Helping Countries Build Anti-Corruption Strategies

The World Bank Institute
and the Europe and Central Asia
Department of the World Bank

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C orruption negatively affects economic growth, burdens the poor dispro-
portionately, and undermines the effectiveness of aid and investment.
Corruption, in fact, might be a fundamental determinant in explaining devel-
opment performance.

Anti-corruption strategies are only one part of a development framework
designed to help countries eradicate poverty. Good governance programs focus on
in-depth analysis of the institutional factors behind corrupt practices and behavior,
help countries understand the shortcomings of their policies and institutions, and
design a strategy to strengthen their performance.

A systemic, holistic, multi-pronged approach to anti-corruption emphasizes:

☐ *Inclusion and Coalition-Building*—the participation of civil society,
government, parliament, and media, coupled with top-level political
support and commitment to a transparent and participatory process.

☐ *Empirical Diagnostic Tools*—surveys of households, businesses, and
public officials are utilized to measure the prevalence as well as the social
and economic costs of corruption, shifting the focus of the policy debate
to institutions rather than people and helping to establish reform
priorities. Information empowers people and energizes public opinion for
reform. It also establishes a baseline with which to gauge the success of
reform. Surveys allow large numbers of people to express their views and
concerns. In confidential face-to-face interviews respondents candidly
discuss controversial issues. Carefully designed experiential (vs. opinion)
questions measure the costs of corruption, the quality of public service
delivery, the business environment, and/or public sector vulnerabilities. A
local independent partner conducts the surveys, eventually serving as a
watchdog organization. Additional data is gathered and analyzed-ross
country institutional indicators, particular budgetary expenditure flows,
and procurement costs of generic products. Consistency checks across
sources and approaches enhance the reliability of the diagnosis, making it
easier to accept the empirical evidence and follow-up actions.

❏ *National* Workshops and *Task* Forces-survey results are utilii in national workshops to develop a consensual anti-corruption strategy and action plan. Workshops include participants from all branches of the state, political parties, civil society, and professional groups; are widely publicized; and are open to the media. Task forces working in key areas develop concrete suggestions for anti-corruption reform.

❏ *Strategies* and Action Plan-workshops help define the strategies and action plans, assign responsibilities, and develop a timetable for action. In close collaboration with civil society, the government implements the action plan, strengthening its credibility by taking timely action in an open and transparent manner.

❏ *Strengthening Institutional* Capacity-customized training work-shops provide the tools and skills for a free media, a supportive environment for the private sector, and an *efficient,* accountable, and transparent state (civil service, judiciary and legislature).

O *Challenges of Implementation-the* challenge for the political leadership, civil society, and the donor community is to acquire the data, use it to target certain reforms, and then implement credible reforms. Methodological rigor is key. Diagnostic tools and survey results can be misused and misleading if not placed in the right context and interpreted scientifically and objectively. If the surveyor is not independent and professional the diagnosis will not be credible. If the process is not transparent and participatory the strategy and action plan will not be consensual and will not succeed.

Data is a powerful tool, however, it is only input into a broader consensual process.

O *Continual Learning*

- Continually improving the methodology for capturing the most relevant data and transforming survey evidence into reform priorities
- Integrating the emerging lessons with the feasibility of various policies
- Supporting the implementation of the reform agenda, emphasizing sustainability, prioritization, and sequencing
- Maintaining realistic expectations and being modest about lessons and results

Cornerstones of an Effective Anti-Corruption Strategy

Civil Society

Households

Government   Enterprises

The State

Private Sector
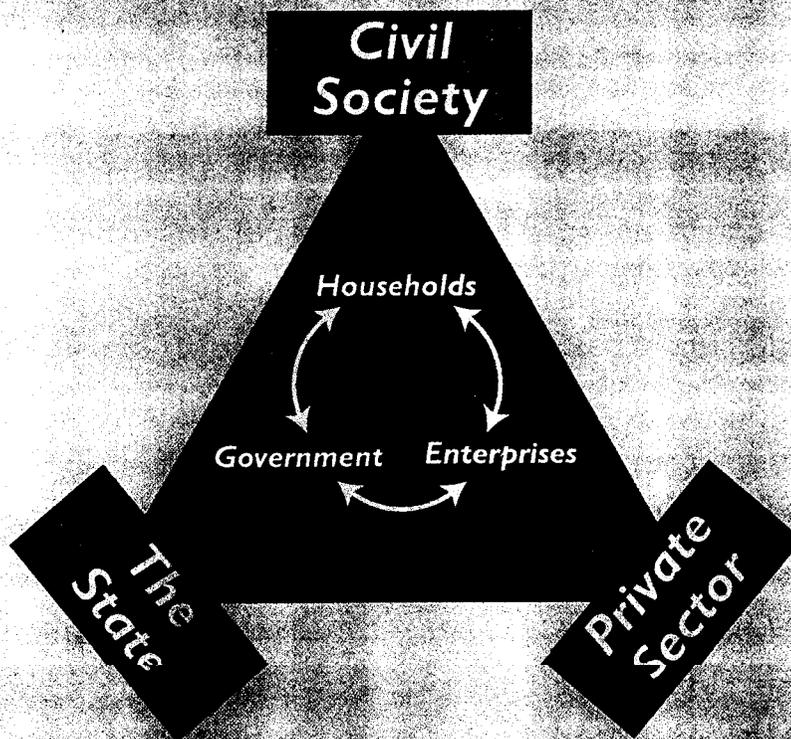
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In-depth Empirical Diagnostics:

