CORRUPTION AS A DEVELOPMENT POLICY ISSUE:
TRACING THE FORMULATION AND
IMPLEMENTATION OF THEORIES OF CHANGE

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Summary

Against the backdrop of mounting public demand for action against corruption the world over, the central objective and motivation behind this thesis is to contribute to a better understanding of strategies that can help societies improve their control of corruption. More specifically, it investigates the overarching, policy-relevant research question of how to render donor-supported anti-corruption efforts more effective. Rooted in a cumulative research design, this thesis consists of three papers that approach the research question from different angles.

The first paper lays the theoretical groundwork by tracing the historic roots of the widespread view today that corruption is unacceptable and delimits the corruption phenomenon conceptually by comparing it to its opposites. In addition, it places corruption in the context of the grand theories of development and derives the main theories of change from the corruption literature.

The second paper connects contemporary corruption research with anti-corruption practice and identifies paradigmatic shifts in donor-supported anti-corruption efforts. It discusses the most frequently adopted anti-corruption instruments and develops typologies of interventions to facilitate a systematic analysis of the fragmented landscape of donor-supported anti-corruption activities.

The third paper applies the analytical framework introduced in the second paper to study the case of the World Bank. The paper presents and interprets the first comprehensive inventory of World Bank activities that addressed corruption explicitly between 1996 and 2016. Building on the inventory data and on expert interviews, the paper investigates the impact of factors internal and external to the World Bank on the institution’s anti-corruption programming.

Overall, the in-depth analysis of a major donor revealed that organizational-level factors such as those related to the underlying financial model, organizational culture, and policy mandate may constrain the anti-corruption policy formulation process and lead to inapt design and reduced effectiveness of anti-corruption reforms. From this finding follows the practical conclusion for donors that giving greater consideration to internal incentive structures and its impact on development policy design may contribute to improving the effectiveness of interventions.
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<th>Full Form</th>
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<tbody>
<tr>
<td>ACA</td>
<td>Anti-Corruption Agency</td>
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<tr>
<td>BEEPS</td>
<td>Business Enterprise and Environment Performance Survey</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CDD</td>
<td>Community-Driven Development</td>
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<td>CoC</td>
<td>Control of Corruption</td>
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<td>CPI</td>
<td>Corruption Perception Index</td>
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<td>CSA</td>
<td>Civil Service and Administration</td>
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<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>ECA</td>
<td>Europe and Central Asia</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<tr>
<td>ERCAS</td>
<td>European Research Centre for Anti-Corruption and State-Building</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>GAC</td>
<td>Governance and Anti-Corruption</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GPF</td>
<td>Governance Partnership Facility</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<tr>
<td>ICRG</td>
<td>International Country Risk Guide</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IEG</td>
<td>Internal Evaluation Group</td>
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<td>IGR</td>
<td>Institutional and Governance Review</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INT</td>
<td>Integrity Vice Presidency</td>
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<tr>
<td>IO</td>
<td>International Organization</td>
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<td>IR</td>
<td>International Relations</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PETS</td>
<td>Public Expenditure Tracking Survey</td>
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<tr>
<td>PFM</td>
<td>Public Financial Management</td>
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<td>PREM</td>
<td>Poverty Reduction and Economic Management</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSM</td>
<td>Public Sector Management</td>
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<td>SDG</td>
<td>Sustainable Development Goals</td>
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<td>StAR</td>
<td>Stolen Asset Recovery Initiative</td>
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<td>TI</td>
<td>Transparency International</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNCAC</td>
<td>United Nations Convention against Corruption</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<tr>
<td>UNODC</td>
<td>United Nations Office on Drugs and Crime</td>
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<td>USD</td>
<td>United States Dollar</td>
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<td>WBI</td>
<td>World Bank Institute</td>
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<td>WDR</td>
<td>World Development Report</td>
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<td>WGI</td>
<td>Worldwide Governance Indicators</td>
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1. Introduction

Corruption is perceived by many to be among the most important problems facing the world at the moment.\(^1\) Repeated revelations of corruption have fueled moral outrage around the globe and prompted citizens to protest. In the literature it is well established by now that corruption not only erodes state legitimacy, but also comes at a substantial economic and social cost to societies. Studies show that corruption negatively affects both public revenues (Aghion et al., 2016; Besley & Persson, 2014) and public expenditures (Mauro, 1998), thus limiting the State’s ability to carry out its functions. It is also found to lead to lower quality of public investment (Iliopoulos & Arnone, 2007) and less private investment (Al-Sadig, 2010; Godinez & Liu, 2015). What is more, corruption can contribute to poor social and environmental outcomes. It causes inefficiencies in public service provision (Reinikka & Svensson, 2006) and can deprive a country of its human capital by fostering emigration to places that are being perceived as more meritocratic (Cooray & Schneider, 2016). Corruption can undermine the enforcement of environmental regulations leading to increased pollution (Pellegrini, 2011) and over-extraction of natural resources (OECD, 2012). Furthermore, data disaggregated by gender has shown that women tend to suffer more from the negative consequences of corruption than men (Transparency International, 2016). To put it briefly, contemporary corruption research provides ample empirical evidence that corruption hampers inclusive and sustainable growth through various channels affecting economies at all stages of development.

With the mounting evidence of the detrimental effects of corruption, the fight against corruption became a priority on the international development agenda. A substantial reduction of corruption and bribery in all their forms is also enshrined as a target in the Sustainable Development Goals (SDGs), a manifesto officially adopted by the United Nations and applicable from January 2016 with 2030 as its target. The fight against corruption will thus likely remain a key policy area for international development cooperation in the foreseeable future.

\(^1\) See, for instance, survey data from Transparency International (2020b) covering 17 countries in Asia; European Commission (2020) covering 28 EU member states; and Ipsos (2019) covering 14 countries in Latin America.
Over the last quarter century, donors have directed large amounts of resources toward anti-corruption efforts around the world. Reflecting on the achievements of these efforts, many corruption scholars find it difficult to trace major positive results from the anti-corruption programming that the World Bank and other international development organizations have launched since the mid-1990s (Rothstein, 2018; Hough, 2017; Mungiu-Pippidi, 2015a; Heeks & Mathisen, 2012). Overall, the empirical picture available corroborates this bleak view on the achievements of international anti-corruption efforts. The most widely used global indices that include measurements of corruption, such as the Corruption Perception Index (CPI), the Worldwide Governance Indicators (WGI), and the International Country Risk Guide (ICRG), all show that, on a global scale, corruption remains about as prevalent today as it was when the global anti-corruption agenda started twenty-five years ago.\(^2\)

It should be noted, however, that the usefulness of these indices for assessing change over time is disputed, one factor being that the mix of sub-indicators underlying the indices differs across time periods (Anderson, 2009). But also measures that are better suited for comparisons over time indicate only modest progress in curbing corruption. For example, the World Bank’s Enterprise Survey (WBES) has consistently applied the same methodology and allows to track the prevalence of administrative corruption, which is but one form of corruption, over time. The data show that the average level of administrative corruption, which the World Bank specifically targeted through its anti-corruption programming, has decreased only slightly over the past fifteen years across the 97 aid-recipient countries surveyed (Figure 1).

Scholars have used these aggregate measures of corruption to assess the performance of specific types of anti-corruption interventions. For example, some studies link the effectiveness of Anti-Corruption Agencies (ACAs) to a country’s WGI or CPI rating (Mungiu-Pippidi & Dadašov, 2017; Quah, 2009), while others have examined the impact of freedom of information legislation on corruption relying on ICRG and CPI data (Costa, 2013) and the effects of civil service reform on corruption levels using WGI data (Dahlström et al., 2012). Overall, these studies find mostly weak evidence on the effectiveness of the anti-corruption interventions examined. Such findings are hardly

\(^2\) See Figure 2 (p. 33) for trends in corruption scores.
surprising, however, given that the studies are built on bold assumptions of causality between certain types of interventions and changes in countries’ aggregate levels of corruption. Even if an intervention was effective, it is challenging to insulate its impact from other factors that affect a country-level measurement of corruption built on perception data aggregated from multiple sources.

**Figure 1: Firms Identifying Corruption as Major Constraint, 2006–2020**

Note: Each line segment connects the endpoints for one country. The dataset includes 97 aid-recipient countries that have been surveyed at least twice between 2006 and 2020. The thick black line shows the average trend.
Source: Author’s figure based on World Bank Enterprise Survey dataset available at enterprisesurveys.org (downloaded December 2, 2020).

In spite of the methodological challenges in assessing the impact of anti-corruption interventions, a broad consensus exists that corruption continues to be a serious impediment to progress and fairness in many societies and that more effective anti-corruption interventions are needed. The central objective and motivation behind this dissertation is thus to contribute to a better understanding of strategies that can help societies improve their control of corruption.
Rather than proposing yet another study design that uses an aggregate measure of corruption as the dependent variable to examine the impact of anti-corruption interventions or the conditions that hinder their effectiveness, this dissertation takes a different approach. Building on the hypothesis that the perceived lack of effectiveness of past anti-corruption interventions is predominantly due to inapt design, this dissertation takes as dependent variable the design of anti-corruption interventions and investigates the factors that shape it.

In the context of international development cooperation, the design of anti-corruption interventions tends to be heavily influenced by donors. In the early years of the anti-corruption effort, the impetus for reform stemmed from donors who frequently made the disbursement of aid dependent on the implementation of anti-corruption measures by aid-recipient governments. While heightened attention to corruption and resulting public pressure has shifted the impetus for anti-corruption reform somewhat in recent years, donors continue to make use of aid conditionalities to promote the implementation of anti-corruption instruments they regard as effective. For example, once the International Monetary Fund (IMF) considers corruption in a given country to be macro-critical, it may place anti-corruption conditions on IMF loans to that country. Similarly, the World Bank uses loan instruments that require countries to meet certain “prior actions” related to anti-corruption before funds are being released. Given the influence of donors on anti-corruption interventions, this dissertation aims to shed light on the anti-corruption policy formulation process at donor institutions. Accordingly, the key research questions addressed in this dissertation are: Which factors shape the design of anti-corruption interventions promoted by donors? Which theories of change underlie the interventions? Why do donors prefer some types of interventions over others?

In attempting to provide answers to these questions, this dissertation aims to contribute to the overarching research question of how to render donor-supported anti-corruption more effective in assisting countries to strengthen their control of corruption.
1.1. Research Approach

Rooted in a cumulative research design, this dissertation consists of three papers that approach the topic from different perspectives. While the papers were developed in their own right, they build on each other and were written to address the central research questions outlined in the previous section.

The first paper lays the theoretical groundwork for the subsequent papers. It traces the historic roots of the widespread view today that corruption is unacceptable and delimits the concept of corruption by comparing it to its opposites. Furthermore, it places corruption in the context of the grand theories of development and discusses the main theories of change offered by corruption studies.

Picking up from where the first paper left off, the second paper links contemporary corruption research to anti-corruption practice. It discusses paradigmatic shifts in anti-corruption practice and introduces typologies of interventions to analyze the fragmented landscape of donor-supported anti-corruption in a systematic way. The analytical framework proposed distinguishes intervention types by underlying conceptualizations of corruption and theories of change.

The third paper applies the analytical framework introduced in the second paper to a case study of the World Bank, which has been one of the most influential actors in the sphere of development and anti-corruption policy over the past twenty-five years. The paper traces the driving and limiting factors of the World Bank’s anti-corruption programming. Building on the theoretical discussion in papers one and two, the third paper distinguishes three agendas operating under the anti-corruption label that differ in their conceptual understanding of corruption and in the theories of change they promote. The in-depth examination of factors impacting the World Bank’s anti-corruption programming reveals a number of structural factors that lead the institution to favor some types of interventions over others.

Overall, the dissertation follows an iterative mixed-method approach, comprising theory-testing through inferential statistics on panel data, as well as theory-building from insights gained through semi-structured expert interviews.
The following sub-section outlines the content of and motivation behind each individual dissertation chapter to situate them within the dissertation project and to show how they contribute to answering the overarching research question.

1.2. Chapter Two: Corruption and Development: A Review of Theories

Chapter two presents the first research paper of this PhD thesis. Similar to the literature review section of a monograph, the first paper reviews the available literature related to corruption as a development policy issue. It identifies seminal works and theories in the field and critically analyses their contributions and limitations. By providing a synthesis of the literature and discussing gaps, the first paper serves to anchor the thesis within the existing body of knowledge as well as to sharpen the analytical focus of the two other papers.

The paper starts off by providing a historical perspective on the mutually related concepts of corruption and development. Going back to the ancient Greek philosophers, it traces the evolution of the predominant view that corruption is bad for a polity. It then contrasts this condemning view of corruption with a more morally indifferent or neutral view that found its expressions most notably in development scholars of the 1960s and 1970s who viewed corruption as an enabler of development rather than an obstacle.

Furthermore, the paper relates the evolution of corruption studies to overall paradigmatic shifts that occurred in the field of development studies. For example, it identifies the increased popularity of the ‘institutions matter’ paradigm in the 1990s as a driving factor behind the proliferation of studies that research corruption as a topic in its own right.

The last part of the paper derives mechanisms of corruption and theories of change for anti-corruption from the literature and attempts to empirically assess how they fare in practice using the limited longitudinal data available. Reviewing cross-national data for the period 1996–2017, the paper suggests that the control of corruption stagnated in most countries and that only a few exceptions exist.

Finally, the paper proposes a conceptual framework for designing policies that lead to a lasting improvement of the control of corruption. According to this framework, policies are more likely to be effective in controlling corruption when they reduce the
opportunities for corruption while simultaneously increasing constraints. In concluding, the paper argues that the evolution of a governance regime toward better control of corruption requires a multiple stakeholder endeavor reaching beyond the sphere of government involving the press, business, and a strong and activist civil society.

The paper is co-authored with Alina Mungiu-Pippidi and published in the Oxford Research Encyclopedia for Economics and Finance (Mungiu-Pippidi & Hartmann, 2019).

1.3. Chapter Three: Corruption as a Development Policy Issue: Linking Theory and Practice

Chapter three represents the second paper of this cumulative thesis. While the first paper adopted a historical perspective on the evolution of the field of corruption studies, the second paper focuses on the link between contemporary corruption research and anti-corruption practice. The paper introduces typologies of anti-corruption interventions which are distinguished by underlying conceptualizations of corruption and theories of change. These typologies, which have been created in the second paper to map the fragmented landscape of donor-supported anti-corruption, are later also applied in paper three to analyze the case of the World Bank.

At the outset, the paper provides a brief overview of the current state of defining and measuring corruption. In doing so, it complements the literature review of the first paper which did not explicitly address the definition and measurement of corruption. The discussion of corruption measurement highlights recent innovations in making use of objective data for corruption measurement and derives a comprehensive list of objective indicators from the literature.

Moreover, the paper links anti-corruption theory with anti-corruption practice by deriving the most influential theoretical lenses on corruption from the literature and contrasting them with the most frequently adopted views on corruption in anti-corruption practice.

The paper identifies three key theoretical lenses on corruption—functional, principal-agent, and collective action—which corruption scholars have adopted to analyze the complex incentive structures that cause and perpetuate corruption and to shed light on the multi-faceted challenges anti-corruption reformers face.
Furthermore, the paper highlights three practical perspectives on corruption—crime, institutional weakness, and power and politics—which have shaped anti-corruption policy-making over the past decades and affected the emphasis of reforms and the underlying theories of change. In reviewing anti-corruption practice of the past quarter-century, the paper discusses paradigmatic shifts in approaching the phenomenon and presents empirical evidence on impact where available.

An earlier version of this chapter has been accepted for publication in the forthcoming Edward Elgar Handbook of Development Policy which is scheduled for release in September 2021.

1.4. Chapter Four: The Anti-Corruption Programming of the World Bank

Chapter four—the third paper of this thesis—is an empirical study of the anti-corruption programming of the World Bank. The World Bank has been selected as the object of study due to its influential role in formulating and implementing donor-supported anti-corruption policies in more than 100 countries over the past 25 years.

The paper aims to shed light on the factors shaping the design of anti-corruption interventions promoted by the World Bank, the theories of change underlying the interventions, as well as the reasons why some types of interventions prevail over others.

Guided by the research objectives listed above, the paper is structured in three parts. The first part provides historical context, addressing the discourse surrounding the role of the state and the concepts of governance and corruption since the establishment of the World Bank in 1944 at the Bretton Woods Conference. Considering both the external context and internal developments, the first part examines the main factors behind the shift in the positioning of the World Bank in relation to the issue of corruption from vigorously avoiding it up until the mid-1990s, to proactively addressing it from 1996 onwards.

The second part consists of the creation and description of the first comprehensive inventory of World Bank activities with an explicit anti-corruption focus spanning the years 1996 to 2016. The inventory serves to identify trends with regards to frequency, type, and regional distribution of anti-corruption activities carried out by the World Bank.
Building on the inventory data, but also on expert interviews, the third part of the paper investigates the impact of factors internal and external to the World Bank on the institution’s anti-corruption programming. External factors are examined quantitatively using cross-country panel data. Internal factors are assessed qualitatively using mainly interview data and primary source documents. The analysis of internal factors uses the typologies of anti-corruption introduced in paper two to distinguish three agendas that are operating under the anti-corruption label—corruption as “a crime”, “a matter of public administration”, and “a matter of power and politics”. The paper elaborates on the main factors driving and limiting each of the three agendas.

The paper concludes by summarizing the factors that the analysis has identified as particularly significant for the effective renewal of the strategic and operational approach to anti-corruption adopted by the World Bank.

The third paper has been published as Working Paper No. 62 by the European Research Centre for Anti-Corruption and State-Building in October 2020 (Hartmann, 2020).

1.5. Outlook

Each of the following three chapters consists of one of the three papers that are part of this cumulative dissertation. A concluding section follows these three chapters that summarizes the results of each paper and draws conclusions from the results. The concluding section also shows how the dissertation has contributed to the field of anti-corruption research and in particular to answering the overarching research question of how to render donor-supported anti-corruption more effective. Finally, limitations are addressed and suggestions are given for further research on donor-supported anti-corruption.
2. Corruption and Development: A Review of Theories

2.1. Introduction

Number sixteen of the Sustainable Development Goals (SDGs) states as objectives “the provision of access to justice for all, and building effective, accountable institutions at all levels”. While these broad “good governance” objectives were preferred to a more straightforward “corruption eradication”, goal sixteen is nevertheless a clear statement that development implies universal access to justice and accountable government. Transparency International, an international NGO, has long maintained that a relationship exists between high levels of corruption and a country’s failure to achieve the Millennium Development Goals, the more material predecessors of the SDGs. In other words, corruption is the main obstacle for development. A considerable, though by no means internally consistent body of research by the Bretton Woods institutions and academia also claims that “poor quality of institutions”, the euphemism by which systematic corruption has come to be known, presents the major obstacle to development. The argument was put most eloquently in an international best seller by Daron Acemoglu and James Robinson (2012) who see in the persistence of “extractive institutions” over “inclusive” ones the reason why some nations fail and others succeed. In various shapes and forms, such arguments have become the mantra of development agencies after the lack of success of the “Washington consensus” macroeconomic reforms in the last decade of the 20th century and the need to amend them through a more context-sensitive approach.

Following in the footsteps of two classic papers, Bardhan (1997) and Rose-Ackerman (1998), this article focuses on the interplay between two concepts, each equally shifting in meaning across time: corruption and development. Following the bulk of literature and the need to limit the topic to an encyclopedia on finance and economics, our main focus is on economic development. We thus address corruption and its opposite, good governance, as macro equilibria reached by human societies explaining the enabling of

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4 See Transparency International (2017b).
merit in both private and public sector versus a public allocation system based on privileged connections with authority holders.

In the first part we show the theoretical roots of the current Western view of government that sees corruption as unacceptable, despite the existence at all times of a competitive, more indifferent or neutral, approach. We then explore the complexity of issues within the nexus of development and corruption, as well as the alternative explanations offered across time and across academic disciplines for why and how corruption deters development and what could be undertaken in response. We finally focus on the mechanisms that enable corruption and review the theories of change offered by the main corruption theories and their performance in practice.

