (p. 262).

Two sets of multi-country studies provide a qualitative and in-depth approach: the 20 NIS country studies conducted by Doig and McIvor with TI (p. 240); and collaborative studies by the UNDP and the OECD Development Centre of five national anti-corruption programmes (p. 259). Though employing different methodologies, both groups of studies aimed not just to enumerate the presence or absence of formal institutional provisions for corruption prevention and control, but also to assess their effectiveness within specific national contexts. They used a combination of literature reviews and desk studies, government reports, high-level interviews, field missions and focus groups. These efforts form the basis for ongoing evaluations that can be replicated in other countries, whether at the initiative of governments, NGOs or international organisations.

Conclusion

The question is no longer whether corruption can be measured or analysed empirically. The questions are: How? With what level of accuracy? And to what effect? The picture that emerges from this review is of the wide diversity and scope of the recent literature on the causes and consequences of corruption and on possible strategies of corruption prevention.

The scope of survey work has expanded exponentially in the past few years. In terms of quantitative research, 'macro' assessments like TI's CPI and numerous socio-political analyses by academic researchers are now available. But there is also a growing trend in the direction of qualitative research, such as the NIS country studies and surveys of public sector ethics. Some of these studies have a clear focus on corruption, while others examine the institutional frameworks in which corruption continues to thrive. There is also considerable variation in the types of audience for which these studies have been prepared: some are geared towards policy makers or the news media; others are intended for the private sector.

Not all approaches are equally robust: some use small samples; some are self-

Reviewing the literature on corruption (1990–99)

In August 2000, a database was assembled of books and scholarly articles on corruption that had been published in the 1990s, drawn from 12 specialised social science archives. Over 4,000 books and journals with corruption as a main or leading theme were identified during the search.[1] All items were classified according to a variety of criteria, including theme, geographical focus, language and year of publication.

According to the study, the total number of publications on corruption peaked in the mid-1990s, but the number of publications with an anti-corruption focus continued to grow. While only 5 per cent of the literature had an anti-corruption focus in 1990 – that is, a focus on methods to fight corruption – this rose to 14 per cent by 1999.

When all the publications in the database were classified by theme (see figure 1), it was found that 74 per cent addressed 'politics and public administration', and were mostly descriptions and analyses of the state of corruption or of a specific political scandal.[2]

A different thematic breakdown was discovered when the analysis was confined to books and articles with a primary focus on anti-corruption (see figure 2). While 48 per cent were in the area of 'politics and public administration', 44 per cent were in the area of 'law and judiciary'.

Only a very small proportion of anti-corruption articles were classified under economics, history or ethnography. Most notably, whereas 10 per cent of the total literature on corruption was historical, this was true of only 1 per cent of anti-corruption literature – there has been little explicit analysis of the genesis and history of low-corruption states.

The literature on corruption is global in both its subject matter and its origin. In terms of subject matter, it is evenly divided between addressing the industrialised world and developing or transition countries. Fifty per cent of the publications explored corruption in developing and transition countries, 43 per cent were studies in industrialised countries. Four per cent had a global reach, and 3 per cent were purely theoretical.

The books and articles in the database appeared in more than 44 languages. About half were published in English, 13 per cent in French, 11 per cent in Spanish, 5 per cent in Italian, 4 per cent in Chinese and 17 per cent in other languages.

Figure 1: **Main subject area of publications on corruption**

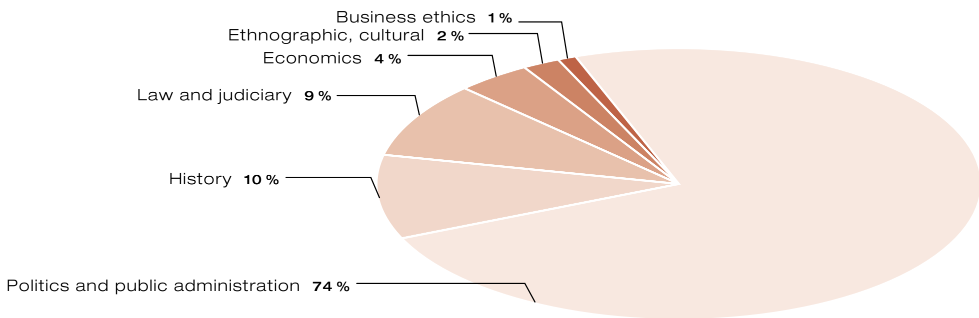
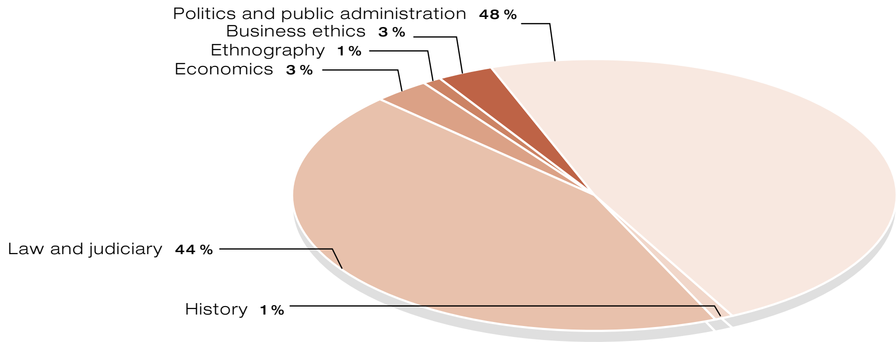


Figure 2: **Main subject area of anti-corruption publications**



1 While the database is nearly comprehensive in its collection of books and academic articles, certain types of writing are under-represented, in particular 'grey literature', such as working papers and conference proceedings. The 12 databases used were: Applied Social Science Index and Abstracts, Cambridge Scientific Abstracts, Criminal Justice Abstracts, Dissertations Abstracts, Foreign Legal Periodicals, Francis, International Bibliography of the Social Sciences, International Foreign Periodicals, Online Computer Library Centre, US Library of Congress, Web of Science (Arts and Humanities Index), and Web of Science (Social Science Index).

2 The six subject areas were specified as: 'history'; 'law and judiciary' (including analyses of legal statutes, texts and judicial corruption); 'economics'; 'ethnographic and cultural' (including all in-depth fieldwork-based studies); 'politics and public administration' (including all non-economic case studies and descriptive analyses of corruption in a particular setting); and 'business ethics and corporate governance' (including non-legal articles written from the perspective of the private sector and/or for a corporate readership).

selective and cannot, therefore, be seen as fully representative of any given sector. Others are so large and costly that the surveys are unlikely to be repeated, reducing their value as diagnostic tools.

The more robust investigations can play a crucial role in raising awareness and deepening understanding of the developmental, social, political and environmental repercussions of corruption. As tools for concrete policy reform, however, these diagnoses have limitations. A minister of health cannot derive policy recommendations from the knowledge that corruption affects child mortality rates. A minister of finance will not know what to do with the information that corruption has a negative impact on real per capita GDP growth or foreign direct investment. This is where detailed, more targeted investigations into the public and private sector can provide valuable new insights. At an institutional and strategic level, quantitative research is complemented by qualitative, in-depth research into integrity systems and ethics institutions.

With increasing awareness of corruption and lower tolerance of it, a window of opportunity is now open for significant anti-corruption reform. The research challenge is to combine more specific qualitative and quantitative micro indicators so as to assess continually the quality of public and private institutions and the effectiveness of reforms.

The major development of the past few years is that evaluations are no longer only carried out by public institutions, a situation that would clearly be inadequate, since these are often the very institutions under investigation. Today, such evaluations are as likely to be initiated by academics, NGOs or corporations. A leading goal in the coming years will be for researchers to pool their findings so as to maximise their value as awareness-raising, diagnostic, accountability and policy tools. With this compilation, the *Global Corruption Report 2001* takes a step forward in this direction.

1 S.P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

2 M. Dogan and A. Kazancigil, *Comparing Nations: Concepts, Strategies*, *Substance* (Oxford: Blackwell, 1994).

3 *Editor's note: The research contributions included in this section of the* Global Corruption Report 2001 *were selected using the following criteria: 1) studies had to show findings that measured corruption, the effectiveness of anti-corruption systems, transparency of governance, or the relationship of corruption to other socio-economic phenomena; 2) research results had to provide comparisons across at least three countries, or use comparative data. As a result of these criteria, this selection of empirical studies does not include a great deal of qualitative or case-study based research. It is therefore not comprehensive, nor does it try to reflect the current breadth of research. Contributions are only brief excerpts from the original studies, but full research papers and data sets are often available from authors. Contact details are given.*

Transparency International 2001 Corruption Perceptions Index

Johann Graf Lambsdorff
(University of Göttingen and Transparency International)

Since it was first published in 1995, Transparency International's annual Corruption Perceptions Index (CPI) has changed worldwide perceptions regarding corruption. By putting countries on a continuous scale, the CPI has shown that country comparisons can be made by assessing perceptions of the extent of corruption (see table). The CPI has also facilitated academic research. Using a cross-section of countries, it has become easier for researchers around the world to investigate the causes and consequences of corruption.[1] This has increased our knowledge in an area where research was long considered impossible.

The CPI methodology has been constantly improved since its inception. Since no methodology exists to collect meaningful hard data on actual levels of corruption, the CPI collects what is available: the perceptions of well-informed people. It provides a snapshot of the views of decision-makers in the areas of investment and trade. This year's CPI used data collected between 1999 and 2001.

The CPI is a composite index. The CPI 2001 draws on 14 data sources were used in the 2001 CPI, from seven different institutions: the World Economic Forum, the World Business Environment Survey of the World Bank, the Institute of Management Development (in Lausanne), PricewaterhouseCoopers, the Political and Economic Risk Consultancy (in Hong Kong), the Economist Intelligence Unit and Freedom House's *Nations in Transit*. One condition for inclusion of a source in the index is that it must provide a ranking of nations. Another is that it must measure the overall level of corruption, not forecast changes in corruption or risks to political stability.

Unlike last year's index, the 2001 CPI did not include surveys of the general public. Since these surveys are scarce, a strategic decision was taken to base assessments only on perceptions of business people and risk analysts. With the exception of three data sources that relied on expatriates' perceptions, the sources mostly sampled residents, who provided local estimates of the degree of corruption, given the meaning of the term in their own cultural context. The robustness of the CPI findings is enhanced by the fact that residents' viewpoints were found to correlate well with those of expatriates.

The sources generally define corruption as the misuse of public power for private benefit, which includes the bribing of public officials, kickbacks in public procurement and the embezzlement of public funds. The term ‘level of corruption’ includes at least two aspects: the frequency of corruption, and the total value of bribes paid. These two tend to go hand in hand; in countries where bribes are frequent, they also tend to represent a large proportion of firms’ revenues.

The strength of the CPI lies in the combination of multiple data sources in a single index, which increases the reliability of each country’s score. The benefit of combining data in this manner is that erratic findings from one source can be balanced by the inclusion of other sources, which lowers the probability of misrepresenting a country’s level of corruption.

Equally important, the CPI leaves out countries if fewer than three reliable sources of data are available. This excludes those countries that would otherwise be measured with an unsatisfactory level of precision.

The high correlation that was found between the different sources used in the CPI also indicates its overall reliability. However, the sources do vary in the rankings they give. Transparency International addresses this issue by publishing the standard deviation of each country’s score. The lower the standard deviation, the more agreement there is between the sources. In addition, the high-low range is reported in the table, depicting the range of assessments obtained for a country. Combining the CPI score with these items, as well as with the number of sources used for each country, provides a comprehensive picture of the extent of perceived corruption in different countries.

Contact: Johann Graf Lambsdorff (jlambsd@gwdg.de).

1 An overview of such research is provided in Johann Graf Lambsdorff, ‘Corruption in Empirical Research – a Review,’ TI Working Paper, November 1999: <http://www.transparency.org/working_papers/thematic/lambsdorff_eresearch.html>.

2001 Corruption Perceptions Index

rank			surveys used	deviation	range
1	Finland	9.9	7	0.6	9.2–10.6
2	Denmark	9.5	7	0.7	8.8–10.6
3	New Zealand	9.4	7	0.6	8.6–10.2
4	Iceland	9.2	6	1.1	7.4–10.1
	Singapore	9.2	12	0.5	8.5–9.9
6	Sweden	9.0	8	0.5	8.2–9.7
7	Canada	8.9	8	0.5	8.2–9.7
8	Netherlands	8.8	7	0.3	8.4–9.2
9	Luxembourg	8.7	6	0.5	8.1–9.5
10	Norway	8.6	7	0.8	7.4–9.6
11	Australia	8.5	9	0.9	6.8–9.4
12	Switzerland	8.4	7	0.5	7.4–9.2
13	United Kingdom	8.3	9	0.5	7.4–8.8
14	Hong Kong	7.9	11	0.5	7.2–8.7
15	Austria	7.8	7	0.5	7.2–8.7
16	Israel	7.6	8	0.3	7.3–8.1
	United States	7.6	11	0.7	6.1–9.0
18	Chile	7.5	9	0.6	6.5–8.5
	Ireland	7.5	7	0.3	6.8–7.9
20	Germany	7.4	8	0.8	5.8–8.6
21	Japan	7.1	11	0.9	5.6–8.4
22	Spain	7.0	8	0.7	5.8–8.1
23	France	6.7	8	0.8	5.6–7.8
24	Belgium	6.6	7	0.7	5.7–7.6
25	Portugal	6.3	8	0.8	5.3–7.4
26	Botswana	6.0	3	0.5	5.6–6.6
27	Taiwan	5.9	11	1.0	4.6–7.3
28	Estonia	5.6	5	0.3	5.0–6.0
29	Italy	5.5	9	1.0	4.0–6.9
30	Namibia	5.4	3	1.4	3.8–6.7
31	Hungary	5.3	10	0.8	4.0–6.2
	Trinidad & Tobago	5.3	3	1.5	3.8–6.9
	Tunisia	5.3	3	1.3	3.8–6.5
34	Slovenia	5.2	7	1.0	4.1–7.1
35	Uruguay	5.1	4	0.7	4.4–5.8
36	Malaysia	5.0	11	0.7	3.8–5.9
37	Jordan	4.9	4	0.8	3.8–5.7
38	Lithuania	4.8	5	1.5	3.8–7.5
	South Africa	4.8	10	0.7	3.8–5.6

rank			surveys used	deviation	range
40	Costa Rica	4.5	5	0.7	3.7–5.6
	Mauritius	4.5	5	0.7	3.9–5.6
42	Greece	4.2	8	0.6	3.6–5.6
	South Korea	4.2	11	0.7	3.4–5.6
44	Peru	4.1	6	1.1	2.0–5.3
	Poland	4.1	10	0.9	2.9–5.6
46	Brazil	4.0	9	0.3	3.5–4.5
47	Bulgaria	3.9	6	0.6	3.2–5.0
	Croatia	3.9	3	0.6	3.4–4.6
	Czech Republic	3.9	10	0.9	2.6–5.6
50	Colombia	3.8	9	0.6	3.0–4.5
51	Mexico	3.7	9	0.6	2.5–5.0
	Panama	3.7	3	0.4	3.1–4.0
	Slovak Republic	3.7	7	0.9	2.1–4.9
54	Egypt	3.6	7	1.5	1.2–6.2
	El Salvador	3.6	5	0.9	2.0–4.3
	Turkey	3.6	9	0.8	2.0–4.5
57	Argentina	3.5	9	0.6	2.9–4.4
	China	3.5	10	0.4	2.7–3.9
59	Ghana	3.4	3	0.5	2.9–3.8
	Latvia	3.4	3	1.2	2.0–4.3
61	Malawi	3.2	3	1.0	2.0–3.9
	Thailand	3.2	12	0.9	0.6–4.0
63	Dominican Republic	3.1	3	0.9	2.0–3.9
	Moldova	3.1	3	0.9	2.1–3.8
65	Guatemala	2.9	4	0.9	2.0–4.2
	Philippines	2.9	11	0.9	1.6–4.8
	Senegal	2.9	3	0.8	2.2–3.8
	Zimbabwe	2.9	6	1.1	1.6–4.7
69	Romania	2.8	5	0.5	2.0–3.4
	Venezuela	2.8	9	0.4	2.0–3.6
71	Honduras	2.7	3	1.1	2.0–4.0
	India	2.7	12	0.5	2.1–3.8
	Kazakhstan	2.7	3	1.3	1.8–4.3
	Uzbekistan	2.7	3	1.1	2.0–4.0
75	Vietnam	2.6	7	0.7	1.5–3.8
	Zambia	2.6	3	0.5	2.0–3.0
77	Côte d´Ivoire	2.4	3	1.0	1.5–3.6
	Nicaragua	2.4	3	0.8	1.9–3.4

rank			surveys used	deviation	range
79	Ecuador	2.3	6	0.3	1.8–2.6
	Pakistan	2.3	3	1.7	0.8–4.2
	Russia	2.3	10	1.2	0.3–4.2
82	Tanzania	2.2	3	0.6	1.6–2.9
83	Ukraine	2.1	6	1.1	1.0–4.3
84	Azerbaijan	2.0	3	0.2	1.8–2.2
	Bolivia	2.0	5	0.6	1.5–3.0
	Cameroon	2.0	3	0.8	1.2–2.9
	Kenya	2.0	4	0.7	0.9–2.6
88	Indonesia	1.9	12	0.8	0.2–3.1
	Uganda	1.9	3	0.6	1.3–2.4
90	Nigeria	1.0	4	0.9	–0.1–2.0
91	Bangladesh	0.4	3	2.9	–1.7–3.8

Notes:
1. The '2001 CPI score' ranges between 10 (highly clean) and 0 (highly corrupt).
2. 'Standard deviation' indicates differences in the values given by the sources: the greater the standard deviation, the greater the differences.
3. 'High-low range' provides the highest and lowest values given by the different sources. Since each individual source has its own scaling system, scores are standardised around a common mean. As a result, it is possible in rare cases that the highest value exceeds 10 and that the lowest is lower than 0. Only the aggregate final country scores are restricted to the reported range of 0 to 10.

1999 Bribe Payers Index

Transparency International

The Transparency International (TI) Corruption Perceptions Index captures one specific dimension of the international corruption equation: the demand side. To measure the supply side – the relative propensity of international companies to pay bribes – TI commissioned Gallup International (GIA) to conduct surveys for a Bribe Payers Index (BPI) in 1999. TI published the first BPI in October 1999, ranking the 19 leading exporting countries of the world in terms of the degree to which their companies were perceived to be paying bribes abroad.[1] The second BPI survey is planned for the end of 2001.

GIA conducted in-depth interviews with 779 private sector leaders in 14 major emerging market economies that account for over 60 per cent of all imports into non-OECD countries. The countries were Argentina, Brazil, Colombia, Hungary, India, Indonesia, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea and Thailand. Approximately 55 people were interviewed in each country, including senior executives at major national and international companies, chartered accountancies, foreign chambers of commerce, national and foreign commercial banks and senior partners at commercial law firms.

Of the 19 leading exporting countries that were evaluated, Chinese companies were perceived to bribe most frequently and Swedish companies least frequently (see table 1). It is notable that while several countries scored almost corruption-free in the CPI, none of the exporters in the BPI were seen to be completely ethical.

The BPI was intended as a benchmark for an assessment of the implementation of the OECD Anti-Bribery Convention. It was found that the countries that fared worst on the BPI were also the countries least likely to have signed or ratified the Convention (see table 1). Awareness of the Convention was generally low: only 6 per cent of respondents expressed ‘familiarity’ with it, while 13 per cent said they ‘know something about it’.

At the same time, TI asked respondents to identify the sectors in which bribery most commonly occurs. As indicated in table 2, bribery was perceived to occur most often in public works contracts and construction, followed by the arms and defence industry. Bribery was perceived to be much less frequent in banking, finance and agriculture, though even here the scores point to its existence.

Table 1: **1999 Bribe Payers Index (BPI)**

		10 – low bribery)	as of 26 October 1999
1	Sweden	8.3	Ratified
2	Australia	8.1	Ratified
	Canada	8.1	Ratified
4	Austria	7.8	Ratified
5	Switzerland	7.7	Signed but not ratified
6	Netherlands	7.4	Signed but not ratified
7	United Kingdom	7.2	Ratified
8	Belgium	6.8	Ratified
9	Germany	6.2	Ratified
	United States	6.2	Ratified
11	Singapore	5.7	Not signed
12	Spain	5.3	Ratified
13	France	5.2	Signed but not ratified
14	Japan	5.1	Ratified
15	Malaysia	3.9	Not signed
16	Italy	3.7	Signed but not ratified
17	Taiwan	3.5	Not signed
18	South Korea	3.4	Ratified
19	China	3.1	Not signed

Notes:
1. The standard error in the results was 0.2 or less.
2. GIA asked: 'In the business sectors with which you are familiar, please indicate whether companies from the following countries are very likely, quite likely, or unlikely to pay bribes to win or retain business in this country.'