Country List Status

Compiled by WBI in coordination with regions:

A. Countries in which an earlier and more partial empirical diagnostic approach was used (in some there may be replication/application of the newer approach within the next 18 months):

Tanzania	**Ukraine**	**Uganda**
Nicaragua	**Bolivia**	**West Bank Gaza**

B. Countries in which the new approach was used:

Albania	**Georgia**	**Latvia**

C. Countries in which the new approach is being implemented:

Ecuador	**Armenia**

D. Countries in which the new approach is slated to or rather likely to be implemented in near future:

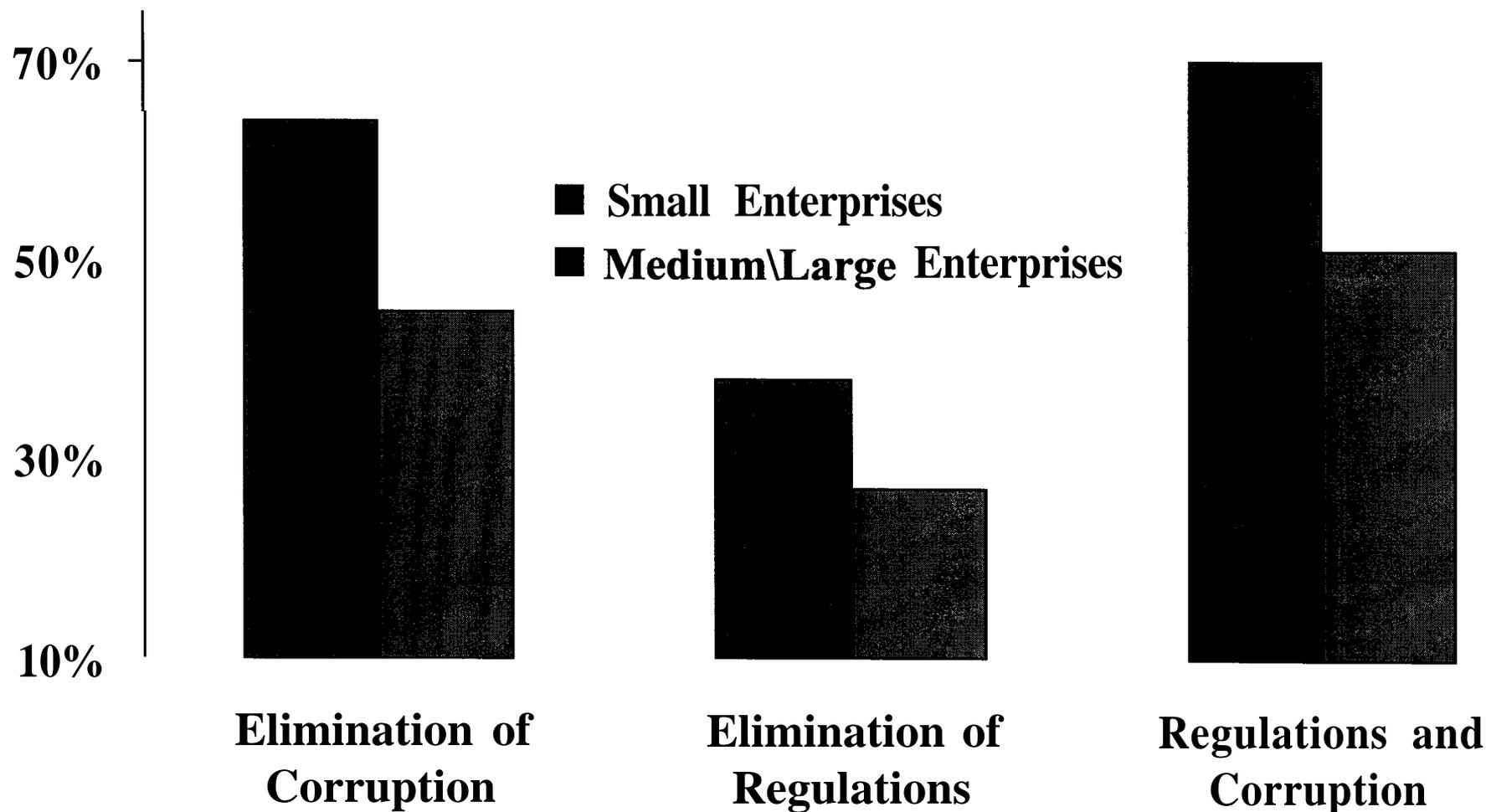|		
Russia	**Ethiopia**	**Mali**
Benin	**Nigeria**	**Vietnam**
Paraguay	**Malaysia**	**Indonesia**
Argentina	**Bangladesh**	**Pakistan**
Azerbaijan	**Bulgaria**	**Morocco**
Cambodia	**Nepal**	**India**

