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What Fuels Corruption In The Developing World?

"We have to be aware of the risk that our good governance recommendations result in façade institutions, while corruption is still distorting decisions, markets and public service delivery. This is why I think we have to turn some of the anticorruption debate from procedures, laws and institutions to actual development results," explained Tina Søreide, a development economist currently affiliated with The Faculty of Law, University of Bergen in Norway. In an in-depth interview on the subject, we discussed her new book titled [Corruption, Grabbing and Development: Real World Challenges].

Rahim Kanani: What motivated you to put this book together, and why now?

Tina Søreide: Corruption is something we can never get totally rid of, given the way we organize public and private organizations. We have to understand it as more than theft since it steers government decisions towards narrow interests and away from what benefits society. Markets cannot deliver productivity and lower prices if market distortions benefit a corrupt political leadership. Corruption corrupts and stimulates to unproductive revenue-capture, instead of good service delivery and sound leadership.

Since the mid-1990s when the anticorruption development agenda took off – much helped by country corruption rankings – corruption has become a matter of government strategies all over the world. Firms can no longer ignore the issue, and we have got in place far better legal platforms for addressing the crime. One of the sobering insights now is that laws do not necessarily mean real enforcement and progress. The incentives to grab are still very present, while the risk of being caught is too low. Procedures, controls, audits, access to information, democracy, civil society etcetera are not easily implemented. We know a lot about what institutions should look like, but less about how to get there.

It was upon such concerns I got motivated for this book, and especially since I met with many clever development researchers working on completely different sectors – health, education, construction, ports, land management, infrastructure and more – who found grabbing of some sort to impede development outcomes. With this book, my co-editor Aled Williams and I saw an opportunity to draw on their insights and bring new perspectives into the anticorruption agenda. The authors were asked to describe the challenge observed in their field, explain why policy initiatives have failed, and suggest better solutions. The result is a collection of 16 case studies, all challenging simplistic assumptions about corruption.

Kanani: When you look at the intersection of corruption, grabbing and development worldwide, what are some of the critical issues that surfaced throughout your research?

Søreide: The world develops, but we cannot ignore increasing income differences within many societies, economic growth without results on social indicators, too many human rights violations, and governments making decisions as if not acting on behalf of voters. Brazil's ambition to address their inequalities is inspiring, but many new democracies struggle to secure good leadership, and some elites have got a very strong hold on power. Corruption and anticorruption are of course part of the trends.

My own studies have focused on how industries are governed, the dysfunctions caused by corruption and how those involved are held responsible, or not. The most attractive forms of corruption are those that create market distortions since that will typically imply more profits available for grabbing. Working on this area I have realized how important it is to assess results in terms of how markets function, and I am convinced we have to focus more on actual results in the good governance agenda more generally. Because, with more anticorruption focus and laws, the grabbing has become more hidden. At the same time, there are many players with an interest in pretending as if it all works well – including governments, development partners, and the private sector. They want to show results, secure access to credit or attract business. We have to be aware of the risk that our good governance recommendations result in façade institutions, while corruption is still distorting decisions, markets and public service delivery. This is why I think we have to turn some of the anticorruption debate from procedures, laws and institutions to actual development results.

Kanani: Of the 16 case studies in the book, what are some examples of how these topics intersect in practice?

Søreide: All the chapters begin with a form of governance failure. Muriel Poisson, for example, discusses failure to reach goals in education. She points at ghost workers, text book corruption and misallocation of funds for school construction as part of the problem. The solutions are not straightforward, however, because there are trade-offs between procedures and user flexibility and between the need for local ownership and risk of corruption. As part of the solutions, we point at courts as a needed pillar of integrity, but they too are exposed to corruption, and Siri Gloppen adds nuance to such challenges by classifying the problem as one between court and society, political pressure, or judicial leadership steering lower rank judges. These are problems that require very different solutions. Ida Lindkvist challenges the overly simple assumption about the relationship between wages, performance and risk of corruption and concludes that higher wages will not solve the corruption problem unless combined with performance-based promotion mechanisms. Jens Andvig and Tiberius Barasa address police corruption, a severe challenge in many countries. Their in-depth study in Kenya shows, however, that the problem is rooted in some specific practices introduced by the British when Kenya was a colony and it becomes evident that a 'one solution fits all' approach will not solve the problem.