One of the more controversial aspects of the survey focused on the role of the governments in leading exporting countries. Respondents were asked what 'other means' governments used to give their own companies 'unfair' business advantages over companies from other countries.

A range of practices was reported, including: diplomatic and political pressure, commercial pressure, dumping, financial pressure, tied aid, official gifts, and tied defence and arms deals. The US government was perceived to be by far the most likely to engage in such 'unfair' practices. After the US, the governments most likely to use unfair practices were France, Japan, China, Germany and Italy.

Table 2: **Bribery in different business sectors**

	10 – low bribery)
Public works contracts and construction	1.5
Arms and defence industry	2.0
Power (including petroleum and energy)	3.5
Industry (including mining)	4.2
Health care/social work	4.6
Telecommunications, post (equipment and services)	4.6
Civilian aerospace	5.0
Banking and finance	5.3
Agriculture	6.0

Note:
1. The standard error in the results was 0.2 or less.
2. GIA asked: 'Which are the sectors in your country of residence where senior public officials would be very likely, quite likely, or unlikely to accept or extort bribes?'

Contact: Fredrik Galtung,
Transparency International (galtung@transparency.org).

1 The reason for looking at only 19 countries was that, in other countries, either commodities make up a relatively high proportion of exports, or export levels are so low that the countries' roles in international bribery cannot be adequately assessed.

Evaluating the National Integrity System

Alan Doig and Stephanie McIvor (University of Teesside)

The National Integrity System (NIS), developed by Transparency International (TI), is a set of objectives, which, supported by key strategies or approaches (elements), are delivered by, or through, key institutions, sectors or specific activities (or 'pillars'). TI and others widely use the NIS as a conceptual and practical tool in developing anti-corruption programmes and projects around the world.

Collectively, the NIS is proposed as a system that, when operating both interactively and effectively, addresses two goals: combating corruption as part of a larger struggle against misconduct and misappropriation; and creating efficient and effective governments working in the public interest.

The ultimate goal of the NIS is to promote good governance: 'The aim is not complete rectitude, or a one-time cure or remedy, but an increase in the honesty or integrity of government as a whole.'[1] One of the features of the NIS and its constituent parts and activities is that it provides audit criteria both for NIS elements and the NIS as a whole.

In 2000–01, a project was undertaken to assess the pillars of the NIS in 19 countries, chosen to reflect regional and developmental variety.[2] The project evaluated the effectiveness and credibility of the NIS in combating corruption.

The research was based on a framework and questionnaire devised by TI and the Centre for Fraud Management Studies, then at Liverpool John Moores University. Outputs include country reports; an overview that summarises the NIS concept and raises issues concerning the NIS in practice; and a report on the themes raised by the country reports.

The findings

Most countries have nearly all the pillars necessary for a functioning NIS (see table). But a conclusion repeated throughout the reports is the need for the pillars – particularly those involving politicians – to implement self-pro-claimed regulations and procedures. To quote from the report on Colombia: 'The problem is practical rather than formal: in other words, it is not the absence of regulations, but their management and the ways in which existing instruments are used.'

Existing pillars – the formal practice

	Argentina	Bangladesh	Botswana	Brazil	Bulgaria	Canada	Colombia	Fiji	Ghana	Jordan	Kazakhstan	Lithuania	Mexico	Mongolia	Nepal	Netherlands	Senegal	South Korea	Trinidad and Tobago
Primacy of parliament	P	N	P	P	P	Y	P	N	P	P	N	Y	P	P	P	Y	P	P	P
Peaceful transfer of power	Y	Y	Y	Y	Y	Y	Y	N	Y	P	P	Y	Y	Y	Y	Y	Y	Y	Y
Active party choice	Y	Y	P	Y	Y	Y	Y	Y	Y	P	P	Y	Y	Y	Y	Y	Y	Y	Y
Rules on party funding	P	P	N	Y	P	Y	P	–	P	P	P	Y	Y	P	N	Y	N	Y	N
Rules governing conduct of public officials	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Parliamentary oversight of budget and accounts	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Office of Auditor General	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Anti-corruption agency	P	Y	Y	N	P	N	N	N	Y	Y	N	Y	Y*	Y*	P	N	N	N	P
Ombudsman	Y	Y	Y	N	N	N	Y	Y	Y	N	N	Y	Y	N	N	Y	Y	Y	Y
Formal judicial independence	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Rules on procurement	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Independent media	Y	P	Y	Y	P	Y	Y	P	Y	P	P	Y	Y	P	P	Y	Y	Y	Y
Active civil society	Y	P	P	Y	Y	Y	Y	Y	Y	P	P	Y	Y	P	P	Y	P	Y	Y
National anti-corruption plan	N	N	N	N	Y	N	Y	N	N	P	P	Y	Y*	Y*	N	N	Y*	Y	N

Y In existence (Y = proposed)*
N Not in existence
P Only partially in existence, or not with full functionality (for example, a minority independent press or an anti-corruption agency without investigative powers)

In a number of countries, the pillars' impartiality, credibility and effectiveness are limited by a range of countervailing influences that include lack of commitment, self-interest, skewed formal or constitutional arrangements, failings in other pillars and, above all, the primacy of political influence. The results of the survey confirm the belief, expressed in the *TI Source Book*, that the NIS approach must be inter-dependent, moving away 'from a system which is essentially top down' to a system of 'horizontal accountability'.[3]

The country reports also note that the corruption confronting the pillars is pervasive – present, practised and not particularly concealed – in most of the countries surveyed. But the nature and extent of corruption varies and, for a number of states in transition, anti-corruption is only one among a range of issues on reform agendas.

The emphasis on democratisation noted by the various reports contains inherent threats. Democratisation provides the opportunities and incentives for both existing and new forms of corruption. In other words, democracy as a process may not be intrinsically more honest than any other political system.

The 'new' areas of corruption that emerge with democratisation include corruption through party funding, electoral misconduct and the development of new patronage networks to sustain electoral support. For some authoritarian states, a veneer of democracy is being cemented over the old political systems and power relationships that continue to operate beneath the surface.[4]

Decentralisation, often seen as complementary to democratisation in that it allows political engagement at district or local levels, offers existing elite groupings opportunities to colonise reform or selectively misuse their new constitutional powers. The continuity of centralised networks of control persists because the means of horizontal accountability have not been developed at the same rate, or with a sufficient level of support, to offer a counterbalance to the corruption opportunities opening up to local elites.[5]

Further developing the NIS

Support for the NIS is reflected in a number of the country reports. A range of institutions and agencies carrying out country assessments have now adopted the NIS as a concept and working methodology.

The country reports suggest that the NIS offers a means to measure performance and delivery. As audits, the reports provide a level of information that allows assessments to be made, fleshing out the skeleton which is often all that quantitative data can provide. Significantly, each country report is prepared within the country concerned. The reports demonstrate the relevance and application of a uniform approach that can be used by countries and donors as the basis for national anti-corruption plans and wider reform.

Contact: Alan Doig (R.A.Doig@tees.ac.uk).

1 Jeremy Pope (ed.), *The TI Source Book* (Berlin: Transparency International, 1997). See also the new, expanded edition: Jeremy Pope, *The TI Source Book 2000: Confronting Corruption, The Elements of a National Integrity System* (Berlin: Transparency International, 2000).
2 The countries surveyed were: Argentina, Bangladesh, Botswana, Brazil, Bulgaria, Canada, Colombia, Fiji, Ghana, Jordan, Kazakhstan, Lithuania, Mexico, Mongolia, Nepal, Netherlands, Senegal, South Korea, and Trinidad and Tobago. The report from Bangladesh was not published because government approval of the survey was not secured in time.
3 Pope (2000).
4 For a discussion of corruption and democratisation, see the country reports from Brazil, Bulgaria, Colombia, Fiji, Ghana, Jordan, Kazakhstan, Nepal, Senegal, and Trinidad and Tobago.
5 For a discussion of corruption and decentralisation, see the country reports from Colombia and Botswana.

Approaches to measuring governance

Daniel Kaufmann (World Bank Institute), Aart Kraay (World Bank Institute) and Pablo Zoido (Stanford University)

Governance and the control of corruption are closely related. Indeed, corruption is a particularly relevant indicator of weak governance. Two approaches to measuring governance are presented here – cross-country indicators and regional surveys of entrepreneurs.[1]

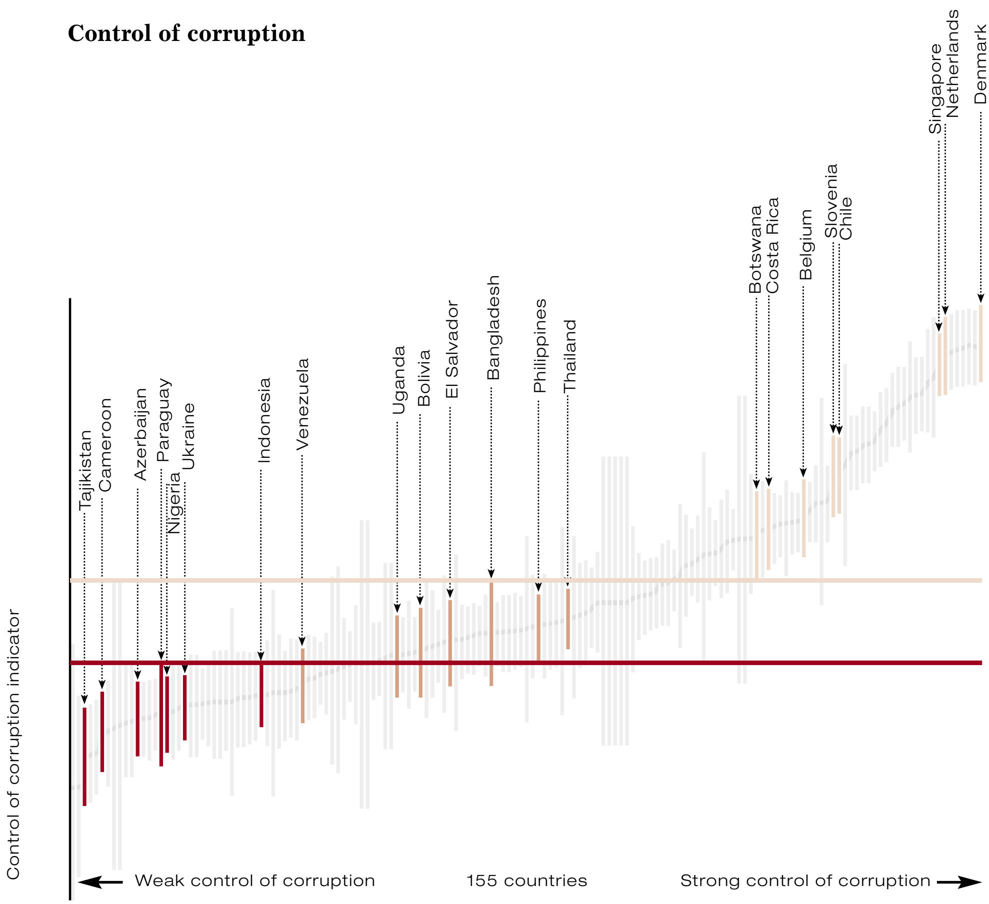
Cross-country indicators

Governance is here defined as the traditions and institutions by which authority in a country is exercised.[2] A wide variety of cross-country indicators sheds light on the various dimensions of this broad definition.[3] Primarily measured in qualitative units, these indicators are produced by a range of organisations (commercial risk-rating agencies, multilateral organisations, think-tanks and NGOs). They include the perspectives of diverse observers (experts, businesses and citizens) and cover a wide range of topics (perceptions of political stability and the business climate, views on the efficacy of public service provision, experiences with corruption).

This qualitative data is relevant for measuring governance. For many aspects of governance, particularly corruption, only qualitative data is generally available. Moreover, stakeholders' perceptions of the quality of governance, as reflected in these qualitative ratings, matter at least as much as objective data and are often a more accurate reflection of *de facto* outcomes. For example, the perception among enterprises that courts do not effectively enforce property rights may lead them to look for other, less efficient, means of enforcing contracts.

An important result that emerges from this work is that, for many countries and many aspects of governance, cross-country differences are not very precisely measured. The figure illustrates this by ordering 155 countries according to their rating on the aggregate 'control of corruption' indicator.[4] The range of statistically likely values of this indicator is shown as a vertical line for each country, with the mid-point indicating the best estimate. While control of corruption varies widely across countries, the statistically likely range for each country is also very large.

Control of corruption



Note: This chart shows estimates of control of corruption for 155 countries during 1997–98, with selected countries indicated for illustrative purposes. The vertical bars show the likely range of the indicator, and the midpoint of each bar shows the most likely value for each country. The length of these ranges varies with the amount of information available for each country and with the extent to which different sources' perceptions of corruption coincide. Countries with dark red (or the opposite, pale red) vertical bars are those for which the indicator is statistically significant in the bottom (or the opposite, top) third of all countries. Countries with medium red bars fall into neither of the two previous groups. Countries' relative positions are subject to significant margins of error and reflect the perceptions of a variety of public and private sector organisations worldwide. Countries' relative positions in no way reflect the official views of the World Bank or the IMF.

Sources: Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobatón, 'Aggregating Governance Indicators,' World Bank Policy Research Department Working Paper No. 2195, 1999; and Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobatón, 'Governance Matters,' World Bank Policy Research Department Working Paper No. 2196, 1999.

This illustrates that even efficient aggregate indicators are relatively imprecise, since many countries' likely ranges of governance overlap.

This imprecision indicates that it may be less appropriate to compare precise rankings on governance than simply to group countries into broad categories along various governance dimensions, using a 'traffic light' approach. The figure illustrates this approach by highlighting selected countries in three broad categories: countries in 'governance crisis' (dark red); 'at risk' countries (medium red); and countries 'not at risk' (pale red).

Does the imprecision of these aggregate indicators imply that they have limited value? Not at all. Although imprecise, they can identify the group of countries facing major governance challenges. Furthermore, they can be used to assess systematically the benefits of good governance for a large sample of countries. For example, additional research found that a reduction in corruption from the very high level prevalent in Indonesia to the level in Korea leads to between a two and fourfold increase in per capita incomes, a decline in infant mortality of similar magnitude, and a 15-25 percentage point improvement in literacy levels.

Regional surveys of entrepreneurs

One effort to improve the quality of internationally comparable governance indicators is the World Business Environment Survey (WBES). This survey asked detailed questions on various dimensions of governance and probed quantitatively into issues typically considered to be qualitative. For example, it elicited specific information about the share of bribes paid in businesses' total revenue, and the percentage bribe 'cut' in public procurement projects.

While a separate contribution on the WBES follows, the table shows some early findings on transition economies, unbundling the notion of corruption into distinct components. The table focuses on the contrast between conventionally measured, administrative corruption and 'grand' forms of corruption, such as the 'purchase' of decrees and parliamentary laws. The latter approach of measuring the extent to which the policies, laws and regulations in a country are being shaped by 'captor' firms allows for arriving at an estimate of 'state capture' in each transition economy.

The results of this collaborative work between the World Bank and the European Bank for Reconstruction and Development point to the need for anti-corruption strategies to address the incentives firms have to capture state laws and policies.

State capture and administrative corruption

	(% of firms affected by illicit purchase of:)								corruption
Country	Parlia-mentary legislation	Presi-dential decrees	Central bank	Criminal courts	Commercial courts	Political party finance	Capture index (average)	Capture classifi-cation	Level of bribery (as % of firm revenues)
Albania	12	7	8	22	20	25	16	Medium	4.0
Azerbaijan	41	48	39	44	40	35	41	High	5.7
Bulgaria	28	26	28	28	19	42	28	High	2.1
Croatia	18	24	30	29	29	30	27	High	1.1
Czech Rep	18	11	12	9	9	6	11	Medium	2.5
Estonia	14	7	8	8	8	17	10	Medium	1.6
Georgia	29	24	32	18	20	21	24	High	4.3
Hungary	12	7	8	5	5	4	7	Medium	1.7
Kyrgyzstan	18	16	59	26	30	27	29	High	5.3
Latvia	40	49	8	21	26	35	30	High	1.4
Lithuania	15	7	9	11	14	13	11	Medium	2.8
Moldova	43	30	40	33	34	42	37	High	4.0
Poland	13	10	6	12	18	10	12	Medium	1.6
Romania	22	20	26	14	17	27	21	High	3.2
Russia	35	32	47	24	27	24	32	High	2.8
Slovakia	20	12	37	29	25	20	24	High	2.5
Slovenia	8	5	4	6	6	11	7	Medium	1.4
Ukraine	44	37	37	21	26	29	32	High	4.4
Overall	**24**	**21**	**25**	**18**	**20**	**20**	**21**		**3.0**

See note on following page

Note: Selected countries in transition, 1999 data. The first six columns provide the estimate of percentage of 'capture' from each sub-component. The seventh and eighth columns show the overall State Capture Index (average of the six previous components) and whether the country falls into the medium or high capture category. In contrast with all previous columns, the last column provides the estimate of administrative corruption. Note that countries may exhibit a particularly high incidence of state capture but lower administrative corruption, or vice versa (with different policy implications). The individual estimates are subject to a margin of error, thus care ought to be exercised in the use of each individual estimate or in inferring precise rankings. Countries' relative positions in no way reflect the official views of the World Bank or the IMF.

Source: J. Hellman, G. Jones, and D. Kaufmann, 'Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition Economies,' World Bank Policy Research Working Paper No. 2444, 2000: <http://www.worldbank.org/wbi/governance>.

Other approaches to measuring governance

A wealth of cross-country indicators of various aspects of governance now exist and point to the strong impact of governance on development. But even the best of these remain imprecise and say little about the specific institutional failures that underlie weak governance in a particular setting.

A key tool for addressing specific institutional challenges are in-depth, country-specific surveys of thousands of households, enterprises and public officials, carried out by domestic NGOs. Such surveys gather experiential and quantifiable information about specific vulnerabilities within a country's institutions. The responses of the three groups of stakeholders can be compared for consistency and pooled for in-depth analysis and the identification of priorities for action. Diagnostic studies have already identified key priorities for reform, such as the legal system and judiciary, customs, police and the sub-national level of government, and they provide empirical insights into the governance-poverty nexus.

Among others, the World Bank Institute has been involved in diagnostic studies in Eastern Europe (Albania, Georgia, Latvia, Romania and Slovenia); Latin America (Bolivia, Colombia, Ecuador, Honduras, Paraguay, Peru, Campo Elias in Venezuela, and São Paulo in Brazil); in East Asia (Cambodia, Indonesia and Thailand); and in Africa (Ghana, Nigeria and Tanzania).

1 The findings, interpretations and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the World Bank, its Executive Directors or the countries they represent.

2 This includes: (1) the process by which governments are selected, held accountable, monitored and replaced; (2) the capacity of governments to manage resources efficiently and formulate, implement and enforce sound policies and regulations; and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them.

3 See Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobatón, 'Governance Matters,' World Bank Policy Research Department Working Paper No. 2196, 1999: <http://www.worldbank.org/wbi/governance>.

4 A new update of the governance indicators, comprising data for 2000 and 2001, should be available in 2001.

World Business Environment Survey

World Bank Group

How can we assess and compare the environment for doing business in countries around the world?[1] Enterprise surveys provide an important means of generating consensus around a credible, locally-derived information source – that of entrepreneurs and managers who deal daily with the institutions, policies and practices of the local business environment. The World Business Environment Survey (WBES) is an initiative of the World Bank Group, which, in partnership with other institutions, has to date assessed the state of the enabling environment for private enterprise in 80 countries.[2]

The WBES assesses how conditions for private investment are shaped by: local economic policy; governance; regulatory, infrastructural and financial impediments; and services to businesses. One of its purposes is to measure the quality of governance and public services, including the extent of corruption. It also provides the World Bank with better information on constraints to private sector growth and stimulates systematic, public-private dialogue on business perceptions. The WBES generates indicators that allow comparisons across countries and, if repeated, over time.

