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## BANK'S WORLD

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# Can Corruption be Measured?

## Bank Offers Diagnostic Tools to Measure and Combat Corruption in Member Countries

In his address to the Global Forum on Fighting Corruption last February, US Vice President Al Gore resorted to quotations from the Old Testament, the Koran and Confucius to impress on his audience the higher authorities that have denounced the practice before him. This suggests that corruption is as ancient as it is universal.

"Corruption...is a serious crime with devastating consequences," Gore said. "A cold, vicious, often violent sacrifice of citizen security, for a narrow, greedy, private, personal profit on the part of a crooked official."

This same conclusion had been drawn at the highest level of the World Bank some years before and underlies the Bank's renewed emphasis on helping countries develop anti-corruption strategies, as well as adopting a policy of zero tolerance regarding any corrupt practices within the institution itself.

The Bank now firmly believes that corruption is a major factor impeding development.

"Corruption hampers economic growth, burdens the poor disproportionately, and undermines the effectiveness of investment and aid," said World Bank President James D. Wolfensohn, who spoke at the conference attended by high level officials from around the world. "Anti-corruption strategies need to be an integral part of a development framework designed to help countries eradicate poverty."

Since 1995, when authorities at the Bank discovered that a staff member had influenced the award of a Bank-financed contract to a company in exchange for payment, the issue of corruption remains a sensitive one. Such cases are thankfully rare, but as Wolfensohn so succinctly put it, "even one case of fraud or corruption is one too many."

Gore cited the examples of countries like Albania, Georgia and Latvia which, last year, with the assistance of the Bank, courageously undertook to diagnose in-depth corruption within their

societies in order to design strategies to combat it and improve governance. While most attempts at fighting graft around the world still consist of "anti-corruption campaigns" noisily launched on state radio and television, with the token firing of an agency head or two on flimsy (and usually unsubstantiated) charges of alleged corruption, the systemic approach in these and other emerging economies where it is under implementation, goes farther. The principal innovation lies in the integration of rigorous empirical measurement and analysis of corruption with the empowerment of civil society and reformists in government, to build coalitions in addressing corruption systematically, spearheading institutional and economic reforms.

