Foreword

During the past decade, corruption has been of increasing concern to those toiling in relative obscurity on governance issues. Part of the push came from within donor agencies, convinced that a failure to address corruption was at least one factor in the poor performance of first-generation public administration and civil service reforms.

More demand came, however, from citizens living in many developing countries confronted with endemic corruption in their government, universities, and businesses. Frustration mounted as press outlets provided more information on corruption but no evidence of anyone being held accountable. Civil society organizations, such as Transparency International, took root and spread throughout the globe, linking up with other coalitions. Governments tentatively moved to respond. By the late 1990s, donor, citizen, and government efforts to address corruption were expanding.

In 2002, however, the attention paid to corruption by policymakers increased significantly. Even as corruption had percolated to the top of the governance agenda, governance itself rose to the top of the development agenda and beyond. Today, effective governance is recognized as a *sine qua non* for development and poor governance, in turn, as a contributing factor to poverty, conflict, and state failure, with repercussions for global security.

How did this happen? One place to start the story is with the aid effectiveness debate. Influential research by Burnside and Dollar in the late 1990s argued that aid had been effective in countries with good policies, good governance, and less corruption, but tended to have little or no effect on growth in countries with weak policies and high corruption.[1] Daniel Kaufmann and other colleagues at the World Bank developed new measures of governance with broad country coverage and were able to demonstrate significant links between governance and a range of development outcomes.[2]

In March 2002, US President George W. Bush announced his intention to establish the Millennium Challenge Account to reward developing countries that are "ruling justly, investing in their people, and encouraging economic freedom." Efforts to control corruption would, he announced, be the single "hard hurdle" to be cleared before performance in other areas would be considered.[3] Two weeks later, heads of state from developed and developing countries announced the Monterrey Consensus—a "new partnership" in which developing countries would commit themselves to "sound policies, good governance and the rule of law" and developed countries would, in turn, provide greater resources for development.

According to the new US National Security Strategy issued in September 2002, "[t]he events of September 11, 2001, taught us that weak states, like Afghanistan, can pose as great a danger to our national interests as strong states" because "poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders."[4] Currently, several countries and multilateral donors are developing strategies to address weak states that emphasize the links between corruption, poor governance, and weak states.

With this backdrop, the US Agency for International Development (USAID) began preparation of new regional and global strategies to address corruption that would scale up anticorruption efforts, integrating anticorruption into USAID's development efforts across all sectors. Much of the research compiled in this volume was commissioned by USAID as inputs to development of this new strategy.

USAID's first objective was to broaden the conversation beyond governance specialists to engage all key sectors affected by corruption. The sector papers compiled in Part 1 of this volume were very helpful in doing so. I hope they will also be helpful for individuals who want to understand how corruption relates to their particular area of focus and what approaches might be within their manageable interest. For governance and anticorruption specialists, these sector snapshots may help to broaden their understanding of corruption and demonstrate additional entry points for addressing it.

In some cases, the sectoral reviews helped to highlight new issues affecting multiple sectors. One example involved police forces. The papers, based on interviews with a wide range of development professionals, indicated that police corruption imposed tremendous costs not only on the administration of justice but also on agriculture (increased cost of getting products to market), the environment (weak enforcement of environmental protections), private sector development (restraint on trade within and across borders), and state legitimacy (police are the "public face" of the state for many citizens). It became clear that USAID's limited congressional authority to work with police forces constrained its ability to address the impacts of corruption on development.

Conflict, gender, corruption—these are all issues that affect multiple sectors and they raise challenges for specialized organizations. Management Systems International's (MSI) work on the sectoral dimensions of corruption is a useful beginning for discussing the issues in general terms. Patterns of corruption vary significantly, however, across and within countries and local knowledge will always be essential.

The second part of the volume pulls together pieces of research, many of which were also commissioned by USAID. "Learning Across Cases" by Bertram I. Spector, Michael Johnston, and Phyllis Dininio contributes to a small but vitally important literature attempting to evaluate the success of various types of anticorruption interventions. Much more work of this kind is needed, despite the many methodological challenges. Omar Azfar's empirical work on the relationship between corruption and health and education outcomes shines light on a relatively neglected dimension of corruption—its impacts on service delivery. In comparison, significantly more work has been done on the impacts of corruption on economic growth and democratic consolidation. Phyllis Dininio's chapter on recorruption reminds us that countries do not travel along a constant trajectory from more to less corrupt, nor do they reach a plateau where efforts to prevent, detect, and sanction corruption are no longer necessary. These safeguards need to become institutionalized.

Today, anticorruption and good governance are receiving considerable attention by policymakers around the world. This attention is vitally important but it needs to manifest itself in concerted action, diplomacy, trade and aid conditionality, additional aid resources, and additional knowledge to combat corruption. This book makes an important contribution on the knowledge side, and more knowledge helps reformers make the case for more resources.

But we also need to align expectations with reality. If, as the World Bank estimates, the corruption "industry" generates more than US$ 1 trillion in bribes per year, then what magnitude of resources are needed to contain and reduce it? If aid is not effective in corrupt policy environments, then how can aid be employed to make policy environments less corrupt, particularly in weak states? When the state and key segments of the economy have been "captured" by corrupt interests, how can this stranglehold be broken? There is no shortage of difficult questions in the corruption field. This book dares to wade into these waters and offers us new ideas, understanding, and knowledge.

In highly corrupt countries, the governments that must lead anticorruption efforts often have the most to lose if these efforts are successful. That has been the key constraint to date. Nonetheless, as described above, political leaders have indicated a greater awareness of the importance of controlling corruption and, more broadly, building governance. Important shifts in incentive structures and attitudes are also taking place in the global business environment. Finally, despite collective action challenges, Open Society Institute President Aryeh Neier has argued that the anticorruption movement now emerging may have potential comparable to that realized by the human rights movement and the environmental movement during the past twenty-five years.[5] Already a history of corruption and/or a failure to address it has brought down several governments. Corruption will never be eliminated, but fortunately for all of us, that is not the goal. Even modest, incremental reductions in corruption can have large impacts on income, health, education, poverty, and other key development outcomes. Small gains are real gains, and that is one of the important themes of this book.

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Notes

1. See Craig Burnside and David Dollar, "Aid, Policies, and Growth," The American Economic Review, vol. 90(4), pages 847–868, September 2000. See also William Easterly, Ross Levine and David Roodman, "Aid, Policies, and Growth: Comment," The American Economic Review, June 2004, vol. 94; Craig Burnside and David Dollar, "Aid, Policies, and Growth: Reply," The American Economic Review, June 2004, vol. 94, no. 3.

2. Daniel Kaufmann, Art Kraay, Pablo Zoido-Lobotón, Governance Matters (World Bank Policy Research Working Paper 2196) October 1999.

3. Remarks by U.S. President George W. Bush on Global Development, Inter-American Development Bank, March 12, 2002: http://www.whitehouse.gov/news/releases/2002/03/20020314-7.html.

4. Introduction to the National Security Strategy of the United States of America, September 2002.

5. Aryeh Neier, "Rooting Out Corruption to Allow Democracy to Grow," Open Society News, Summer/Fall 2003.