2.1.1. Classic Views on Why Corruption Is Bad for a Polity

The presumption that corruption is intrinsically opposed to the welfare of a polity comes from the ancients and is embedded in the most influential Western thought, as well as Eastern thought. Both Plato (381BC/2018) and Aristotle (350BC/2013) argued that the definition of a virtuous ruler is the one whose government is dedicated to the common, and not the self-interest. Righteous forms of government according to Aristotle are those in which “the one, the few or the many govern with a view to the common interest: but the governments which rule with a view to the private interest whether of the one, or of the few or of the many are deviations” (quoted in Mulgan, 2012, p.30). Cicero synthesizes Greek and Roman thought on the matter best when he explains in his De Officiis (On duties) that “those who propose to take charge of the affairs of government should not fail to remember two of Plato’s rules: first, to keep the good of the people so clearly in view that regardless of their own interests they will make their every action conform to that; second, to care for the welfare of the whole body politic and not in serving the interests of some one party to betray the rest. For the administration of the government, like the office of a trustee, must be conducted for the benefit of those entrusted to one’s care, not of those to whom it is entrusted. Now, those who care for the interests of a part of the citizens and neglect another part, introduce into the civil service a dangerous element—dissension and party strife” (Cicero, 44BC/2006, p. 66). This definition of good government as non-partisan government and of the good state as autonomous from
*private interest* enjoyed a long and distinguished intellectual history,⁵ to inform 20th century thought through Max Weber’s sociology of political regimes, introducing terms such as universalism (as opposed to particularism) and impersonal treatment (in the case of bureaucracy) as opposed to patriarchal or patrimonial (when public and private realm are unduly fused) (Weber, 1947). The name of this governance doctrine which succeeded in becoming prevalent with the Western modernization is *ethical universalism in public life*. This evolution should not be taken for granted; indeed, as James Q. Wilson argues, universalism and individualism, which spread in the West after the Enlightenment to become generally held norms, are neither natural, nor necessarily and invariably good principles (Wilson, 1993). Eastern tradition is equally old and solid. While *the Western tradition primed the equality of rights*—in other words, equality before the law as fundamental to good governance—, Confucius argued back in 500 BC that *the secret of good governance is a balanced social allocation*: “To centralize wealth is to disperse the people; to distribute wealth is to collect the people” (quoted in Dawson, 2002, p. 179); “If the people have plenty, their prince will not be left to want alone. If the people are in want, their prince will not be able to enjoy plenty alone” (quoted in Dawson, 2002, p. 180). The ideas⁶ whereby good governance entails a society based on equality, solidarity, and trust between the ruler and the ruled, are in fact very old, and *corruption was always defined by the ancients in both the West and the East as government in the private interest of the rulers versus the good governance, which is exercised in the public interest of all*. The most common definition of corruption today, used by Transparency International as the misuse of public authority for private gain, is in fact an Aristotelian definition by all counts.

How to establish what is the public interest of all and what policies lead to advancement is what makes up the whole realm of public policy. Starting with the 19th century and Jeremy Bentham’s utilitarian doctrine that good governance is “freedom and effective drainage,” the intervention of the government was supposed to be either minimal or benevolent, thus no room for corruption would exist (Bentham, 1996). Adam Smith put forth the core doctrine of liberalism by arguing that social welfare arises incidentally, as

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⁵ See Mungiu-Pippidi (2015a), Chapter 3.
⁶ Presently we have come to see it as “Scandinavian” or “the Nordic way” as framed by a World Economic Forum report: see World Economic Forum (2010).
a by-product of pursuing self-interest: “By pursuing his own interest [one] frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good” (Smith, 1776/2007, p. 293). The rise of Marxism and socialism, with its promotion of the elimination of private property and economic freedom in favor of a social welfare entirely planned and implemented by the state (which would later “wither away”, in the words of Engels7) led to the development of the 20th century defense of classical liberalism, with Ludwig von Mises (1927/2005) or Friedrich Hayek (1960/2011) arguing that the more government intervenes, the less it can achieve social welfare. In the classic liberal view, development and corruption are incompatible, and government favoritism necessarily develops out of government discretion, impeding merit as a basis of wealth development. As Ayn Rand put it: “When you see that money is flowing to those who deal, not in goods, but in favors—when you see that men get richer by graft and by pull than by work, and your laws don’t protect you against them, but protect them against you—when you see corruption being rewarded and honesty becoming a self-sacrifice—you may know that your society is doomed” (Rand, 1957, p. 413).

2.1.2. Corruption and Its Opposites

Later on, but on the same foundations, the economist Daron Acemoglu (1995) developed an equilibrium model of the allocation of talent between productive and unproductive activities (such as rent-seeking), arguing that allocations of past generations, as well as expectations of future allocations influence current rewards and the society may get trapped in a “rent-seeking” steady state equilibrium. Rent-seeking is a concept coined by the economist Anne Krueger (1974) to indicate the situation when firms compete for privileges from the authorities (for instance, import licenses) rather than in a free market. Krueger also implies that the behavior of entrepreneurs is affected by rent-generating restrictions, which exist in all economies and should be pictured as a continuum between a system of no restrictions whatsoever and a perfectly restricted system. In the absence of restrictions, entrepreneurs would seek to achieve windfall gains by adopting new technology, anticipating market shifts correctly; in other words, incentives would exist for merit as the main source of wealth. With full restrictions, regulations would be so all-

pervasive that rent seeking would be the only route to gain, and therefore entrepreneurs would devote all their time and resources to capturing windfall rents (Krueger, 1974). Her paper was explicitly aimed at the developing world, and it had in common with an earlier paper by Gordon Tullock (who looked more at United States and developed economies) that it forecast high social costs for such an economy of privilege versus a free market, since seeking monopoly privilege would imply a wasteful investment of resources (Tullock, 1967). Tullock and Buchanan, two prominent scholars of a school of thought known as “public choice” also introduced the useful distinction between profit seeking and rent seeking, with the former based on merit (providing a product or service that consumers would be willing to pay more for than the opportunity cost of the resources used) and the latter based on coercion by preventing others from competing equally or by forcibly taking their wealth (Buchanan et al., 1980). Unlike profit seeking by market means, rent seeking by political means does not create wealth; it merely transfers it from one party to another and wastes resources (the ones used to get the rents), because these are invested to produce an outcome in which nothing of value is created. Furthermore, acquiring rents through political power distorts the operation of the market process, impinging on interest rates and the prices of goods and services. So rent seeking of this kind actually destroys wealth (Buchanan et al., 1980). Moreover, rent seeking tends over time to create perverse incentives as more people feel encouraged to engage in it, trying to acquire political power either to gain advantages over the less powerful. Therefore, it subverts rule of law, private property, and trust in government, a commodity Confucius valued above defense means and food, because, as he put it, “Death has always been the lot of men; but if the people have no faith in their rulers, there is no standing for the state” (Confucius, 500BC/2009, Sect. 3, Part 12).

Another Nobel Prize–winning economist, Douglass North, has advanced the preliminaries of a theory on why development and corruption evolve in inverse progression, arguing that “as human beings became increasingly interdependent, and more complex institutional structures were necessary to capture the potential gains from trade,” societies needed to “develop institutions that will permit anonymous, impersonal exchange across time and space”; however their success in creating the right institutions varied due to diverse “local experience” (North, 1993, p. 4). Societies that do not manage to create open access and impersonal, merit-based relation to govern both the market and
the state–citizen relation remain poor. Their economy remains one of privilege, and their state remains captured by particular interests and does not evolve to ethical universalism. Even if competition exists both in politics and in the economy in such a society, the main stake of politics amounts to spoiling public resources to the benefit of particular groups (Mungiu-Pippidi, 2006). Of course, there are no ideal types to be found in reality, and the evolution between an economy completely regulated by particular interests monopolizing authority to control economic rents and its contrary, an open economy where freedom and rule of law allow perfect competition is a continuum, as Krueger (1974) suggested. Some authors focus more on the processes defining the continuum, others on its outcomes, but we find a consistent approach in recent years across disciplines. This is to consider the capacity of the state to enforce public versus private interest is the major feature of governance, shaping social allocation and consequently development. The set of opposites in Table 1 show remarkable consistency and should actually be seen more as complements of an emerging consensus across at least economics, historical sociology, and political science. The more public authority is misused to create economic advantage for particular interests instead of contract protection and minimal transaction costs for every firm, the less wealth creation there will be.

**Table 1: Governance Orders**

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Continuum “bad” extreme</th>
<th>Continuum “good” extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Krueger (1974) on rent seeking societies</td>
<td>Government restrictions</td>
<td>No government restrictions</td>
</tr>
<tr>
<td>Mungiu-Pippidi (2006; 2015b) on control of corruption</td>
<td>Particularism (favoritism and corruption)</td>
<td>Ethical universalism</td>
</tr>
<tr>
<td>North, Wallis &amp; Weingast (2009) on social order and violence</td>
<td>Limited access order</td>
<td>Open access order</td>
</tr>
<tr>
<td>Rothstein &amp; Teorell (2008) on quality of government</td>
<td>Favoritism</td>
<td>Impartiality</td>
</tr>
<tr>
<td>Acemoglu &amp; Robinson (2012) on prosperity</td>
<td>Extractive institutions</td>
<td>Inclusive institutions</td>
</tr>
</tbody>
</table>

Source: Authors’ own table.
These ideal types of governance defining the continuum are rarely considered in much of the popularization of corruption literature, which abound in discussions about “types” or “modes”. While particularism in public allocation can be encountered in myriad forms, there are no theoretical grounds to presume that lower-level corruption of the scale (“petty”) is different from the corruption on the top of the scale (“grand”). What seems to differ is rather the scale of the opportunity or the shape of the corrupt act (which depends on the nature of the particular interactions of government with private interests in that area). It is only certain that such forms vary across different development contexts, and the nature of available rents as Michael Johnston argues when describing his “syndromes” of corruption (Johnston, 2005).

Two important conclusions arise from here, none without contesters. Firstly, social scientists increasingly agree that particularism, and not ethical universalism, is the humanity’s default condition. Particularism has overwhelmingly predominated in governance throughout human history. Societies based on open and equal access and public integrity, far from being some certain historical endpoints, have in fact been the exception. This did not deter the promoters of the 2003 United Nations Convention Against Corruption (UNCAC), however. More than 180 countries are party to this pledge of allegiance to the ethically universalistic treatment of citizens, governance delivered impersonally by a state that is not beholden by private interests. Secondly, there is also clear agreement between the authors cited in Table 1, although not always acknowledged, on the primacy of institutions over economic development, or what Acemoglu and Robinson call “the primacy of politics”. Good “inclusive” institutions or “open access”, which need their separate explanation, precede economic development. This is the core of the contemporary “corruption and development” argument.

This brief introduction is not complete without a mention of limitations, even if we hope we have managed to go beyond them. Both “corruption” and “development” are ambiguous and historically sensitive concepts. Development was hardly used as a term before World War II: Its predecessors were “material progress” or “civilization” (Arndt, 1989). The simple absence of a political development producing impersonality and public-private separation; so a modern state based on formal, not informal institutions is frequently called “corrupt” in development literature. Corruption thus might actually be
seen as endogenous to development rendering a discussion between their relationship quite absurd. The social sciences do not have an equivalent to the hierarchical classification system of species, invented by Swedish scientist Carl Linnaeus (b. 1707–d. 1778) in the 18th century to allow us to rank governments as more or less evolved. There is no agreed-upon scale of modernity, and we find only partial correlations between progress in economic development, good governance, freedom, and human happiness, among others. This being said, the different theories on how to generate good governance and development, or rather development by way of good governance, have amassed some empirical evidence by now, and we shall review the more recent ones and the evidence in their favor in the next sections.

2.2. Corruption in the Grand Theories of Development

There is no unified universally acknowledged theory of development that integrates an answer to the problem of institutional quality, although recent works by Acemoglu & Robinson (2012), Collier (2008), Diamond (1999), Fukuyama (2004), and North et al. (2009) have shown some—not always acknowledged—convergence. In the postwar development theory very little was discussed about corruption. The linear stages of growth model of Rostow (1959) focused on capital and investment and the Marxist theories of development, such as dependency theory, structuralism, and world-system theory, largely ignore the possibility of government failure and are concerned with the asymmetry of economic relations on the global stage (Prebisch, 1959; Wallerstein, 1974). Modernization theory is the only one which concerned itself with corruption, whose rise in developing societies it could not fail to notice, but it saw it rather as a side product or even an enabler of development. In terms of change, this school of thought, which cuts across disciplines, argues for the primacy of economic versus institutional development.

2.2.1. Corruption as an Enabler of Development

In the 1960s and 1970s, many scholars concerned with political development challenged the condemnation of corruption on moralistic grounds and argued for a more development-sensitive approach. They shared the belief that corruption is a natural feature of every state at an early stage of modernization and development. The so-called revisionists argued that corruption could, at least occasionally and at times systematically,
have a positive impact on processes of modernization and development (Heidenheimer, 1978). These theorized mechanisms link the occurrence of corruption to positive changes in various outcomes including economic development (Leff, 1964; Leys, 1965; Nye, 1967), state-building (McMullan, 1961), and political development (Huntington, 1968; Scott, 1969).

Leff (1964) argued that corruption can be beneficial for economic development in contexts in which government and bureaucracy lack interest or capacity to promote economic activities. In such contexts, entrepreneurs would use corruption to steer bureaucratic support (e.g., issuance of licenses, credit, etc.) toward the areas with most potential for economic growth. Furthermore, Leff (1964) contends that corruption introduces an element of competitive bidding, because scarce public resources such as government contracts and permits are allocated to the entrepreneur offering the highest bribe. It is assumed, then, that allocation efficiency is maintained since only the lowest-cost enterprises will be able to pay the highest bribe. Similarly, Leys (1965) rejects the notion that bribery is an obstacle to development per se, arguing that where bureaucracy is both elaborate and inefficient, personal incentives to bureaucrats to cut red tape may be the only way of speeding up the establishment of new enterprises. In addition to cutting red tape and helping entrepreneurism, Nye (1967) highlighted the function of corruption as a means for governments to acquire capital. In contexts of low tax revenue and scarce private capital, he argues, corruption may be an important source of capital formation for governments.

The revisionists also discussed the positive impact of corruption on social integration and state-building processes. Particularly influential for this line of reasoning was the seminal sociological study “Social Theory and Social Structure” by Robert K. Merton, published first in 1949. In this study, Merton argues that corruption associated with political machines in the United States enabled social integration because it fulfilled important functions neglected by official structures and helped “humaniz[e] and personaliz[e] all manner of assistance to those in need” (1968, p. 128). Later on, others built on Merton’s ideas of corruption when studying the societal consequences of corruption in developing country contexts (Heidenheimer, 1970). For example, focusing his analysis on West Africa, McMullan contends that low-level corruption can help soften the relations
between officials and people, since “the greater the corruption the greater the harmony between corruptor and corruptee” (1961, p. 197). Similarly, Shils notes that low-level corruption would not be detrimental to the development of states that gained independence in the 1950s and 1960s in Africa and Asia “since it introduces a certain, amount of flexibility, … [and] ‘humanizes’ government” (1960, p. 385). Corruption would not only facilitate non-elite integration into newly established states by softening the relations between officials and people, but it would also boost elite integration by helping overcome divisions in ruling elites that might otherwise result in open conflict. For instance, McMullan observes that high-level corruption “throws a bridge between those who hold political power and those who control wealth, enabling the two classes, …, to assimilate each other” (1961, p. 196). Referring to England and the United States in the 18th century and Mexico in its consolidation phase after the revolution, Needler contends that in those cases corruption “facilitated the transition to a more stable and orderly politics” (1961, p. 311). Bayley (1966) also pointed out that corruption provides a stake in the system for groups potentially disaffected as a result of exclusion from power. Summarizing the potential role of corruption, particularly in the early phase of state-building processes, Leys writes that it “is to serve as a cement—‘a hyphen which joins, a buckle which fastens’ the otherwise separate and conflicting elements of a society into a body politic” (1965, p. 219).

Huntington (1968) also argued that some forms of corruption could contribute to political development by helping to strengthen political parties. In particular, “patronage from above … has contributed directly to the building of the most effective political parties and most stable political systems” (p. 70). Similarly, Scott finds that “the growth of corruption surrounding elections in developing nations may in fact indicate the growing effectiveness of popular democracy” (1969, p. 332). Scott’s argument is that in most developing countries voting behavior would be driven by “the desire for immediate, particularistic gains” rather than “class consciousness and ideological concerns” and therefore “in the short run, at least, competitive political parties are more likely to respond to the incentives that motivate their clientele than to transform the nature of these incentives” (1969, p. 332). Furthermore, Scott argued that in environments where particularistic interests capture de jure policy formulation, corruption provides “an alternative means of interest articulation” (1969, p. 326) that allows political demands
originating outside elite circles to influence de facto policy implementation. Scott’s analysis thus contains a conceptual redefinition of corruption as “one of many processes of political influence [rather] than as simply the misuse of office in violation of community norms” (1969, p. 325).

Despite discussing different forms and functions of corruption, revisionists are united in the view that corruption is a natural aspect of the development process and that it would wither away as states reach higher stages of modernization. Economic growth has always been regarded as the single most important component of the modernization process and its promotion the primary objective of most proposed interventions. Assuming that economic development takes precedence over institutional development, the most promising theory of change in the fight against corruption would be the promotion of economic growth by way of reducing red tape and strengthening competition, and indeed the early Bretton Woods literature stressed that.

Since the late 1970s, the idea of corruption serving a functional role in the development process has been criticized by many scholars who pointed to several limitations of such arguments in favor of the detrimental effects of corruption (Bardhan, 1997). Despite occasional publications by scholars such as Lui (1985) or Méon & Weill (2010), who discuss positive consequences of corruption, the view that corruption hinders rather than enables development has gradually come to dominate the discourse in both development research and practice ever since. It should also be noted that a new generation of independent states, in particular in Africa, brought to power kleptocracies that were less present when Huntington and Nye were observing development 10 to 20 years earlier, when many newly independent states were run by nationalist dictators supported by bureaucracies largely left over from colonial times, which were later replaced.

2.2.2. Corruption as an Obstacle to Development

Earlier studies that can be related to this view had their grounds in culturalist theories. Anthropologists such as Edward Banfield observed that the lack of development of a small town in Italy was largely due to “amoral familism,” a term he coined to describe the stress on the immediate family over the common good. He argued that “amoral familism” was the main obstacle to development as it prevented people from engaging in
group action to improve community conditions, such as problems related to the education and health infrastructure, thus also hindering development in the long run (Banfield, 1958).

A few years later, Olson (1965) applied an economist’s perspective to analyze the underlying reasons for the observed lack of collective action for common interests. Olson argued that when individuals believe they can receive the benefits of cooperation without having to contribute to the cost, they will rather free-ride and leave the cooperation to others. This tension between individual and collective best interest is the central problem of collective action. According to Olson, a society will never be able to overcome it unless deliberate measures are put in place that incentivize groups to engage in collective action for the common interest, and not just self or group interest.

Although very different in academic backgrounds, Banfield and Olson share a common pessimistic view. They both grant a central role to institutions but see little potential for a change of practices, since incentives for change are difficult to come by. They both received criticism on various grounds, but the main commonality in their approach is the difficulty of building a theory of change on their work. There is clearly some primordial element in their explanation of the persistence of poor institutions, which seems problematic to both rational choice economists and policy activists. The difference between Basilicata, the region that Banfield studied, and any given northern Italian region has not gone away in more than half a century. However, although Basilicata, of course, has evolved, even if below expectations, there is still considerable room for empirically testing both Banfield’s and Olson’s theories, and their warnings should be considered when designing good governance policies.