The WBES builds on the start made in a survey carried out for the World Bank's *World Development Report 1997*, but substantially broadens coverage on a number of issues, expands the sample and the number of countries covered, and harmonises methodology across countries. The steering committee for the survey worked in collaboration with its partners in different regions and countries, to apply the core questionnaire, to develop regional modules to capture in detail issues judged important to those regions, and to implement the survey. To ensure adequate representation of firms by industry, size, ownership, export orientation and location, minimum quotas were set for different categories of firm, while sectorally the number of manufacturing versus service and commerce enterprises was allocated roughly according to their contributions to national GDP.

The survey was implemented by the Gallup Organization in East Asia, Pakistan, Latin America and OECD countries; by AC Nielsen in Eastern Europe and Turkey; by the Confederation of Indian Industries in India; by the Harvard Center for International Development in Africa; and by a number of national partners in other countries. The survey enumeration was carried out between late 1998 and mid-2000. Data was collected though personal interviews at senior managerial level in enterprises in most regions, with the exception of Africa where surveys by mail predominated. Response rates were generally high, with the exception in some countries of responses to questions on corruption.[3] By region, response rates were lowest in Africa. Globally, 10,090 enterprises responded to the core questionnaire.

Table 1 distinguishes responses to corruption-related questions by size of firm, where a small firm is one with fewer than 50 employees, and a large firm is one with more than 500 employees. It suggests that smaller firms are more likely than larger ones to find it necessary to make irregular payments to government officials. And in dealing with official misconduct, larger firms can get correct treatment more frequently without recourse to unofficial payments.

Table 2 suggests that small and medium firms pay a larger proportion of their revenues in unofficial payments to public officials.

Table 1: **Firms' experience of the need to make unofficial payments (%)**

	Irregular additional payments to government officials	If government official acts against rules, firm can go to a superior and get correct treatment without recourse to unofficial payment
Small firms	40.4	38.4
Medium firms	34.0	48.2
Large firms	30.9	53.2
All firms	36.0	44.8

Note: Table indicates the proportion of firms that state each event occurs 'always', 'mostly' or 'frequently'.

Table 2: **Proportion of firms' revenues in unofficial payments to public officials (%)**

Proportion of firms' revenues	0%	<1%	1–1.99%	2–9.99%	10-12%	13–25%	>25%
Small firms	32.3	21.3	13.7	17.6	9.4	3.7	2.0
Medium firms	37.6	26.9	11.7	14.0	5.9	3.0	1.0
Large firms	58.2	20.9	6.8	8.0	3.7	1.5	0.9
All firms	38.6	23.4	11.8	14.6	7.1	3.1	1.4

Table 3 suggests that, by region, informal payments to public officials occur most frequently in 'developing' East Asia, in South Asia and in Africa, where over half of responding firms report the necessity of payments. Of regions where data is available, appeals against official misconduct are most difficult in East Asia – both 'developing' and 'newly-industrialised'. Only around a quarter of firms in East Asia feel they can get correct treatment by appealing to a superior in case of official misconduct (although initial incidents of irregular payments are relatively rare in newly-industrialised countries in East Asia).

Table 3: **Firms' experience of the need to make unofficial payments (%)**

		payment
East Asia, developing	61.8	26.3
South Asia	53.0	42.5
Africa	52.4	n/a
MENA	35.7	n/a
CEE	33.5	35.7
CIS	29.3	38.3
Latin America	28.2	69.3
OECD	11.9	44.9
East Asia, newly industrialised (excluding China)	10.7	25.0

Note: Table indicates the proportion of firms that state each event occurs 'always', 'mostly' or 'frequently'.

For more information on the WBES, please visit the website:
<http://www1.worldbank.org/beext/resources/assess-wbessurvey-alt.htm>.

1 This contribution reflects the views of the authors, Andrew Stone, Geeta Batra and Daniel Kaufmann, and should not be attributed to the World Bank, its Board of Directors, management or any of its member countries.

2 The WBES began with substantial seed capital from the Innovation Marketplace and the support of World Bank President James D. Wolfensohn. The steering committee of the WBES comprised the authors and Guy Pfeffermann, Luke Haggarty, Shyam Khemani and Homi Kharas. External partners included the EBRD, the IDB, Harvard CID and the Egyptian Centre for Economic Studies.

3 Questions on corruption could not be asked in China.

Pragmatic approaches to patronage

Nick Manning, Ranjana Mukherjee and Omer Gokcekus
(World Bank Poverty Reduction and Economic Management Network)

During 1999–2001, some 7,011 public officials in 16 countries were surveyed to map the strengths and weaknesses of the public sector and to model the potential benefits from reform interventions.[1] The surveys and analyses were undertaken by the World Bank and financed under the Bank-Netherlands Partnership Program (BNPP). BNPP-funded surveys of public officials have been completed in Albania, Argentina, Bangladesh, Bolivia, Bulgaria, six East Caribbean states, Guyana, Indonesia, Kenya, Macedonia and Moldova. Surveys are in preparation for Russia. The programme also provided funds for data analysis of a separate survey of public officials in Armenia.

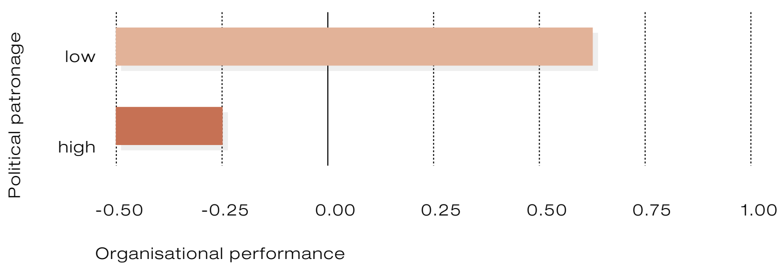
Local researchers using an agreed methodology surveyed public officials at all levels and in a range of government agencies. The surveys were based on a model designed in collaboration with Professor Bert Rockman of the University of Pittsburgh. World Bank staff working on a particular country tailored the approach to the country-specific background and issues in public sector reform.

The surveys offer insights for reform interventions in many areas. The framework used for analysing the survey data offers an approach for understanding how accountability is linked with both bad performance and good, and for presenting the results to policy-makers in a format that leads to more informed choices about public sector reform. The reforms discussed include: strengthening the credibility of rules for evaluation, record management, training and recruitment; ensuring that staff support government policy; preventing political interference or micro-management; and making government policies consistent.

Patronage is common in many developing country public sectors, violating principles of merit and competition in civil service recruitment and promotion. A small number of patronage appointments are justified as a means for political leaders to fashion a circle of government policy-makers and managers who share a common agenda. Patronage is clearly a problem when such appointments pervade the public administration. On a large scale, it is associated with poor performance and other forms of corruption. Patronage itself can be a form of corruption to the extent that it entails selling positions that are formally merit-based.

Patronage can vary significantly between agencies within the same country. The surveys indicated unambiguously that performance deteriorates in agencies with high levels of patronage. Political patronage and organisational performance indicators can be constructed for each agency. Figure 1 shows agencies divided into two groups on the basis of their degree of political patronage relative to the country's average.[2] Organisational performance is expressed as standard deviations from the country's average.

Figure 1: **Political patronage and organisational performance**

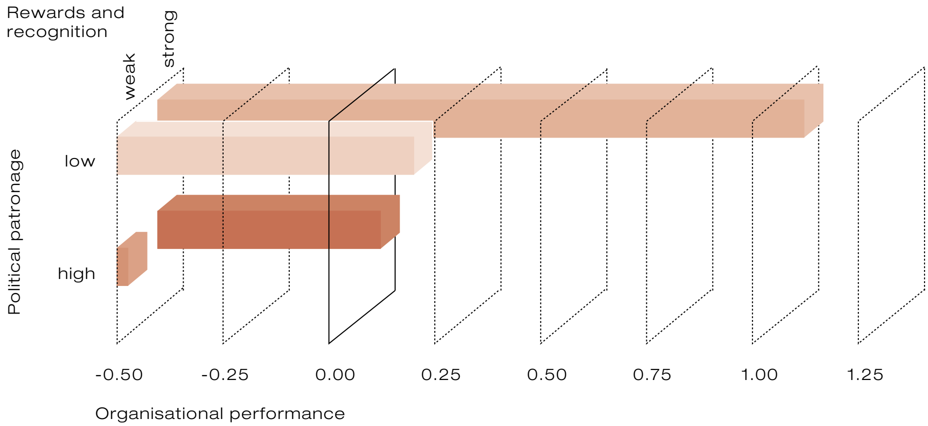


Patronage is a peculiarly well-entrenched institutional phenomenon. It responds to the demand-side pressures of politicians and others looking to recruit officials who will owe them trust and loyalty. It also provides protection for public officials who fear – often with justification – that without it, arbitrarily applied rules will be used to prevent their career advancing. If patronage is hard to remove, it is also hard to live with. There are difficulties in enforcing disciplinary rules in high-patronage environments because of resistance from complicit and occasionally corrupt public sector unions and other bodies.

The research findings suggest that local managers can take actions that mitigate the impact of patronage. Recognising that the larger problem cannot be easily resolved, even in high-patronage countries, agency managers who take action to improve rewards and recognition get better results from their staff. Such action could take the form of an out-of-turn promotion or an award or other recognition, publicised in the official's local area.

In a high-patronage environment, managers who publicly recognise their staff are likely to see a distinct improvement in performance, perhaps even more than in low-patronage environments. This is seen in figure 2, where public sector organisations have been divided into two groups on the basis of average level of political patronage, and both low and high-patronage groups have then been subdivided into groups with either weak or strong rewards and recognition.[3]

Figure 2: **The impact of strong rewards and recognition on organisational performance**



Other survey results indicated that staff themselves see the value of this approach. The surveys showed that many staff consider recognition more important than increased remuneration.

The conclusions are clear. In an environment of low accountability, steps to reduce political patronage are as productive as banging heads against the proverbial brick wall. Managers can still make a difference, however, by the simple expedient of recognising good behaviour. Carrots work better than sticks.

Findings to date are available at the website:
<http://www1.worldbank.org/publicsector/civilservice/surveys.htm>.

1 This contribution presents some summary findings. It reflects work in progress and should not be taken as any indication of World Bank policy.

2 Ranjana Mukherjee and Omer Gokcekus, 'Civil Service Reform Options when Patronage Cannot be Eliminated Immediately,' draft World Bank Working Paper, 2001. See also the following papers: Omer Gokcekus, Nick Manning, Ranjana Mukherjee and Raj Nallari, 'Institutional Environment and Public Officials' Performance in Guyana,' World Bank Technical Paper, 2001; Nick Manning, Ranjana Mukherjee and Omer Gokcekus, 'Public Officials and their Institutional Environment: An Analytical Model for Assessing the Impact of Institutional Change on Public Sector Performance,' World Bank Policy Research Working Paper No. 2427, 2000, <http://econ.worldbank.org/view.php?type=5&id=1182>; and Ranjana Mukherjee, Omer Gokcekus, Nick Manning and Pierre Landell-Mills, 'Bangladesh: The Experience and Perceptions of Public Officials,' World Bank Technical Paper, 2001.

3 Ranjana Mukherjee and Omer Gokcekus (2001).

IMF research on corruption

International Monetary Fund (IMF) Fiscal Affairs Department

In recent years, the IMF has increasingly recognised the adverse impact of corruption and poor governance on economic performance and on the success of economic reforms in IMF-supported programmes.[1]

In parallel with this recognition, empirical research at the IMF has highlighted the causes of corruption, its impact (on economic growth, public finances, poverty, income inequality and the provision of social services) and the effect of anti-corruption strategies. The IMF has published 11 such empirical studies since the mid-1990s, mostly relying on measures of corruption developed by Business International, International Country Risk Guide and Transparency International.

The findings of each study depend on: the choice of the corruption measure; consideration of other factors besides corruption that may affect economic performance; countries sampled; and the statistical technique used for estimating the relationship between corruption and each measure of economic performance. Tables 1 and 2, which contain a summary of these studies, provide a range of estimates of the likely impact of corruption and of the causes of corruption.

Four studies identified the negative impact of corruption on economic growth (see table 1). One study found that increasing corruption by one unit (on a scale of zero to ten) would lower real per capita GDP growth by some 0.3 to 1.8 percentage points,[2] while others reported a narrower range. In the four studies, corruption was shown to lower growth by reducing private investment,[3] by attracting talented individuals to unproductive activities,[4] by poor management of rich natural resources[5] and as a proxy for the postponement of growth-enhancing structural reforms.[6] The last of these studies argued that structural reforms aimed at rationalising the role of the state, increasing the reliance on market-based pricing and creating a sound regulatory environment should contribute to growth directly and indirectly by lowering the incidence of corruption. It provided supporting empirical evidence from the experiences of countries of the former Soviet Union and Eastern Europe.

A large number of IMF studies found that corruption distorts the composition of public expenditures in favour of sectors where the collection of bribes is easier. Corruption shifts spending away from routine maintenance and repair[7] and education and health[8] to excessive and inefficient physical public investments[9] and higher military spending.[10] Higher corruption was also found to have adverse consequences for social indicators such as child mortality rate, student dropout rates,[11] and income inequality and poverty.[12] These studies imply that policies aimed at reducing corruption will improve the composition of government spending in favour of more productive outlays.

Table 1: **Impact of increasing corruption by one unit**[1]

Author(s)	Impact on	Finding
Mauro (1996)	Real per capita GDP growth	–0.3 to –1.8 percentage points
Leite and Weidmann (1999)	Real per capita GDP growth	–0.7 to –1.2 percentage points
Tanzi and Davoodi (2000)	Real per capita GDP growth	–0.6 percentage points
Abed and Davoodi (2000)	Real per capita GDP growth	–1 to –1.3 percentage points
Mauro (1996)	Ratio of investment to GDP	–1 to –2.8 percentage points
Mauro (1998)[2]	Ratio of public education spending to GDP	–0.7 to –0.9 percentage points
Mauro (1998)[3]	Ratio of public health spending to GDP	–0.6 to –1.7 percentage points
Gupta, Davoodi and Alonso-Terme (1998)	Income inequality (Gini coefficient)	+0.9 to +2.1 Gini points
Gupta, Davoodi and Alonso-Terme (1998)	Income growth of the poor	–2 to –10 percentage points
Ghura (1998)	Ratio of tax revenues to GDP	–1 to –2.9 percentage points
Tanzi and Davoodi (2000)[4]	Measures of government revenues to GDP ratio	–0.1 to –4.5 percentage points
Gupta, de Mello and Sharan (2000)[5]	Ratio of military spending to GDP	+1 percentage point
Gupta, Davoodi and Tiongson (2000)[6]	Child mortality rate	+1.1 to 2.7 deaths per 1,000 live births
Gupta, Davoodi and Tiongson (2000)[7]	Primary student dropout rate	+1.4 to 4.8 percentage points
Tanzi and Davoodi (1997)[8]	Ratio of public investment to GDP	+0.5 percentage points
Tanzi and Davoodi (1997)[9]	Per cent of paved roads in good condition	–2.2 to –3.9 percentage points

1. *Corruption is measured on a scale of 0 (highly clean) to 10 (highly corrupt).*
2. *Three other measures of education spending are also reported in this study.*
3. *Three other measures of health spending are also reported in this study.*
4. *This study covers 15 types of government revenues.*
5. *Three additional measures of military spending are also reported in this study.*
6. *Four additional indicators of health are reported in this study.*
7. *Four additional indicators of education are reported in this study.*
8. *Two additional measures of public spending are also reported in this study.*
9. *Four additional indicators of infrastructure are used in this study.*

Corruption was also shown to reduce government revenue because it contributes to tax evasion, improper tax exemptions or weak tax administration, thereby limiting the ability of the government to provide quality public services.[13]

Several studies investigated the causes of corruption (see table 2). These range from weak rule of law and the availability of natural resources[14] to the public-private wage differential,[15] a country's past political history and its propensity to embark on structural reforms.[16] Future research at the IMF will most likely include further analysis of the causes of corruption and analysis of the role of standards and codes of conduct in promoting good governance.

Table 2: **Causes of corruption**[1]

Author(s)	Impact of	Impact on corruption
Van Rijckeghem and Weder (1997)[2]	Doubling civil service wages relative to manufacturing wages	–1.9 to –2.1 points
Leite and Weidmann (1999)[2]	Increasing ratio of fuel and ore exports to GDP by one percentage point	+2.7 to +4.2 points
Abed and Davoodi (2000)[2]	Increasing pace of structural reforms by one unit	–1 to –1.2 points
Abed and Davoodi (2000)[2]	Increasing years lived under central planning by 10 to 20 years	+0.5 to +1 point

1. Corruption is measured on a scale of 0 (highly clean) to 10 (highly corrupt).
2. See these studies for additional causes of corruption.

Contact: Hamid R. Davoodi, economist, IMF (hdavoodi@imf.org).

1 In 1997 the IMF issued a guidance note on governance issues, <http://www.imf.org/external/np/sec/nb/1997/nb9715.htm>, and, on 14 February 2001, the IMF's Executive Board reviewed experiences with governance issues in IMF-supported programmes, <http://www.imf.org/external/np/sec/pn/2001/pn0120.htm>.
2 Paulo Mauro, 'Corruption and Composition of Government Expenditure,' IMF Working Paper 96/98, 1996. Also published in *Journal of Public Economics*, No. 69, June 1999.
3 Ibid.
4 Vito Tanzi and Hamid Davoodi, 'Corruption, Growth and Public Finances,' IMF Working Paper 00/116, 2000. Also in Arvind K. Jain (ed.), *The Political Economy of Corruption* (London: Routledge, forthcoming).
5 Carlos Leite and Jens Weidmann, 'Does Mother Nature Corrupt? Natural Resources, Corruption and Economic Growth,' IMF Working Paper 99/85, 1999.
6 George Abed and Hamid Davoodi, 'Corruption, Structural Reforms and Economic Performance in the Transition Economies,' IMF Working Paper 00/132, 2000.
7 Vito Tanzi and Hamid Davoodi, 'Corruption, Public Investment and Growth,' IMF Working Paper 97/139, 1997. Also published in T. Shibata and T. Ihori (eds.), *The Welfare State, Public Investment and Growth* (Tokyo: Springer Verlag, 1998).
8 Sanjeev Gupta, Hamid Davoodi and Rosa Alonso-Terme, 'Does Corruption Affect Income Inequality and Poverty?' IMF Working Paper 98/76, 1998; Mauro (1996).

9 Tanzi and Davoodi (2000); Mauro (1996).

10 Sanjeev Gupta, Luiz de Mello and Raju Sharan, 'Corruption and Military Spending,' IMF Working Paper 00/23, 2000. Also forthcoming in *European Journal of Political Economy*.

11 Sanjeev Gupta, Hamid Davoodi and Erwin Tiongson, 'Corruption and the Provision of Health Care and Education Services,' IMF Working Paper 00/116, 2000. Also in Jain (forthcoming).

12 Gupta, Davoodi and Alonso-Terme (2000).

13 Dhaneshwar Ghura, 'Tax Revenue in Sub-Saharan Africa: Effects of Economic Policies and Corruption,' IMF Working Paper 98/135, 1998; Vito Tanzi and Hamid Davoodi, 'Corruption, Growth and Public Finances,' IMF Working Paper 00/116, 2000. Also in Jain (forthcoming).

14 Leite and Weidmann (1999).

15 Caroline Van Rijckeghem and Beatrice Weder, 'Corruption and the Rate of Temptation: Do Low Wages in the Civil Service Cause Corruption?' IMF Working Paper 97/73, 1997.

16 Abed and Davoodi (2000).

Fighting corruption in developing countries: what can we learn from recent experiences?

UN Development Programme (UNDP) and the Organisation for Economic Cooperation and Development (OECD) Development Centre

The UNDP Programme for Accountability and Transparency (PACT) and the OECD Development Centre jointly undertook a research project to compare the experiences of anti-corruption efforts in five developing countries. All five are countries in which political leaders had launched anti-corruption programmes with support from the international community: Benin, Bolivia, Morocco, Pakistan and the Philippines.

The methodology combined fact-finding case studies entrusted to experts, with field missions and literature reviews by the authors. This qualitative approach allowed the researchers to test anti-corruption models such as the National Integrity System and sets of recommendations such as the Arusha Declaration.[1] It provided a detailed, objective and intimate account of the character of corruption practices, the forces at work for and against reform, and the outcome of the different initiatives undertaken in the countries studied.