E. Other Countries that have shown interest in exploring possibility of implementing the new approach:

South Africa	**Zambia?**	**Turkey**
Mexico	**China?**	**West Bank Gaza?**

* On average firms are prepared to pay a 10% higher tax rate if corruption and regulations were eliminated

Albania: Public Finance Cost of Corruption and Regulations

% of firms that would pay additional taxes

Legend:
- ■ Small Enterprises
- ■ Medium\Large Enterprises

Categories (x-axis): Elimination of Corruption, Elimination of Regulations, Regulations and Corruption

Y-axis: 10%, 30%, 50%, 70%

ACER/WORLBANK
Enterprise Survey, 1998

Albania: Public Officials' Views on Dishonesty in Institutions

Customs
Judiciary
Tax inspection
Privatization
State hospitals
Journalists
Local government
Police
Local NGOs
MPs
Government officials
Prime Minister
Donor Agencies
President

0%   30%   60%   90%

% of officials that report dishonesty
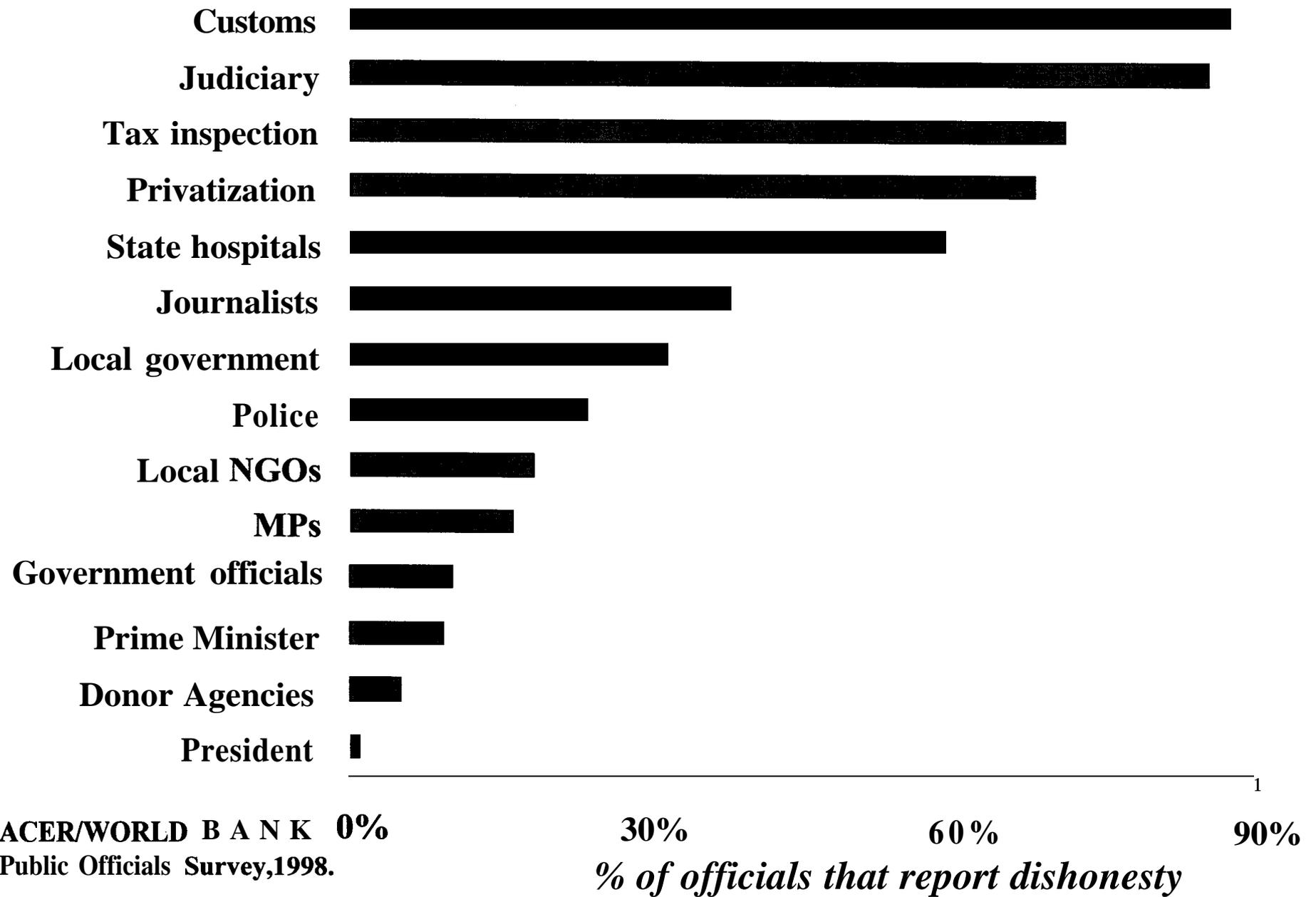
Albania, Public Officials: How Did You Get Your Job?