A more direct connection between associativity and good governance, already implicit in Olson’s work, came with Robert Putnam, who finds that the lack of associative life in a community has severe detrimental consequences for the quality of its governance, and ultimately for its development. Comparing across Italian regions, Putnam (1994) argued that associative life in the form of networks of civic engagement would give rise to “social capital” (i.e., norms of reciprocity and trustworthiness) that could improve the efficiency of society by facilitating coordinated actions. However, there is no recipe in Putnam on
how to stimulate collective action and generate association in areas of poverty and low trust in order to break the vicious cycle. Rather, a certain primordialism persists, as again the differences between northern and southern Italy he observed seem to come from completely different histories for centuries, resulting in quite dissimilar social structures and political cultures.

While the research finding that rule of law and corruption are tied to growth is somewhat older, the rise of the “institutional quality” paradigm occurred only after the first generation of Washington consensus reforms did not deliver the results expected in the 1990s. Critics such as Dani Rodrik (2006) or Joseph Stiglitz (1999) then made the argument that policies matter less than the institutional environment, and classic growth recipes such as privatization may underperform in the wrong context. In this view centered on institutions, “What matters are the rules of the game in a society, as defined by prevailing explicit and implicit behavioral norms and the ability to create appropriate incentives for desirable economic behavior” (Rodrik & Subramanian, 2003, p. 31). The IMF economists Mauro (1995) and Tanzi & Davoodi (1998) established the first connections between corruption and growth, on one hand, and corruption and government spending, on the other. Meanwhile, La Porta et al. (1998) found prosperity associated with rule of law, particularly in Anglo-Saxon systems. North et al. (2009), Acemoglu & Robinson (2012), and Rodrik et al. (2002) developed evidence-based theories that strengthened the primacy of institutions argument, thereby also implicitly increasing awareness about the role of corruption in the development process. This latest set of theories by economists, however, is different from earlier culturalists insofar as they presume that change is possible. For example, it has been suggested that the quality of institutions could be altered either endogenously by way of democratization (Acemoglu & Robinson, 2006) or reducing the size of the state (Becker, 1994), or exogenously through competition-inducing trade (Ades & Di Tella, 1999). The historical European mechanism of change seems to have been the gradual “inclusiveness,” as first the monarchs then the elites reacted to changes in the fabric of society or existential threats, implementing reforms in order to control contentious politics or avoid popular uprisings such as the French Revolution (Acemoglu & Robinson, 2006; North et al., 2009; Fukuyama, 2015).
2.3. Implications of Corruption Theories on Development

Following the gradual erosion of the taboo in researching corruption as a topic in its own right, after the so-called augmented Washington consensus (which acknowledged the importance of rule of law for development), numerous studies appeared that explicitly addressed the issue of corruption and concluded that societies incur substantial economic and social costs as a result of corruption.

In the first systematic cross-country empirical analysis relating measurements of corruption to development outcomes, Mauro (1995) found that corruption significantly lowers investment, thereby reducing economic growth. Subsequent studies found that corruption also leads to lower quality of public investment (Tanzi & Davoodi, 1998; Iliopoulos & Arnone, 2007) and less private investment, both domestic (Al-Sadig, 2010) and foreign (Zurawicki & Habib, 2010; Godinez & Liu, 2015). Lambsdorff (2003) found that corruption reduces productivity, and Gupta et al. (1998) found that corruption increases income inequality and poverty. Other studies have shown that corruption negatively affects both public revenues (Besley & Persson, 2014; IMF, 2015; Aghion et al., 2016) and public expenditures (Mauro, 1998), thus limiting the state’s ability to carry out its functions. What is more, corruption can contribute to poor social and environmental outcomes. It causes inefficiencies in public service provision (Reinikka & Svensson, 2006) and can deprive a country of its human capital by fostering emigration to places that are being perceived as more meritocratic (Cooray & Schneider, 2016). Corruption can undermine the enforcement of environmental regulations leading to increased pollution (Pellegrini, 2011) and over-extraction of natural resources (OECD, 2012). An article in the scientific journal Nature shows that corruption is associated with low investment in education and research, poor innovation capacity, and brain drain—so corruption tends to subvert major growth sources (Mungiu-Pippidi, 2015b). Corruption has been labeled a “regressive tax,” as numerous studies found that corruption is a major source of inequality (Khagram & You, 2005). Based on these findings about negative correlations between corruption and key development factors, the interrelation between corruption and underdevelopment is widely acknowledged in the current academic discourse. The gain from addressing the issue directly and treating it as a dependent variable (explicitly investigating the causes and consequences of corruption) was
somewhat offset, however, by the lack of a general theory in many such studies and their firm anchoring at the individual level, which deprived them of a link with development. Most corruption theory is insensitive to development context as it presumes that incentives for either integrity or corruption are to be found at the individual level and can be addressed by policies at that level. This led to the dominance of principal–agent mechanism as an explanation for corruption behavior, as well as for the exploration of anti-corruption mechanisms by more recent studies by behavioral economists. This last section focuses on the criticism of this approach as both a mechanism and a theory of change potential for developing contexts and argues for a development sensitive approach in corruption studies.

2.3.1. Corruption as a Principal-Agent Problem

The principal–agent theory, which emerged in the 1970s from the fields of economics and institutional theory, was extended to the study of corruption, most notably by Rose-Ackerman (1978) and Klitgaard (1988). Since then, the principal–agent view on corruption has shaped most corruption research. A systematic review of evidence on the economic growth impacts of corruption concluded that all of the 39 theoretical studies included in the review “either adhered to an explicitly-stated principal–agent approach to corruption, or their account was closely related to that approach” (Ugur & Dasgupta, 2011, p. 43).

Through the lens of the principal–agent framework, corruption in the public sector is viewed as an agency loss problem, in which agents betray their principals reaping private gain at the expense of public interest. There are multiple layers of principal–agent relationships in every political system, which run from voters to politicians to bureaucrats. Depending on the research perspective, who is given the role of principal or agent may differ. When studying political corruption, for example, voters would be modeled as principals and elected politicians as agents (Tanzi & Davoodi, 1998; Adserà et al., 2003; Besley, 2007). When discussing bureaucratic corruption, elected politicians would be modeled as principals and bureaucrats as agents (Acemoglu & Verdier, 2000; Van Rijckeghem & Weder, 2001; Blackburn et al., 2010). Due to information asymmetry, the principal is unable to fully monitor the actions of the agent, allowing the agent more
discretion to pursue his or her own self-interest. Corruption thus occurs as a form of moral hazard when the interests of the principal and the agent are not aligned, and the agent pursues his or her own self-interest at the expense of the interest of the principal.

Principal–agent theory builds on the rational-choice assumption that an agent will only decide to engage in corruption if the expected net benefits outweigh the net costs, or the principle of “deterrence,” as outlined by Nobel Prize–winning economist Gary Becker in a seminal paper on the cost-benefit analysis on crime and punishment (Becker, 1968). When making the decision of whether to engage in corruption or not, a rational agent will compare the benefits resulting from corruption, for example, the amount of the bribe, with the costs, which primarily depend on the probability of getting caught and penalized. Robert Klitgaard (1988) pointed out that this cost-benefit calculation should also consider the “moral cost” of corruption, which depends on the agent’s own ethical, cultural, and religious standards and may approach zero for “an unscrupulous person in a corrupt subculture” (p. 69). Consequently, Klitgaard (1988) presumed that a rational agent would engage in corruption only if:

\[ \text{bribe} - \text{moral cost} - (\text{probability of detection} \times \text{penalty}) > \text{salary} + \text{moral benefit} \]

The direct implication of this formula is, or should be, that in an environment of institutional corruption, detection and penalty probabilities are low, so the problem might well be insoluble if approached at this level. Policy interventions based on the principal–agent model remain, however, relegated to the realm of individual cost-benefit manipulation: attempts to raise the cost of corruption for agents mainly by way of expanding monitoring mechanisms by the principals, increasing penalties, and raising public sector wages. Nevertheless, over the last decades, policy implications stemming from principal–agent theory have fundamentally shaped international anti-corruption policy (Marquette & Peiffer, 2015).

### 2.3.2. Criticism of Principal–Agent Theory

However, most of the policies promoted by the international anti-corruption regime have fallen short of expectations, with minimal change across the developing world after 1996, when corruption measurements became available (Norad, 2011; Johnsson et al., 2012;
Mungiu-Pippidi, 2015b). Some scholars observed that in some countries corruption has even increased along with the efforts to curb it (Levy, 2004; Johnston, 2005; Lawson, 2009). One explanation for the poor track record of anti-corruption interventions may be precisely their grounding in a conceptualization of corruption as a principal–agent problem, which treats the problem as an individual one, while in contexts of systemic corruption a systemic approach would be needed. Some scholars (Mungiu-Pippidi, 2011a; Rothstein, 2011; Persson et al., 2013) argue that, in developing contexts, corruption should rather be viewed as a collective action problem and suggest using Elinor Ostrom’s collective action theory (Ostrom, 1990) as an alternative analytical tool.

For instance, they argue that corruption is a social dilemma, because where corruption is systemic, it becomes a social norm to which individuals conform rather than diverge—individual behavior is constrained by what is perceived as a common practice or an institution (World Bank, 2014b). Public resources also present a common pool problem because they are being spoiled by everyone (and why refrain when everyone else is doing it), and this is why corruption creates public deficits and debt in developing countries, pushing reformers (for instance in Chile, Brazil) to radical proposals, for instance constitutional bans on spending decisions by members of parliament (Mungiu-Pippidi, 2015b; Benfratello et al., 2018). Finally, even when constant losers from and dissenters of corruption exist (which is not mandatory, as societies based on clientelism have different networks most people belong to, according to Eisenstadt & Roniger, 1984), they just do not combine forces to challenge the rules of the game; as Olson (1965) predicted, cooperation is low and people prefer either to join the existing patronage networks when possible or to exit altogether (brain drain). The absence of collective action (among challengers) and the selective collective action present (as self-serving networks operate, for instance the Mafia) thus combine to subvert any agency oriented toward a change in the status quo.

The principal–agent model suggests that the problem of corruption lies primarily with the agent. While the agent in the model is constantly tempted to engage in corruption, it is assumed that the principal is not corrupt and willing to enforce integrity rules. But what if the principal too is corrupt and does not hold agents accountable for corrupt activities because the government itself is actually not accountable? Most anti-corruption
interventions take place in contexts of systemic corruption where, arguably, it is rather the rule than the exception that political decision makers engage in corruption. Furthermore, anti-corruption interventions are generally decoupled from policies seeking to increase accountability, especially political accountability, as they rely firmly on the presumption that the defective character with the deviant behavior lies with the agent and takes for granted the commitment to integrity of the principal. In such contexts, anti-corruption measures based on the principal–agent model are likely to remain ineffective or even have detrimental effects, for example, if they provide corrupt principals with instruments to use against political opponents.

The difference between the two approaches is most apparent in concepts such as “bureaucratic corruption,” a widely used term in development literature with thousands of citations in Google Academic. In pure linguistic terms, “bureaucratic corruption” is an oxymoron. The Oxford Dictionary defines the oxymoron as a figure of speech in which apparently contradictory terms appear in conjunction. Now bureaucracy is, according to the same source, a system of government in which most of the important decisions are taken by state officials rather than by elected representatives. Max Weber argued in Economy and Society (Weber, 1922/1978) that bureaucracy is defined by written formal rules of operation, organized by strict hierarchy and labor division, with recruitment and advancement based on skills and merit evaluation; furthermore, it is efficient and concerned with efficiency and, above all, operates in an impersonal environment that it creates. Bureaucracy allegedly rationalizes government by the elimination of personalistic and particularistic features related to any private interest—so it is, in other words, autonomous from any private interest. The interests of the bureaucrats are aligned with the interest of the state’s. That means that, by definition, bureaucracy is inimical to favoritism, as it operates by rules blind to the claimant’s background and not by personal connections or family loyalties, as previous forms of governance (feudalism or patriarchalism) have done. Weber explains why bureaucracy appeared in Europe in the 19th century but also discusses other types of historical bureaucracies.

Leff defines bureaucratic corruption as “the practice of buying favors from the bureaucrats responsible for formulating and administering the government’s economic policies. Typical examples are bribery to obtain foreign exchange, import, export,
investment or production licenses, or to avoid paying taxes” (1964, p. 8). Leff explains that corruption is the result of government intervention in the economy that assigns some resource allocation responsibilities to a bureaucratic structure. It is in this bureaucratic discretion, he argues, that the source of corruption is to be found. The model presumes weak policymakers and strong bureaucrats, who no longer control just policy implementation but social allocation itself—the distribution of costs and benefits in a society. This implies that policymakers (whether autocrats or democrats) are powerless and the bureaucrats untouchable and immovable. In the even more popular variant of the model advanced by Rose-Ackerman, the focus is on the bribery of bureaucrats by companies in the government contracting process, and the presumption is that factors shaping the incidence of such phenomena are endogenous to the bureaucracy or, at maximum, to the government itself (Rose-Ackerman & Palifka, 2016).

Both models allude to discretionary legislation, which encourages favoritism, but we do know that bureaucracies cannot pass laws—although they may contribute to their writing. Bureaucrats may have some discretion, but they do not make the rules—they implement the rules. Is it not too much neglect in these models for those who make rules allocating costs or rewards? And equally, to those who appoint or remove bureaucrats? A further, third model, “the grabbing hand” of Shleifer & Vishny takes a step further, acknowledging that the rules might be purposely crafted to extract rents: “Heavy and arbitrary taxes retard investment, regulations [that] enrich corrupt bureaucrats, state firms [that] consume national wealth” (2002, back cover copy), but, still they attribute it rather to “public sector institutions” than plainly to government. Once acknowledging that the rules, including the rules giving discretion to bureaucrats, are what matter, the necessary next step is to acknowledge that politics (and not some form of government organization) is what empowers or deters corruption. Corruption is about power, and governments in which the bureaucracy is stronger than the politicians or the heads of state are difficult to find in developing countries. These administrations can hardly be called “bureaucracies,” as they are entirely dependent on the rulers (in neo-patrimonial regimes), or the elected officials (where free and fair elections coincide with systematic corruption such as in environments of competitive particularism [Mungiu-Pippidi, 2015b]). In other words, when speaking about “bureaucratic corruption” the presumption of autonomy for bureaucracy from the political factor must—at least to some extent—be satisfied. Or on
the contrary, as the majority of literature on the developing world states, the evidence tilts toward a lack of autonomy from administrations characterized by nepotism, patronage, politicization, and high turnover: In sub-Saharan Africa for many decades only two countries qualified as having a bureaucracy reasonably autonomous from the political factor, both at the appointment level and for the rest of the bureaucrats’ career: Botswana and Mauritius. In post-EU accession eastern Europe, except for the Baltic countries, politicization has continued to be rule of the game (Goldsmith, 1999; Meyer-Sahling, 2011). Furthermore, evidence exists of collusion between politicians and their bureaucrats in promoting “perverse economic policies, which while impoverishing most of society, provide concentrated and significant benefits to the national elites and interest groups” (i.e., in rent creation) (Mbaku, 1996). Most “bureaucratic corruption” literature seems simply unaware of the possibility that a civil servant does not operate autonomously in a framework of institutional corruption but rather is a soldier in a greater public resource spoiling army. The assumption does not bother to test this relatively simple empirical question: Does an autonomous bureaucracy even exist? Little contextualization exists in corruption literature, with a few exceptions (Huther & Shah, 2000a), and terms such as “bureaucratic”, “grand”, or “petty” corruption are instead prevalent, although their fit outside the developed world is poor. Still, there has always been a consistent tradition in empirical, and increasingly theoretical studies as well, to approach corruption as a practice, in a more sociological way. Eisenstadt & Roniger (1984), Johnston (2005), Mungiu-Pippidi (2006), North et al. (2009), and Acemoglu & Robinson (2012) offer deeply researched societal-level governance models, from which individual behavior can be presumed or deducted rather than the other way around.

In short, principal–agent models are a better fit for developed and modern contexts, which have already reached rule of law and enjoy autonomous bureaucracies, appointed by merit and tenured, and do not fit developing or simply poor countries. We can thus distinguish between a context A, where corruption is an exception, bureaucracy is autonomous, and the elected principal is non-corrupt by default—so principal–agent model applies—from context B, where the goal of the ruler is the particularistic allocation of resources, the bureaucrat is a tool or an accessory to reach this goal and the rest of the world is made up of clients with different patrons or exploitable human resource. In the former context, the corrupt agent is just a deviant and can be sanctioned by the principal if exposed. In the
second, the principal colludes with the agent, corruption being exercised through a pyramidal organization that extracts resources disproportionately in favor of the most powerful group. So, anti-corruption implies solving power discretion and collective action problems. The developing countries are, obviously, closer to context B, and the Nobel Prize question is what makes them evolve into A.

Historically, a strong bureaucracy developed as an answer to another problem, that of absolutist monarchs who needed to improve either their tax capacity or the efficiency of their military: Where its birth was ulterior to broad suffrage, as in the United States or France, the problem of bureaucratic corruption proved resilient over the years (Heidenheimer, 1996). The existence of an autonomous bureaucracy is so much a part of the definition of control of corruption that it should be considered to be part of the dependent variable and not a truly independent factor, if we are to avoid the vicious cycle of “when the solution is the problem” described by development scholars (Pritchett & Woolcock, 2004). In corrupt countries, bureaucracies are entirely part of the problem through politicization, nepotism, or patronage, and working to improve bureaucracy separately from the issue of broader government accountability is problematic. Development agencies need to understand corruption as a social practice or institution, not just as a sum of individual corrupt acts, and acknowledge its political character as well.

Furthermore, presuming that ethical universalism is the default norm is wrong from a development perspective, since even countries in which ethical universalism is the governance norm presently were not always this way: From sales of offices to class privileges and electoral corruption, the histories of even the cleanest countries show that good governance is the product of evolution, and modernity is a long and frequently incomplete endeavor to develop bureaucracy autonomy in the face of private group interests. Neither historical sociology nor anthropology have ever made the claim that the kind of impersonal and objective bureaucratic relations that Max Weber described as informing modern states are some sort of final unavoidable stage in a long chain of evolution. Andvig & Moene (1990) developed an empirical model of bureaucratic corruption that focuses on the demand, as well as the supply side, and on finding multiple
equilibria, which highlights the context differences across countries and possibly across time as well.

The consequences of addressing corruption in systematically corrupt countries by principal–agent approaches copied from countries where corruption is a deviation are not negligible, as tools that aim to build norms may be different from tools needed to maintain norms. It is well established that merit-based bureaucracies are essential for both development and government capacity (Rauch & Evans, 2000; Dahlström et al., 2012), but how to rebuild the western European virtuous sequence of modernity creating autonomous and accountable bureaucracies? The question is particularly tough for democracies, since most historical or contemporary success cases have been monarchies, more or less autocratic (Denmark, Germany, Japan, Bhutan, Qatar) or other forms of enlightened “strong” leader-driven regimes (South Korea, Singapore, Taiwan). Few exceptions exist (Mungiu-Pippidi & Johnston, 2017).

2.3.3. The Theories of Change in Corruption and Development

Governance at national level is notoriously difficult to change. While that can be blamed partly on lagging perception indicators, the difficulty of real change also has to be acknowledged. Simply put, governance regimes seem more difficult to change than political regimes, and corruption is a pattern of social allocation deeply engrained in a society. Corruption depends on intrinsic power structures and therefore tends to be stable (Mungiu-Pippidi & Dadašov, 2016). Even when we consider the more recent objective indicators of corruption, their evolution from year to year is very small. In 2017 for instance, the world scored 6.64 on average in the Index for Public Integrity up from 6.57 in 2015 (the first year covered). Moreover, there was little significant change in any of the six components of public integrity: judicial independence, freedom of the press, digital empowerment (“e-citizenship”), administrative burden, fiscal transparency, and trade red tape. If we calculate the average change over the longer time series of the World Bank’s Control of Corruption (CoC) perception indicator, covering 20 years and across the six income groups of countries, we notice that change is only incremental, with most countries stagnating and no visible trend of convergence or divergence across income

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8 www.integrity-index.org
groups can be discerned (see Figure 2). The presumption of the revisionists—that economic development take primacy over institutions—has weak evidence in the recent past since we have data, but institutionalists do not find much support, either: on the average, the world developed, but control of corruption stagnated (see Figure 3). The countries that have grown in this interval are not exactly famous for their anticorruption (China is the most notorious example). The exceptions are Taiwan and South Korea, two countries where gradual development, as modernization theory would predict, has led to more political inclusiveness and more demand for good governance, which finally triggered a governance evolution (Mungiu-Pippidi & Johnston, 2017).