The first component of the project studied the national anti-corruption programmes. This is still work in progress, although the first results have been published.[2] The second component focused on the problem of corruption in one specific area of administration, that of customs, in three countries only: Bolivia, Pakistan and the Philippines. Findings have recently been published and there are three main conclusions of the research.[3]

First, while all acts of corruption by definition involve the use of public office for private gain, they vary in nature. In the customs environment, three types of corrupt practice can be distinguished: routine, fraudulent and criminal. These are driven by different 'logics of action' (i. e. different rationales) on the part of the private actors involved, and they call for different solutions. This observation leads to a simple framework of analysis that distinguishes between the opportunity for corruption and the rationale of the actors who seize that opportunity (see figure). The opportunity for corruption stems from defects in the organisation of an administrative unit (such as customs). The logic of action refers to the broader social environment.

Revisiting the analysis of corruption

CORRUPTION = OPPORTUNITIES + LOGICS OF ACTION

OPPORTUNITIES in the operational environment of the customs administration:
- Discretionary interface and
- Lack of efficient controls and
- Networks of accomplices

LOGICS OF ACTION stemming from the broader environment:

For public actors:	– Contrast between remuneration level and personal expectations
	– Functioning of the political system
	– Criminal logics of action
For private actors:	– Growth in the volume of trade
	– High level of taxes and tax structure perceived as unfair
	– Criminal logics of action

Second, in a context of entrenched corruption, an approach based on 're-engineering' the structure of the administration is more likely to bear fruit than measures more strictly limited to changing incentives. Purges of staff, reinforced controls and mechanisms to secure spontaneous compliance all aim to modify incentives for those working at each station of the 'customs chain'. It is more effective to rethink the customs chain, in order to reduce the need for controls and positive incentives, or to facilitate those controls and incentives still necessary.

Third, the relative success in the Philippines, compared to the serious setbacks observed in Bolivia and Pakistan, can be explained by astute implementation of reforms and by the existence of a facilitating environment.[4] The table compares the processes of implementing reform using three criteria: the actors involved, the management of change and the monitoring of the process.

Comparing three experiences of reform in customs administration

	Philippines	Bolivia, Pakistan
Actors involved	Real will of government expressed. Strong personal commitment of the President, and close collaboration with the Director of Customs.	Real will of government expressed.
	Transparent design and implementation process.	Lack of transparency in the design and implementation process.
	Close involvement and support of business associations.	Failure to involve private sector associations.
Management of change	Progressive implementation of reforms.	Design of a radical reform programme, arousing different sources of opposition, which converged to make the project fail in Pakistan.
	Changes in management combined with re-engineering measures.	Disputed staff selection measures in Pakistan.
Monitoring of progress	Indicators set up by Customs Commissioner to monitor progress.	Belated monitoring of reform effort in Bolivia.

Contact: Pauline Tamesis, UNDP (pauline.tamesis@undp.org) or Irène Hors, OECD (irene.hors@oecd.org).

1 Declaration of the Customs Cooperation Council Concerning Integrity in Customs, adopted in Arusha, Tanzania, in July 1993.

2 Irène Hors, 'Fighting Corruption in Developing Countries,' *OECD Observer*, No. 220, April 2000; Irène Hors, 'Les difficultés de la lutte contre la corruption: l'expérience de quatre pays en développement,' *Revue Tiers Monde*, XLI, No. 161, January-March 2000; and Irène Hors, 'Dealing with Corruption in Developing Countries,' in *No Longer Business as Usual: Fighting Bribery and Corruption* (Paris: OECD, 2000).

3 Irène Hors, 'Fighting Corruption in Customs Administration: What Can We Learn From Recent Experiences?' OECD Development Centre Technical Paper No. 175, 2001, <http://www.oecd.org/dev/publication/tp1a.htm>.

4 Assessment based on private sector testimonies.

Public service ethics in Africa

UN Department of Economic and Social Affairs (UN DESA)

Between 1999 and 2001, the Division for Public Economics and Public Administration of the UN Department of Economic and Social Affairs (UN DESA) conducted a comparative study on public service ethics in Africa, funded by the Regional Bureau for Africa of the UNDP.

The study involved ten countries: Cameroon, Gabon, Ghana, Kenya, Madagascar, Namibia, Nigeria, Senegal, South Africa and Uganda. These countries were chosen to ensure broad representation of the cultural and linguistic diversity in Sub-Saharan Africa. The selection was based on a consultation process between UN DESA, UNDP country offices and national governments.

The overall aim of the study was to help African governments improve the management of ethics and conduct in public services. For this purpose, comparative information on current legislation, policies, programmes and practices was compiled to highlight gaps and practices that can serve as a basis to introduce new, or improve existing, ethics policies and programmes at the national level.

Methodology

The conceptual framework of the study was the description of the specific 'ethics infrastructure' in each country: the set of rules, institutions and practices that are in place to guide, manage and enforce good conduct in the public sector. The OECD initially developed the concept, but it was modified by UN DESA in order to reflect the African context.

The research design for the study was a combination of expert interviews and document analysis. The research process at the country level, conducted by national consultants, was supported and guided by a detailed standardised questionnaire and research guidelines developed by UN DESA. The questionnaire focused mostly on publicly available statistics, administrative data and legal documents. In order to ensure the validity and reliability of the data gathered, as well as the participation of regional and national stakeholders in the research process, the project was advised by a project steering group.

Current status

- Internet website <**http://www.unpan.org/ethics**> with overviews, downloadable project documents and links.
- Project report in two volumes: Volume 1, with comparative overview, has been published; and Volume 2, containing individual country reports, is currently being finalised.
- Database on survey data available upon request.
- Consultative meetings on possible follow-up action at the country level scheduled for 2001.

Contact: Elia Yi Armstrong, Project Coordinator (armstronge@un.org) or Stefan Lock, Associate Expert (lock@un.org).

Synopsis of findings and recommendations

Findings	Recommendations
Government employment • Access to public service employment data is highly limited in many countries.	• Strengthen capacity to collect basic public service statistics.
Public sector salaries • Lowest and highest nominal income are often very close to each other. • Seven countries reported that salaries have been paid regularly. Only South Africa reported that public service salaries kept up with inflation and in parity with private sector salaries.	• Improve public sector salary structures, where appropriate, by introducing decompression, inflation adjustment and competitiveness with the private sector.
Identification and provision of values and standards • All ten countries reported having public service-wide statements of core values. The most common values are: impartiality/neutrality/financial disinterestedness; honesty/integrity; equality; fairness/justice; selflessness; accountability; dedication/diligence; discretion; efficiency; and transparency.	

Findings	Recommendations
Communication of values and standards • Few countries offer continuous training and regular reminder activities for their public servants in this area. • Only three countries indicated that the values and standards relevant to the work of their public servants are given to them individually and in printed form.	• Continuous communication of values and standards, and continuous training in public service ethics.
Restrictions on conduct • Restrictions regarding the conduct of members of the public service are in place for most countries. • The acceptance of gifts, fees or payments, unauthorised use of official property or use of official information and political engagement are usually covered. • Some traditional concerns like inappropriate employment and/or supervision of family members are insufficiently addressed.	• Inappropriate employment and/or supervision of family members need to be addressed more explicitly. Inappropriate employment of family and friends should be important targets for reform in many participating countries. • Current standards in many countries do not sufficiently address new areas of concern such as official travel, movement to the private sector, post-employment and lobbying. It is recommended that national governments in Africa observe further developments in these areas and prepare appropriate regulations.
Integrity strategies • Six countries indicated the existence of a specific national integrity strategy. • Less than half of the countries were able to indicate whether they had established routines for risk assessment, systematic policy analysis, and evaluation mechanisms in their coordination of ethics and anti-corruption measures.	• More policy and impact analysis in the field of management activities for the enhancement of ethical values and standards in the public sector.
Human resources management • While appropriate regulatory provisions seem to be in place, they are often not translated satisfactorily into daily action. • Relevant management tools, such as the identification and reporting of conflicts-of-interest in various areas, service standards and anti-corruption provisions in bidding procedures, are usually provided.	• Disciplinary measures and sanctions need to be enforced in daily administrative practice. • Appropriate training of managers and supervisors in disciplinary procedures and measures should be encouraged.

Findings	Recommendations
Disclosure requirements • All countries reported that previous employment has to be declared. • Less than half of the participating countries reported that loans and outside positions are covered by disclosure requirements.	• Need to strengthen and expand disclosure systems.
Internal reporting procedures • Nine countries indicated that public servants have an obligation to report or 'blow the whistle' on wrongdoing. • Six countries indicated the availability of protection for those public servants reporting wrongdoing.	• Need to simplify reporting procedures, both internally for public servants and externally for the general public. • Governments should provide sufficient protection for public servants willing to report misconduct.
Public complaints mechanisms • Seven countries confirmed that they have public complaints procedures. • The institution of ombudsman, public defender, or the inspector general was the most frequently mentioned agency.	• Need to simplify reporting procedures, both internally for public servants and externally for the general public. • Need to strengthen capacity of external agencies, such as the ombudsman or the inspector general.
Role of non-governmental actors • Transparency in sharing information about public sector activities is acknowledged to variable degrees in most countries. • In many countries the press is still not entirely free to express its views or operate without government interference.	• Governments need to enhance their transparency and disclosure requirements. • The private sector and civil society should be included as partners in ethics and anti-corruption policies. • Public administrations need to accept the public reporting and oversight function of private media.

Full documentation is available at the website:
<http://www.unpan.org/ethics>.

The International Crime Victims Survey

United Nations Interregional Crime and Justice Research Institute (UNICRI)[1]

The International Crime Victims Survey (ICVS) looks at households' experience of crime, policing, crime prevention and feelings of unsafety across countries and large cities in both developed and developing countries. One of the crimes recorded by the ICVS is corruption by government officials, as directly experienced by citizens.

The ICVS is the most far-reaching programme of standardised sample surveys to look at households' experience of crime and policing. The project started in 1989 with surveys in 14 industrialised countries. To date, over 140 surveys have been carried out in more than 70 countries. The surveys were equally distributed between industrialised countries, large European cities and large cities in developing countries. The next round of surveys is scheduled for 2004.

The programme was created for a number of reasons. First, police records of offences are inadequate for comparing crime across countries because of different definitions of crimes, different recording practices and differences in reporting to the police by victims. In a number of developing countries, there is no reliable recording of crime by police at all. Secondly, there was no alternative standardised measure. Thirdly, the programme was intended to stimulate research in the fields of crime and criminal justice in non-industrialised countries. In some countries, the ICVS is the only source of information on crime and victimisation.

The surveys involved questioning a random sample of the population about their experiences with 13 types of victimisation, policing, fear of crime and crime prevention. In general, surveys in industrialised countries were nationwide. Surveys in non-industrialised countries were largely city-based, though some were national. Two methodologies were applied: one, by telephone interviews, used in industrialised countries; and one by face-to-face interviews, used in city surveys in non-industrialised countries. All aspects of the surveys were standardised, including questionnaires, sampling methodology, interview techniques, as well as procedures for handling and analysing data.

Responses to questions about corruption provided a measure of its actual incidence, rather than the perception of corruption measured in many other studies. Respondents who reported having been confronted with a corrupt official were also asked whether the incident was reported to the police or another authority. The 2000 version of the face-to-face methodology included additional questions on the reporting of crimes to the police and the perception of changes in corruption over the last few years.

The figure shows the percentage of the population with direct experiences of a corrupt official in 1999. Two groups of surveys are presented: data from 17 mainly European cities and data from 17 national surveys in industrialised countries. Since urbanisation is a major factor in crime, the responses from the national surveys for cities of over 100,000 inhabitants are also included in the graph for comparison. Also included are the results of an *ad hoc* survey in Lebanon.

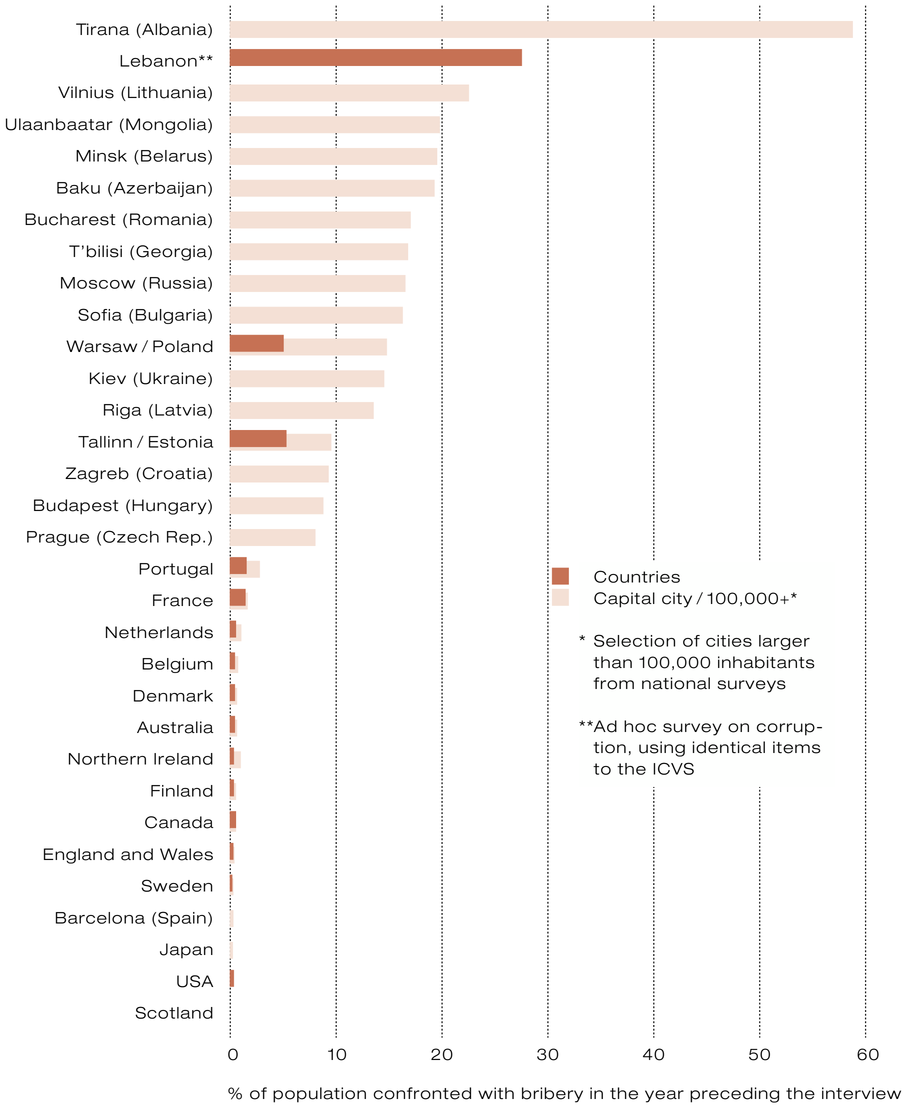
The survey shows a huge gap between East and Central Europe and other former socialist countries on the one hand, and the industrialised countries on the other. Portugal and France are the only two countries in the latter group with corruption figures of slightly over 1 per cent. By contrast, between 8 and 22 per cent of inhabitants of the capital cities in East and Central Europe were confronted with a corrupt official in 1999. Tirana (Albania) stands out with almost a 60 per cent experience of corruption. Corruption in Lebanon is also very high, especially considering that the data applies to the whole of Lebanon, not just the capital.

The ICVS is an important research and policy/management tool for screening and evaluating the present situation in crime and corruption and for identifying directions for future work. Because it focuses on experienced, rather than perceived corruption, the ICVS has been selected as one of the assessment tools of the UN Global Programme Against Corruption, currently being conducted in several countries across the world.

Contact: icvs@unicri.it

1 The principal researchers and institutes involved are: Anna Alvazzi del Frate (UNICRI, Turin), Pat Mayhew (Home Office, London), Jan J.M. van Dijk (CICP, Vienna), John van Kesteren (UNICRI, Turin), Paul Nieuwbeerta (NSCR, Leiden), plus national coordinators in each of the participating countries.

Experience of corruption in industrialised countries and large European cities



A database of integrity measures: lessons from OECD countries

OECD Public Management Service (PUMA)

In summer 1999, the Public Management Service (PUMA) of the OECD launched a survey on the implementation of the OECD 1998 Recommendation on Improving Ethical Conduct in the Public Service. The overall objective was to support the development of modern anti-corruption and ethics strategies by providing analysis of common trends, and a framework for assessment and identifying promising practices – what works and how, in different national environments – on the basis of the first comprehensive database of integrity measures in the public service of 29 OECD countries. The report was presented to the OECD Council Meeting at ministerial level in June 2000.

The survey reviewed the public service environment in OECD countries to examine the arrangements/mechanisms – including regulations, institutions and procedures – used to:

1. Redefine, communicate and inculcate core values and ethical standards for public servants and provide clear guidance to help solve ethical dilemmas.
2. Monitor compliance and reward ethical conduct through career development, and prevent situations prone to conflict of interest.
3. Report, detect, investigate, prosecute and punish misconduct.

With regard to the first, a visible shift in values clearly indicates that OECD countries have re-emphasised 'traditional' values, while giving them a modern content and combining them with 'new' values to mirror the increasingly results-based public service culture. Impartiality, legality and integrity are the three most frequently stated core public service values in OECD countries, and they determine the distinct characteristics of the public service. But they have been complemented by 'new' principles, such as efficiency and transparency, reflecting the evolving social demands and changes in public management. Furthermore, OECD countries have developed a more detailed description of the standards expected of all public servants. Figure 1 indicates the areas of concern where OECD countries provide standards for public servants.

Putting values into practice starts with communicating them and creating a working environment that promotes integrity in daily operations. For example,

Figure 1: **Areas of concern where OECD countries provide standards for public servants**

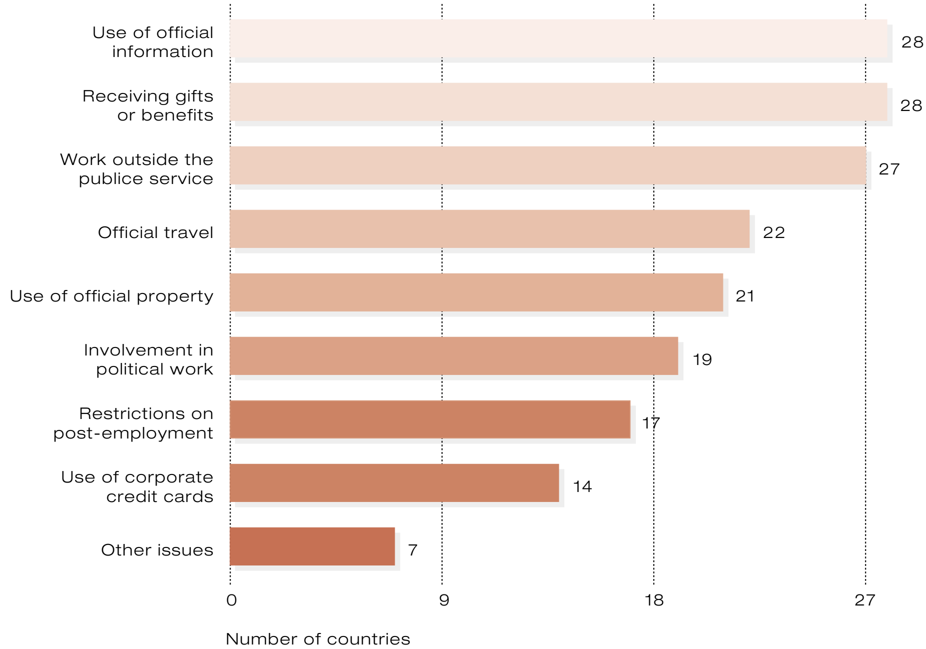


Figure 2: **Human resource management measures used by OECD countries to ensure transparency, accountability and integrity**

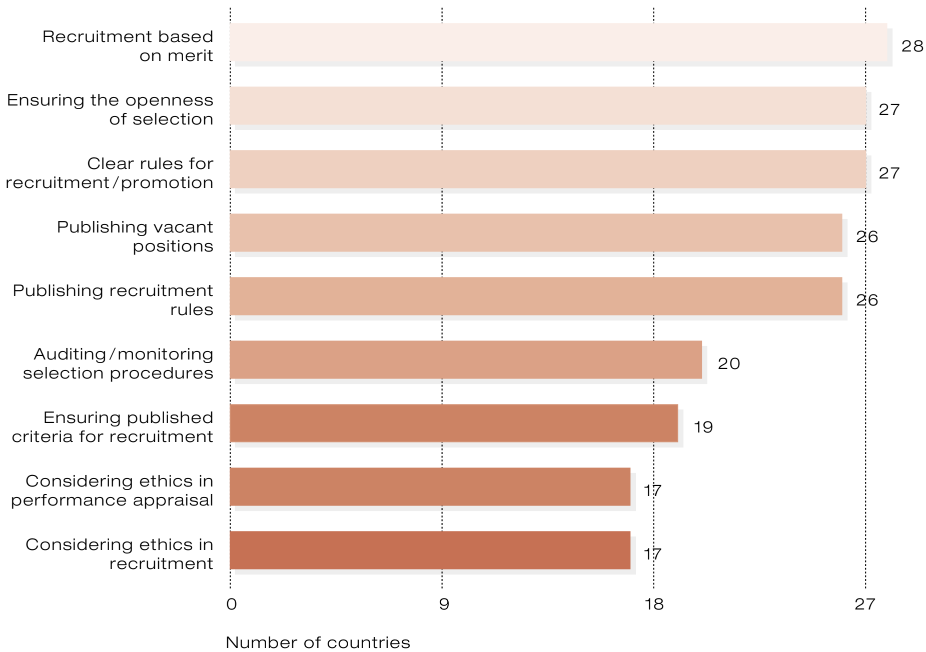
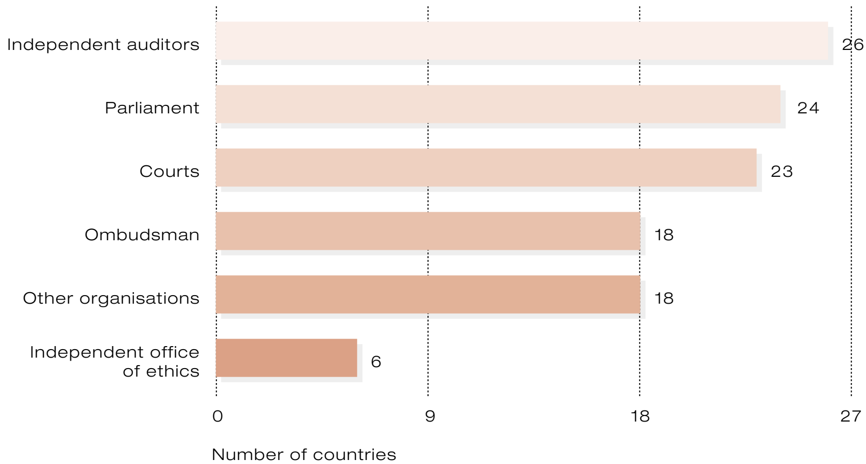


figure 2 shows which human resource management measures OECD countries employ to ensure transparency and accountability and to reinforce integrity.