Political changes

Job announcement

Personal connections

Meritocracy

All Officials
Career Officials
Elected Officials

0% 10% 20% 30% 40% 50% 60% 70% 80%
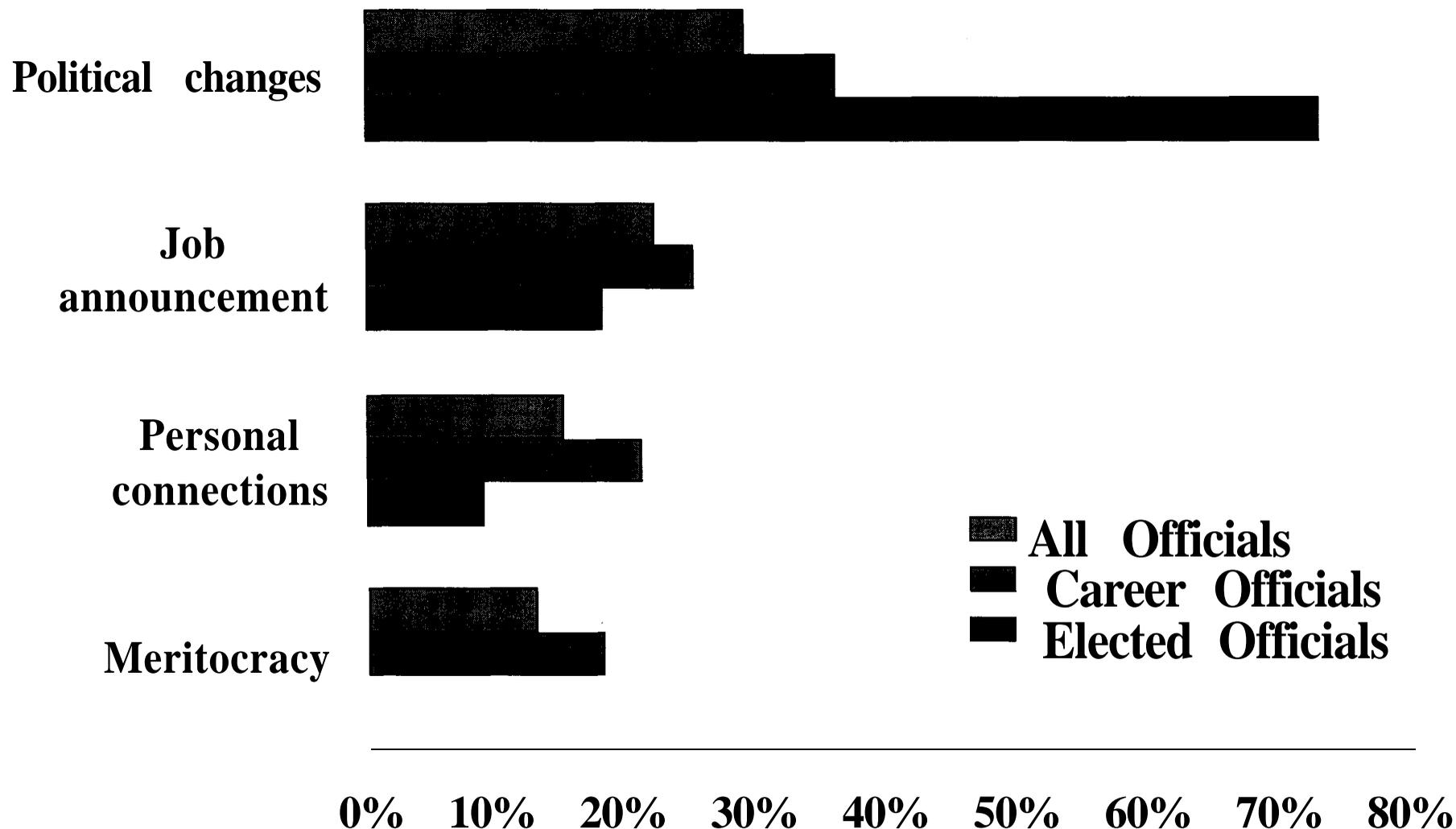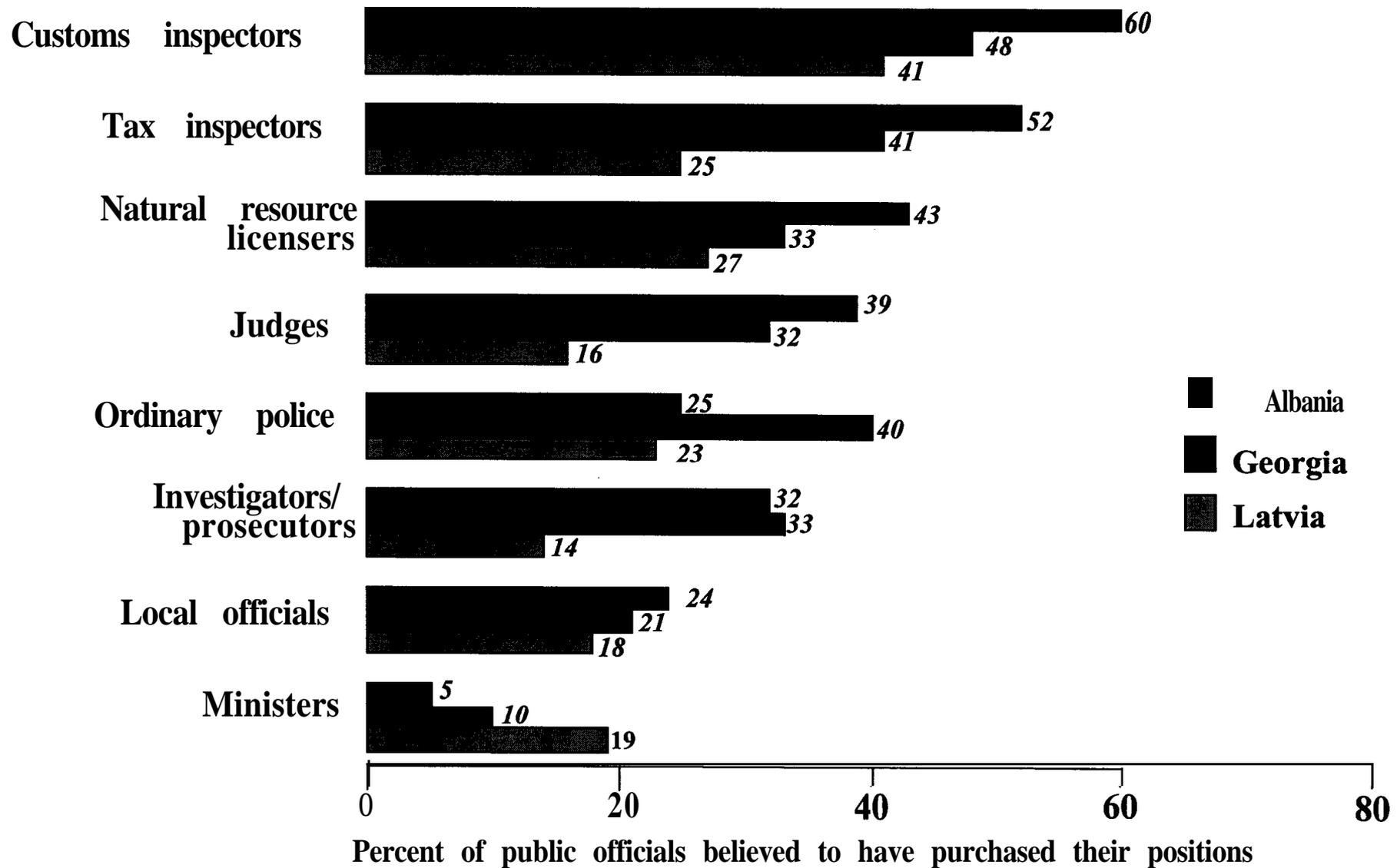
ACER/WORLD BANK
Public Officials Survey, 1998.