**Figure 2: Evolutions in Control of Corruption by Income Group, 1996–2017**

Legend: World Governance Indicator on Control of Corruption (recoded 1 to 10 best); countries as signed to income groups as per June 2018 World Bank income group classification. Source: World Bank Open Data.
The main change theory in development—modernization—is fraught with causal ambiguity. Factors such as inequality, education, and urbanization explain both corruption and prosperity directly. Development agencies invest in these areas in hope of achieving both. Causality runs both ways, however, frequently resulting in vicious circles: the best governed countries are those that have historically reached mass literacy first, whereas present corrupt governments tend to under-invest in education (Uslaner & Rothstein, 2016; Mauro, 1995). Modernity, however, or human capital, as captured in the human development index, explains only a little more than half the variation in control of corruption (Mungiu-Pippidi, 2015a). The association of control of corruption with human development index shows that some countries over-perform, and others under-perform on governance in view of their human development, while in most of the countries we find a close correspondence (see Figure 4). Countries that seem to have found the virtuous circle of development by political agency are New Zealand, Norway,
Denmark, Singapore, Chile, Uruguay, Georgia, Estonia, Costa Rica, and Botswana (positive outliers). Countries that under-perform are Argentina, Azerbaijan, Greece, Italy, Venezuela, Zimbabwe, and Central Asian countries. Countries that perform on governance as expected considering their human development index (confirming modernization theory) are grayed out in Figure 4, which shows only positive and negative outliers. How an optimal balance was reached or was missed in such countries is a source of useful lessons (Mungiu-Pippidi & Johnston, 2017). The presence among such achiever countries, with a poor fit to a classic modernization model by the time they started their transformation (Chile, South Korea, Georgia, Botswana), also shows that transitions from one governance order to another can be engineered and steered despite structural constraints, although this is not frequent (Mungiu-Pippidi, 2017b).

**Figure 4: Human Development and Control of Corruption: The Outliers**

Legend: Bivariate regression with outliers featured; N=188.
The primacy of politics over development, as put forward by Acemoglu & Robinson (2012), also has mixed evidence or better explains the lack of change rather than the change itself. The free, partly free, and above rule-of-law-average countries (on the World Bank rule of law indicator) have registered stagnation on average or a very slight progress over the last fifteen years in the World Bank control of corruption indicator (Johnston, 2005; Mungiu-Pippidi & Dadašov, 2017). Of the few countries that have managed to progress significantly on governance in the past 30 years, it has been reported (Mungiu-Pippidi, 2015b; Mungiu-Pippidi & Johnston, 2017) that Chile, Uruguay, Costa Rica, Estonia, Georgia, and Botswana present clear evidence of the primacy of politics, as political reforms clearly preceded economic take off, such as with the creation of a strong independent auditor/judicial review agency (the general controller) in Chile. Among these few successful, present-day transitions from particularism, Estonia emerges as the case that managed to strike the right balance in a relatively short time—about a decade. Its example was emulated by Georgia, a country with greater structural problems (partial control over its territory, refugees, territorial, and economic conflict with a powerful neighbor country). Both countries experienced full-fledged revolutions, with civil societies taking over government overnight and political liberalization accompanied by free-market reforms aimed at taking away the old elites’ rents. In both Estonia and Georgia, there was an alternative elite committed to ethical-universalist ideas. In Estonia this was the group around the young nationalist historian Mart Laar (later an adviser for the Georgian reforms as well), who was able to engineer eastern Europe’s most successful transition. During his first stint as prime minister (1992–1994), he replaced almost every judge left over from Soviet times with either very young or very old magistrates (who had not been first socialized into Communist habits), simplified administration, and uprooted much of the “resource base” for corruption by removing legal privileges for public companies, passing a flat tax, and cutting red tape. Mart Laar replaced the Communist-era bureaucracy with a merit-based recruited one and respected its autonomy. When he returned to the premiership from 1999 until early 2002, he furthered the cause of good governance by initiating what has by now become the most advanced e-government system in the world (a single ID card is used for paying taxes, public parking, and voting, etc.). Grasping that in a post-Communist context it matters a great deal who the first capitalists are, the Estonians prevented the Communist-holdover networks of
enterprise managers, secret police bureaucrats, and other nomenklaturists from emerging as the transition’s big winners and controllers, thereby sparing Estonia the crony capitalism that has blighted Ukraine and Russia for the past 20 years. In both Estonia and Georgia growth followed political reforms (see Figure 5).

**Figure 5: Trends in Growth and Good Governance in Estonia, 1996–2014**

![Graph showing trends in growth and corruption control in Estonia](image)

Legend: Worldwide Governance Indicator on Control of Corruption (recoded 1 to 10 best); GDP per capita in constant 2011 purchasing power parity (PPP) dollars.


### 2.4. Conclusion

Why do we have so few cases of successful evolution? Persson et al. argued that “in a context in which corruption is the expected behavior, monitoring devices and punishment regimes should be largely ineffective since there will simply be no actors that have an incentive to hold corrupt officials accountable” (2013, p. 457). In other words, the principal–agent tools are inadequate for developing contexts. But collective action theorists have been so far more successful in proving this than offering solutions of their own. Social dilemmas are notoriously difficult to solve, and the cases cited here (e.g., Estonia and Georgia) had exceptional leaders. Changing the governance order in a society from one in which corruption is the norm to one in which corruption is the exception may require a “big bang” involving all major political, economic, and social institutions (Rothstein, 2011). For a coalition to be successful in creating a lasting change of societal trust and norms, it should change the suboptimal equilibrium that particularistic societies rely on, by reducing resources for corruption, as Laar did, simultaneously with increasing
constraints (Mungiu-Pippidi, 2015a). The tools that deliver cut across state and society, as they rely for their implementation on more than just the state. For instance, financial disclosures for officials work only in the presence of a free press, and freedom of information acts only when civil society is strong and activist (Mungiu-Pippidi & Dadašov, 2016; Vargas & Schlutz, 2016); so while there is little development without control of corruption, there is also no progress on control of corruption without significant civil society development.
3. Corruption as a Development Policy Issue: Linking Theory and Practice

3.1. Introduction

Over the past quarter-century, international development agencies have invested massively in programs aimed at assisting countries in improving their control of corruption. Despite major anti-corruption efforts, however, studies frequently conclude that corruption remains just as prevalent today as it was when the global anti-corruption movement began (Persson et al., 2010; Hough, 2013; Mungiu-Pippidi & Hartmann, 2019). The most recently available perception data derived from expert assessments confirm that the extent to which public power is exercised for private gain is still high on a global scale (Transparency International, 2020a). In other words, particularism—where public resource distribution is systematically biased in favor of authority holders and those connected to them—remains more prevalent as a governance norm than its opposite, ethical universalism—where the state is largely autonomous from private interest and public resources are being allocated equally and fairly (see Figure 6).

From a development policy perspective, the two natural questions to ask are therefore how societies transition toward ethical universalism as the prevalent mode of governance and how development practitioners can support this process. Corruption research and anti-corruption practice have produced a wealth of insights regarding these questions, which this overview chapter aims to present in a systematic way. The first part depicts the current definitional and measurement landscape of corruption and provides an overview of contemporary debates in corruption research. The second part focuses on anti-corruption in practice, discussing recent paradigmatic shifts in the fight against corruption and presenting empirical evidence on impact, where available. The chapter concludes with some lessons learned and reflections on the outlook for corruption research and anti-corruption practice.

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3.2. Contemporary Corruption Research

3.2.1. Definition

It is customary to initiate the discussion of a subject by defining it. In the case of corruption, the literature has produced dozens of different definitions and typologies, reflecting the complexity of the phenomenon. Most commonly, corruption is defined as some variant of the memorable definition that corruption is the *misuse of public office for private gain*. This definition has long been used by key actors in the international anti-corruption field such as the World Bank and the United Nation’s Development Programme (UNDP). Transparency International, an international NGO, has sought to broaden the definition to include private sector corruption, favoring the *abuse of entrusted power for private gain*. Corruption, when defined in such a broad manner, serves as an umbrella concept under which various typologies of corruption are subsumed. Among the most frequently used typologies of corruption are *petty* and *grand corruption* as well...
as administrative corruption and state capture. The distinction between petty and grand types of corruption generally refers to the level at which corruption occurs—the former usually involving lower levels of government and the latter typically taking place at higher levels of government. Administrative corruption also referred to as bureaucratic corruption, can be broadly defined as corruption in the implementation of laws. State capture, on the other hand, affects the shaping of the laws themselves. Numerous other typologies of corruption exist, many of which have a higher degree of specificity, and each of which has been devised for a particular purpose. The diversity of definitions and typologies of corruption, while reflecting a certain degree of conceptual incoherence, may be most analytically and practically useful since the more specific a concept, the more effectively it can be diagnosed, measured and, ultimately, remediated.

3.2.2. Measurement

The corruption measurement landscape has become more diverse in recent years, showing a great deal of innovation in using objective data to approximate the phenomenon. The purpose of corruption measurement has evolved from being used primarily to raise awareness, to compare corruption levels across time and space, to inform sector-specific assessments of corruption, and to devise actionable countermeasures. Corruption measurement may be broadly classified into two categories, according to whether subjective, perception-based or objective data are being used. Among the most widely cited measurements of corruption based on subjective data are Transparency International’s Corruption Perception Index (CPI) and the World Bank’s Control of Corruption Indicator. Published annually since the mid-1990s, both are composite indices of corruption derived from expert assessments. While these indices continue to be influential in raising awareness about corruption, they are less suited for analytical purposes. Several limitations have been pointed out in the literature, including construct validity (indices measure perceptions of corruption, not corruption itself), reliability (indices have large standard errors, making comparisons difficult), as well as the time lag in reflecting changing realities (Knack, 2007; Treisman, 2007; Thomas, 2010; Hawken & Munck, 2011). On the other hand, there is a growing number of measures of corruption based on objective data.\(^{10}\) A trend that has been spurred by

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\(^{10}\) See Annex I (Table 5, p. 155) for comprehensive list of objective indicators of corruption.
increased digitalization and accessibility of public data. For example, objective measures of corruption have been developed using conviction and prosecution data, both in national (López-Iturriaga & Sanz, 2018; Dong & Torgler, 2013; Fiorino et al., 2012; Stockemer & Calca, 2013) and international contexts (Escresa & Picci, 2015). A weakness of these measures is that if the detection rate of corruption is unknown—which is arguably the case in most contexts—higher conviction rates might be simply indicative of higher detection capacity and not necessarily of higher corruption. Some scholars operationalize corruption as the amount of bribes paid using as evidence either court documents (Campos et al., 2019) or internal records of companies (Cole & Tran, 2011). However, an acknowledged limitation of these studies is that the underlying sources of data, such as plea statements and company records, are only scarcely available. Another set of studies measures corruption as the gap between resources allocated by the government and either resources received by the intended end-user (Reinikka & Svensson, 2004) or physical infrastructure built for which the resources were intended (Olken, 2009; Golden & Picci, 2005). While some have warned that such studies would conflate corruption with inefficiency, the analytical instruments designed to trace these inefficiencies, such as the Public Expenditure Reviews (PERs) pioneered by the World Bank, have proven to be among the most effective tools for detecting corruption. More recently, a growing number of empirical papers resorts to using objective proxy measures for corruption, most of which are using public procurement data. The various procurement-based corruption proxies are capturing corruption risks (or “red flags” in auditors’ jargon) related to all stages of the tendering process and beyond. Among the most robust proxies for corruption is the measurement of single bidding in competitive markets, which correlates with most other corruption measures (Fazekas & Kocsis, 2020). Other corruption proxies based on procurement data include the use of non-competitive procedures, cost overruns, overpricing, as well as overinvoicing (Fazekas et al., 2020; Di Tella & Schargrodsky, 2003). Besides the more frequent use of objective data in corruption measurement, there is also a tendency to design corruption measurement tools from the perspective of actionability. Due to its inability to provide actionable insights, the dominance of composite, perception-based indicators has gradually been eroded over the past decade to give way to a multitude of disaggregated, objective, and actionable measurements tailored to different types of corruption. Overall, the field of corruption measurement is highly
diverse encompassing a wide array of instruments, which vary according to the particular research and policy problem they are aiming to address.

3.3. Contemporary Debates

Corruption has been studied from various disciplinary angles, notably anthropology, economics, political science, psychology, sociology, and legal studies. Given the focus on development policy in this dissertation, the discussion of contemporary debates in corruption research centers on theoretical contributions that have exerted most influence on development policymaking. Three strands of research stand out which can be distinguished by the underlying conceptualization of corruption as either (i) a solution to problems of scarcity and political representation, (ii) a problem of a principal-agent relationship, or (iii) a problem of collective action.

In the 1960s and 1970s, a group of influential development scholars challenged the moral condemnation of corruption arguing that corruption fulfils a functional role and is a natural feature of every state at an early stage of modernization. The so-called revisionists regarded corruption as a solution that enables rather than hinders processes of development. Corruption was positively associated with progress in economic development (Leff, 1964; Leys, 1965; Nye, 1967), state-building (McMullan, 1961), and political development (Huntington, 1968; Scott, 1969). Since then, however, various studies have demonstrated the negative consequences of corruption which has led to a broad consensus in the contemporary scholarly and policy literature that, on the aggregate level, the detrimental effects of corruption outweigh its positive functions. While acknowledging corruption’s net harm to societies, recent publications have resuscitated elements of revisionist thought. For example, the World Development Report 2017 states that, at low-income levels, corruption may enhance economic growth by providing the glue necessary to ensure commitment and coordination between firms and the state (World Bank, 2017, p. 160). Marquette and Peiffer (2018) also stress the functional role of corruption which they regard as insufficiently recognized by the most frequently adopted theory-based approaches to corruption—namely, principal-agent theory and collective action theory. While these more recent studies build on the functionality argument originally introduced by the revisionists, they arrive at different policy conclusions. Unlike revisionists who felt no need to become proactive about corruption
as it was believed to wither away naturally as states develop, recent analyses do acknowledge the need for anti-corruption policy intervention under certain conditions.

The second approach to understanding corruption and arguably the most influential for anti-corruption policymaking, adopts a principal-agent lens; that is, corruption in the public sector is viewed as an agency loss problem, in which agents betray their principals reaping private gain at the expense of public interest. The principal-agent framework, which emerged in the 1970s from the fields of economics and institutional theory, was extended to the study of corruption, most notably by Rose-Ackerman (1978) and Klitgaard (1988). According to Klitgaard (1988, p. 75), the basic ingredients of corruption are agents holding monopoly power over clients, agents having discretionary power, and agents being subject to weak accountability. He expressed the relationship between these variables and corruption in the often-cited equation:

\[ \text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability} \]

What followed from this understanding of corruption as primarily a principal-agent problem was the belief that it could be reduced through interventions that would alter agents’ individual cost-benefit calculations of whether engaging in corruption would pay off. A major emphasis in the principal-agent literature lies therefore on incentive and punishment structures (Becker & Stigler, 1974; Rose-Ackerman, 1986; Shleifer & Vishny, 1993). Anti-corruption policies influenced by principal-agent theory focused on increasing the cost of corruption for agents, for example, by expanding control and monitoring mechanisms by the principals, augmenting penalties, and raising public sector wages. Some scholars have questioned the usefulness of the principal-agent framework as an analytical tool in contexts of endemic corruption, arguing that in such contexts there might be a lack of principals available that are willing and able to monitor and punish corruption (Persson et al., 2010; Rothstein, 2011; Mungiu-Pippidi, 2011a; Mungiu-Pippidi & Hartmann, 2019).

The third strand of research conceptualizes corruption as a problem of collective action and applies Elinor Ostrom's (1990) collective action theory as an analytical tool for the study of the phenomenon. From a collective action perspective, the absence of corruption can be considered a public good which is prone to problems of free riding and other forms
of opportunistic behavior. For example, in the case of bribery in health service delivery, patients would be better off if every patient refused to pay a bribe and demand the impartial and equal provision of healthcare services. In contexts where bribing doctors is the norm, however, the short-term cost for an individual patient of refusing to pay a bribe is comparatively high and will not change the prevailing rules of the corrupt game. Therefore, it is assumed that even if most people know that they as a collective stand to lose from ongoing corrupt practices and morally condemn them, if most others are expected to be corrupt, everyone will be corrupt (Persson et al., 2010; Karklins, 2005). Consequently, in settings where everyone—including those that the principal-agent framework refers to as principals—is expected to behave corruptly, anti-corruption measures based on the principal-agent model should remain ineffective as there should be no “principled principals” available to enforce reforms (Persson et al., 2010). From the collective action perspective, the most promising measures for societies to move away from a suboptimal corruption equilibrium are those that enhance societal trust and norms of integrity. These measures typically include social accountability mechanisms, civil society capacity-building, and participatory coalition-building strategies involving key stakeholders.

To sum up, the three conceptual lenses on corruption—functional, principal-agent, and collective action—have provided valuable and, for the most part, complementary insights for corruption research as well as anti-corruption policymaking. The functional lens on corruption is both analytically and practically useful as it draws attention to the political, social, and economic functions that corruption fulfills and thus contributes to a better understanding of the root causes of corruption and its persistence. The principal-agent lens is most suitable for explaining corruption in contexts in which corruption is the exception, i.e., where the bureaucracy is autonomous, and elected principals are non-corrupt by default. In such contexts, standard anti-corruption measures focused on monitoring and sanctioning can be expected to be effective since a corrupt agent is just a deviant and can be sanctioned by the principal. The collective action lens, on the other hand, is a better fit for contexts in which corruption is the norm, i.e., where the bureaucracy is captured by the ruler, and appointed principals collude with agents. In such systematically corrupt environments, effective anti-corruption implies solving power discretion and collective action problems. Regardless of the theoretical lens adopted, an
an overarching and recurring theme in research that addresses corruption for the purpose of effective policy is the need for greater context sensitivity. Too often, as Heywood (2017, p. 188) has pointed out, discussions of context are rather narrow in that they focus on the nation-state as the primary unit of analysis which does not capture how some forms of corruption—e.g., transnational corruption—operate in practice. A thorough understanding of the different levels and locations in which corruption occurs should precede and inform the choice of the theory or model guiding both analysis of and policy prescription for corruption.

### 3.4. Contemporary Anti-Corruption Practice

The trajectory of global anti-corruption reforms can be usefully sequenced into three cumulative and often overlapping phases, each premised on a distinct underlying perspective on corruption. These perspectives, which have impacted the emphasis of reform as well as the theories of change underlying the interventions, view corruption as either primarily (i) a crime; (ii) an institutional weakness, or (iii) a matter of power and politics.