The experience of OECD countries proves that sound ethics management not only sets standards of behaviour, but also monitors compliance with these standards. Internal control is used to detect individual irregularities and systemic failures, while independent scrutiny keeps public servants accountable – ultimately to the public – for their actions. Figure 3 indicates the combination of independent institutions exercising external scrutiny of the administration.

Figure 3: **Independent institutions exercising external scrutiny of the administration**



The full survey report, *Trust in Government: Ethics Measures in OECD Countries*, can be viewed and/or ordered from the website of the Public Management Service (PUMA) of the OECD:
<http://www.oecd.org/puma/ ethics/index.htm>.

Contact: János Bertók, Principal Administrator, Public Management Service, OECD (janos.bertok@oecd.org).

Investors Roadmap

United States Agency for International Development (USAID)

The Investors Roadmap is a comprehensive, in-depth diagnostic study of the individual steps required for an investor to become legally established and operational (up to the commencement of production) in a specific country. It addresses the procedural and administrative barriers to investment and business operations.

The delineation of the Investors Roadmap identifies many kinds of inefficiencies that may relate directly or indirectly to corruption. In general, where the steps in the Investors Roadmap process are time-consuming, costly and complicated, there is the opportunity and, most likely, the actuality of high levels of corruption. Sometimes delays and extra steps stem from poorly functioning institutions and allow opportunities for massive petty corruption. In other cases, individuals, internal or external to the institutions, are able to manipulate institutions for personal gain on a grander scale. On still other occasions, legislation has been poorly conceived from the outset or subsequently corrupted, indicating that corruption is more widely spread in the political system.

From a research perspective, the 40 experiences of the Investors Roadmap have probably been the largest effort in the developing world to estimate systematically the transaction costs to investing.[1] It is only now, however, that this resource is becoming available to larger research efforts on transaction costs.

Looking at the Investors Roadmap experiences across all 40 countries, a few commonalities stand out. First, in any given country there is broad variation in the strengths and weaknesses of the range of institutions involved. Across countries in the same region, there is little predictability as to patterns of strength or weakness in the institutions of most concern to investors. Second, the strength or weakness of an institution appears to depend on the individual at its head. If a dynamic, pro-investment leader is in charge, the institution will reflect those characteristics in dealing with investors. The random variation in quality of leadership within institutions may be due to the absence of strong central governments that maintain consistent quality across the institutional landscape. Third, the nature of the bureaucratic treatment of investors relates closely to the origin of a country's legal framework. Countries whose law is based in common law tend to have fewer steps, less bureaucracy and greater transparency.

The Investors Roadmap was discovered inadvertently.[2] The first was made in Ghana in 1995. President Jerry Rawlings had been calling for more foreign investment and requested USAID-Accra to produce a step-by-step guide for prospective investors. To carry out the exercise, Services Group, a private contractor based in the US, proceeded as any foreign investor who had just arrived in Ghana to start a business. The findings were worse than expected: everyone in the country knew that administrative red tape was a nuisance, but no one realised that it frequently amounted to the complete frustration of a projected investment. In the end, this first roadmap proved less a 'how to' guide than a catalogue of cumbersome procedures.

As a result, President Rawlings set up a special inter-ministerial committee to oversee the streamlining of procedures by the different agencies involved and for their respective areas of authority. Thus the first Investors Roadmap report resulted in a number of efforts to reform the actual situation.

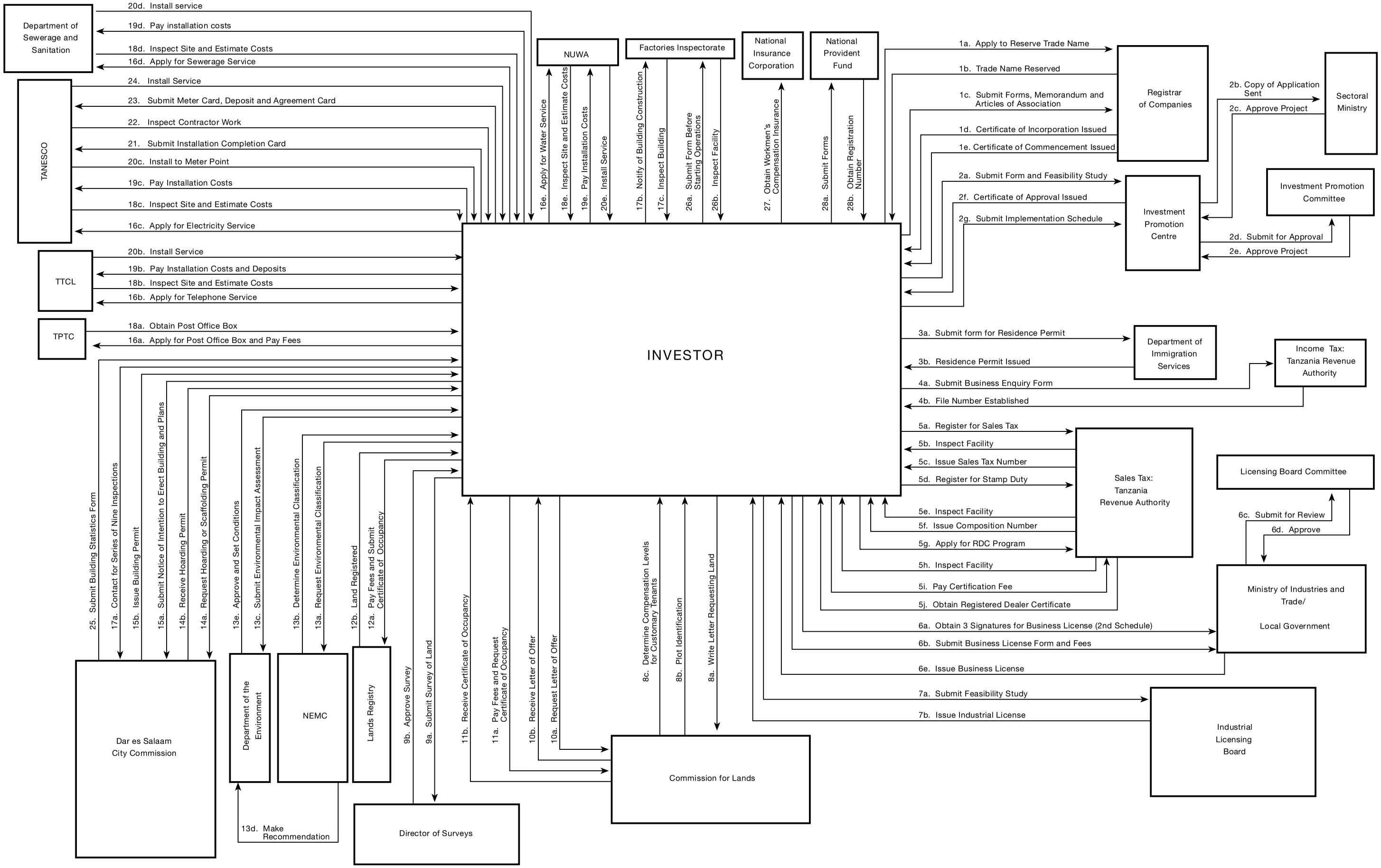
In its most fully developed form, the Investors Roadmap involves a three-phased process. First, it charts the red tape and administrative barriers to investment. Second, it helps government officials examine how these barriers can be reduced. Third, it assists officials in the reform of institutions, regulations and laws that stand in the way of foreign and local investment. The Investors Roadmap, in fact, benefits foreign and local investors alike.

In some countries, USAID missions have worked with the government to complete reform in the three-phase process described above. For example, in Tanzania (see the figure), the Investors Roadmap led to the following results:

- Customs clearance reduced from 15 days to as few as two days
- Introduction of random inspection, with only 30 per cent of goods inspected (before, there was no random inspection and over 80 per cent of all goods were inspected)
- Issuance of work permits for expatriates decreased from six months to one week
- Application forms provided in both English and Swahili, instead of just Swahili.

Other countries, like Malawi and Mozambique, have pursued reform in the wake of the roadmap exercise and are now developing a second round of roadmaps to see how the picture has changed after five years. Investors Roadmaps have also been examined comparatively for the Common Market for Eastern and Southern Africa (COMESA) group of countries to assist in further trade integration. Geographically diverse countries like Russia and Kazakhstan have also undertaken multiple Investors Roadmaps at the regional level.

Investors Roadmap of Tanzania, August 1997



The Investors Roadmap demonstrates to all concerned – but, above all, to governments – the kinds of administrative barriers that discourage both foreign investors and domestic investment. In this way, the Investors Roadmap is not only a study, but, when successfully implemented, a very cost-effective means of promoting administrative reform.

Contact: Grant Morrill, Bureau for Global Affairs, Center for Economic Growth and Agricultural Development, USAID (gmorrill@usaid.gov).

1 The 40 countries for which a roadmap has been prepared are: Algeria, Armenia, Bolivia, Bosnia, Bulgaria, Chile, Croatia, Djibouti, Dominican Republic, Ghana, Guyana, Hungary, Jamaica, Jordan, Kazakhstan, Kenya, Laos, Latvia, Lithuania, Madagascar, Malawi, Malaysia, Mali, Mauritius, Mongolia, Morocco, Mozambique, Namibia, Nigeria, Russia, Senegal, Slovakia, Slovenia, South Africa, Tanzania, Tunisia, Turkey, Uganda, Zambia and Zimbabwe. Some, but not all, roadmaps are available from USAID.

2 The intellectual antecedents of the roadmap can be found in Hernando De Soto, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper & Row, 1989). Years of researching the informal sector in Peru from the perspective of the micro-entrepreneur led De Soto to conclude that the informal sector was forced to stay informal because the administrative burdens that it faced were virtually insurmountable. The basis for the argument was a step-by-step map.

The Opacity Index

PricewaterhouseCoopers

The Opacity Index is a new measure of the effects of 'opacity' on the cost and availability of capital in countries worldwide. 'Opacity' is the lack of clear, accurate, formal, easily discernible and widely accepted practices in the world's capital markets. While the topic of opacity has ethical, political and cultural aspects, this research focuses on a new question: how much do certain behaviours cost? The first release provided estimates of the adverse effects of opacity on the cost and availability of capital in 35 countries.

Launched in January 2001, the Opacity Index will be expanded and updated at regular intervals. Supplementary releases appeared in April and May, and a fully updated, expanded release is scheduled for September. The Opacity Index is a project of the PricewaterhouseCoopers (PwC) Endowment for the Study of Transparency and Sustainability.[1]

The Index offers a composite 'O-Factor' score for each country, based on opacity data in five different dimensions that affect capital markets: a) corruption, b) legal system, c) economic policies at the government level, d) accounting standards and practices (including corporate governance and information release), and e) regulatory regime. These five dimensions of opacity generate, as indicated, a useful acronym: CLEAR.

O-Factor numbers can be integrated with publicly reported financial and other data to estimate the extent to which opacity adds to the cost of capital, increases the cost of ongoing operations, and deters foreign direct investment (FDI) from entering a host country.

The Opacity Index is survey-based. Interviews were conducted with four different groups of respondents: chief financial officers (CFOs) based in the countries; equity analysts familiar with the countries; bankers in the countries; and in-country PwC employees. Responses were aggregated and re-expressed by standard statistical procedures to obtain a comprehensive O-Factor score for each country. The norm for the respondent sample was at least 20 CFOs, five bankers, five equity analysts and five PwC employees. In practice, the actual numbers of respondents varied. The survey was conducted during the third and fourth quarters of the year 2000.

The composite O-Factor is calculated by averaging the various components of opacity for each country. The specific formula for computing the O-Factor is:

$O_i = 1/5 * [C_i + L_i + E_i + A_i + R_i]$,

where 'i' indexes the countries, and each CLEAR component is measured. The composite O-Factor score is a linear transformation of the underlying average survey responses, all of which are weighted equally to avoid subjective bias. The best possible score is zero, corresponding to uniformly and perfectly transparent conditions. The worst possible score is 150, indicating that all respondents identified uniformly, perfectly opaque conditions. The results of this scoring methodology are reported in the table.

The O-Factor scores and related analyses indicate that opacity imposes significant costs on investors – be they individual or corporate – and on countries. Investors assume, in effect, a significant hidden surtax when they commit funds to countries burdened with a high O-Factor. Similarly, countries with a burdensome O-Factor may pay an additional risk premium when they borrow by issuing bonds. And countries with a high O-Factor that seek FDI set up a barrier. Each of these consequences of opacity – the hidden surtax, higher risk premium, and foregone FDI – is for the first time quantitatively estimated in the series of Opacity Index releases.

The concepts and research are still new. Much remains to be undertaken and further refined. However, even where the concept currently runs ahead of quantitative research, there is no lack of useful insights. For example, the April 2001 release introduced the idea of the 'FDI-Transparency Accelerator', which describes the virtuous circle that may develop in emerging market countries when new FDI gives rise to domestic investment, increased management know-how, economic growth and the emergence of a middle class with a stake in a well-ordered, relatively transparent economic environment. In a similar vein, the May release 'Opacity in Latin America' explored the relation between transparency and the emergence of greater economic opportunity for motivated and talented, but undercapitalised, individual entrepreneurs.

The Opacity Index points unmistakably to the benefits of transparency for nations, governments, businesses and the public at large.

Contact: Max Henderson-Begg, PricewaterhouseCoopers (max.henderson-begg@us.pwcglobal.com), or see the website: <http://www.opacityindex.com>.

1 The Opacity Index was conceived by Joel Kurtzman, partner in PricewaterhouseCoopers (PwC), and managed by the PwC team of Carlo di Florio, Max Henderson-Begg and Roger Lipsey. It has been developed with valuable input from PwC experts around the world, and in close cooperation with economists at the Milken Institute and the Brookings Institution.

Scores for O-Factor and components

Country	C	L	E	A	R	O-Factor
Argentina	56	63	68	49	67	61
Brazil	53	59	68	63	62	61
Chile	30	32	52	28	36	36
China	62	100	87	86	100	87
Colombia	48	66	77	55	55	60
Czech Rep.	57	97	62	77	62	71
Ecuador	60	72	78	68	62	68
Egypt	33	52	73	68	64	58
Greece	49	51	76	49	62	57
Guatemala	59	49	80	71	66	65
Hong Kong	25	55	49	53	42	45
Hungary	37	48	53	65	47	50
India	55	68	59	79	58	64
Indonesia	70	86	82	68	69	75
Israel	18	61	70	62	51	53
Italy	28	57	73	26	56	48
Japan	22	72	72	81	53	60
Kenya	60	72	78	72	63	69
Lithuania	46	50	71	59	66	58
Mexico	42	58	57	29	52	48
Pakistan	48	66	81	62	54	62
Peru	46	58	65	61	57	58
Poland	56	61	77	55	72	64
Romania	61	68	77	78	73	71
Russia	78	84	90	81	84	84
Singapore	13	32	42	38	23	29
South Africa	45	53	68	82	50	60
South Korea	48	79	76	90	73	73
Taiwan	45	70	71	56	61	61
Thailand	55	65	70	78	66	67
Turkey	51	72	87	80	81	74
UK	15	40	53	45	38	38
Uruguay	44	56	61	56	49	53
US	25	37	42	25	48	36
Venezuela	53	68	80	50	67	63

Business attitudes to corruption

Control Risks Group

In 1999, Control Risks Group (CRG) commissioned a survey of business attitudes to corruption, which focused on actions taken by companies to avoid corruption and companies' expectations of the impact of the OECD Anti-Bribery Convention.

On behalf of CRG, a market research company (the Industrial Research Bureau) conducted telephone interviews with international business directors of large international companies based on a set questionnaire. The sample was made up of 50 US companies and a further 71 companies from France, Germany, Scandinavia and the UK. The results were published in CRG's *Outlook 2000* report.

The 1999 survey was part of a longer questionnaire on business attitudes to globalisation. Many of the questions were repeated from a survey conducted in 1997. CRG may commission further surveys on the same model in the future.

Overall, the survey showed that international companies are taking corruption more seriously, but they remain sceptical about the prospects for change, despite recent international reforms.

As indicated in table 1, some 39 per cent of companies said that they have been deterred from making an otherwise attractive investment on account of concerns about corruption. This compares with 27 per cent who gave a similar response in a survey conducted in 1997. Corruption emerges as a greater concern than controversies related to human rights, the environment or labour.

Table 1: **Country features that have deterred companies from an otherwise attractive investment (%)**

	European companies	US companies
Corruption	38	40
Human rights abuses	28	13
Environmental problems	34	14
Controversial labour issues	35	16

Companies are responding by introducing codes of conduct that forbid the payment of bribes to secure business (see table 2). Whereas 70.5 per cent of European companies surveyed in 1997 had introduced anti-corruption codes, the 1999 survey reported that 85 per cent had.

Table 2 also indicates that there is a gap both in the US and Europe between declarations of principle and practical measures to curb corruption. Only a minority of companies have anti-corruption training programmes. European companies lag behind their US counterparts in management procedures such as annual declarations by senior executives, hotlines and formal agreements with agents that they will abide by anti-corruption codes.

Table 2: **Anti-corruption measures in companies (%)**

	European companies	US companies
Company codes that forbid bribes to obtain business	85	92
Company codes that forbid 'grease payments'	62	76
Anti-corruption training programmes	23	46
Annual declarations by senior executives that they have abided by anti-corruption codes	34	74
Hotline for reporting corruption	24	56
Formal agreements with agents that they will abide by anti-corruption codes	32	62

The survey demonstrated a general scepticism about the impact of the Anti-Bribery Convention. Only 31 per cent of European respondents and 21 per cent of US respondents said that they are familiar with it. Many of these did not expect the Convention to reduce the level of corruption. These percentages may change in future as governments take action to publicise and implement the Convention.

Similarly, respondents expressed a degree of scepticism about other international companies' compliance with new legal measures inspired by the Convention. Of the top ten OECD exporters, Canadian companies were expected to have the highest levels of compliance, and Korean and Italian companies the lowest (see table 3).

