Transparency, Accountability and Citizens' Engagement

Mushtaq H. Khan

SOAS, UNIVERSITY OF LONDON
http://www.soas.ac.uk/staff/staff31246.php

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Citizens' Engagement with Anti-Corruption

Anti-autocracy movements and popular movements for better governance have often used anti-corruption as a focal point

The long-run relationship between lower corruption and better development is not in question

If corruption could be reduced there would be obvious and plausible benefits but development also makes it easier to reduce corruption: no surprise that richer countries have less corruption

Nevertheless, the history of anti-corruption efforts in developing countries have not been very good: it has been possible to reduce corruption in a few areas but overall levels prove difficult to reduce

Why is it apparently so difficult to fight corruption and what are the implications for strategies to address corruption?

Corruption: General Features

Corruption typically involves an 'exchange' between public and private actors

Influencing Activity:
Bribes / Political Influence / Investments
in 'State Capture'
Always Illegal and always a cost

Individuals and Groups

Public Officials

New or Modified Intervention:
Intervention can be legal or illegal
Socially beneficial or damaging

Corrupt transactions therefore have two parts:

a) the 'influencing activity' is almost always illegal (and hence different from legal rent seeking) and these expenditures have a social cost, but

b) the associated 'intervention' modified or otherwise may be legal or illegal, socially beneficial or damaging (*compared to plausible alternatives*).

The standard theory of determinants of corruption

The standard theory is very limited: *Corruption is driven by the cost-benefit calculations of public officials with discretionary powers*

Anti-corruption strategy should therefore
a) reduce or remove discretion (through removing unnecessary functions and/or better procedures that reduce discretion) and
b) change the cost-benefit equation facing public officials by raising the costs of corruption by measures such as
   i) raising salaries of public officials (which raises the cost of losing these positions),
   ii) additional penalties (like prison sentences),
   iii) greater transparency, citizens engagement and better rule of law (to raise the probability of getting caught and punished)

But the 'standard theory' is weak in failing to put corrupt transactions within a macro-political economy context: in most cases, targeting *individual* cost-benefit calculations have little effect

Democracy, Property Rights and Political Corruption

- Democracy in advanced countries is characterized by powerful feedbacks between the economy and politics

- A broad-based productive sector exists: there are many significant taxpaying enterprises

- Formal economic and political power are 'aligned': the broad-based formal economic sector pays sufficient taxes to constrain politics to enforce these formal rights. Politics is *rule-following rent seeking* focused on the budget

- In developing countries, a broad-based productive sector does not exist : politics is not constrained by the productive sector nor is it primarily focused on the limited tax revenues: 'off-budget redistribution' or *non-rule-following rent seeking* is the norm.

- Formal economic and political power are *not* aligned: Political stability cannot be achieved through formal politics (fiscal redistribution) alone : **informal (patron-client) politics is both normal and necessary**

# Four types of corruption with different determinants

Looking at the different types of 'interventions' associated with corruption allows us to distinguish several types of corruption with very different underlying determinants

	Legal Interventions	**Illegal Interventions**
Potentially Beneficial Interventions	**ii) State-Restricting Corruption.** Net effect of state activity can be positive or negative. Long-run reduction of corruption involves legalization of rent seeking. Immediate policies are to improve state capabilities and processes but incentives of ruling coalition critical.	**iii) Political Corruption/ Inadequate Institutionalization.** Net effect depends on whether political stability and growth can be maintained. Long-run transition to rule-following politics and formal institutions depends on broad-based productive sector emerging
Damaging Interventions	**i) Market-Restricting Corruption.** Net effect of state activity negative. Corruption can be second-best improvement (grease) but best approach is to remove damaging capacities/discretion	**iv) Predation/Theft.** Terms of 'exchange' become one-sided or disappear: net effect always negative. This type of corruption dominates when the state is collapsing or if ruling coalition is very narrow and has very short time horizon