The essence of the first phase of anti-corruption reform was to view corruption as individual acts of illegal activity, such as giving or receiving a bribe, which are most effectively addressed through a direct approach centered on sanctioning and deterring transgressions. Interventions building on this view peaked in popularity between the mid-1990s and mid-2000s and included the creation of anti-corruption agencies (ACAs), anti-corruption laws, and the entire legal and regulatory apparatus and framework to implement the goals set forth by various conventions. A complex legal anti-corruption architecture emerged consisting of instruments such as the 1997 OECD Anti-Bribery Convention, the 1999 Council of Europe’s Criminal and Civil Law Conventions on Corruption, and the 2003 United Nations Convention Against Corruption (UNCAC), among others. UNCAC alone has been ratified by 187 parties since it came into force in 2005, leading to the adoption of a plethora of new anti-corruption laws intended to meet the international and regional standards that governments must comply with. Anti-corruption and ethics laws encompass a variety of statutes that prohibit corrupt practices such as bribery, nepotism, cronyism, and conflict of interest in the award of contracts or the provision of government benefits.
In adopting a direct and punitive approach and building on a theory of change that emphasizes deterrence, most of the anti-corruption interventions related to the corruption as a crime perspective adhere conceptually to the principal-agent framework. Overall, available empirical evidence suggests the limited effectiveness of these interventions in curbing corruption. For example, using a sample covering 90 countries, Mungiu-Pippidi & Dadašov (2017) find that countries that have introduced more legislation meant to protect public integrity and control of corruption did not perform better with regards to controlling corruption than other countries. As for the reasons behind this lack of effectiveness, their research indicates that rule of law and non-state agency (e.g., citizens, media, businesses) are prerequisites for effective anti-corruption legislation. Similarly, while there are successful cases of ACAs, most notably in Singapore and Hong Kong, many studies conclude that the overall performance of ACAs fell short of expectations. For example, an OECD (2008) study reviewing the performance of ACAs on a global scale found “more failures than successes” (p. 12). Several authors have pointed out that establishing minimum political, legal, and socio-economic conditions for effective governance is a prerequisite for ACA effectiveness (Huther & Shah, 2000a; Meagher, 2005; Mungiu-Pippidi, 2015a). In contexts of endemic corruption, ACAs are likely to remain ineffective, if not actively harmful when being used by ruling elites against political opponents.

Table 2 lists some of the most frequently adopted anti-corruption tools and their global coverage. The guiding policy objective underlying these tools ranges from preventing (e.g., freedom of information legislation, conflict of interest legislation), detecting (e.g., financial disclosure legislation, whistleblower protection legislation) to repressing (e.g., ACAs, ombudsman institutions) corruption. The numbers in Table 2 should be interpreted with caution, however, because data gathered by the European Research Centre for Anti-Corruption and State-Building (ERCAS) suggests that a significant gap exists between de jure and de facto implementation of anti-corruption tools. For example, out of the 122 countries surveyed, 70 (57%) do not provide online access to financial disclosures of public officials, and 86 (70%) do not provide online access to conflict of interest
disclosures of public officials. These findings highlight the importance of adapting donor-supported anti-corruption to the rule of law and political economy context of aid-recipient countries for ensuring reform effectiveness.

Table 2: Global Coverage of Anti-Corruption Tools

<table>
<thead>
<tr>
<th>Anti-Corruption Tools</th>
<th>Coverage (# of Countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-Corruption Agency (ACA)</td>
<td>114</td>
</tr>
<tr>
<td>Ombudsman Office</td>
<td>140</td>
</tr>
<tr>
<td>Financial Disclosure Legislation</td>
<td>161</td>
</tr>
<tr>
<td>Whistleblower Protection Legislation</td>
<td>59</td>
</tr>
<tr>
<td>Freedom of Information Legislation</td>
<td>79</td>
</tr>
<tr>
<td>Conflict of Interest Legislation</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Below table details measurement and source data for each anti-corruption tool.

<table>
<thead>
<tr>
<th>AC Tool</th>
<th>Measurement</th>
<th>Source</th>
<th>Year</th>
<th>N (countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-Corruption Agency</td>
<td>Number of countries with anti-corruption agency.</td>
<td>Mapping exercise by French Anti-Corruption Agency (2020) based on data provided by 171 national authorities from 114 countries.</td>
<td>2020</td>
<td>n/a</td>
</tr>
<tr>
<td>Ombudsman Office</td>
<td>Number of countries with ombudsman institutions.</td>
<td>Venice Commission (2019), p. 2</td>
<td>2017</td>
<td>n/a</td>
</tr>
<tr>
<td>Freedom of Information Legislation</td>
<td>Number of countries with legal framework recognizing a fundamental right of access to information.</td>
<td>Global Right to Information Ranking, rti-rating.org, accessed March 8, 2021</td>
<td>2021</td>
<td>128</td>
</tr>
<tr>
<td>Conflict of Interest Legislation</td>
<td>Number of countries with conflict of interest restrictions.</td>
<td>World Bank, Public Accountability Mechanisms (PAM) Dataset</td>
<td>2012</td>
<td>90</td>
</tr>
</tbody>
</table>

Among the 122 countries surveyed, 26 (21%) provide online access to financial disclosures for some top officials only, while 26 (21%) provide them for all civil servants and 14 (11%) provide online access to conflict of interest disclosures for some top officials only, while 22 (18%) provide them for all civil servants (ERCAS Database, 2021).
During the second phase of anti-corruption reform, from about 2005 to 2015, corruption became increasingly viewed as a symptom of institutional malfunction and interventions sought to curb corruption indirectly by improving core public sector management practices and systems. Unlike the approach of the first phase, which was concerned primarily with expanding constraints on corruption, the approach of the second phase, while also adhering to the principal-agent framework, was more concerned with reducing opportunities for corruption. With this emphasis on opportunities for corruption, interventions of the second phase favored indirect, preventive measures over direct and punitive ones. Rather than stand-alone interventions, anti-corruption was increasingly considered part of wider reforms of core public sector institutions, such as administrative and civil service reform, public expenditure and financial management reform, procurement and customs administration reform, as well as judicial and tax reform. From the perspective of corruption as an institutional weakness, the presumed theory of change is that administrative simplification and digitization would lead to fewer opportunities for public agents to engage in corruption. Evaluations have found that among these reform areas, the empirical evidence for effectiveness in reducing corruption is strongest for interventions related to public financial management (World Bank, 2008; Johnson et al., 2012). Part of the reason for most evidence in this area may be the existence of measurement tools, such as the Public Expenditure Tracking Survey (PETS) or the Business Enterprise and Environment Performance Survey (BEEPS), which provide reliable data to assess reform effectiveness. In contrast, civil service reform has remained largely ineffective in curbing corruption as per available evidence (World Bank, 2008; Johnson et al., 2012).

Measures taken to strengthen the resilience of judicial systems against corruption and to prevent undue influence on judges have often focused on the appointment and terms of employment of judges. Judicial Councils that are independent from the Ministry of Justice have been established in many countries to promote independence in the process of appointing and promoting judges. Often, however, these councils became subject to the same kind of politicization that they were supposed to prevent (Hammergren, 2002). The terms of appointment are also considered a factor to shield judges from external influence and to reduce opportunities for corruption. Accordingly, perennial tenure, decent salaries, and enhanced working conditions are measures considered conducive to increased
independence of judicial personnel. Other measures that have proven successful in strengthening judicial independence include random case assignment, the publication of judicial decisions, as well as increased transparency of administrative court procedures. Corruption in tax administration remains a significant concern in many countries, as evidenced by global survey data in which about a third of respondents stated that they consider most or all tax officials to be corrupt (Transparency International, 2017a). Numerous studies have empirically validated the negative association between corruption and tax revenue (Baum et al., 2017) and Governments have implemented anti-corruption measures with varying degrees of success over the past decades. Corruption in the revenue sector may occur in several forms. Building on Fjeldstad (2005), the literature distinguishes between (i) corruption by tax officials themselves, including embezzlement of collected revenue and extortion of tax payers; (ii) collusion between tax officials and tax payers, including undue tax exemptions and lower rates; and (iii) tax evasion committed by taxpayers, including smuggling and underreporting, among others. The anti-corruption measures discussed here address at least one of these three types of corruption affecting tax revenue. Despite comprehensive reforms in tax structure resulting in changes of tax rates and bases over the last decades, the tax system in many developing countries remain complex and non-transparent. Complicated rules and procedures increase the likelihood of tax payers offering bribes to lower their tax burden or to expedite procedures and provide incentives for tax officials to manipulate and extort tax payers who are unaware of their rights. Building on a large dataset including information from 150 countries between 1995-2009, Liu & Feng (2015) find that countries with more complex tax systems tend to be more corrupt than countries with less complex tax systems. Furthermore, their comparative analysis indicates that relying more heavily on direct taxes rather than on indirect taxes is associated with lower corruption. The introduction of clear and easy-to-follow tax legislation is mentioned frequently in the literature as a promising measure to reducing opportunities for corruption in tax administration. Furthermore, the institutional set-up of tax authorities and internal monitoring and oversight are important aspects to consider when designing policies to curb corruption in tax administration. Numerous countries have established semi-autonomous revenue authorities (ARAs) to shield them from undue influence of governments and politicians. Reviewing the performance of ARAs in African countries,
studies find no clear evidence that they have significantly improved the governance of tax administration (Fjeldstad & Moore, 2009; OECD, 2007). The same literature acknowledges, however, that ARAs can facilitate tax administration reforms such as the establishment of large taxpayer units (LTUs). LTUs focus mostly on companies and are intended to reorganize tax administration by type of tax payer and function. This tax payer segmentation seeks to reduce corruption by enhancing control and allowing for specialization and a better understanding of tax payer behavior. An IMF paper using comprehensive panel data from 147 countries spanning from 1995-2014 finds that LTUs improve tax compliance by dampening the perception of corruption, thereby boosting revenue (Baum et al., 2017). However, more autonomy for tax authorities is only effective in reducing corruption when accompanied by a strong system of internal monitoring and oversight. Accordingly, the literature stresses the importance of regular audits and effective and skilled investigation teams (Transparency International, 2014). Another promising reform area for reducing corruption in tax administration concern human resource management. Human resources management reforms involving all aspects of recruitment, performance appraisal, career development, and remuneration are central to improving control of corruption in tax administration (Rahman, 2009). Sector-specific studies have shown that the introduction of performance pay schemes led to an increase in overall tax revenue, for example in Pakistan (Khan et al., 2016), Brazil (Kahn et al., 2001), and Mexico (Mookherjee, 1997). Using survey data from Bulgaria, Pashev et al. (2010) find that raising tax officials income reduces their corruptibility. They show, however, that incomes would have to almost triple for corruption risk to become negligible. Since the authors deem such a policy intervention as politically and financially unfeasible, they suggest that strengthening monitoring and control would be a more cost-effective strategy for reducing corruption risks in the tax administration of Bulgaria. Others come to the similar conclusion that wage-based policies are likely to remain ineffective if not accompanied by functioning monitoring systems as well as enforcement of sanctions (Transparency International, 2014; Fjeldstad, 2005). Finally, institutionalizing automation and e-services can play an important role in limiting the opportunities for corruption in tax administration. The use of e-services for filing and paying taxes can help curb corruption by reducing the opportunities for direct interaction between tax officials and tax payers.
Concerns about the limited progress achieved in economic and institutional development in many of the poorest countries (Pritchett et al., 2010) as well as heightened attention to the role of state capture in delaying development (Hellman et al., 2000), led major development actors to embrace a more holistic perspective of corruption. Since the mid-2010s, development agencies are increasingly adopting a broader perspective of the corruption phenomenon, giving more consideration to both the institutional environment within which public organizations operate and the dynamics of power and politics. The view of corruption as a matter of power and politics, a variation of which had already been somewhat influential in development policy circles in the early 2000s, was perhaps most fully elaborated in the 2017 World Development Report (World Bank, 2017). The report finds that corruption is at its most destructive when embedded in networks of actors that are able to leverage power asymmetries, such as a monopoly on public goods or judicial impunity. In keeping with this view, anti-corruption reforms have incorporated political economy approaches to gain a better understanding of what drives corruption in a country- or sector-specific context. For example, ex-ante stakeholder mappings that identify reform coalitions as well as reform opponents have been conducted to inform anti-corruption efforts. Practical interventions pertaining to this perspective frequently build on a theory of change that seeks to alter skewed power equilibria by way of fostering citizen empowerment and collective action. While the previous perspective on corruption as institutional weakness focused on supply-side reform, that is, reforms that are supplied by the government, this perspective emphasizes the demand-side for better governance. Accordingly, interventions often entail civil society capacity building, participatory consensus-building, as well as setting-up external accountability mechanisms. A well-known example for such interventions are Transparency International’s ‘integrity pacts’, which aim to hold both public and private sector accountable to anti-corruption standards during public tender processes by requiring integrity pledges from all stakeholders involved. While integrity pacts appear to have helped prevent corruption in public procurement (Boehm & Olaya, 2006), overall, there is little rigorous evidence of the effectiveness of donors’ civil society support in reducing corruption (Johnsøn et al., 2012). However, this lack of evidence should not lead to the conclusion that civil society does not play a key role in mitigating corruption. Instead, it is an indication of inapt donor support in this area, which might be due to the fact that legal mandates constrain most
development agencies from engaging with non-state actors and from entering the sphere of power and politics (Hartmann, 2020).

Political finance regulations are another set of anti-corruption tools directly related to the area of power and politics as they seek to prevent undue influence of special interest and policy capture. Political finance regulation comprises a set of measures which received support from international organizations as well as academic attention. Measures to regulate political finance typically include regulations on public and private funding of political parties and candidates, as well as requirements for financial reporting, oversight, and sanctions. The effectiveness of such measures depends on a number of factors including the robustness of the regulation, but also political will and commitment. The level of political finance regulation varies considerably across countries, resulting in stark differences in the role that public and private contributions play in the financing of political parties and election campaigns (OECD, 2016). A review of literature shows that political finance regulation reforms need to be implemented with great caution to avoid paradoxical effects such as increasing corruption. Several papers present evidence that more political finance regulation has not led to an improvement of control of corruption so far. Applying a panel regression model for 18 Latin American countries, Lopez et al. (2017) find that increases in political finance regulation are significantly correlated with a deterioration of control of corruption. Focusing on the U.S., Rosenson (2009) showed in a quantitative study that increased regulation of political finance, measured by an aggregate index of public funding and private contribution limits, increased the level of perceived corruption. Using proxy indicators for corruption based on the analysis of a large amount of micro-level procurement data, Fazekas & Cingolani (2016) find that introducing additional political finance regulations does not have a measurable negative impact on corruption (risks) in public procurement. The apparent ineffectiveness of political finance regulation towards improving control of corruption suggests that political finance regulation might be used strategically by corrupt elites to cover up their increasing particularistic grip on government contracting or strategically modifying the rules of electoral competition to their own advantage (Fazekas & Cingolani, 2016).

Finding a more suitable mix of regulatory policies and strengthening oversight and sanctioning bodies can help improve the effectiveness of political finance regulations.
Similar to the authors cited above, Ben-Bassat & Dahan (2015) apply econometric modeling to political finance regulations data from 82 countries finding that the introduction of contribution limits increased corruption. However, they also find that the mix of more generous public funding and less stringent regulations of private contributions is associated with lower corruption. Similarly, based on a time-series cross-sectional analysis of political finance regimes in 154 countries from 1900-2012, Hummel et al. 2018 suggest that more political finance subsidies reduce corruption. A 2016 OECD report on this very topic highlights that efficient oversight and auditing, meaningful sanctions, greater transparency and public scrutiny play a major role in adverting policy capture. Building on the analysis of a number of case studies, the report advocates for the strengthening of independent electoral management bodies (EMBs) with a clear mandate, legal power and the capacity to conduct effective oversight and impose sanctions (OECD, 2016). Similarly, a report published by the International Institute for Democracy and Electoral Assistance (IDEA) on the state of political finance regulations in Latin America laments that anti-corruption efforts should place more emphasis on the strengthening of EMBs (Casas-Zamora, 2016). Stronger EMBs would allow for better enforcement of political finance regulation and contribute to the narrowing of the gap between de jure frameworks and de facto realities.

3.5. Conclusion

Corruption research and anti-corruption practice have produced a range of definitions, measurements, and tools to understand better and mitigate the corruption phenomenon. Recent trends in expanding access to information legislation and digitizing administrative processes have led to the growing availability of open data which in turn sparked innovation in creating objective measures of corruption. These trends not only hold promise for the field of corruption studies in that more and better data may further the specification and accuracy of measurements and models, but they may also enhance anti-corruption practice by providing additional data points to assess reform effectiveness empirically.

Contemporary corruption research has adopted different theoretical lenses to study the phenomenon. While the functionality lens highlights problems to which corruption serves as a solution, the principal-agent lens emphasizes incentives for individuals to engage in
corruption, and the collective action lens focuses on incentives that prevent individuals from engaging in anti-corruption. Adopting these lenses has allowed scholars to shed light on the complex incentive structures that cause and perpetuate corruption, and to highlight the multifaceted challenges that anti-corruption interventions face. Today, anti-corruption reformers can tap into an ever-growing body of knowledge and experience to pick the definition, measurement tool, and intervention that is most suitable for the specific corruption problem they are trying to address and for the context in which it occurs.

While each intervention should be specific in that it is well-targeted and adapted to context, it should also be informed by general lessons that have been learned from anti-corruption practice over the past decades. For example, empirical evidence suggesting that indirect anti-corruption measures outperform direct ones led many practitioners to embrace the view that “you don’t fight corruption by fighting corruption”. Another lesson learned which has prompted practitioners to give greater consideration to the political economy of reform is that “anti-corruption is not a win-win solution”, resulting in the increased use of stakeholder mappings to assess the political will and influence of both the reform coalition and the reform opposition.

Looking ahead, corruption research would benefit from focusing less on the nation state as the primary unit of analysis and adapting its analytical perspective to the changing nature of corruption. This would contribute to a deeper understanding of pressing global challenges such as illicit financial flows. Anti-corruption practice remains equally in demand, with opportunities for corruption on the rise as record sums of public funds are being disbursed as part of pandemic emergency mechanisms and economic recovery programs.
4. The Evolution of the World Bank’s Anti-Corruption Programming: An Analysis of Driving and Limiting Factors

4.1. Introduction

The World Bank (hereafter ‘the Bank’) went from being skittish about the very mention of the word corruption until the early 1990s to later being widely considered *primus inter pares* among international organizations in addressing corruption, both as vision and practice. The Bank has contributed to expanding the knowledge base on corruption and anti-corruption through numerous in-house studies (e.g., Beenstock, 1979; World Bank, 1997a; Huther & Shah, 2000a; World Bank, 2000a; World Bank, 2007d) and by commissioning research from eminent corruption scholars, including Rose-Ackerman (1998), Klitgaard et al. (2000), and Johnston (2010), to name just a few. Of particular relevance to corruption research has been the Bank’s Worldwide Governance Indicators (WGI) initiative. Since its launch in 1996, the initiative annually monitors the Control of Corruption (CoC) indicator, an aggregate measure of corruption perceptions for over 200 countries. Despite the known limitations associated with perception data and with aggregating data from a large number of different sources, the CoC indicator has been used widely in anti-corruption research. In addition to its analytical contributions, the Bank has played a leading role in shaping the practical anti-corruption agenda. In 1996, then-President of the Bank, James Wolfensohn, delivered a widely-cited speech in which he warned of the need to deal with what he called the “cancer of corruption” (Wolfensohn, 1996). This led to the erosion of the taboo of openly and formally discussing corruption and its consequences at the Bank.

The same year, a *Corruption Action Plan Working Group* was set up and tasked with updating the Bank’s strategy to incorporate the development of institutional competency to identify, mitigate, and prevent corruption. Pursuant to this updated strategy, the Bank

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13 The term “World Bank” refers only to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), as opposed to “World Bank Group”, which includes three other organizations, among them the International Finance Corporation (IFC).
implemented over a thousand activities with an explicit anti-corruption focus between 1996 and 2016. Due to repeated revelations of major corruption scandals all over the globe in recent years and increased demand for good governance by citizens, the Bank is currently evaluating strategies to scale up its anti-corruption programming (World Bank, 2019a). In the past, however, a clear disjuncture has been observed between the aspirations to curb corruption formulated in strategic documents and its actual implementation in program designs (Johnsøn, 2016).

Against the backdrop of the Bank’s renewed strategic emphasis on anti-corruption and the perceived strategy-implementation gap in the past, this paper investigates the driving and limiting factors of the World Bank’s anti-corruption programming. To do so, the paper is structured in three parts. First, it provides historical context, describing the main factors behind the Bank’s evolution from vigorously avoiding the issue of corruption to proactively addressing it. Second, it operationalizes the dependent variable (i.e., the Bank’s anti-corruption programming), with the result of the first comprehensive inventory of World Bank activities with an explicit anti-corruption focus spanning the years 1996-2016. Third, it systematically reviews both external and internal factors impacting the Bank’s anti-corruption programming. External factors are assessed quantitatively using a range of publicly available cross-country panel data. Internal factors are examined triangulating inventory data, qualitative interviews, and primary and secondary source documents. The discussion of internal factors differentiates between three agendas that have been operating under the anti-corruption label and which differ in their conceptual understanding of corruption as “a crime”, “a matter of public administration”, and “a matter of power and politics”. The paper concludes with some lessons learned for the renewing of the Bank’s strategic and operational approach to doing anti-corruption.