% of public officials

Albania: Common Forms of Corruption in Government

Theft of State Assets

Bribery in procurement

Embezzlement of international donors' funds

Bribery shortens time of processing

Bribery to obtain monopoly power

Embezzlement of public funds

5%   15%   25%   35%

% of public officials
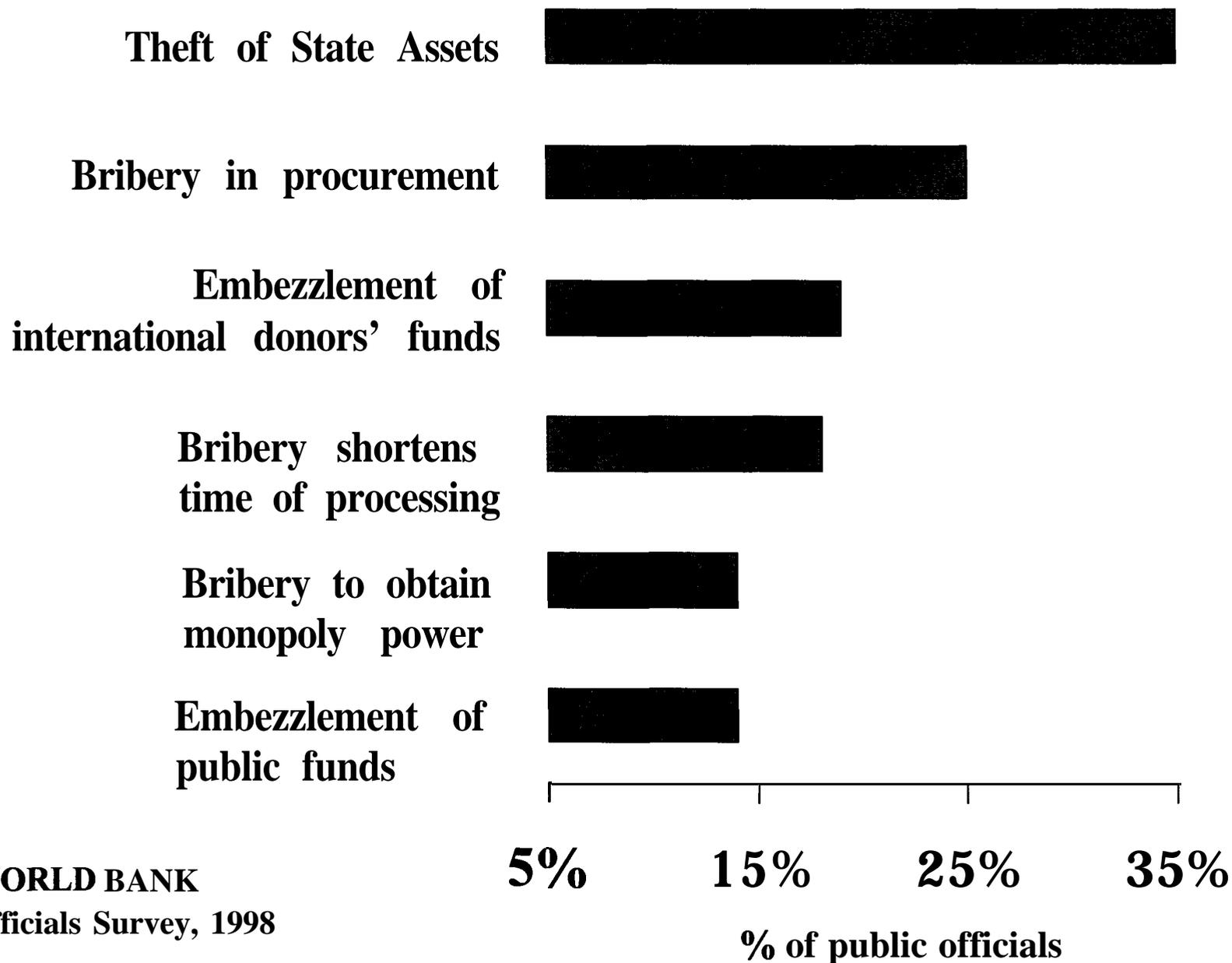
Purchasing Public Positions