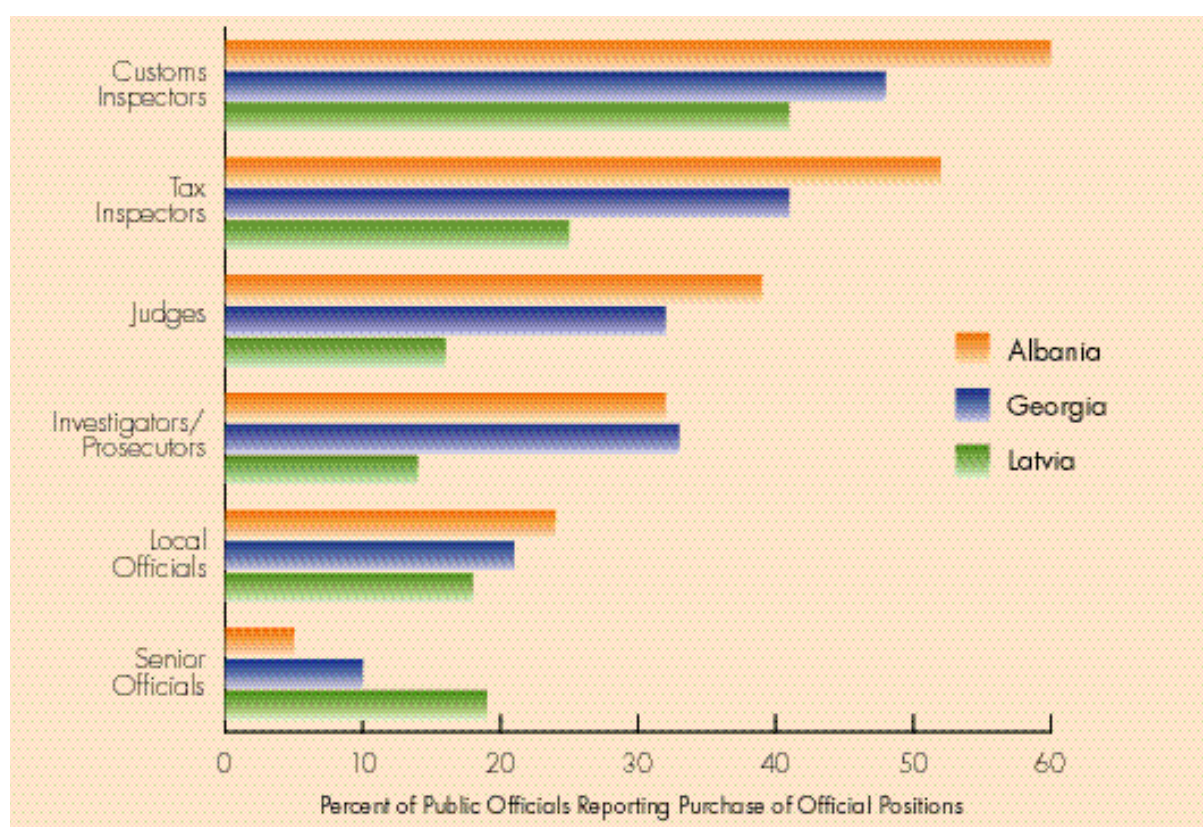
### Measuring Corruption

The old myth that corruption by its "intrinsic nature" is impossible to measure delayed the emergence of serious empirical analysis of corruption, wrote Daniel Kaufmann, Manager, Governance, Finance and Regulatory Reform, World Bank Institute (WBI), in a recent publication, *Challenges in the Next Stage of Anti-Corruption*. As a result, he said, myths about its prevalence, such as "Africa as a continent is hopelessly corrupt," as well as fallacies on its causes and consequences, were perpetuated. The absence of empirical data on corruption obscured its enormous costs and also gave corrupt politicians "cover", enabling them to dismiss allegations of corruption as politically motivated.

In his presentation at the Gore anti-corruption conference, Kaufmann highlighted concrete approaches to help design anti-corruption strategies, which emphasize broad public participation to diagnose, prepare and implement action programs. In transition economies, corruption was measured using surveys of households, businesses and public officials, to determine its prevalence.

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## Public Positions Are Often 'Sold'



## Can Corruption be Measured?

(Continued from page 1)

lence, as well as its social and economic costs. The result suggests, in a number of countries, a picture of systemic corruption that corrodes public welfare and hobbles private sector activity, while in others it is more localized.

What also emerged from these surveys was that there are many types of corruption, with differing patterns in each country; and that its institutional causes differ, meaning that priorities for reform would be country-specific. It is empirically found that many enterprises would pay higher taxes if corruption were eliminated; that corruption places a disproportionate economic burden on the poor; and that in some settings 'public' officials do buy lucrative positions. Gore was particularly struck by the survey data which showed that in one country, 60 percent of the customs officials reported that their positions had been purchased. "You know that if they pay for their positions, they will make their positions pay off," he concluded. Former Bank President Robert McNamara also commended the concrete action-orientation of this new approach and suggested to the many country officials attending the Gore conference to consider its implementation.

In countries where this data-intensive approach is being implemented through surveys of households, enterprises and public officials, its use and dissemination has sparked spirited public debates and shifted the focus to institutional measures rather than to particular individuals, while also helping to establish reform priorities, in particular institutions. In Albania, for instance, there was so much interest in the publication of the survey data that the previous day's crucial World Cup soccer match between neighboring Romania and Croatia was bumped off the front pages of the nation's newspapers to make way for charts and graphs. This example brought home to many of the world leaders at the conference the realization of how badly people want to rid their societies of corruption and how effective an informed public can be.

"The number one force in our favor in the fight against corruption is our ever-expanding access to information," said the US Vice President. "The core of accountability is the fusion of information and action—action on the part of public officials, private citizens, businesses, and non-governmental organizations."