4.1.1. The World Bank’s Anti-Corruption as an Object of Research

Several researchers within and outside the Bank have attempted to assess the Bank’s engagement on anti-corruption by examining samples of strategic documents and projects. A commonly applied approach is to measure the frequency of occurrence of keywords related to anti-corruption in country assistance strategies (CAS). In 2000, a
report evaluating the implementation of the Bank’s first anti-corruption strategy\textsuperscript{14}, which had been endorsed by the Board in 1997, examined a sample of 37 CAS. It found that 78\% discussed governance and corruption (World Bank, 2000b). In 2011, a report examining 47 CAS written between 2000 and 2011 for 18 selected countries found that two thirds of the sampled countries made above-average progress in implementing the 2007 Governance and Anti-Corruption (GAC) strategy\textsuperscript{15} (Governance Partnership Facility, 2011). Overall, relying on the examination of CAS to assess the implementation of anti-corruption objectives faces the limitation that these documents are only snapshots of country-level issues and tend to contain few details on actual programming. Bank staff reported instances where the CAS discussed anti-corruption at great length, but where this emphasis was not reflected at the project implementation level.\textsuperscript{16}

Research focusing on the project-level includes a 2009 study that examined 180 projects approved in the 2008 fiscal year to assess the progress in operationalizing the GAC strategy (World Bank, 2009). The study included a rigorous benchmarking exercise and established a baseline of the extent to which GAC had been mainstreamed into projects. Examining appraisal documents of a representative sample of 180 projects, drawn from a universe of 344 projects approved in the 2008 fiscal year, the study found that GAC had already been incorporated in the operational design of almost half of the projects. Furthermore, it reported that somewhat more attention was given to fiduciary aspects of GAC compared to political economy risks and demand side measures.\textsuperscript{17} Although an analytically sound baseline was established in 2009, the benchmarking exercise has unfortunately never been repeated since due to declining interest and funding for the GAC agenda in subsequent years.

\textsuperscript{14} World Bank. (1997a). Helping Countries Combat Corruption: The Role of the World Bank—was the first systematic framework for the Bank’s work in the area of anti-corruption.

\textsuperscript{15} World Bank. (2007a). Strengthening Bank Group Engagement on Governance and Anticorruption—also referred to as the GAC Strategy, replaced the 1997 strategy and became the new guiding policy framework on anti-corruption.

\textsuperscript{16} Author’s interview with former senior World Bank staff member, May 2019.

\textsuperscript{17} The study assessed the responsiveness of projects to GAC along three dimensions: Attention to Governance and Political Economy (GPE), GAC in Fiduciary Aspects (GFA), and the Demand Side of Governance (DSG). See World Bank (2009) for details on the methodological approach applied in the study.
In 2015, Denly conducted a quasi-experimental study to assess the impact of anti-corruption action plans (GAAPs) and governance and anti-corruption strategies on project outcomes. He manually coded appraisal documents of 3,437 projects approved between 2001 and 2014 and found that, on average, using GAAPs or governance and anti-corruption strategies led to better project outcomes (Denly, 2015). In 2016, Johnson compiled a list of 259 projects which the Bank had classified under the thematic tag ‘other accountability/anticorruption’ between 1991 and 2015. He created a trendline to illustrate the number of projects and financial commitment related to ‘other accountability/anticorruption,’ showing that between 2005 and 2015 there was no significant upward trend in either the number of projects or in financial commitments (Johnsøn, 2016). Filtering projects by the thematic tag yields incomplete results for two reasons. First, because the tag was applied inconsistently, particularly in the early years when semantic proxies for corruption were occasionally used in project documents to avoid the “C-word”. Second, a simple search by thematic tag does not give an indication of the extent to which the project is about anti-corruption and includes projects that only tangentially relate to anti-corruption.

In the absence of a consistently applied thematic tag that would have allowed for the rapid identification of anti-corruption projects, some researchers resorted to reporting aggregated lending data for themes closely related to anti-corruption. For example, Weaver (2008) reported aggregated lending data associated with the themes “public sector governance” and “rule of law” to underpin the assertion that the Bank’s anti-corruption agenda grew significantly between 1990 and 2006. Although those figures are certainly a valid proxy for the Bank’s engagement in anti-corruption, by exclusively focusing on lending data, they also face the limitation of omitting the important non-lending work that the Bank is conducting in that area. Furthermore, inferences should be drawn with caution from budget data of anti-corruption activities due to the fact that these activities tend to be less capital-intensive than those in other sectors. In the transport sector, for example, a more straightforward positive relationship can be assumed between the size of investment loans and the Bank’s engagement in that area. Anti-corruption projects, on the other hand, tend to require less capital but more monitoring by Bank staff. Therefore, a smaller amount of total anti-corruption lending aggregated from a larger number of projects might possibly be an indication of higher commitment to anti-
corruption by the Bank than a larger amount of total anticorruption lending that is aggregated from a smaller number of projects. Given this limitation but also the fact that budget data is not available for a large part of the non-lending activities, this paper operationalizes the Bank’s engagement in anti-corruption primarily as the number of activities rather than the size of investment.

An important limitation to inferring a better understanding of the Bank’s engagement on anti-corruption shared by previous studies is that they tend to exclude the Bank’s analytical work. The dataset presented in this paper shows, however, that the large majority of the Bank’s engagement in anti-corruption took the form of non-lending activities, which include technical assistance, analytical work, and trainings. In fact, over 80% of the 1,079 activities with an explicit anti-corruption focus carried out by the Bank between 1996 and 2016 are non-lending activities, and only 13% are lending operations (i.e., projects). After filtering through the about 105,000 activities that have been assigned project identification numbers between 1996 and 2016, this paper presents not a sample, but a full census of the population of activities with the common characteristic of having an explicit anti-corruption focus. By presenting and interpreting a comprehensive inventory that includes both lending and non-lending activities, this paper intends to build on and contribute to research aimed at gaining a better understanding of the Bank’s engagement on anti-corruption.

4.2. The Prohibition Period, 1944–1995

When considering the whole history of the World Bank since its creation in 1944, the explicit addressing of corruption in its programming is a relatively recent phenomenon (see Figure 7). Until the late 1990s, the Bank’s General Counsel interpreted the articles of agreement, under which the Bank was established and which allowed it to deal with only economic issues (i.e., not with political ones), in such a way that it regarded corruption as a political issue and therefore beyond the Bank’s mandate. Earlier Bank documents dance delicately around the issue of corruption, using euphemisms instead of the word itself. It was not until James Wolfensohn brought corruption to center stage in 1996 that the practice of avoiding any explicit use of the C-word was broken (Levy, 2014, p. 204). This section discusses both external and internal factors which conjointly created the space for Wolfensohn to address corruption explicitly. While the explicit addressing
of corruption progressed from being thinkable, to stateable, then doable, so has the underlying understanding of corruption and the discourse surrounding it evolved over time. The anti-corruption discourse shifted from being narrowly focused on corruption as primarily a fiduciary risk in Bank operations to one that placed anti-corruption within a broader governance agenda. The main factors impacting this evolution are discussed below to provide historical context and to set the stage for the subsequent presentation and interpretation of the Bank’s anti-corruption programming over the 1996–2016 period.

**Figure 7: The Evolution of Anti-Corruption at the World Bank— from Prohibition to Prominence, 1944–2016**

![Graph showing the evolution of anti-corruption activities at the World Bank from 1944 to 2016. The graph illustrates the shift from prohibition to prominence over time.](image-url)

Legend: Stylized depiction of the shift in importance of anti-corruption at the World Bank since 1944. The vertical axis represents the number of newly approved anti-corruption activities per year. Source: Author’s own figure.

### 4.2.1. External Context, pre-1996

Interviewees unanimously agreed that Wolfensohn’s personal influence is a key variable in explaining the sudden shift of the Bank’s anti-corruption agenda from prohibition to prominence after 1996. Aside from the personalized Wolfensohn effect, however, a number of external contextual factors have likely contributed to enabling this shift.

Major geopolitical changes in the early 1990s triggered transitions from command economies to market economies in the former Soviet Union and the Eastern Bloc, during which corruption was exposed as a major developmental challenge. In settings of weak basic institutions, the transition path often led to a concentration of economic power, state capture, and widespread administrative corruption. Particularly as the Bank started
expanding its engagement in the former Soviet Union and Eastern Europe, the issue of corruption became increasingly hard to ignore.

Another important external contextual factor was the intellectual landscape of development thinking at the time, in which new institutional economics and political economy had gained a more prominent stance. In the 1990s, after the first generation of Washington Consensus macroeconomic reforms failed to deliver on its promises, especially in Africa and Latin America (Easterly, 2001, ch. 6)\(^\text{18}\), the “institutional quality” paradigm gained traction. This defended the argument that the institutional environment is a key predictor for development outcomes. Douglass North, who laid the foundation for directing analysis of development toward institutions (North, 1990), was particularly influential not only because he won the Nobel Memorial Prize in Economic Sciences in 1993, but also because he visited the Bank frequently during that time. Building on North, who defined institutions as “humanly devised constraints that structure political, economic and social interaction” (North, 1991, p. 97) a number of cross-country regressions were conducted that linked measures of institutions with economic growth. For example, Barro (1994) investigated the linkages between democratic institutions and growth and Knack & Keefer (1995) examined the relationship between property rights and growth. Gradually the taboo of researching corruption as a topic in its own right faded away and numerous studies appeared that explicitly addressed the issue of corruption and concluded that societies incur high economic and social costs as a result of corruption (Mungiu-Pippidi & Hartmann, 2019, p. 11). In the first cross-country regression analysis that related measures of corruption to growth, Mauro (1995) found that corruption significantly lowers investment, thereby reducing economic growth. This paper by Mauro, who worked as an economist at the Bank’s sister institution IMF at the time, was reported to have gained traction in donor circles.\(^\text{19}\) Increased academic attention to the topic of corruption has thus likely contributed to the rise of the anti-corruption agenda at the Bank, at the very least by providing its proponents with empirical findings to cite from about the detrimental consequences of corruption.

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\(^{18}\) It should be noted that Easterly later revised his pessimistic view on “Washington Consensus” policy reforms. In a 2019 paper he presented new stylized facts about policy and growth outcomes and argued for a “positive updating” of pessimistic beliefs about the value of such reforms (Easterly, 2019).

\(^{19}\) Author’s interview with Philip Keefer, May 2019.
Aside from academia, other bilateral and multilateral organizations as well as NGOs began to explicitly address corruption, thereby also paving the way for the Bank to eventually move into that space.

Aid agencies less bound by restrictive mandates than the Bank funded activities that had the openly-stated objective of fostering rule of law, human rights, and democracy (Weaver, 2007b, p. 504). For example, the European Bank for Reconstruction and Development (EBRD) has enshrined the commitment to a multiparty democracy in its founding charter, binding it to only lend to democracies (EBRD, 2013). Other agencies were often able to address the politically sensitive issue of corruption more easily due to their laxer mandates, more permissive legal counsels, and different shareholder structures.

In 1993, ex-World Banker Peter Eigen, together with nine allies, created the international NGO Transparency International (TI), which soon became extraordinarily successful in raising awareness about the harmful consequences of corruption all around the globe. Advocacy for stronger public integrity, by TI and others, contributed to the adoption of international anti-corruption instruments, such as the OECD Anti-Bribery Convention in 1997 that outlawed the bribery of foreign public officials in international business transactions. According to Eigen, the OECD Anti-Bribery Convention was of major importance for the Bank’s handling of corruption, because until it entered into force in 1999, “all the Bank’s crucial member countries, except for the U.S., allowed their citizens to engage in foreign bribery, and they therefore voted not to allow the Bank’s staff to prosecute corruption”20.

Overall, the increased attention that the broader development community placed on the issue of corruption most likely also prompted the Bank to re-examine its positioning vis-à-vis this topic.

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20 Author’s interview with Peter Eigen, August 2019.
4.2.2. Internal Developments, pre-1996

The trajectory of anti-corruption at the Bank relates closely to the internal evolution of thinking around the role of the state and the concept of governance. In the years following its founding in 1944, the Bank held a view of the state as a planner which was envisioned to play a proactive role in a country’s development process. This view related to the prevailing belief at the time that the Great Depression in the 1930s was proof of the failure of the neoclassical model of economics based on the free market (Haberler, 1987, p. 53). Despite a neoclassical resurgence in the major areas of development economics from the mid-1960s, the state continued to play a central role in the Bank’s approach to development up until the late 1970s, when a debt crisis hit many developing countries. The crisis prompted a change in the Bank’s perception of the state from being part of the solution to being part of the problem. What followed in the 1980s was a decade of reforms inspired by the assumption that a small state would foster economic growth. The sobering results of these reforms, particularly in Latin America and Africa, led to a reconsideration of the role of the state. Reviewing the lessons of a half-century’s thinking of the state’s role in development, the World Development Report 1997: The State in a Changing World (WDR 1997) affirmed that both state-dominated and stateless development have failed and proposed a more nuanced redefinition of the role of the state that focused on state effectiveness (World Bank, 1997b, p. 25). It is against the backdrop of this redefined role of the state as primarily a facilitator of administrative capacity that the explicit anti-corruption agenda emerged in 1996.

The shifting orthodoxies with regards to the role of the state had important implications for the evolution of the Bank’s governance agenda, which in turn has shaped the Bank’s engagement on anti-corruption. A small internal movement surrounding the issue of governance emerged in the late 1970s. This consisted mostly of operational staff working on projects in the Africa region who attributed many reform failures to the Bank’s inability to adequately address institutional and political barriers (Weaver, 2008, p. 101). Despite having very limited resources available, the group established the Public Sector

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21 See Marquette (2002) for a more detailed account of the historical trajectory of the prevailing beliefs concerning the role of the state at the World Bank.
22 The 1981 Berg report exemplifies this ideational shift from state-led economic development to market-led development at the time (World Bank, 1981).
Management Symposium, an annual meeting which became a gathering place for staff interested in expanding the Bank’s public sector management activities throughout the 1980s (Miller-Adams, 1999, p. 110). The group, and in particular Pierre Landell-Mills as lead author, contributed to the World Development Report 1983: World Economic Recession and Prospects for Recovery (WDR 1982) in which the “quality of government” first appeared as a central developmental issue for the Bank (World Bank, 1983). However, the WDR 1982 had little impact on the Bank’s developmental discourse nor on its operational work, not least because of the intellectual opposition by a neoclassical economist majority at the time (World Bank, 2001b, p. 19). If pursued at all, institutional development was primarily intended to facilitate the implementation of policy reforms supported by adjustment lending such as the downsizing of the civil service, the reduction of public expenditures, and decentralization. This was opposed by a minority of operational staff who argued that public sector reform was not going to succeed when relying only on quick technocratic fixes without considering the deeper political dimension (Weaver, 2010, p. 54). This deeper political dimension came to be called “governance”, but it remained a marginalized concept in Bank discourse until the late 1980s when frequent failures of macroeconomic adjustment programs led to a shift of focus toward institutional development. In 1989, for the first time an official Bank publication explicitly mentioned “governance”, which it defined broadly as “the exercise of political power to manage a nation’s affairs” (World Bank, 1989, p. 60). The report, which denounced a crisis of governance in many borrowing countries, was criticized by the Bank’s General Counsel but also by senior managers and board members for having adopted a language that was considered too political (Weaver, 2008, pp. 103–104). Consequently, a Bank-wide task force was set up to clarify what type of work the Bank could pursue in the area of governance without violating its non-political mandate set out in the original articles of agreement. The task force issued a discussion paper to the Board which identified areas for possible engagement beyond public sector management (World Bank, 1991). In retrospect, the head of the task-force remarks that while the paper cleared the way for the Bank to pursue work on governance, it was not until Wolfensohn assumed the presidency in 1995 that the Bank seriously began thinking about working on issues of governance (Lateef, 2016, p. i).
These discussions surrounding the Bank’s stance on governance issues also contributed to it eventually lifting the taboo on explicitly addressing corruption. Yet, up until the early 1990s, senior management actively discouraged staff from addressing corruption explicitly. For example, in 1990, the Bank’s legal department prohibited Peter Eigen, a regional director at the time, from organizing a conference on the issue of corruption, as it was seen to be outside the Bank’s mandate. A year later, when Eigen formed a working group on corruption that would meet informally during leisure time, he received another memorandum signed by then-President Conable asking him to stop all activities related to the issue of corruption, as it would reflect badly on the Bank.  

A central actor in the Bank’s positioning vis-à-vis the issue of corruption was Legal Counsel, Ibrahim Shihata, who at first openly opposed the Bank’s engagement in the governance arena as he regarded it an interference into the political affairs of countries and therefore a violation of the Bank’s original articles of agreement. Giving in to internal and external pressures, Shihata issued a legal opinion that would allow the Bank to enter the arena of governance reform while maintaining its self-conception as an apolitical technocracy. In this legal opinion Shihata distinguishes between political and economic considerations, defining the former as “belonging to or taking a side in politics or in connection with the party system of government” and the latter more generally as “the efficient management of the country’s resources” (Shihata, 2000b, p. 261). This provided the legal basis for the Bank to engage in governance reform when motivated solely by economic considerations. Reflecting back on this period, Shihata would later state that “the Bank has tried under the cloak of governance to de-politicize many elements of the political system such as civil service reform, judicial reform, fiscal discipline, legal reform, and fighting corruption”.

Establishing the political/economic dichotomy thus allowed the Bank to expand its field of intervention to areas that were previously deemed too political. Only when placed into this newly expanded economized sphere could ‘corruption’ be relieved of its taboo status and recognized as an operational concept by the Bank (Polzer, 2001, p. 11). Despite the warning of earlier writings (e.g., World Bank, 1989) not to neglect the deeper political

23 Author’s interview with Peter Eigen, August 2019.
24 Interview with Ibrahim Shihata, May 2000.
dimension, the Bank publicly did just that as it crafted its emerging governance agenda (Weaver, 2008, p. 125). It is in the context of a governance agenda primarily focused on improving administrative capacity that the explicit work on anti-corruption emerged in the mid-1990s. The prevailing view that the role of the state was to promote institutional capacity, which became the declared objective of most governance reforms at the time, shaped the conceptual understanding of corruption as primarily a matter of public administration. Viewing corruption predominantly as a matter of public administration, rather than a judicial matter or a matter of power and politics, would remain the prevailing perspective shaping the Bank’s anti-corruption programming in the two decades that followed.
4.3. Inventory of World Bank Anti-Corruption Activities, 1996–2016

James Wolfensohn’s appointment as president of the World Bank in 1995 ushered in a new phase regarding the Bank’s engagement in the governance and anti-corruption sphere. In 1996, Wolfensohn delivered a widely-cited speech at the Bank’s annual meetings in which he denounced “the cancer of corruption” and proclaimed governance and anti-corruption issues of priority for the Bank. Wolfensohn’s explicit addressing of corruption broke an “intellectual dam” and shortly thereafter “the Bank’s research machine was gushing with new literature acknowledging the link between corruption and development” (Mallaby, 2006, p. 176). 1996 constitutes the turning point in the Bank’s anti-corruption discourse after which new analytical and operational activities with an explicit emphasis on anti-corruption emerged. Therefore, 1996 constitutes the first year of observation in the World Bank’s anti-corruption activities inventory.