All variants exist in most countries but developing countries differ in terms of the mix: this can explain why the same levels of corruption can be associated with different developmental outcomes
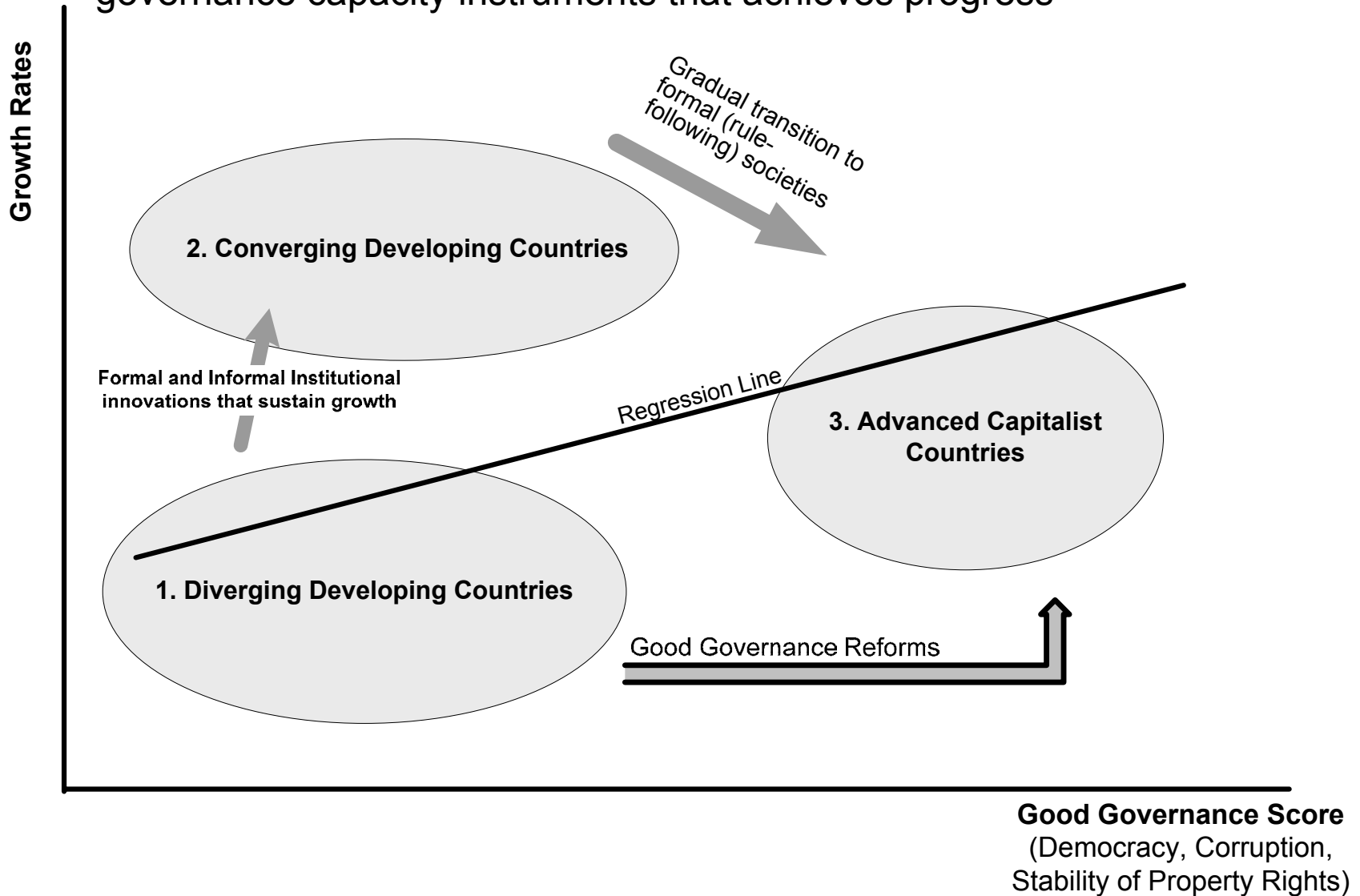
Corruption and Growth 1990-2003
(using Knack's IRIS data)
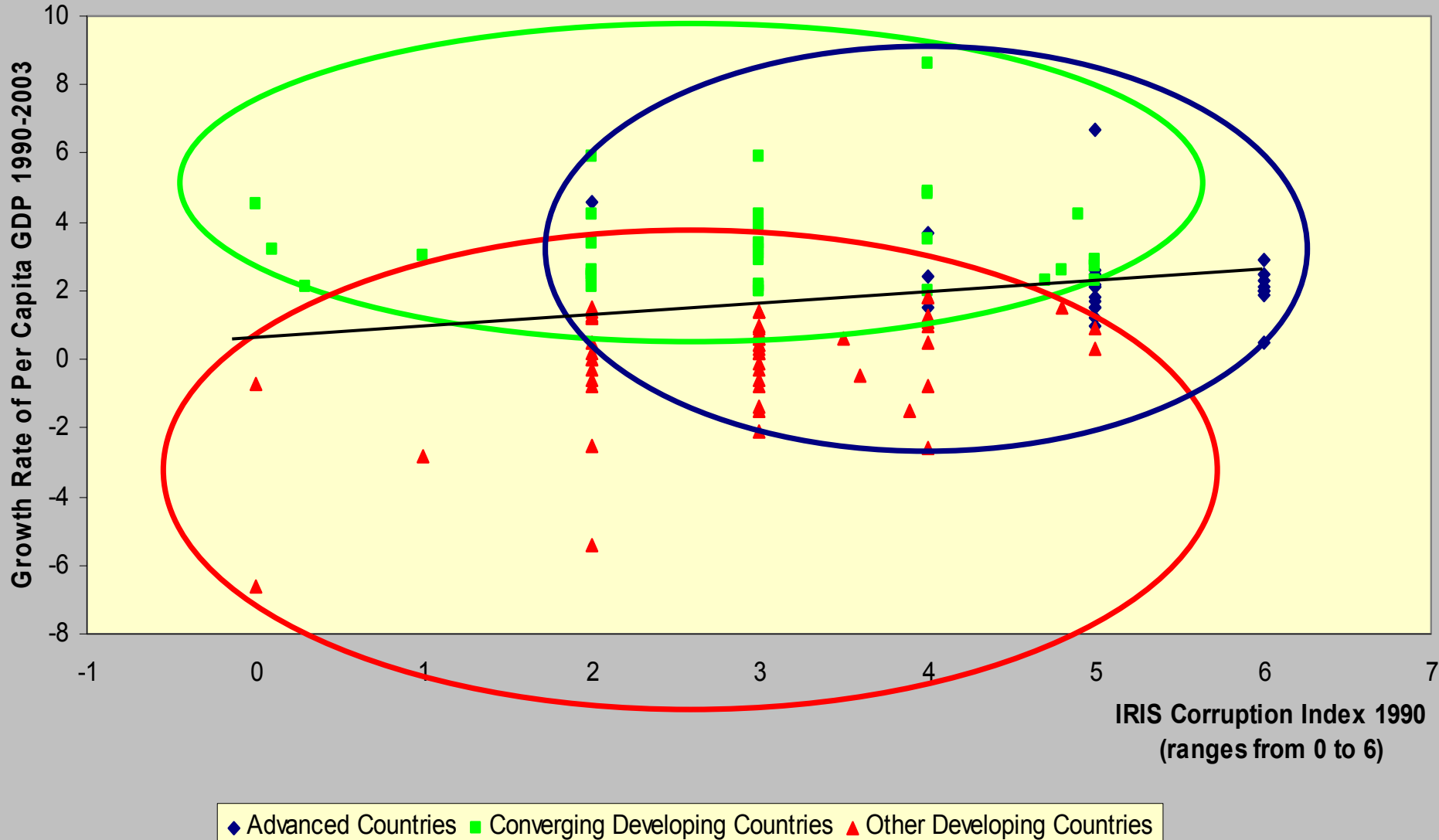
Confusion of governance outcomes with the intermediate institutional and governance capacity instruments that achieves progress

Growth Rates

Gradual transition to formal (rule-following) societies

2. Converging Developing Countries

Formal and Informal Institutional innovations that sustain growth

Regression Line

3. Advanced Capitalist Countries

1. Diverging Developing Countries

Good Governance Reforms

Good Governance Score
(Democracy, Corruption, Stability of Property Rights)

- Some types of corruption are difficult to remove in the short term (for instance Type III corruption): important to prioritize and attack the most important areas that are a) very damaging and b) can be feasibly targeted

- Accountability and citizens' engagement most likely to pay dividends with type I corruption, least likely to have an effect on type III corruption

- Type II corruption is very important as it can constrain developmental activities of states: Improved bureaucratic/technocratic capacities can help to improve outcomes if policies are aligned with ruling coalition interests and constraints

- Citizens' pressure against type II corruption can be very useful if it focuses on outcomes and delivery and does not set itself high targets of total elimination of corruption

- Type IV corruption is most difficult to address: requires state