Customs inspectors — 60, 48, 41

Tax inspectors — 52, 41, 25

Natural resource licensers — 43, 33, 27

Judges — 39, 32, 16

Ordinary police — 25, 40, 23

Investigators/ prosecutors — 32, 33, 14

Local officials — 24, 21, 18

Ministers — 5, 10, 19

Legend: ■ Albania ■ Georgia ▦ Latvia

X-axis: 0, 20, 40, 60, 80
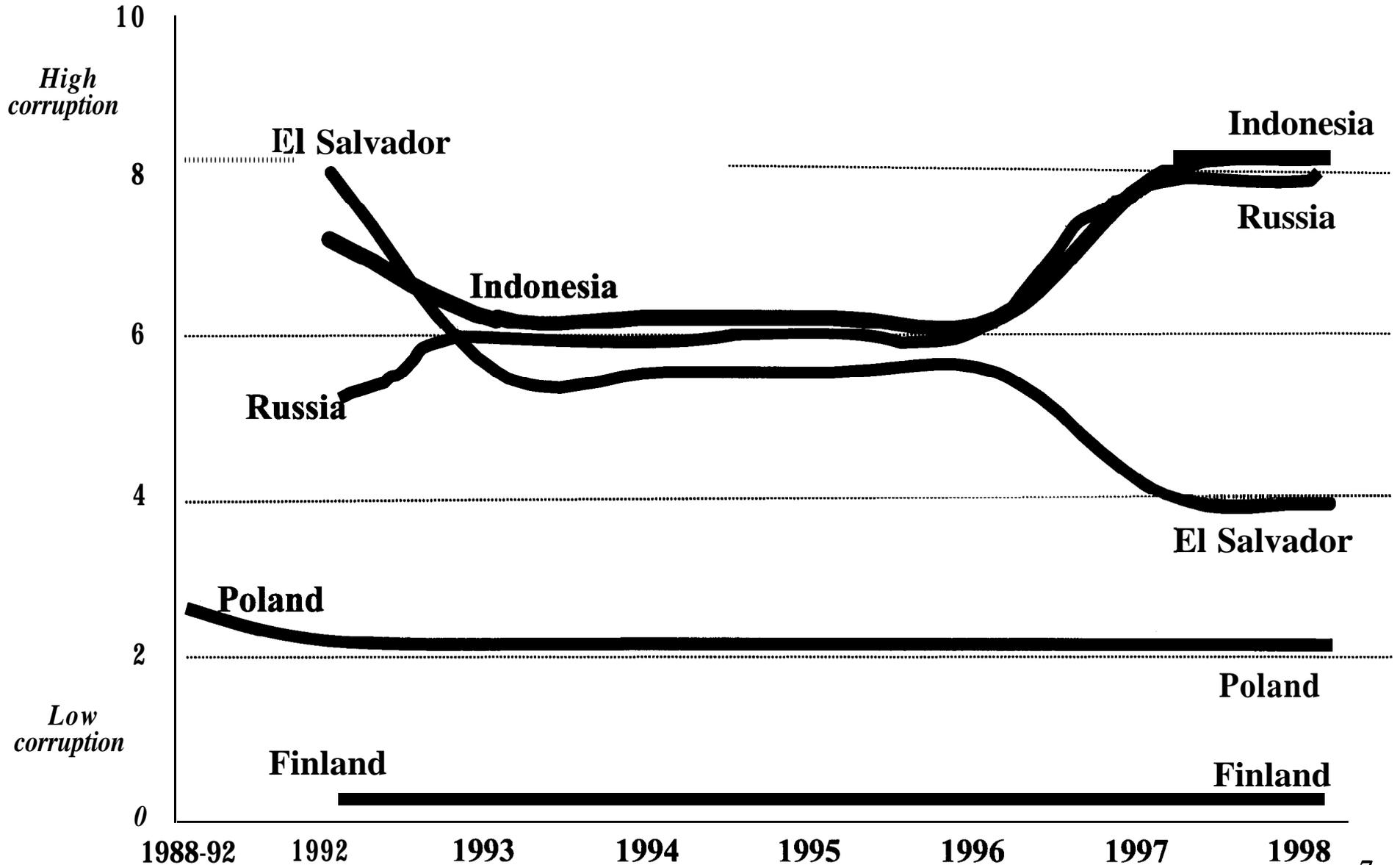
Percent of public officials believed to have purchased their positions