4.3.1. An Inventory of Anti-Corruption Activities

This section offers a brief account of the methodological steps taken to compile such an inventory and a visualization and description of the database resulted. Retrospectively compiling an inventory that contains all Bank activities which deliberately confront corruption has encountered three main challenges. First, no thematic tag or code for “anti-corruption” has been used consistently, making it difficult to identify anti-corruption activities as such. Second, keyword searches for “corruption” yield incomplete results because of the occasional avoidance of the C-word in project documents due to its politically sensitive nature. Third, the Bank’s IT infrastructure and file management system changed significantly over the two decades resulting in challenges in capturing the information of interest throughout the whole timespan. Those challenges were addressed by creating a list of semantic proxies for corruption and using them as identifiers in multiple search queries using different data search engines. A description of the methodological steps involved in the creation of the World Bank anti-corruption activities inventory.

The author is grateful to Bank staff Joel Turkewitz, Alexandra Habershon, and Susana Cordeiro Guerra for fruitful discussions on how to create the inventory and the permission to make use of the inventory data for academic purposes.

A thematic tag “other accountability/anti-corruption” existed but was applied inconsistently and eventually abandoned in 2016.
activities inventory is provided below and a more detailed account can be found in the annex.

The objective of the inventory is to capture all Bank activities with a deliberate emphasis on anti-corruption between 1996 and 2016. Due to the lack of a consistently used thematic tag for anti-corruption activities and the use of euphemisms for corruption in Bank documents, the first step consisted in creating a list of semantic proxies for corruption. Selected project documents were screened systematically for such euphemisms and a list of 32 terms created that are directly related to corruption. Those terms were then used as activity identifiers in a query searching the universe of all 116,955 Bank activities between 1996 and 2016. The query yielded 4,879 unique activities that had the word corruption or a semantic proxy mentioned in its meta-data. The list of 4,879 was filtered further for the 1,035 activities that had corruption or a semantic proxy mentioned in a prominent place (i.e., in title, development objective, components, abstract, indicators, or thematic tag). 44 Stolen Asset Recovery Initiative (StAR) activities were added to the dataset resulting in a total of 1,079 World Bank activities that deliberately confronted corruption between 1996 and 2016.

Between 1996 and 2016, the Bank approved 1,079 anti-corruption activities which accounts for about 1.75 percent of the total number of activities (61,768) approved during the same period. The number of newly approved anti-corruption activities peaked in the years 2003–2007, when between 83 (2005) and 105 (2003) new activities were approved annually. This peak in terms of the absolute number of anti-corruption activities also holds in relative terms when compared to the total number of activities approved during those years (see Figure 8).

Annex II (p. 157) contains a research log that documents each step involved in creating the inventory and includes the full list of search terms.
Figure 8: Newly Approved Anti-Corruption Activities per Year, 1996–2016

Legend: Vertical bars (left): Number of anti-corruption activities per year; Trendline (right)
Ratio of anti-corruption activities (1,079) to all activities (61,768) per year.
Source: World Bank Anti-Corruption Activities Inventory

The vast majority (87%) of the 1,079 anti-corruption activities approved between 1996 and 2016 fall into the non-lending category and only 13% are lending operations (see Figure 9). The non-lending activities consist primarily of Technical Assistance (33%), Trainings (31%), and Analytical Work (22%) (see Figure 10).

Figure 9: Breakdown by Lending Category, 1996–2016

Source: World Bank Anti-Corruption Activities Inventory

Figure 10: Breakdown by Type, 1996–2016

Source: World Bank Anti-Corruption Activities Inventory
Considering the breakdown of anti-corruption activities by type over time, it becomes apparent that the peak in the number of activities between 2003 and 2007 was primarily driven by Trainings and Analytical Work. Furthermore, the trend chart suggests that Technical Assistance substituted Trainings after 2008. The number of lending operations (IBRD/IDA), on the other hand, has remained relatively stable over time (see Figure 11).

**Figure 11: Trend of Anti-Corruption Activities by Type, 1996–2016**

![Trend of Anti-Corruption Activities by Type, 1996–2016](image)

Note: N = 1,079  
Source: World Bank Anti-Corruption Activities Inventory

Most anti-corruption activities were led by the Governance Global Practice (64%), followed by the Finance and Markets Practice (17%) and the Macroeconomics and Fiscal Management Practice (6%) (see Figure 12). This emphasis on strengthening institutions rather than markets could be an indication of the Bank’s approach and priorities.
Most activities were implemented in the Africa region, followed by Latin America and the Caribbean, Europe and Central Asia, and East Asia and Pacific (see Figure 13).

Source: World Bank Anti-Corruption Activities Inventory
Indonesia is the country with the highest number (39) of anti-corruption activities implemented by the Bank between 1996 and 2016. It is followed by Nigeria (27), the Philippines (21), and Kenya (19) (see Figure 14). Out of the 125 countries in which the Bank engaged operationally between 1996 and 2016, 118 (94%) had at least one activity with an explicit anti-corruption focus.

Figure 14: Countries with most Anti-Corruption Activities, 1996–2016

Source: World Bank Anti-Corruption Activities Inventory

The inventory dataset does not contain information about the performance or impact of the anti-corruption activities. An intuitive way of assessing the impact of the Bank’s anti-corruption activities would be to correlate them with country-level measurements of corruption over time. However, as it has been pointed out by various scholars before, the most common corruption measurements, namely, Transparency International’s Corruption Perception Index and the Bank’s Control of Corruption indicator, have shown to be insensitive to change and are therefore not fit for use in panel data analysis. These indices are subject to substantial margins of error which indicate that small changes may well be neither statistically nor practically significant. Kaufmann and Kraay, the creators of the World Governance Indicators (WGI s), openly point to the fact that almost half of the variation in the Control of Corruption indicator over a four-year-period resulted simply from changes in weights and the addition of new sources (Kraay et al., 2002, p.
Besides these limitations, correlating country-level aggregate measures of corruption with the number of the Bank’s anti-corruption activities in a country would not be indicative of impact due to the generally limited size and scope of these activities.

A feasible approximation of impact is by crossing the World Bank’s anti-corruption activity dataset with the Project Performance Ratings Dataset compiled by the Bank’s internal evaluation unit—the Independent Evaluation Group (IEG). This dataset contains more than 11,300 project assessments carried out by IEG spanning the years 1964-2014. IEG assesses the extent to which a project’s major relevant objectives were achieved, or are expected to be achieved, efficiently. The overall project outcome rating is a composite rating based on three criteria: the relevance of the project’s objective and design; achievement of the objectives (efficacy); and efficiency. The IEG dataset contains assessments of 90 of the 144 lending operations included in the anti-corruption activities dataset. Comparing these assessments with all assessments shows that anti-corruption projects perform slightly worse than other projects. While 75% of all other projects are rated some variation of satisfactory and 25% some variation of unsatisfactory, 70% of anti-corruption projects are rated satisfactory and 30% unsatisfactory (see Figure 15). This difference might be due to the fact that anti-corruption activities tend to occur more frequently in low-income settings (see Figure 17, p. 79), thus facing greater implementation challenges than other types of projects.

These numbers should be interpreted with caution, however, since IEG faces the same known challenges in assessing the impact of anti-corruption interventions. Due to the difficulty of measuring outcomes, the results matrixes of anti-corruption projects often contain de jure measures as output indicators that, even if fulfilled, might not be indicative of the project’s impact on the quality of governance in the respective country. Examples for such output indicators include “two anti-corruption structures established and operational” or “at least 80 percent of all measures included in the anti-corruption action plan are implemented”\textsuperscript{28}. Anti-corruption projects are predominantly rated ‘moderately satisfactory’, but evaluation reports often include generic disclaimers about the limitations in conducting rigorous cost-benefit assessments due to the nature of the

\begin{footnote}{28} Indicator examples stem from Transparency and Governance Capacity Building Project (P073507) implemented in the Republic of Congo between 2002 and 2010.\end{footnote}
Due to this lack of variance and rigor in outcome ratings, the assessment data is of limited use for further research, for example on the enabling conditions for successful anti-corruption projects.

**Figure 15: Project Outcome Ratings**

![Project Outcome Ratings](image)

Source: IEG World Bank Project Performance Ratings Dataset

4.4. **Explaining Anti-Corruption Activity**

To gain a better understanding of the driving and limiting factors of the Bank’s anti-corruption programming, this section examines factors internal and external to the Bank using both inferential statistics on panel data and insights from semi-structured interviews conducted with a sample of current and retired World Bank staff. More methodological details are provided in the sub-sections.

4.4.1. **External Factors**

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29 Example for such a disclaimer: “although economic rates of return are difficult to compute in public sector reform projects, efficiency gains are likely to have occurred in the areas targeted by the project components” (World Bank, 2015, p. 41).

Having compiled the anti-corruption activities inventory allows for the testing of hypotheses about specific country-level factors potentially influencing the allocation of World Bank anti-corruption activities. Correlations between allocation decisions and specific country characteristics could also be indicative of strategic considerations with regards to the allocation of anti-corruption activities. External factors have been examined adopting an iterative mixed-methods research approach comprising sequential qualitative and quantitative analysis (see Figure 16). First, hypotheses have been generated from existing literature with similar research objectives and then tested qualitatively in semi-structured interviews using a purposive sample of current and retired World Bank staff. Second, the initially generated hypotheses plus additional hypotheses that emerged from expert interviews have been tested quantitatively by applying multiple regression analysis.

**Figure 16: Iterative Mixed-Method Approach**

Source: Author’s own figure.

It may be concluded from screening Bank publications for driving and limiting factors of the Bank’s anti-corruption programming that a country’s income group status matters for the allocation of anti-corruption activities. The Bank’s World Development Report 2017 on Governance and the Law implicitly argues that, from an economic growth perspective, fighting corruption is of higher priority in upper-middle-income countries than in low-income countries. At low income levels, the reports argues, corruption may actually be the “glue” necessary to ensure coordination among state and business actors (World Bank, 2017, p. 160). This argument was already put forward by the so-called revisionists in the 1960s who rejected the condemnation of corruption on moralistic grounds and pointed to its positive effects particularly in contexts of conflict and fragility. Sharing the belief that corruption is a natural feature of the development process, revisionists link the
occurrence of corruption to positive changes in various outcomes including economic development (Leff, 1964; Leys, 1965; Nye, 1967), state-building (McMullan, 1961), and political development (Huntington, 1968; Scott, 1969).

However, unlike revisionists, who felt no need to become proactive about corruption as it was believed to wither away by itself as countries develop, the Bank’s recent report identifies corruption as a main challenge when countries reach middle-income status. The report argues that corruption, which helped prevent conflict and eased the relations between the public and private sector in low-income settings, would increasingly become an obstacle to growth when countries reach middle-income status, as it would undermine competition and the creation of new growth coalitions. In other words, when markets expand and supply networks become more complex corrupt networks can no longer serve as substitute for impersonal, rules-based contract enforcement (Dixon 2004, as cited in World Bank, 2017, p. 160). The report backs this theorized mechanism with empirical data showing that high-middle-income countries that successfully reached the subsequent income level during the sample period (1950–2011) lowered their levels of corruption significantly before becoming high-income countries (World Bank, 2017, p.161). This explicit income-based priority differentiation for anti-corruption work leads to the question of whether the Bank’s decision to allocate an anti-corruption activity to a country is influenced by its income-status.

Disaggregating the data by income group status does not reveal a pattern in the allocation of anti-corruption activities that would suggest upper-middle-income countries are prioritized (see Figure 17). This is the case in both absolute and relative terms, when compared to the overall number of activities carried out in the same income group. The allocation of anti-corruption activities follows the Bank’s overall allocation pattern, which is to prioritize low-income countries. A possible explanation given in interviews is that corruption is still viewed by many Bank staff as primarily a fiduciary risk that can be mitigated by ringfencing Bank operations. Since operations in low-income settings tend to require more ringfencing, for example through anti-corruption trainings for the staff of local project implementation units, this could lead to more anti-corruption activities being observed in low-income countries. Overall, the empirical picture corroborates a statement made by the Bank’s former focal point for corruption, who
remarked that the Bank does not regard anti-corruption as a luxury good and that it addresses corruption at all levels of development.31

Figure 17: Anti-Corruption Activities by Income Group, 1996–2016

![Chart showing anti-corruption activities by income group]

Note:  
(i) 756 Anti-Corruption Activities / 33,673 All Activities32  
(ii) Income groups as per World Bank classifications; Countries have been assigned the income group to which they have been most frequently pertained to over the 1996-2016 period.  
Source: World Bank Anti-Corruption Activities Dataset; World Bank Income-Group Classifications Dataset33

External research and interviews suggest that the following factors could predict the Bank’s decision to conduct anti-corruption activities in a country and are therefore included in below analysis.

Corruption control. If the Bank was to allocate anti-corruption activities on an anti-corruption needs-basis, a country’s level of corruption would be positively associated with the number of anti-corruption activities allocated to it. To test the predictive capacity

31 Author’s interview with Joel Turkewitz, May 2019.  
32 Number of observations is smaller than in previous graphs because regional activities have been excluded. The exclusion is due to the fact that regional activities are conducted in multiple countries which belong to different income groups.  
33 The dataset containing historical classifications of countries by income group is available for download here: http://databank.worldbank.org/data/download/site-content/OGHIST.xls (accessed Dec 18, 2019).
of a country’s level of corruption over the number of anti-corruption activities allocated, the analysis uses the Bank’s own Control of Corruption (CoC) indicator of the Worldwide Governance Indicators (WGI$s)\textsuperscript{34}. The CoC indicator measures “perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests” (Kaufmann et al., 2010, p. 4). The WGI dataset covers more than 200 countries over the period 1996–2018, and the CoC indicator is among the most commonly used in empirical corruption research (Treisman, 2007, p. 213). The WGI CoC indicator ranges from about -2.5 (lowest corruption control) to 2.5 (highest corruption control).

\textit{Freedom of the press.} Previous research found that press freedom has a positive impact on effective control of corruption (Brunetti & Weder, 2003; Kalenborn & Lessmann, 2013). Based on years of theoretical and empirical research on the control of corruption, Mungiu-Pippidi & Dadašov (2016) identified freedom of the press as a key element to consider when designing evidence-based anti-corruption strategies. Chowdhury (2004) finds a significant impact of press freedom and democracy on corruption, hypothesizing the following underlying causal mechanism: “The presence of press freedom brings public corruption cases to the voters while voters in a democracy in turn punish corrupt politicians by ousting them from public offices. Hence, elected politicians react to the voters by reducing corruption” (pp. 93–94). Accordingly, higher press freedom would increase incentives for governments to engage in anti-corruption and request assistance for anti-corruption reforms from the World Bank. Therefore, a positive association between press freedom and the number of anti-corruption activities is expected. This association is tested using Freedom House data\textsuperscript{35} covering 199 countries and territories between 1973 and 2018. The freedom of the press indicator ranges from 0 (most free) to 100 (least free).

\textit{IMF conditionality.} The International Monetary Fund (IMF) holds an influential position among international organizations promoting anti-corruption reforms. As a lender of last resort, the IMF provides financial assistance to countries experiencing economic distress in order to prevent or mitigate economic crises. The IMF attaches policy conditions—so-

\textsuperscript{34} Dataset available here: https://info.worldbank.org/governance/wgi/ (accessed on Dec 10, 2019).

called “conditionalities”—to its loans aimed at adjusting borrowing government’s
economic policies to overcome the problems that led them to seek financial aid. While
these conditionalities’ primary objective is to foster economic growth, a secondary
objective is to promote “good governance” and, more narrowly, to eliminate opportunities
for corruption (Tanzi, 1998; Abed et al., 2002). Given the complementarity between the
two Bretton Woods institutions, with the IMF focusing on macroeconomic issues and the
Bank concentrating on long-term economic development and poverty reduction, a
country’s IMF program participation could be positively associated with the number of
World Bank anti-corruption activities allocated to it. The relationship is tested using
World Bank International Debt Statistics data\(^3\) containing IMF lending data spanning the
period 1999–2018. This variable is operationalized as the volume of IMF credit and loans
in current U.S. dollars.

**Aid dependency.** A considerable body of research has studied the potential influence of
development aid on corruption. Although the literature reached no clear consensus on the
relationship between aid to corruption, a number of widely-cited studies has shown that
aid increases corruption (Svensson, 2000; Alesina & Weder, 2002). Among the studies
reaching this conclusion is also an empirical cross-country analysis by Knack (2001) who
was an influential researcher at the Bank between 1999 and 2019. It therefore seems safe
to assume that the Bank was aware of the potential negative externalities of aid. This
awareness might have prompted the Bank to allocate more anti-corruption activities in
contexts of higher aid dependency. Accordingly, a positive association between aid levels
and the number of anti-corruption activities is expected. Testing this relationship is of
further interest because it can contribute to answering the question of whether the Bank’s
engagement on anti-corruption is primarily driven by the Bank or by recipient
governments. The majority of interviewees stated that the Bank’s anti-corruption agenda
has been largely supply-driven—i.e., that the impetus for doing anti-corruption work
came from the Bank rather than from recipient governments. A positive association
between aid dependency and the number of anti-corruption activities would thus provide
empirical support for the hypothesis that the Bank’s anti-corruption work is mainly
supply-driven. Aid dependency data is retrieved from OECD International Development

\(^3\) Dataset available here: https://data.worldbank.org/indicator/DT.DOD.DIMF.CD (accessed Dec 10,
2019).
Statistics (IDS) online databases containing Official Development Assistance (ODA) data\textsuperscript{37} for about 150 developing countries over the period 1960–2018. Aid dependency is operationalized as net ODA received in U.S. dollars as percentage of a country’s gross national income (GNI).

*Regime durability.* A study investigating the impact of IMF conditionality on corruption control included regime durability as a control variable to account for deep legacies in political systems (Reinsberg et al., 2019). Similarly, in this paper I investigate regime durability to account for deep legacies in Bank-recipient government relationships potentially affecting the allocation of anti-corruption activities. Interviewees provided accounts of internal resistance to doing anti-corruption in certain countries due to concerns about disrupting long-lasting relationships. Examples of such long-lasting relationships where the Bank maintained a large degree of loan exposure while avoiding the explicit addressing of corruption include Suharto’s Indonesia until 1998, Mubarak’s Egypt until 2011, and, for the most part, Ben Ali’s Tunisia until 2011. Therefore, a negative association with regime durability and the number of anti-corruption activities allocated is expected. Further support for this hypothesized association stems from the fact that newly elected governments often campaigned on an anti-corruption platform and are more likely to implement anti-corruption reforms after assuming office to show that they are delivering on their promises. Data on regime durability stems from the Database of Political Institutions\textsuperscript{38} hosted at the Inter-American Development Bank (IDB) covering about 180 countries over the 1975–2017 period. Drawing on this database, the independent variable ‘regime durability’ is constructed, measuring the number of regime changes in a country over the twenty-year period.

In addition, human development index (HDI)\textsuperscript{39} is included in the model—a variable that is frequently included as a covariate in similar research.

**Method.** The following analysis examines the role of country specific variables in the allocation of anti-corruption activities. The aforementioned hypotheses are tested using a


compiled dataset for up to 135 countries over the 1996–2016 period. Due to limitations of the dataset (e.g., lack of information on the duration of anti-corruption activities) the panel nature of the dataset is not being exploited. Instead, a cross sectional regression analysis, based on averages across countries, is conducted. Bivariate correlations between all independent variables are calculated, including the dependent variable—the ratio of ‘anti-corruption activities’ to ‘all activities’ whose value, by definition, ranges from 0 to 1.

**Results.** Pairwise correlations are calculated for all variables of interest: anti-corruption activities, corruption control, press freedom, IMF conditionality, aid dependency, regime durability, and HDI. Table 3 shows correlations for all variables. Overall, small to large correlations were found, ranging between $r = .22$, $p < .05$ and $r = .77$, $p < .01$. The only independent variable significantly correlated with the outcome variable was corruption control ($r = .27$, $p < .01$).