Germa Bel, Antonio Estache and Renaud Foucart explain Spain's over-investment in infrastructure as a governance failure, which can only be understood as the result of a too-close relationship between politicians and construction firms, allegations that have been well documented in the press over the months after the chapter was written. The simple solution lies in procurement rules and control on spending, but they will not help when the problems are caused by tough political incentive problems. And, in their different chapters, Philippe Le Billion and Lucy Corkin add insight to the so-called resource curse. Philippe explains why corruption in resource-rich economies is not only about political grabbing. The issues of tax avoidance and evasion and illegal export of resources are different challenges with different beneficiaries. We cannot offer guidance if we put all of it into the corruption basket. Lucy, on the other hand, explains why Angola's resource curse is too often associated with the petroleum revenues. She describes, instead, a far more comprehensive picture with manipulation of infrastructure contracts in the country's highly needed reconstruction process as a central device. Relying on resource revenue transparency as a major step for better governance in this context would be naïve.

And I could go on. I think each of the 16 chapters offer a useful example of how to explore corruption as a development hindrance, analyse the distortions, and let solutions depend on incentives for grabbing and control functions. The chapters are kept short, but behind each one is in-depth research or a development project – in most cases the studies have been going on for years.

Kanani: How should policymakers and others react to and begin to solve some of these deep-seated challenges you just outlined?

Søreide: The book offers no blue print for solutions, but it might be useful in how it categorizes some of the deep-seated challenges. The first category reports cases where we find similar dysfunctions in several countries. Challenges associated with the construction sector, port management and natural resource production, for example, reflect a bad match between sector characteristics and how the sectors are organized and governed. Solutions require international collaboration between governments, market actors, and external sector observers like researchers, consumers and civil society. In other cases, when the challenges or their causes are very country-unique, the solution may instead lie in new sector leadership, sector reform and learning from other countries.

All forms of corruption cannot be treated as a technical issue, however, since some are rooted in a corrupt political system that will prevent reform as soon as it touches the elites' exclusive benefits. When the population is trapped under national sovereignty, the international community has to act and exert pressure on the government, and not keep treating it as totally legitimate (despite its resources or military position).

As a fourth category, the book addresses circumstances where international interventions have caused corruption-related challenges – with examples from Afghanistan and more generally, the introduction of a per diem travel compensation system in development projects and development partners' hesitance to react upon indicators of fraud and corruption. It is hard to admit mistakes, but I don't think anyone in retrospect can say that it was wise by the NATO forces to condone corruption for short term political gains – whatever those gains were.

The cases when international interventions are part of the corruption problem call for a humble collaboration with development-focused country leaders, of course.

Kanani: What are the big takeaways of this book that you would like development aid practitioners, as well as politicians and public officials in developing countries to walk away with?

Søreide: Over the last decade, development partners have become more open to the importance of context, culture, level of competence and even the importance for countries to find their own institutional designs. Upon such insights, donors embraced “country ownership” as a central concept in their collaboration with developing countries (a central component of the Paris Declaration on Aid Effectiveness). However, that ownership makes little sense if governments are not accountable. A recurring question across several chapters is how to secure good dynamics between external control in development aid and lending, and government direction and management. This question is far from resolved.

A further important message is that anticorruption is not on the shoulders of the development community alone. Other important actors are the institutions involved in civil and criminal law enforcement across borders, institutions established to resolve commercial disputes, financial service providers, competition control and industry regulation, labour unions as well as international private corporations. Moreover, journalists and non-profits have played an immensely important role in the fight against corruption. Anticorruption as a foreign policy strategy requires a conscious opinion of how these different actors are allowed to operate and be supported, as well as a political standpoint on what to do when anticorruption comes in conflict with other foreign policy goals.

Eventually, I think the book encourages collaboration with clever researchers in developing countries. It urges actors to understand the dysfunctions before they try to solve them. Introducing a whole range of good governance and anticorruption initiatives at the same time (without knowing how they will work in the given context) will too easily cause good governance fatigue, law ignorance and demotivate honest actors. If we let anticorruption be an end in itself, we easily lose sight of the development outcomes we want to achieve. Responsible collaboration with governments implies control on the spending you are engaged with as well as impact assessment strategies in place from the start. Generally, it is better to point at a few good results and progress, quite certain that the funds have not stimulated corruption, compared to loose ambitions and money poured in too many directions.

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