Table 3: **Assessment of other companies' likely standards of compliance, by country of origin**

(on a scale of 1 to 4)	
Canada	1.6
UK	1.7
US	1.8
Netherlands	1.8
Germany	1.9
Belgium/Luxembourg	2.0
France	2.2
Japan	2.3
Italy	2.7
Korea	2.7

Ratings for non-OECD countries (on a scale of 1 to 4)	
Singapore	2.3
South Africa	2.6
China	2.9
India	3.0
Brazil	3.1

Four-point rating scale:

1 *Strict compliance*

2 *Generally high standard of compliance with only occasional lapses*

3 *Companies would prefer to comply but will pay bribes if competitors are doing so*

4 *Companies will always pay bribes if it is customary to do so in the host country*

Contact: John Bray, Control Risks Group (john.bray@control-risks.com).

Benchmarking corruption practices: the Sustainability Group Index

SAM Group and Dow Jones

The Dow Jones Sustainability Group Index (DJSGI) is the first global benchmark for sustainability investments. Launched in September 1999 as a partnership between SAM Group and Dow Jones Indexes, it tracks the financial performance of the top 10 per cent of the leading companies in terms of sustainability. These 'sustainability leaders' are creating value by embracing opportunities and managing risks deriving from ongoing economic, environmental and social developments (these are the 'three pillars' of sustainability).[1] More than 26 financial institutions are managing approximately € 1.5 billion (US $1.3 billion) based on the DJSGI.

In the course of 2001 SAM Group and Dow Jones are launching a new European Sustainability Index using the same methodology.

The DJSGI is reviewed annually to ensure that the index composition accurately represents the top 10 per cent of the leading sustainability companies in each industry group. The 2,000 largest capitalised companies of the world are invited to participate in a yearly survey that, together with submitted documentation, policies and reports, company interviews, media screens and publicly available information, is used as an information source for the assessment. Once the companies are selected, they are continuously reviewed and monitored throughout the year.

The ways in which corporations deal with corruption and bribery issues were considered important assessment criteria for the DJSGI from the outset. Companies' involvement in corruption and bribery cases is monitored by means of an extensive media screening procedure, covering up to 1,000 global and regional media sources.

Some 600 companies were analysed for the year 2000 assessment for the DJSGI. Results are presented here for a sample of 350 companies that not only responded to the survey, but also provided supporting documentation. Respondents were from 64 different industry groups and 27 countries. A surprisingly high share of those companies (about 85 per cent) answered that 'corporate codes of conduct concerning corruption and bribery valid for all employees' were in place.

Table 1 shows the type of specific issue covered by these corporate codes of conduct. A majority prohibit employees from offering items of value to government officials and include guidelines concerning gifts and entertainment. In approximately 45 per cent of cases, the same codes are also applied to third parties operating in the name of the company.

Table 1: **Issues covered in corporate codes of conduct (%)**

of value to government officials	
Guidelines concerning gifts and entertainment, travel expenses	89
The above codes also apply to third-parties operating in the name of the company	45
No answer or not known	4

Note: Based on a sample of 297 corporate codes of conduct.

The share of companies prohibiting employees to offer items of value to government officials varies according to the companies' country of origin. Table 2 shows that US companies lead the way in considering corruption an important issue and including it in their corporate codes of conduct. European companies on average lag behind Australia, Canada, Japan and the US. The fact that an increasing number of South American companies (compared to last year) are explicitly excluding corruption practices should be seen as a very positive development, even if their share is still comparatively low in table 2.

Table 2: **Share of companies prohibiting employees to offer items of value to government officials as part of their corporate code of conduct, by country (%)**

Australia	65
Canada	78
Europe	56
Japan	66
South America	50
US	82

Note: Based on a sample of 350 companies.

A slightly different picture emerges from table 3, which shows the share of companies with compliance systems in place to check that codes are implemented. US and Australian companies lead the way, while European and Japanese companies have much lower implementation levels.

Table 3: **Share of companies with a system in place to check compliance with their corporate code of conduct regularly, by country (%)**

Australia	71
Canada	61
Europe	45
Japan	48
South America	33
US	74

Note: Based on a sample of 350 companies.

Contact: Ivo Knoepfel, Head of Rating and Index Research, SAM Research (ivo@sam-group.com).

1 Economic criteria assessed for the DJSGI include: strategic planning; organisational development practices; intellectual capital management; IT management; quality management; corporate codes of conduct (with a focus on corruption); and risk and crisis management. Environmental criteria include: environmental policies and governance; environmental management systems; environmental performance; environmental, health and safety reporting; and environmental profit and loss accounting. Social criteria include: social policies and governance; human rights practices; standards for suppliers; stakeholder involvement; occupational health and safety; reporting on social issues and community programmes; and remuneration of employees.

Company programmes for resisting corrupt practices

The Conference Board

Company Programmes for Resisting Corrupt Practices: A Global Study was written as part of The Conference Board's work to identify and describe standards for global business practice. It addressed the perception that corrupt practices are a cause for concern among businesses. By surveying diverse medium to large-sized companies in all major industries, the report provided a comparative study of best practices used by companies in tackling corruption and the formulation, implementation and monitoring for effectiveness of business conduct codes.

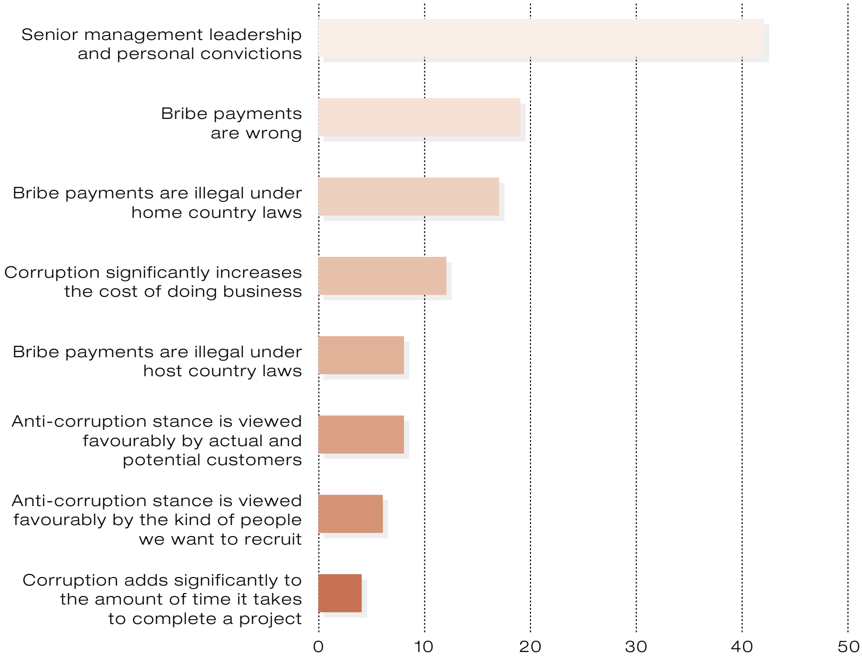
The project, carried out by The Conference Board, was launched with a grant from the John D. and Catherine T. MacArthur Foundation. The survey questionnaire, devised with assistance from Belgian, Canadian, French, UK and US working-group sponsoring companies, reflected a diversity of North American and European views regarding benchmarks for best practices. Working group discussions, interviews and a survey of 151 companies worldwide (25 per cent from the US, 34 per cent from Western Europe and 41 per cent from outside of North America and Western Europe) focused on company efforts to resist corrupt practices. The final report, published in 2000, included questionnaires returned between January and June 2000.

The working group held meetings in Washington and Paris to facilitate an exchange of views between business, NGO, academic and governmental leaders regarding the best approaches for cutting off corruption's supply-side. In addition to fieldwork, The Conference Board convened seminars and discussions with interested parties in Buenos Aires, Cairo and Tel Aviv. Survey data, interviews and information gathered from these meetings formed the basis for the report.

The report shows a high level of CEO and senior executive commitment to tackling corruption and a range of well-articulated statements, policies and operating procedures. Management responsibility for these efforts is acknowledged and resources are allocated for compliance.

With regard to the reasons cited as the most important for developing anti-corruption statements or programmes (see figure), there is little difference between industries or regions on most points. Companies believe that their anti-corruption statements and programmes are not simply a response to brand equity

Reason cited as most important for developing anti-corruption statement/programme (%)



Note: Survey of 146 companies.

concerns, increased costs or legal requirements. Even compliance ranks well behind 'management leadership and conviction' as a reason for positing a serious anti-corruption effort.

Contact: Ronald E. Berenbeim, The Conference Board (ronald.berenbeim@conference-board.org).

Corruption and the Globalization Index

A.T. Kearney and Foreign Policy *magazine*

Critics of globalisation have long argued that an inevitable rise in corruption is among the ill effects of opening national borders to greater trade and investment flows. Recent results from the A.T. Kearney/*Foreign Policy* magazine Globalization Index™ cast doubt upon this interpretation.

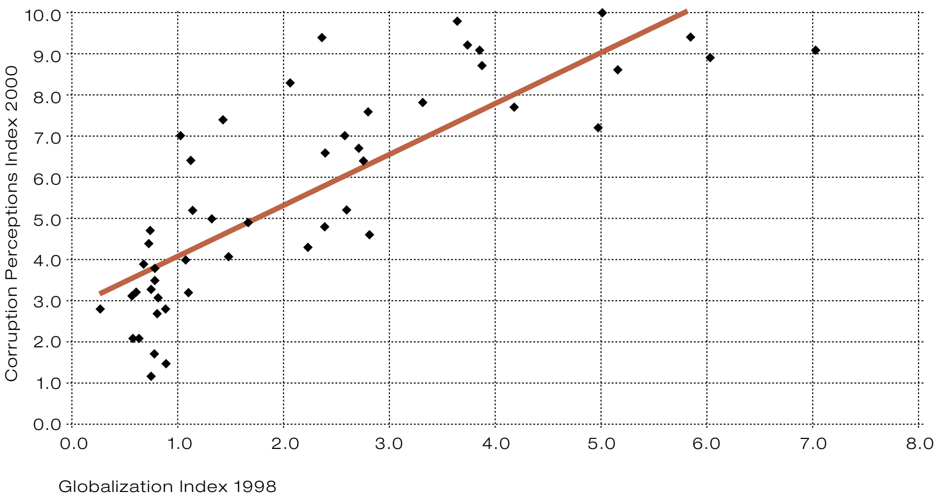
In fact, a comparison of Globalization Index rankings with the results of Transparency International's Corruption Perceptions Index (CPI) suggests that economic, social and technological integration is associated with perceptions of cleaner government. Business leaders and international experts alike perceive public office-holders to be remarkably 'clean' in countries that have achieved high levels of globalisation, while perceptions of public corruption appear higher in the least globalised countries (see figure). This relationship holds true not only for advanced economies but also emerging markets, with global countries like Chile, Israel, Hungary and Malaysia showing fewer signs of corruption than their less global neighbours.

These results merely suggest that countries that have integrated most deeply into world markets have also managed to develop political, social and legal institutions that deter corruption. No causal linkage is implied. As the Globalization Index project continues, future research will seek to clarify the social impact of globalisation, including its effect on corruption levels. Of chief concern is whether countries that globalise rapidly are more likely to witness rising corruption than countries that undergo more gradual integration with the outside world.

The Globalization Index is a statistical gauge designed to measure composite levels of integration in 50 key advanced economies and emerging markets. The index encompasses traditional measures of economic globalisation, including international trade levels, income payments and receipts, the inflow and outflow of foreign direct investment, the inflow and outflow of portfolio capital, and the convergence of domestic and world prices. The index also assesses the globalisation of personal contact through international travel and tourism, international telephone traffic, and transfer payments and receipts. It examines technological integration through indicators for internet users, the number of internet hosts, and the number of secure internet servers.

The Globalization Index is a joint research initiative of *Foreign Policy* magazine and the Global Business Policy Council, a strategic service of the management consultancy firm A.T. Kearney.

Correlation of the Globalization Index with the CPI



Note: Corruption-globalisation correlation = 0.84.

Contact: Jay Scheerer, A.T. Kearney (jay.scheerer@atkearney.com).

Why is fighting corruption so crucial for embracing globalisation?

Shang-Jin Wei (Brookings Institution and Harvard University)

What does corruption have to do with globalisation? Research reveals an intimate linkage between the two. Corruption may hinder a country's ability to absorb the beneficial side of globalisation, by reducing foreign direct investment (FDI). Corruption may also make a country more vulnerable to the risks of globalisation by increasing the likelihood of a currency crisis.[1]

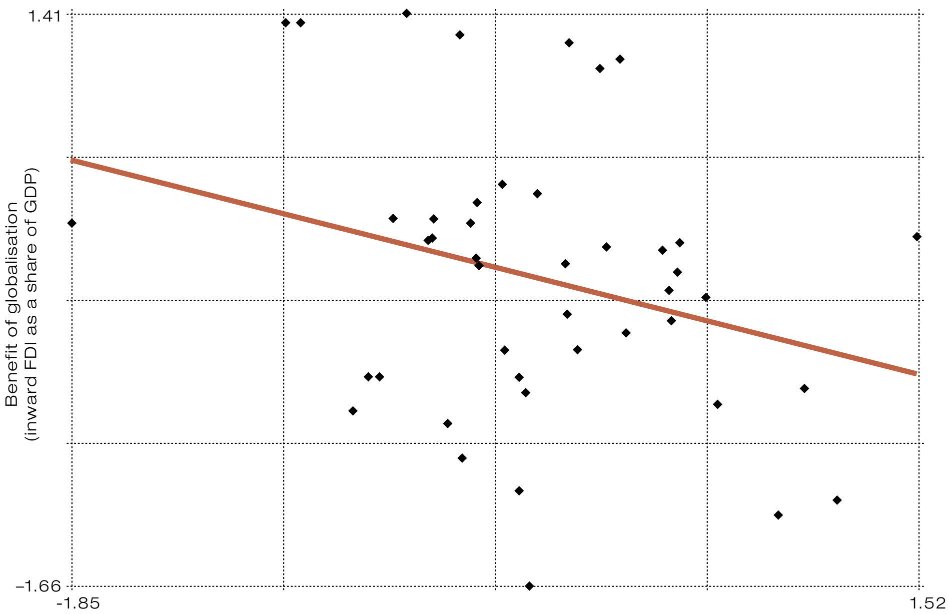
This research has been presented in a series of articles and books, some still forthcoming.[2]

Corruption reduces the benefits of globalisation

International direct investment has been expanding rapidly. In 1999, sales of foreign affiliates of multinational firms were US $14 trillion, nearly twice as high as global exports of goods and services. A small number of countries in the industrial world receive about two thirds of this investment. FDI is especially important for developing countries, as a source of scarce capital and an important conduit for the transfer of technological and managerial know-how.

Corruption, however, is a major impediment to the economic progress of such countries. For international investors, the need to pay bribes and deal with official extortion is equivalent to facing an extra tax. Some foreign firms may obtain business as a result of the bribes they pay. But for every dollar of business that these firms obtain, the country loses hundreds of dollars of potential foreign investment (see figure 1). Research indicates that an increase in host country corruption from a low level, such as that in Singapore, to a higher level, as in Mexico, has the same negative effect on inward FDI as raising the corporate tax rate by 50 percentage points. It is important to note that, while corruption is like a tax on firms, it generates no tax revenue for government. If anything, corruption typically erodes the domestic tax base. Developing countries are eager to attract FDI by offering generous tax benefits to foreign firms. This research suggests that reducing corruption could in fact be more effective in achieving this objective, without sacrificing government revenues.

Figure 1: **Corruption reduces the benefit of globalisation**



Note: Partial correlation based on a regression of log (FDI/GDP) on corruption, tax rate, FDI incentives, FDI restrictions, log (GDP per capita) and exchange rate volatility.
Source: Author's calculation.

Corruption raises globalisation's risks

Corruption can affect a country's exposure to the risks of globalisation by impacting on the composition of its capital inflows. Corruption tilts capital inflows towards less stable forms, raising the likelihood of a currency crisis.

International capital flows consist of FDI, foreign bank borrowing, portfolio investment and official debt to other governments or inter-governmental institutions. They are not equivalent in terms of the associated risks for recipient countries. Bank lending and portfolio investment may be less stable than direct investment, because they are often subject to the whims of investors. Using data on FDI and loans as a share of GDP for all emerging market economies for which data is available, the standard deviation of these variables over the period from 1980–96 was computed as a measure of volatility. Foreign bank lending to developing countries was found to be about twice as volatile as FDI.

There are two reasons why a high level of corruption may result in a higher proportion of capital inflows being in less stable forms. First, given that international direct investors are more likely to have repeated interactions with local officials (for permits, taxes and health inspections) than international banks, one would expect local corruption to be more detrimental to FDI than to other forms of capital flows. Along the same lines, direct investment involves greater sunk costs than bank loans or portfolio investment. Once an investment is made, corrupt local officials, knowing that the investment cannot easily be liquidated, may threaten to raise obstacles to the investment's success unless they are paid a bribe. Hence, direct investors find themselves in a weaker bargaining position than international banks. This *ex post* disadvantage of FDI tends to make international direct investors more cautious, *ex ante*, than lenders in a corrupt host country.

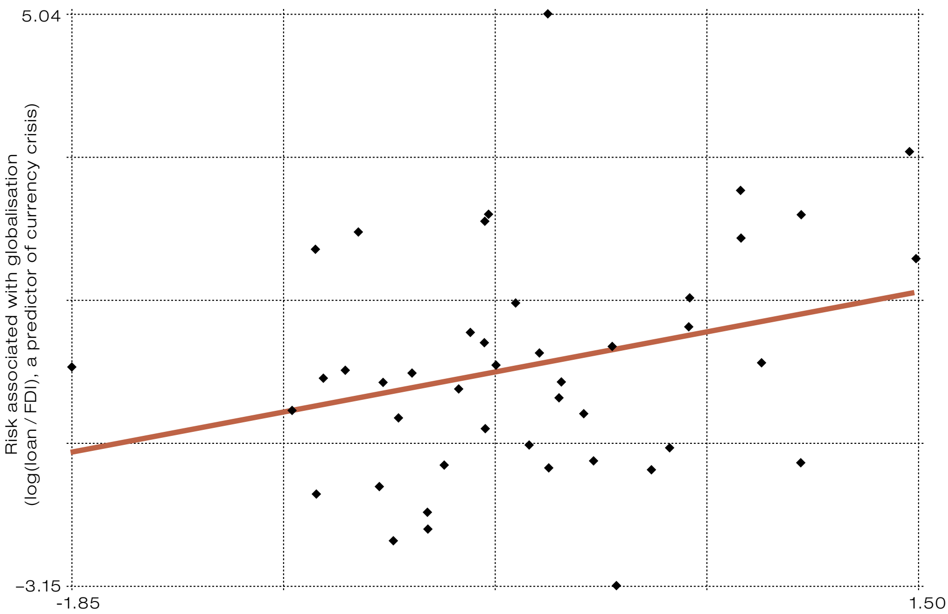
Second, under the current international financial architecture, international creditors are more likely than international direct investors to be bailed out in a time of crisis. During the 1994–95 'tequila crisis' and the more recent Asian currency crises, the IMF, the World Bank and the G7 countries mobilised large amounts of funding for the affected countries to prevent or minimise potentially massive defaults on bank loans. By now an international bailout of bank loans in the event of severe crisis is embedded firmly in market expectations. (In addition, many developing country governments implicitly or explicitly guarantee loans to the country's private sector.) No comparable examples of international assistance packages exist for the recovery of nationalised or extorted assets of foreign direct investors, except for a modest amount of insurance from the World Bank's Multilateral Investment Guarantee Agency, which is expensive to acquire. This difference makes banks more willing than direct investors to do business with corrupt countries, further distorting the composition of capital flows.

For example, New Zealand and Singapore are perceived to have relatively low corruption and relatively low loan/FDI and portfolio investment/FDI ratios. Conversely, Uruguay and Thailand are perceived to have relatively high corruption and also relatively high loan/FDI and portfolio investment/FDI ratios.

More formal statistical analyses on the composition of capital inflows, based on bilateral FDI and bank lending for all countries for which such data are available, and controlling for other possible determinants of capital inflows (see figure 2), confirmed the above conjecture. More corrupt countries tend to rely on the types of capital inflows (for example foreign bank borrowing) that are more volatile than FDI and more likely to be reversed in the event of unfavourable news about the country in question, or even about a different developing country.