The WBI and DEC are also developing a major worldwide database on governance indicators, permitting a comparative analysis of institutional performance for over 150 countries. This cross-country data analysis complements the in-depth country survey diagnostics. Together these data have been presented in local workshops that were organized for and open to members of the government, legislature, businesses, media and civil society. The policy debate was moved from the realm of vague, unsubstantiated accusations to a "process focused on empirical evidence and systemic weaknesses."

"The collection, analysis, and dissemination of country-specific data empowering stakeholders to build coalitions in the preparation and implementation of action programs offers hope in making inroads to improve governance," Kaufmann observed. In an article on the subject, "New Frontiers in Diagnosing and Combating Corruption," co-authors Kaufmann, Sanjay Pradhan and Randi Ryterman (ECA), suggest some strategies for establishing reform priorities, such as focus groups that discuss issues like petty and grand corruption and the feasibility of potential reforms. They also stress the importance of assessing a country's readiness to reform, analyzing the possible effects that institutional and policy reforms would have on key stakeholders, because the participation of some high-level politicians is indispensable.

These reforms can only be sustained with the active participation of all branches of the state, civil society and the business community in the policy process, they counsel. While pointing to its strengths in identifying the necessary regulatory, judicial and institutional reforms, Kaufmann cautions against any tendency to see this new approach as a silver bullet that would slay corruption world-wide. "It is far from perfect, and we need to continue to push the frontier

Furthermore, these methodological and empirical tools can only be one input within a comprehensive and participatory approach, where political will is also key." Indeed, he points out that the wisdom of adopting this pro-transparency empirical approach is questioned by the politically entrenched elites of certain countries. Yet, as demonstrated in several countries now implementing these diagnostics with World Bank support, defensiveness is far from universal.


In Ecuador for example, President Mahuad has made known his commitment to long-term reform, based on survey results which are designed in a participatory fashion with key stakeholders, said Janet Entwistle, the Resident Representative in that country. "Even before the surveys are complete, the Bank—through the Country Department/Resident Mission in partnership with the WBI—has been actively promoting civil society participation in the design of a preliminary, short-term anti-corruption action plan," Entwistle explained. She said both the government and civil society organizations, aware that the surveys are underway, are eager to engage in a richer debate on corruption, based on empirical data rather than suspicion or random accusations.

In early May, in a major conference for Latin America at the Carter Center in Atlanta, President Jimmy Carter went on a worldwide CNN program to laud this rigorous approach, commending his fellow panelist President Mahuad for his courage in adopting this pro-transparency and participatory diagnostics, and urged other national leaders to come to the World Bank for methodological and technical support. In fact, the Carter Center, the Bank and Transparency International have embarked on a collaborative effort in assisting Ecuador in its anti-corruption program.

"Hypercorruption" or systemic corruption is a public policy issue," states Luis Moreno Ocampo, head of the Latin America region of Transparency International, the global anti-corruption watch-dog. "The work of Transparency International and the new diagnostic surveys developed by the World Bank are now paving the way for a new level of understanding on the causes and economic consequences of corruption." He said that the power of data and these diagnostics are vital in the formation of the new alliances "which have to go beyond the awareness-raising stage into concrete actions and programs."

Equally important is the fact that these new diagnostics have taken the passionate rethoric out of the national debates on corruption.

"Strong technical work has made it possible to de-politicize what would otherwise be a very emotional and political issue," said Carlos Elbirt, Resident Representative in Albania where this approach was adopted early on and already reforms are underway in the judiciary, customs, tax and other institutions.

More broadly, at present the Bank is active in assisting in anti-corruption efforts in a number of institutional reform dimensions in over 25 countries ranging from Bolivia to Uganda. In addition to the efforts underway, the new 'diagnostic toolkit' and coalition-building participatory approach is being requested by a growing number of countries in Latin America, Asia, Africa and in transition. The Bank's efforts are complemented by the assistance of other bilateral donors such as Scandinavian countries and USAID. 

by Julius M. Wamey, Assistant Editor, BW

**For further details and materials on the diagnostic toolkits and upcoming clinics, please contact Diane Bouvet at [dbouvet@worldbank.org](mailto:dbouvet@worldbank.org), or visit the website <http://www.worldbank.org/html/edi/gac/index.htm>**



Photo: Michele Iannacci

Daniel Kaufmann

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