Based on 1998 World Bank surveys of public officials in these countries: 218 public officials in Latvia (with Latvia Facts); 350 public officials in Georgia (with GORBI); and 97 public officials in Albania (with ACER).
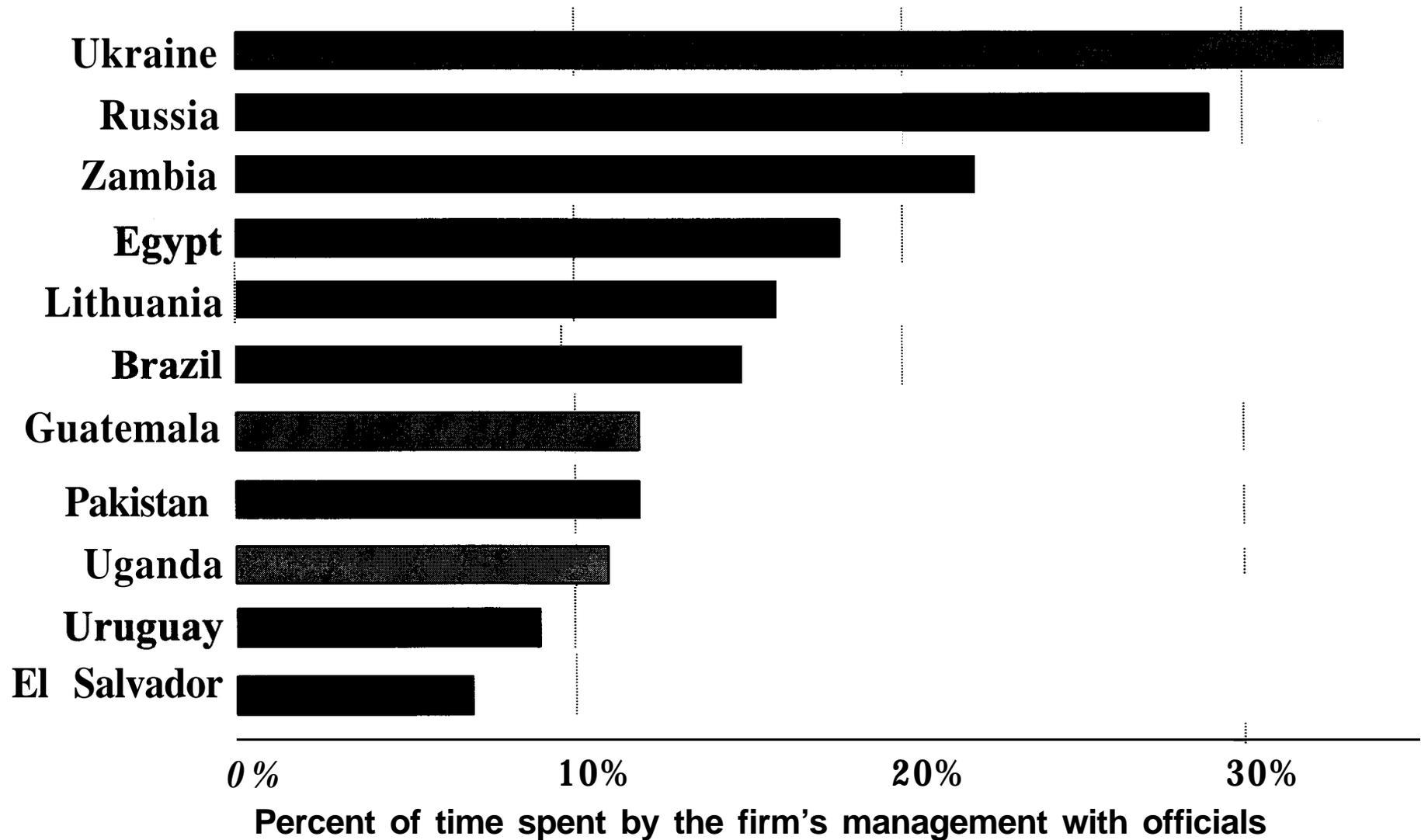
Overall Corruption Over Time

(Selected Countries; ICRG index, rescaled O-10)

Senior Management Time Spent With Officials

(mid-1990s, various sources)

Horizontal bar chart showing percent of time spent by the firm's management with officials by country:

Country	Percent
Ukraine	~33%
Russia	~28%
Zambia	~21%
Egypt	~18%
Lithuania	~16%
Brazil	~15%
Guatemala	~11%
Pakistan	~11%
Uganda	~11%
Uruguay	~9%
El Salvador	~7%

0%   10%   20%   30%

Percent of time spent by the firm's management with officials

The "Bribe Fee List"

Unofficial Payments by Enterprises
for Official Licenses and Services, Ukraine and Russia
1996

"Unofficial fee": type of license/"favor"	Average "unofficial" fee required for "favor"			
	Russia		Ukraine	
Enterprise registration	$ 288		$ 176	
Each visit by fire/health inspector	$ 67		$ 42	
Tax inspector (each regular visit)	$ 250		$ 87	
Each phone line installation	$ 1,071		$ 894	
Lease in state space (sq. meter per month)	$ 26		$ 7	
Each export registration/consignment	$ 643		$ 123	
Each import registration/consignment	$ 133		$ 278	
Domestic currency loan from bank (preferential terms)	8%		4%	
Hard currency loan (preferential terms)	23%		4%	