A number of research papers have pointed out that a higher foreign borrowing/FDI ratio is associated with a greater chance of a currency or financial crisis for developing countries. This research suggests a particular channel through which severe domestic corruption could raise the likelihood of such crises.

Figure 2: **Corruption increases the risk associated with globalisation**



Note: Partial correlation based on a regression of log (loan/FDI) on corruption, tax rate, log (GDP per capita), and exchange rate volatility. Source: Author's calculation.

In sum, fighting corruption is crucial for economic development. This is particularly true in a globalising world economy. The gap between countries that manage to control corruption and those that do not is widening. More benefits of globalisation will go to the first group. At the same time, the risks of globalisation, such as a volatile international capital flow, will pose a greater threat to the second group of countries.

Contact: Shang-Jin Wei, New Century Chair in International Economics at the Brookings Institution and Research Fellow at Harvard University's Center for International Development (swei@brook.edu).

1 The author would like to thank Rachel Rubinfeld, Yi Wu and Mike Prosser for their help in preparing this contribution.

2 Shang-Jin Wei, 'Local Corruption and Global Capital Flows,' Brookings Papers on Economic Activity, 2000; Shang-Jin Wei, *Corruption and Globalization* (Washington: Brookings Institution, forthcoming); Beata Smarzynska and Shang-Jin Wei, 'Corruption and the Composition of Foreign Direct Investment: Firm-level Evidence,' National Bureau of Economic Research (NBER) Working Paper No. 7969, 2000; Shang-Jin Wei and Yi Wu, 'Negative Alchemy? Corruption, Composition of Capital Flows, and Currency Crises,' NBER Working Paper No. 8187, 2001.

Are you being served? Political accountability and quality of government

Alícia Adserà (University of Illinois at Chicago), Carles Boix (University of Chicago), and Mark Payne (Inter-American Development Bank)

The research explored the causes of cross-national variation in levels of corruption and effective governance, focusing particularly on links between corruption and different aspects of political accountability.

As measures of the level of corruption, the research employed three different data sets. The first consisted of a sample of around 120 countries in the late 1990s, for which an extensive battery of governance indicators (on corruption, government efficiency, and so on) was developed by Kaufmann, Kraay and Zoido-Lobatón at the World Bank.[1] The second was a panel data set of about 100 countries for the period 1980–95, with information on corruption and quality of government performance, developed by the Political Risk Services Group. The third data set measured the number of public officials in different states in the US convicted for violating laws against public corruption from 1977–95.

Using econometric techniques to analyse the three data sets, the research showed that low corruption levels and good governance are a function of the extent to which citizens can hold political officials accountable for their actions. More precisely, the extent to which politicians engage in rent-seeking behaviour and other corrupt practices declines with: the presence of free and regular elections, which allow citizens to discipline politicians; the degree of information of citizens (measured through the frequency of newspaper readership), which curbs the opportunities politicians may have to engage in political corruption and mismanagement; and the involvement of citizens in politics (measured through electoral turnout).

According to the findings, the combined effect of the level of newspaper readership, the existence of democratic elections, the level of per capita income and the degree of political instability together explain over 80 per cent of the variance in the level of corruption. Figure 1 shows the strong negative correlation between corruption and press readership. Figure 2 then shows the negative correlation between corruption and electoral turnout for those countries where there are free elections.

Figure 1: **Level of corruption and newspaper circulation in 1997–98**

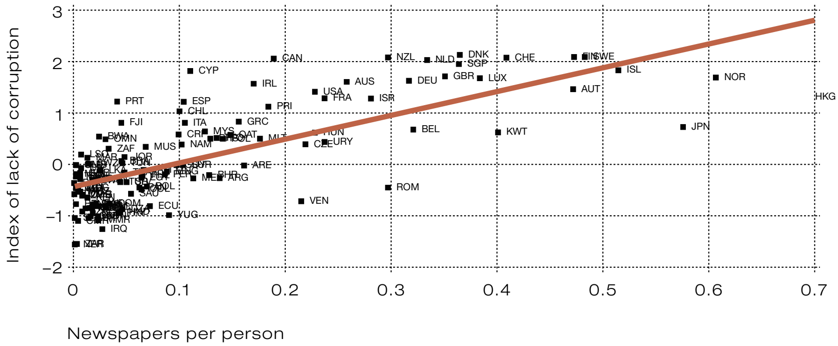
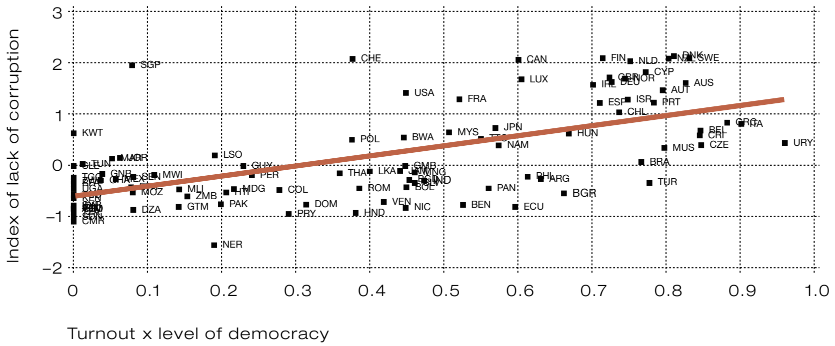


Figure 2: **Level of corruption and turnout in democratic regimes in 1997–98**



The combined impact of newspaper readership and democratic elections is marked, though complex. On the one hand, the level of corruption does not change in the absence of newspaper readership, and actually worsens in authoritarian regimes with high levels of newspaper readership (relative to authoritarian regimes with populations that do not read the press). On the other hand, the combination of a vibrant press and democratic elections cuts down corruption sharply. Moving from an authoritarian regime (with or without newspaper readership) to a democratic regime with high newspaper circulation reduces the level of corruption by a whole standard deviation in the sample, other things being equal.

Similarly, the higher the level of political mobilisation in a democratic country, as measured by electoral turnout, the lower the level of corruption. Other things being equal, the level of corruption declines by about half a standard deviation in the sample when one moves from a country where only 50 per cent of the population votes to a country where everybody votes.

These results are robust to the use of the following controls: per capita income; social capital; the structure of the legal system; the level of ethnic fragmentation and conflict; variations in the type of constitutional framework; and religious values.

Although the research focused on the mechanisms through which political accountability reduces corruption, it also generated estimates of the influence of other factors. Political stability, economic development and, to an extent, the degree of financial openness (as measured through the extent of capital controls) reduce the extent of corruption. On the other hand, no association was found between corruption and the type of legal structure, different constitutional structures (federal, presidential or electoral), the size of the public sector, or the extent of trade openness.

The research is presented in full in Alícia Adserà, Carles Boix and Mark Payne, 'Are You Being Served? Political Accountability and Quality of Government,' Inter-American Development Bank Research Department Working Paper No. 438, December 2000.

Contact: Alícia Adserà (adsera@uic.edu),
Carles Boix (cboix@midway.uchicago.edu),
or Mark Payne (markpa@iadb.org).

1 Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobatón, 'Aggregating Governance Indicators,' World Bank Working Paper No. 2195, 1999.

Bureaucracies and perceptions of corruption: survey evidence from Africa

Julius Court (United Nations University)

Despite increasing evidence that disparities in bureaucratic performance help explain differences in economic outcomes around the world, key questions remain to be answered adequately. In what ways does bureaucratic structure vary? What organisational and incentive structures affect bureaucratic performance the most? How can bureaucratic structures be improved?

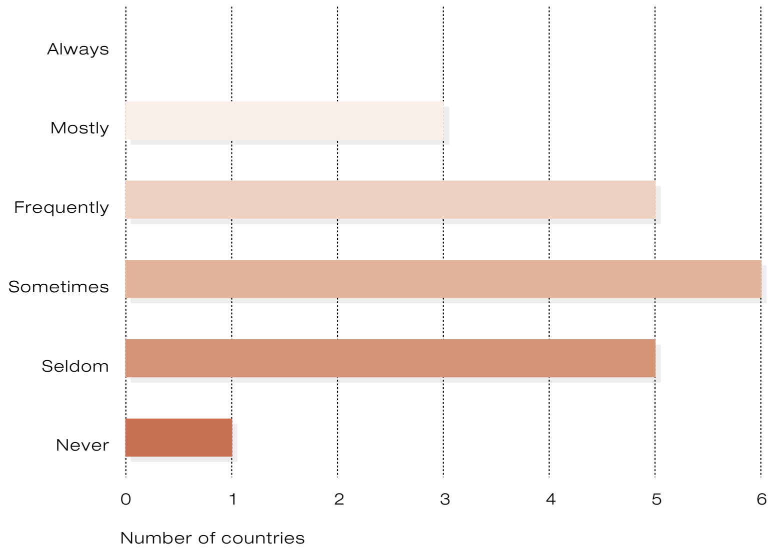
Drawing on the assessments of senior bureaucrats (usually around five), this survey generated systematic information on bureaucratic structure and performance in 20 African countries. It focused on policy formulation, recruitment and careers, salaries and relationships with the private sector. Conducted in 1998, the survey provided the first systematic data on such structural issues in the region. It also expanded the existing global data set on bureaucratic structure and performance, which now includes 50 countries globally.[1]

While any conclusions must remain tentative given the methodology, it is worth drawing attention to a number of issues. Reflecting much of the literature, the findings highlighted significant challenges for many of the countries in the survey: from lack of 'ownership', to high levels of corruption, to weak service delivery. They also pointed to a greater degree of variation than is usually acknowledged, with Botswana, Mauritius and Tunisia, for example, scoring well. The substantial improvement in bureaucratic structures in Botswana, Eritrea and Tanzania indicate potential sources for policy lessons.

The survey asked how common it is for private firms to pay irregular 'additional payments' (bribes or tips) to get things done. Figure 1 shows a great degree of disparity across the region. In Namibia bureaucrats believed that such payments are virtually 'non-existent'. In a quarter of the sampled countries such payments were 'seldom' the case. In contrast, in Kenya, Nigeria and Togo, such payments were perceived to be 'mostly' needed to get things done.

The survey also investigated the proportion tips and bribes added to civil servants' salaries over the last 20 years. Figure 2 shows that overall the proportion of salaries coming from such payments seems to have increased during this time. Again, the diversity in performance is marked: in Botswana, Mauritius,

Figure 1: **The degree to which firms needed to provide corrupt payments to operate in Africa, 1998**



Namibia and Tunisia, firms' bribes add very little to civil service salaries. The situation has improved in some previously troubled countries, such as Eritrea, providing important cases for further investigation. At the other end of the spectrum bribes were thought to double bureaucrats' salaries in Kenya and Nigeria.

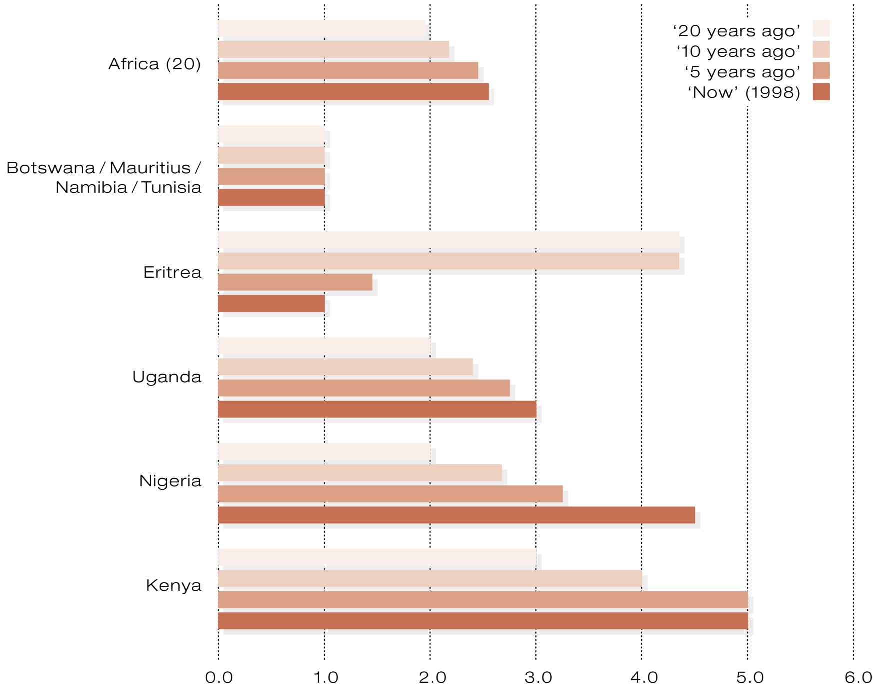
The table presents the empirical relationships between bureaucratic structure variables and bureaucratic performance, after controlling for GDP.

Given methodological limitations, the findings must be seen as indicative rather than conclusive in any way. However, better performance is associated with the following characteristics:

- Higher civil service salaries (in proportion to private sector levels)
- Greater influence of core economic agencies in formulating new policies
- Greater job security for top civil servants when political leadership changes
- Greater opportunity for meaningful career development in the civil service.

Interestingly, the movement of officials between the civil service and the private sector seems to have a negative impact on bureaucratic performance.

Figure 2: **Amount corruption adds to bureaucrats' salaries in Africa**



Note: 1 = 'no tips and bribes'; 2 = 'tips and bribes add to base salaries up to 10%'; 3 = 'between 10–50%'; 4 = 'between 50-100%'; 5 = 'tips and bribes add more than 100% to base salaries'.

Statistical associations between structure and performance indicators

	Bureaucratic quality	Consultation	Less corruption	Efficiency	Implementation
(i) Relative wage		**		*	***
(ii) Agency power	**				
(iii) Autonomy	*		*		
(iv) Career opportunity				**	
(v) Public-private movement	* (-)	* (–)			** (–)

*Note on level of significance: * = low significance (10%); ** = medium significance (5%); *** = high significance (1%); (-) = inverse relationship*

This United Nations University (UNU) research project was undertaken by Julius Court (UNU) and Petra Kristen and Beatrice Weder (University of Basel), with the assistance of the African Economic Research Consortium (AERC). Depending on the availability of additional funding, the survey may be repeated in 2002.

The project website contains the findings and data as well as the questionnaire and other documents used for the data collection:
<http://www.unu.edu/hq/academic/Pg_area4/b-structure.html>.

Contact: Julius Court, UNU (court@hq.unu.edu).

1 P. Evans and J. Rauch, 'Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries,' *Journal of Public Economics*, No. 75, January 2000.

Corruption and the 2001 Environmental Sustainability Index

Marc A. Levy (Columbia University)

Early this year the 2001 Environmental Sustainability Index (ESI) was released at the World Economic Forum (WEF) Annual Meeting in Davos, Switzerland. As pointed out in a report accompanying the ESI, researchers found a striking correlation between the level of corruption and environmental outcomes: the higher the level of corruption in a country, the lower the level of environmental sustainability.

The ESI was the result of a partnership involving the WEF Global Leaders for Tomorrow (GLT) Environment Task Force, the Yale Center for Environmental Law and Policy, and the Center for International Earth Science Information Network (CIESIN) at Columbia University.[1]

The ESI was created to help address the critical need to be able to measure national levels of environmental sustainability. Many governments purport to seek environmental sustainability as a policy objective, but it is difficult to track actual performance. The lack of concrete measures hinders the ability of policymakers and citizens to set meaningful priorities, understand trade-offs, or identify areas of success or failure.

The ESI was constructed using a methodology intended to make it relevant to the broader set of activities underway to measure sustainability in a manner that was transparent and reproducible. Environmental sustainability was defined as the ability to produce high levels of performance in a lasting manner on indicators that range across five areas:

- State of environmental systems, such as air, soil, ecosystems and water
- Stresses on those systems, in the form of pollution and exploitation levels
- Human vulnerability to environmental change, in the form of loss of food resources or exposure to environmental diseases
- Social and institutional capacity to cope with environmental challenges
- Ability to respond to the demands of global stewardship by cooperating in collective efforts to conserve international environmental resources such as the atmosphere.

A total of 22 indicators were identified across these five core 'components' of environmental sustainability. These indicators, in turn, were measured using a total of 67 variables drawn from a wide range of data sources.

The ESI contains information on 122 countries. The three highest-ranking countries in the ESI are Finland, Norway and Canada. The three lowest are Haiti, Saudi Arabia and Burundi. Although high-ranking countries have higher levels of per capita income than low-ranking countries, per capita income does not explain everything. Many countries have ESI values that are far higher or far lower than the values of countries with similar levels of per capita income.

Corruption figures in the ESI in two ways. First, it constitutes one of the variables within the 'social and institutional capacity' component. It was chosen because of a growing recognition that corruption is incompatible with sound environmental management, due to the distortion it introduces into the policy-making process. The variable used in the 2001 ESI is the corruption measure found in the World Bank's Aggregated Governance Indicators data set.

Second, though just one of 67 variables that make up the ESI, corruption has the highest correlation with the overall ESI, with a correlation coefficient of -0.75. What is striking is not just this overall level of correlation, but the fact that the corruption measure is correlated strongly with many other more specific measures within the ESI, including air quality, water quality, population growth, environmental health, availability of environmental information, and energy efficiency.

Correlations between level of corruption and environmental sustainability indicators

Indicator	Correlation with corruption
Social and institutional capacity: science and technology	–0.73
Global stewardship: international commitment	–0.67
Capacity for debate	–0.62
Air quality	–0.53
Basic human sustenance	–0.53
Environmental health	–0.52
Environmental information	–0.51
Reducing population pressure	–0.49
Water quality	–0.46
Global stewardship: global–scale funding/participation	–0.44
Eco-efficiency	–0.18

Note: All correlations are significant at 0.05 level or greater.

This was largely unexpected. Though some level of correlation with the ESI was expected because of the governance indicators that the ESI includes, the correlation was not expected to be as high as it is, nor were significant correlations expected with so many direct measures of environmental conditions. The table shows the 11 indicators out of 21 (not counting the indicator that includes corruption as a measure) that have significant negative correlations with levels of corruption.

The conclusion is inescapable: if levels of corruption have a strong measurable correlation with a wide range of factors that comprise environmental sustainability, then corruption deserves a stronger role on the environmental sustainability agenda.

This suggests a number of further questions relevant to current policy debates. First, to what extent does corruption explain the deviation in environmental performance among countries that are otherwise comparable? Initial analysis of the ESI data suggests that corruption measures are useful in this regard. Second, what are the mechanisms by which corruption contributes to poor environmental outcomes? Does it stifle innovation, generate inappropriate policy choices, limit information on environmental conditions, contribute to poor management or increase incentives to engage in unsustainable use of natural resources? Third, in terms of policy interventions, is it necessary to target the root sources of corruption within a political system, or are there intermediate strategies that can help reduce corruption's impact on the environment? The ESI data by itself does not answer these questions, but it provides a basis for testing propositions using empirical measures.

The full ESI report, as well as a spreadsheet containing the data, can be found at the website <**http://www.ciesin.columbia.edu/indicators/ESI/**>.

Contact: Marc A. Levy (marc.levy@ciesin.columbia.edu).

1 Daniel C. Esty at Yale was overall project director and Marc A. Levy at Columbia directed the work at CIESIN. Kim Samuel-Johnson chaired the GLT Task Force. A Pilot ESI was released in 2000, and a number of changes were implemented for the 2001 ESI based on the commentaries and criticisms received.

A culture of corruption?

William Miller (University of Glasgow), Åse Grødeland (Norwegian Institute of Urban and Regional Research) and Tatyana Koshechkina (GfK-GB)

This study focused on the treatment of citizens by low-level officials in four post-communist countries: Bulgaria, the Czech Republic, Ukraine and Slovakia. This citizen-centred approach excluded high-level corruption from its scope of study, but it included far more than low-level corruption. It set bribe giving in the context of other strategies citizens use to influence officials. And it set bribe taking in the context of other faults of street-level bureaucrats. Experiences and behaviour were investigated as well as perceptions.

The findings are based on 26 focus-group discussions (with 187 participants) and 136 in-depth interviews, followed by representative surveys of 6,050 citizens and 1,307 officials during 1996–98. Fieldwork covered all regions and included both rural and urban areas.[1]

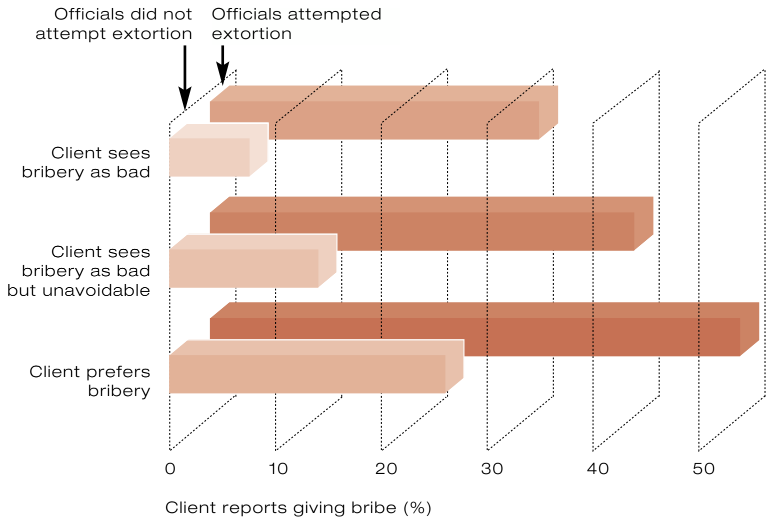
Large numbers of citizens confessed that they have personally used contacts, presents and bribes recently, though they use other strategies even more in an attempt to influence officials (table 1). Attempted extortion by officials stimulates the use of bribes, but it stimulates argument almost as much. When faced by incompetent or lazy officials, the public responds more with argument than bribes.

Table 1: **The public's use of presents and bribes to influence officials 'in the last few years' (%)**

	All	Czech Republic	Slovakia	Bulgaria	Ukraine
Public alleges that, at least rarely, officials made 'unnecessary problems' in order to get a bribe	54	44	56	48	67
Public confesses that they themselves offered…					
'… a small present'	42	23	56	33	57
'… money or an expensive present'	24	11	31	19	36

Extortion by officials and citizens' personal values both have an independent impact on the use of bribes (figure 1). Condemnation stiffens resistance to extortion, even if many of those who condemn bribes still submit to it. But the ability of citizens' values to stiffen resistance to extortion varies and seems exceptionally ineffective in Ukraine.

Figure 1: **Impact of values and extortion on bribe giving**



A majority of officials confessed they have recently accepted at least a small present from a client. Up to a quarter in some countries said they were willing to accept 'money or an expensive present', though far fewer confessed to having done so recently. However, such confessions vary sharply across different types of official. The bargaining power of officials vis-à-vis their clients has a much greater impact on actual bribe taking than do inadequate salaries (figure 2).

The most popular reform options were 'stricter controls and penalties' or 'better salaries'. Yet the analysis highlights the corruptibility of both citizens (in the face of extortion) and officials (in the face of temptation). The authors therefore put more weight than either the public or officials themselves on reforms that target situations rather than people.

Significantly, both the public and officials believed reform was possible if their government made 'a strong and sincere effort'. Unfortunately, except in Bulgaria, very large majorities thought their government was not doing so. One consequence is widespread public support for international pressure to be applied to reduce corruption (table 2).

Figure 2: **Bribe taking – willingness and behaviour**

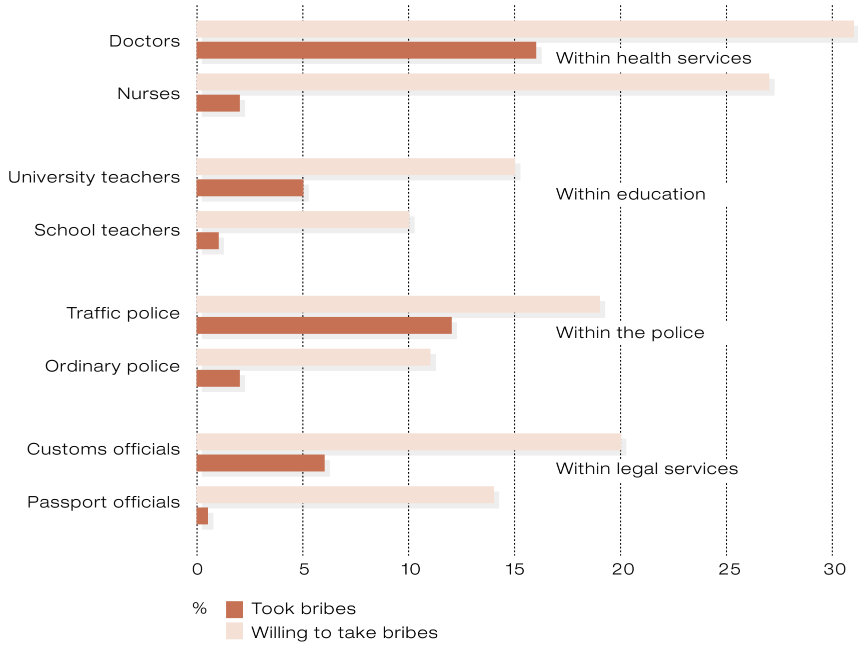


Table 2: **Public perspectives on cutting corruption (%)**

	All	Czech Republic	Slovakia	Bulgaria	Ukraine
It is possible to cut corruption among low-level officials	83	82	81	88	80
The government is really trying	24	18	22	41	18
International pressure is a good way	68	68	59	78	68

The full report is *A Culture of Corruption? Coping with Government in Post-Communist Europe* (Budapest: Central European University Press, 2001).

Contact: William Miller (w.l.miller@socsci.gla.ac.uk).

1 The fieldwork was carried out by OPW Prague, MVK of Bratislava, CSD Sofia and GfK-USM Kyiv, directed by Ladislav Koppl, Pavel Haulik, Alexander Stoyanov and Tatyana Koshechkina.

Corruption data from the Global Barometer Survey Network

The Global Barometer Survey Network links institutes involved in an ongoing programme of sample surveys of mass attitudes and behaviour in more than 50 countries of post-communist Europe, Latin America, Africa and East Asia. Since 1991, more than 200 surveys have been conducted by social scientists in universities and independent research institutes, funded by multiple national and international scientific institutions and foundations. Further information on the Global Barometer Survey Network as a whole is available at the website: <http://www.globalbarometer.org>.

Each survey covers a wide variety of political, social, economic and demographic topics including: the experience that people have of getting things done by breaking laws, bending rules or paying bribes; crime and insecurity; trust in institutions; and the perception of corruption in national governments. The project is divided regionally:

New Europe Barometer, launched in 1991, covers 21 post-communist countries and regions: Armenia, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, eastern Germany, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia and Ukraine: <http://www.cspp.strath.ac.uk>.

Latinobarómetro, launched in 1995, covers 17 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela: <http://www.latinobarometro.org>.

Afrobarometer, launched in 1999, currently covers 12 countries: Botswana, Ghana, Lesotho, Malawi, Mali, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia and Zimbabwe: <http://www.afrobarometer.org>.

East Asia Barometer launched surveys in China, Hong Kong, Indonesia, Japan, Korea, Philippines, Taiwan and Thailand in 2001. The results will be available in early 2002.

Findings from research by Afrobarometer, New Europe Barometer and Latinobarómetro follow.

Assessing corruption in Southern Africa through the eyes of Southern Africans

Robert Mattes (University of Cape Town and Institute for Democracy in South Africa) and Michael Bratton (Michigan State University)

Is corruption endemic to African politics? The cross-national research project Afrobarometer tried to find out. A common set of questions on corruption was asked in surveys of random, nationally representative samples of voting-age populations in seven Southern African countries between July 1999 and July 2000. Trained enumerators conducted face-to-face interviews in local languages with 13,000 respondents across the region.[1]

The surveys found that popular perceptions of government corruption are extraordinarily high in some Southern African countries (see table 1). In Zimbabwe, more than two thirds (69 per cent) said that all or most government officials are involved in corruption. One half of Zambians and South Africans also shared this view. But there are important differences across the region. Only 28 per cent in Lesotho and 20 per cent in Namibia had this negative perception.

Table 1 also indicates that citizens make distinctions between corruption in different levels of government. Across the seven countries, local government officials and parliamentarians are seen as less corrupt than national government officials and civil servants. While 30 per cent in Lesotho said that all or most civil servants are corrupt, just 11 per cent said this of local government officials. These differences can also be seen in Malawi and Zimbabwe to a lesser degree. Only in South Africa and Namibia do citizens appear to hold a relatively undifferentiated view of corruption.

Perceptions of corruption are only tenuously linked to actual experience. The surveys found that while perceptions of corruption are quite high, actual experience is much lower (see table 2). People were asked whether in the past year they had been forced to pay a bribe, give a gift or perform a favour in order to get various government services.

At their least extreme, average perceptions of government corruption were four times higher than average actual experience (in Namibia). At their most extreme, perceptions were 40 times higher (in Botswana). Whatever their size, these discrepancies suggest that perceptions of corruption could be based on news media reports of a small number of high-profile incidents. Or they may stem from having heard about friends' or neighbours' experiences.

Actual experience of corruption varies widely across the seven countries. An average of 12 per cent of Zimbabweans said they had been asked for a bribe or a favour in order to get government assistance in housing, land, employment or

Table 1: **Perceptions of government corruption (%)**

		Africa					
National government officials	69	50	51	43	32	28	20
Civil servants, or those who work in government offices and ministries	65	50	50	46	32	30	24
People in parliament	63	45	40	31	29	20	19
Local government officials	51	46	42	n/a	20	11	17
Average across types of government	**62**	**48**	**46**	**40**	**28**	**22**	**20**

Question asked: 'How many … do you think are involved in corruption?' Shown are the percentage who answered 'all', 'almost all' or 'most of them'.

Table 2: **Personal experience of government corruption (%)**

	Zimbabwe	Namibia	South Africa	Zambia	Malawi	Lesotho	Botswana
A job	10	3	2	5	5	6	1
A government maintenance payment, pension payment or loan	13	4	2	3	4	2	1
Electricity or water	11	7	7	3	3	1	<1
Housing or land	14	8	4	3	3	2	1
Average experience with corruption	**12**	**6**	**4**	**4**	**3**	**3**	**1**

Question asked: 'In the past year, have you or anyone in your family had to pay money to government officials (besides rates or taxes), give them a gift, or do them a favour, in order to get the following?' Shown are the percentage who answered 'often', 'a few times', or 'once or twice'.

basic services in the past year. Yet in Botswana, where international visitors encounter anti-corruption posters even before they get past customs, only 1 per cent said they had faced such demands from government officials.

In four countries (Botswana, Lesotho, Malawi and Zambia), citizens are most prone to victimisation when seeking employment. Government administration of housing and land distribution offers the greatest potential for corruption in Namibia and, importantly, Zimbabwe. In South Africa, citizens are most at risk

Table 3: **Corruption as most important problem? (%)**

	South Africa	Malawi	Zimbabwe	Botswana	Zambia	Lesotho	Namibia
Corruption	10	5	4	3	2	2	2

Question asked: 'What are the most important problems facing this country that government ought to address?' Up to three answers were accepted. Shown is the percentage who included corruption.

when trying to obtain electricity and water, which lie at the core of that country's ambitious Reconstruction and Development Programme.

One should not overestimate the present political impact of these perceptions. In only one country, South Africa, did as many as one in ten rate corruption as a significant national issue requiring government intervention (see table 3).

Finally, while significant numbers of Southern Africans perceived or had experienced corruption under an elected government, they did not associate corruption with the establishment of democracy. On average, 39 per cent across the seven countries said there was more corruption under their present government than there was under its colonial, apartheid, one-party or military predecessors, whereas 46 per cent said the situation was the same or better (table 4). When asked to say in their own words what democracy meant to them, negligible proportions (less than half a percentage point) spontaneously associated it with corruption.

Table 4: **Comparing the extent of corruption today and under the former regime (%)**

	Zimbabwe	Malawi	South Africa	Zambia	Namibia	Lesotho	Botswana
More corrupt	56	50	44	44	26	25	22
The same	13	13	25	17	21	17	13
Less corrupt	19	29	27	27	41	36	22
Don't know	10	7	4	11	10	21	34

Question asked: 'You have told us how you feel about the effectiveness of the way government performs its job, its interest in what you think, corruption, and your trust in government. But how does this compare to the government that this country had under British colonialism /white minority rule/UNIP one-party government/MCP one-party government/military government/South African rule/apartheid? Is government today more, about the same *or* less corrupt?'

Contact: Michael Bratton (mbratton@msu.edu) or Robert Mattes (rmattes@humanities.uct.ac.za).

New Europe Barometer

Richard Rose (University of Strathclyde)

New Europe Barometer surveys are nationwide representative samples of the adult population in countries in Central and Eastern Europe and the former Soviet Union. Face to face interviews are conducted with an average of 1,000 respondents per country, except in Russia where the samples are normally 2,000. All interviews are conducted by trained interviewers from established national research institutes.

Survey results show that citizens in transition countries do not expect government to operate efficiently or effectively, yet very few feel helpless or passive in the face of bureaucrats unwilling to act on their requests. A variety of strategies can be adopted.

The readiness to pay bribes or use other tactics differs between countries. As table 5 (with findings from 1998) shows, Russians and Ukrainians are far more likely to think of paying a bribe or using connections to get a house than Czechs, who reject these tactics in favour of the market, or pushing officials harder. Only a limited minority in the three countries felt they could do nothing.

Table 5: **Readiness to pay bribes or use other tactics (%)**

	Russia	Ukraine	Czech Republic
Pay bribe	25	21	4
Use connections	24	13	9
Make up story	6	n/a	n/a
Write a letter	n/a	10	24
Buy a house	31	29	47
Nothing can be done	14	27	16

Question asked: 'What should a family do to get a government-subsidised flat, even if not entitled to it according to the rules?'

Whereas paying a bribe can be considered as recognition of the power of the state, doing what you want regardless of government reflects a 'scoff law' mentality. When the New Russia Barometer asked a series of questions about paying tax in the year 2000, 56 per cent said that there was no need to pay taxes since the government would never find out; 27 per cent believed that if the government did find out about tax evasion, a bribe would enable one to continue avoiding payment; and only 17 per cent felt that the tax laws were enforced.

Perceptions about the prevalence of corruption, and whether it has increased or decreased, vary across the countries, as table 6 shows.

Table 6: **Comparing the extent of corruption today and under the former regime (%)**

	has increased	is same	is less
Ukraine	87	11	1
FR Yugoslavia	81	17	2
Slovakia	81	15	4
Hungary	77	20	2
Russia	73	23	4
Bulgaria	71	25	3
Czech Republic	70	24	5
Belarus	70	25	5
Croatia	66	28	6
Romania	58	28	14
Slovenia	58	28	14
Poland	52	37	12

Question asked: 'By comparison with the former communist regime, would you say that the level of corruption and taking bribes has increased?'
Source: New Europe Barometer 1998 (except for Russia results, New Russia Barometer 2000).

Meanwhile, the coin of corruption is changing. In the communist system, power in the party was an important influence in the allocation of goods and services outside the rule of law. Many members of the old communist *nomenklatura* adapted to the market economy by exchanging their party card for dollars and deutschmarks as the currency of influence.

The New Russia Barometer asked two related questions about this in 2000. In answer to the proposition 'some people say that in Soviet times, to get anything done by a public agency, you had to know people in the party', 68 per cent agreed, while 32 per cent disagreed. In response to the statement 'some people say that nowadays to get anything done by a public agency you need to pay money on the side', 90 per cent agreed, while 10 per cent disagreed. Table 7 combines Russians' answers to the two questions.

Table 7: **Comparing the nature of corruption today and under the former regime in Russia (%)**

of influence	of influence	
Agree	Agree	63
Disagree	Agree	27
Agree	Disagree	5
Disagree	Disagree	5

Contact: Richard Rose (i.m.rogerson@cspp.strath.ac.uk).

Assessing perceptions of corruption in Latin America

Marta Lagos (Latinobarómetro)

How have perceptions of corruption, its increase or decrease and its importance as a problem changed in recent years in South and Central America? Latinobarómetro is an annual 17-country survey, undertaken yearly by the NGO Corporación Latinobarómetro, based in Santiago, Chile.[2] There are approximately 1,000 respondents in each national representative sample.

As table 8 shows, in 2000 more than 90 per cent of respondents in Honduras, Nicaragua and Paraguay said that corruption had 'increased a lot' over the previous year. At the lower end of the ranking, less than 60 per cent of the population said this in Mexico, Peru and Venezuela.

The level of debate and traditional occurrence of corruption, along with the objective experience of corruption, have an impact on the extent to which corruption has been seen to increase. Mexico, for instance, where corruption has long been recognised as a problem, ranks only fifteenth out of the 17 countries in terms of perceptions of increasing corruption. Meanwhile Argentina, where corruption is seen as a more recent phenomenon, receives one of the highest rankings. In every country in the region, respondents have reported an annual increase in corruption each year since the surveys began. Indeed, as the final column in table 8 shows, only in Mexico, Panama, Uruguay and Venezuela is the increasing corruption perceived to have slowed down more than marginally over the period from 1996 to 2000. In other countries, the rate of increase has either stayed the same or risen, the largest rises being in Nicaragua and Brazil.

Table 9 presents perceptions of how serious corruption is as a problem. In 2000, the highest proportions of respondents seeing corruption to be a 'very seri-

Table 8: **Perception of change in the level of corruption (%)**

	a lot	a little	a lot	a little	a lot	a little	a lot	a little	
Argentina	87	5	92	5	90	3	87	5	0
Bolivia	74	11	84	10	73	12	83	8	+6
Brazil	64	16	81	6	83	7	85	5	+10
Chile	51	21	62	18	54	18	60	15	+3
Colombia	76	12	89	6	83	5	80	9	+1
Costa Rica	84	8	92	5	89	6	89	5	+2
Ecuador	84	9	93	4	85	7	87	5	–1
El Salvador	70	11	67	19	84	6	72	14	+5
Guatemala	67	8	55	17	77	10	63	13	+1
Honduras	85	4	89	5	77	8	91	4	+6
Mexico	76	12	56	22	58	21	56	19	–13
Nicaragua	79	5	84	7	91	5	92	2	+10
Panama	75	13	66	17	76	11	72	11	–5
Paraguay	84	8	92	2	89	2	92	2	+2
Peru	48	20	73	13	69	14	56	18	+6
Uruguay	73	16	76	17	72	18	62	20	–7
Venezuela	93	1	94	3	94	2	54	11	–29
South America & Mexico	**74**	**12**	**81**	**10**	**77**	**10**	**72**	**11**	**–3**
Central America	**77**	**8**	**75**	**12**	**82**	**8**	**80**	**8**	**+3**
Latin America	**75**	**11**	**79**	**10**	**79**	**10**	**75**	**10**	**–1**

Question asked: 'With regard to the following list of issues, do you think they have 'increased a lot' or 'a little'; or 'decreased a lot' or 'a little'; or 'remained the same' in the last 12 months?'

ous' problem were found in Honduras, Nicaragua and Paraguay. While corruption was seen to be a 'very serious' problem by the majority of respondents in all countries in the region, the lowest proportions of respondents who stated this were found in Chile, Mexico and Uruguay.

The final column of table 9 records changes between 1997 and 2000 in perceptions of corruption as a 'serious' or 'very serious' problem. In no country in the region was there a fall of more than two percentage points in this perception over this period. The largest increase was in Guatemala, which saw a 30 percentage point increase in the perception of corruption as a 'very serious' problem.

Table 9: **Perception of corruption as a problem (%)**

	serious		serious		serious		combined
Argentina	88	11	86	13	90	8	–1
Bolivia	67	30	61	34	81	15	–1
Brazil	73	22	74	21	84	11	0
Chile	65	28	51	37	68	23	–2
Colombia	87	12	82	16	88	9	–2
Costa Rica	82	16	73	20	90	8	0
Ecuador	74	21	69	26	85	12	+2
El Salvador	55	37	60	36	79	18	+5
Guatemala	54	29	58	34	84	12	+13
Honduras	77	20	80	18	92	7	+2
Mexico	47	38	50	38	61	23	–1
Nicaragua	80	17	85	14	93	6	+2
Panama	68	27	68	29	81	15	–1
Paraguay	77	17	84	11	91	7	+4
Peru	66	29	60	35	75	21	+1
Uruguay	57	39	60	35	69	27	0
Venezuela	79	16	89	10	84	13	+2
South America & Mexico	**71**	**24**	**69**	**25**	**79**	**16**	**0**
Central America	**69**	**24**	**70**	**25**	**86**	**11**	**+4**
Latin America	**70**	**24**	**70**	**25**	**82**	**14**	**+2**

Question asked: 'Thinking about the problem of corruption in [country] today, would you say that the problem is 'very serious', 'serious', 'not very serious' or 'not at all serious'?'

Contact: Marta Lagos (mlagos@latinobarometro.org).

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