<table>
<thead>
<tr>
<th>Variables</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Anti-corruption activities</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Corruption control</td>
<td>-0.269**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Press freedom</td>
<td>-0.136</td>
<td>-0.633**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) IMF conditionality</td>
<td>-0.055</td>
<td>0.014</td>
<td>0.015</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Aid dependency</td>
<td>0.007</td>
<td>-0.223*</td>
<td>0.090</td>
<td>-0.313**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Regime durability</td>
<td>0.081</td>
<td>0.114</td>
<td>-0.376**</td>
<td>0.075</td>
<td>0.043</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>(7) HDI</td>
<td>-0.120</td>
<td>0.485**</td>
<td>-0.329**</td>
<td>0.337**</td>
<td>-0.601**</td>
<td>0.096</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: Pairwise Correlations; Number of observations=135 (countries); ** $p<0.01$, * $p<0.05$

Bivariate regressions also confirm that only corruption control is significantly associated with the degree of World Bank anti-corruption activity in a country (see Table 4). The results thus confirm the intuitive hypothesis that the Bank is more likely to engage in anti-corruption in contexts of low control of corruption, but not in relation with a country’s development (proxied by the Human Development Index), aid or IMF conditionality. This finding suggests that organizational factors internal to the Bank may play a major role in explaining the allocation of anti-corruption activities. For this reason, the
following section focuses on the role of internal factors impacting the Bank’s engagement on anti-corruption.

Table 4: Bivariate Regression Results Summary

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Anti-Corruption Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate (SE)</td>
</tr>
<tr>
<td>Corruption control</td>
<td>-0.007** (0.002)</td>
</tr>
<tr>
<td>Press freedom</td>
<td>0.000 (0.000)</td>
</tr>
<tr>
<td>IMF conditionality</td>
<td>-4.586e-13 (0.000)</td>
</tr>
<tr>
<td>Aid dependency</td>
<td>1.586e-5 (0.000)</td>
</tr>
<tr>
<td>Regime durability</td>
<td>0.001 (0.001)</td>
</tr>
<tr>
<td>HDI</td>
<td>-0.014 (0.010)</td>
</tr>
</tbody>
</table>

Note: Bivariate regressions; Estimate=unstandardized estimate; SE=standard error; β=standardized beta; P=p-value; ΔR²=adjusted r²; N=number of observations (countries); ** p<0.01

4.4.2. Internal Factors

The findings of the previous section suggest that honing in on organizational level factors will likely contribute to a better understanding of the driving and limiting factors of the Bank’s anti-corruption programming. In the context of this analysis, internal factors are defined as internal influences on the Bank’s policies and practices, including those originating from the operational, managerial, and executive levels. Hence, actions of member countries’ representatives within the board of governors and board of directors—the Bank’s highest executive bodies—are also considered internal factors.

The analysis of the influence of internal factors on the Bank’s anti-corruption programming consists of the following steps. First, potentially relevant internal factors are distilled from the scholarly field of International Organization (IO). Second, the relevance of those factors is assessed through expert interviews, applying a semi-structured protocol to allow for additional explanatory factors to surface and be discussed. Third, three agendas operating under the anti-corruption label are distinguished and the most influential internal factors identified for each. The subsequent qualitative analysis draws upon three types of sources: academic publications on IOs in general and the World Bank in particular, original World Bank documents, and eighteen interviews with current
and former Word Bank employees with experience in the governance and anti-corruption field.\textsuperscript{40}

The relevance of internal factors for explaining the behavior of international organizations has been alluded to by a number of IO theorists on whose work this analysis draws. As a subfield of International Relations (IR), IO literature can be distinguished by the same underlying grand perspectives that are most commonly used in the IR field—namely, (neo)realism, (neo)liberalism, and constructivism.\textsuperscript{41} While (neo)liberals (e.g., Keohane, 2005) are generally more optimistic about the prospects of international cooperation than (neo)realists (e.g., Waltz, 1979), both share a statist ontology and consider the state and its interests as the central subject of analysis. Adopting either of these two views in the study of the World Bank’s anti-corruption programming would therefore place emphasis on the role of member state shareholders, represented through the Bank’s board of governors and board of directors. In the late 1980s, constructivist approaches emerged that depicted IOs as autonomous actors in their own right, thus challenging the hitherto prevailing view in IR theory which regarded IOs as merely instruments of states.

Building on Weberian insights about the normative power that bureaucracies possess as rational-legal authorities and its implications for the ways they produce and control social knowledge, the influential work by Barnett and Finnemore (1999, 2004) provided the theoretical framework for considering IOs as “actors” rather than just “stages”. Barnett and Finnemore shifted attention to the inner workings of IOs, showing how they create new rules, actors, and ideas, but also how they can “become obsessed with their own rules at the expense of their primary mission in ways that produce inefficient and self-defeating outcomes” (2004, p. 3). Since then, many studies have adopted a similar sociologically inspired approach to examine how internal and social forces shape IO behavior. How such internal-social factors have impacted World Bank policies and practice has been studied by Weaver (2008) looking at the role of internal leadership in the emergence of the good governance and anti-corruption agenda, and Marschinski and Behrle (2009).

\textsuperscript{40} See Annex II (Table 6, p. 156) for list of interviewees.

\textsuperscript{41} For a comprehensive overview of the evolution of International Organization as a field of research see Reinalda (2013) and Gutner (2017).
showing how the organizational culture shaped the Bank’s environmental agenda. While many studies on IOs adopted a constructivist approach, drawing from the field of sociology, at least as many adopted a so-called rationalist approach, drawing from the field of economics. Rationalists applied principal-agent models toward understanding IO behavior and performance. For example, Gutner (2005) used the principal-agent model to show that incoherent mandates are a key source for the disconnect between the World Bank’s stated environmental goals and its on-the-ground implementation. Also building on rationalist assumptions, Pollack and Hafner-Burton (2010) find that the effective implementation of IO mandates hinges upon hard incentives for bureaucrats like individual pay or promotion. Figure 18 summarizes the internal factors discussed in above review of various strands of IO literature and relates them to the organizational level of the World Bank at which they occur. In addition to the factors stemming from the literature, ‘material constraints’ are added as a separate category given that IOs may simply lack adequate personnel and resources to implement a given mandate.

Figure 18: Internal Factors

![Figure 18: Internal Factors](image_url)

Source: Author's own figure.
Primary source data reveal that Bank employees associate several connotations and meanings with the concept of ‘anti-corruption’. Some connotations stem from the perceived instrumentalization of ‘anti-corruption’ for foreign policy purposes, as well as for ideological ends in the past. Under Paul Wolfowitz, who served as the Bank’s president from 2005 to 2007, there was widespread worry that ‘anti-corruption’ was being used selectively to advance U.S. foreign policy objectives, punishing some countries for corruption while not punishing others that scored equally or worse on corruption indices. For example, under Wolfowitz, the Bank withheld lending to India, Uzbekistan, and Kenya until allegations of corruption were resolved, but did not apply the same criteria in Indonesia, Tajikistan, or the Democratic Republic of the Congo. The perception that Wolfowitz was turning the Bank into a U.S. foreign policy instrument angered staff members and shareholders alike, resulting in senior staff resigning and shareholders withholding payments to the Bank in protest (Cassidy, 2007). Another connotation associated with ‘anti-corruption’ relates to the view that the term carries a certain ideological baggage. The perception that the anti-corruption discourse is frequently adopted by the neoconservative right led some to regard ‘anti-corruption’ as a code word for small government ideology. It should be qualified, however, that due to the anecdotal nature of the accounts it is difficult to estimate how widespread these connotations are among Bank employees. Another, arguably more significant, general finding of the interviews is a lack of conceptual clarity with regard to ‘anti-corruption’ and widely diverging views concerning the Bank’s role in addressing the issue. The reason for this lies in the fact that several groups within the Bank conduct anti-corruption work (see Figure 19), and that the type of anti-corruption work they carry out varies greatly.

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42 Interview with Joseph E. Stiglitz, November (2007).
On the one hand, there are the groups focusing on the fiduciary and compliance within Bank operations ensuring that funds are used for their intended purpose. This work is primarily the responsibility of procurement and financial management staff working in the sectors, with support from the Integrity Vice Presidency (INT), the Operations Policy and Country Services (OPCS), and the Sanctions System. On the other hand, there are the groups conducting developmental anti-corruption work, focused on curbing corruption in borrowing countries as part of the Bank’s developmental mission. Anti-corruption activities belonging to the developmental stream include analytical work aimed at improving the diagnosis and measurement of the phenomenon, as well as operational work supporting the design and implementation of anti-corruption measures at the country level. As previously shown in the inventory discussion (see Figure 12, p. 73), most of the developmental anti-corruption activities are led by the Governance Global Practice (GGP), followed by the Finance and Markets Global Practice (F&M GP). Finally, the Legal Vice Presidency (LEG) plays an influential, multi-facetted role in all streams of anti-corruption work. It works as issuer of the legal frameworks for both the fiduciary and developmental anti-corruption work, as well as—on an ongoing basis—at the operational level primarily through its country lawyers, and at the sector level, through

Note: Finance & Markets Global Practice (F&M GP) was renamed to Finance, Competitiveness & Innovation Global Practice (FCI GP) in 2016.

Source: Author’s own figure.
its legal advisors. This multitude of actors involved gave rise to multiple agendas related to anti-corruption, all operating at the same time. As the Bank’s organizational structure adapted to the various types of anti-corruption work being carried out, at times there has been a tension between the fiduciary and developmental streams of anti-corruption work. While the fiduciary stream focused on safeguarding Bank operations from the weaknesses of a borrower’s public sector, often by way of ringfencing project management systems, the developmental stream emphasized using and strengthening domestic systems to enhance borrower accountability and to sustain progress in controlling corruption beyond the duration of a project. Tensions among some of the groups working on anti-corruption might also emanate from the fact that they conceptualize corruption differently, leading also to different approaches to combatting it. Interviews and the review of the Bank’s grand strategy documents on anti-corruption suggest that the different agendas operating under the anti-corruption label are also faced with different types of driving and limiting factors. Therefore, the following analysis distinguishes three agendas by their underlying conceptual understanding of corruption: corruption as a crime; corruption as matter of public administration; and corruption as a matter of power and politics. While acknowledging a certain degree of overlap and complementarity between the agendas, this differentiation is deemed useful as it sharpens the analytical lens onto the modes of operation of the different factors driving and limiting the Bank’s anti-corruption programming.

Corruption as a Crime. Adherents of the ‘corruption as a crime’-agenda conceptualize corruption predominantly as individual acts of illegal activity—e.g., giving or receiving a bribe—which are most effectively addressed through direct fiduciary and legal measures.

After Wolfensohn publicly declared the fight against corruption a top priority for the Bank in 1996, among the first actions that followed was the hiring of additional financial management and procurement staff to address corruption within Bank-financed projects. Simultaneously, the Bank’s legal department and central procurement offices revised the procurement guidelines to manifest that fraud and corruption would not be tolerated, and outlined standard procedures to investigate allegations of fraud and corruption by suppliers, contractors, and consultants (Thornburg et al., 2002). The first formal
The investigations unit was created in 1998, which took a variety of forms before the Department of Institutional Integrity (INT) was set up in 2001. Well-endowed with resources, INT had handled over 1,300 cases resulting in 225 debarments of individuals and firms by the time it issued its first annual report in 2004 (World Bank, 2005). The sanctions process was overhauled in 2004 establishing the basic two-tiered structure that still operates today. INT investigates allegations of corruption and, if substantial evidence is found, refers them to the Office of Suspension and Debarment (OSD)—the first tier of the Bank’s sanctioning process. OSD reviews the evidence and issues a sanction if the evidence supports it. The accused firm or individual has the option to contest the sanction which would lead the case to be referred to the Sanctions Board—the second tier of the Bank’s sanctioning process.

The Sanctions Board conducts a full *de novo* review in each contested case and issues a final and non-appealable decision. A cross-debarment agreement was signed with four other multilateral development banks in 2010, stipulating that entities debarred by one bank will be sanctioned for the same misconduct by the other signatories.\(^44\) Furthermore, a comprehensive corruption risk assessment framework was developed and gradually mainstreamed into the operational design of all projects.\(^45\) These internal efforts in creating strong fiduciary and legal mechanisms to identify, sanction, and prevent corruption in Bank operations also shaped the external anti-corruption work. Particularly the initial period of anti-corruption work was characterized by a close conceptual and operational alignment between the fiduciary and developmental streams. Early anti-corruption programming resembled the Bank’s own efforts to curb corruption in its operations and focused on assisting borrowing governments in adopting anti-corruption guidelines and building capacity to ensure compliance.

Another set of external anti-corruption activities focusing on “corruption as a crime” emerged after the United Nations Convention against Corruption (UNCAC) was adopted by the United Nations General Assembly in 2003. The Bank assisted signatory countries

\(^{44}\) The Agreement for Mutual Enforcement of Debarment Decisions was signed by the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank Group.

\(^{45}\) See World Bank (2014a) for a discussion of the current Systematic Operations Risk-Rating Tool (SORT), requiring Bank staff to assess and rate the risk of fraud and corruption when preparing a new project.
with the implementation of a range of measures set forth by UNCAC, including the formulation of anti-corruption laws, the establishment of anti-corruption bodies, and the recovery of corruption proceeds. After an initial uptick in the number of activities related to UNCAC, the Bank’s engagement in those areas declined for a variety of reasons. The number of activities related to fulfilling UNCAC’s legislative requirements declined simply because an increasing number of countries had enacted most of the convention into domestic legislation. Another UNCAC requirement that the Bank assisted countries in implementing was the creation of specialized anti-corruption bodies. In many countries this requirement was fulfilled by establishing an anti-corruption agency (ACA), of which currently there are more than 100 in operation globally. The replication of ACAs that are widely considered successful, such as Singapore’s Corrupt Practices Investigation Bureau (CPIB) and Hong Kong’s Independent Commission Against Corruption (ICAC), proved to be more difficult than expected elsewhere. Particularly in contexts of endemic corruption, ACAs often remained ineffective, if not actively harmful when being used by ruling elites against political opponents. External studies concluded that the overall performance of ACAs fell short of expectations (OECD, 2008; Mungiu-Pippidi, 2015a), and internal reviews concluded that the Bank’s support for anti-corruption bodies had limited impact (World Bank, 2008; World Bank, 2011b). Those meager results contributed to the gradual scaling down of Bank support for ACAs over time.

Moreover, the Bank supported the implementation of UNCAC through the formation of the Stolen Asset Recovery Initiative (StAR), which was launched in 2007 in partnership with the United Nations Office on Drugs and Crime (UNODC). The StAR initiative is an international effort to assist requesting countries in recovering assets stolen by former corrupt leaders, working with both financial centers and victim states. StAR activities are usually comparatively small in budget terms and take the form of trainings, convening events, and publications. A major contribution of StAR is the compilation and maintenance of an online database containing information on international corruption cases from almost 140 countries and documenting over USD 8 billion in stolen funds that have been frozen, confiscated, or returned to victim states since 1980.46 The launch of initiatives like StAR and the International Corruption Hunters Alliance (ICHA), a

network of more than 200 anti-corruption officials from over 100 countries launched by INT in 2010 to advance the investigation and prosecution of corruption, indicates the firm anchoring of the “corruption as a crime” agenda within the Bank.

The initial impetus for this agenda, as it is the case for the other agendas, came with Wolfensohn’s vocal push to take action against corruption in 1996. The buildup of fiduciary controls received further momentum when an internal memorandum was leaked in 1998 which estimated that at least 20–30% of the Bank’s project funds in Indonesia were diverted through informal payments to bureaucrats and politicians, and that Bank controls have little practical impact (Simpson, 1998). The ensuing creation of a comprehensive fiduciary apparatus to better protect development funds against corruption should reassure donors that their funds were being used for the purposes intended and reduce reputational risks for the Bank. As part of these efforts, INT was created with the original purpose of investigating allegations of fraud and corruption in Bank projects and allegations of staff misconduct. Over time, however, INT’s mandate expanded from playing a mostly reactive role investigating problems after they occurred, applying sanctions as a deterrent, to a more proactive role in preventing corruption, collaborating with other groups across the Bank that conduct anti-corruption work. Consisting primarily of staff with a legal background, INT has been central in promoting the “corruption as a crime”-agenda, exerting great influence also on the way that anti-corruption is thought and talked about in general at the Bank.

Soon after assuming the Bank presidency in 2005, Paul Wolfowitz declared the fight against corruption a major priority and assigned INT a prominent role in it. Wolfowitz appointed Suzanne Folsom, a Republican Party activist, to head INT, ignoring the short list of highly qualified candidates that a selection committee had put together (Callan & Guha, 2007). Under Folsom’s leadership, INT became more active and aggressive in investigating corruption, both within Bank operations and among Bank staff. INT conducted large systemic investigations in a number of selected countries, including a detailed review of five Bank-financed health projects in India (World Bank, 2007a). The report, which had found significant indicators of fraud and corruption in all projects, leaked to the press before the operational Bank staff involved had seen it, and led to an immediate breakdown of relations between India and the Bank (Heimann & Pieth, 2018).
Consequently, the already-strained relationship between INT and Bank staff deteriorated further. In 2007, widespread staff complaints that INT was unfairly prosecuting Bank personnel led the Bank’s board of executive directors to request the formation of an independent panel of experts to review the role and management of INT. In its final report, the panel, led by former chair of the U.S. Federal Reserve Paul Volcker, describes the state of the Bank’s anti-corruption work in early 2007 as enveloped by “a lack of common purpose, distrust, and uncertainty” (World Bank, 2007b, p. 9). Furthermore, it finds that resistance to the work of INT has been particularly strong among important parts of Bank staff and some parts of Bank leadership. The report highlights two potential motives behind this resistance to INT. First, the concern that a strong anti-corruption effort would somehow be anti-development and “penalize the poor twice” by cutting off ties to countries suffering from poor governance. Second, the discomfort among some Bank staff, who are generally incentivized by the pay and evaluation system for getting projects approved, to have those projects investigated ex-post by INT, potentially exposing corruption and straining relations with borrowing countries. The panel recommended a major strengthening of the organizational relationships and role of INT and called for a coordinated Bank-wide approach to end “past ambivalence about the importance of combating corruption” (World Bank, 2007b, p. 3).

The impartiality of the panel was later called into question when 16 INT staff members filed grievances with the Bank’s internal Administrative Tribunal alleging that they suffered a hostile work environment, unfair treatment, abuse of discretion, and violations of due process at the hands of INT management between 2005 and 2008. The Tribunal revealed in the text of its ruling that a Volcker panelist informed Folsom regularly about the identity of INT staff who registered concerns about INT management to the panel, and that she then retaliated against those who criticized her (AT Decision 419, 2009, para. 45). In addition to the intimidation of witnesses, the ruling indicates that Folsom altered both practices and documents to mislead the panel about the administration of INT (AT Decision 410, 2009, para. 52). Responding to an inquiry by the Government

47 The Bank’s Administrative Tribunal awarded substantial damages to all sixteen INT staff members. As a consequence of these rulings and another case in which Folsom was found guilty of damaging the professional and personal reputation of the former General Counsel of the private sector lending arm of the Bank, the International Finance Corporation (IFC), the Bank paid the victims over USD 2 million in damages and compensation.
Accountability Project (GAP), a whistleblower advocacy group, questioning the validity of the panel’s findings, the Bank’s General Counsel responded that “while the findings of the Administrative Tribunal […] have been disheartening to current Bank Management, there is nothing in those findings that undermines the validity of the Volcker Panel’s multiple recommendations” (Leroy, 2010, p. 2). Under the successor to Wolfowitz, Robert Zoellick, the Bank adopted the panel’s recommendations, including the elevation of INT to the status of a vice presidency with reporting lines directly to the president, as well as the expansion of INT’s preventive role by setting up an internal consulting unit to advise operational staff on preventive measures. With the institutional strengthening of INT, the “corruption as a crime” agenda gained ground in the internal discourse around corruption and anti-corruption programming.

When asked about potential factors driving the Bank’s anti-corruption programming, an interviewee suggested a link between INT investigations and anti-corruption activities. The hypothesized mechanism being that the more country teams see their projects being investigated by INT and project disbursement levels being affected as a consequence, the more likely they are to become proactive about corruption and implement an anti-corruption activity. Indeed, when looking at aggregated numbers, a correlation between the number of INT investigations and the number of anti-corruption activities seems plausible (see Figure 20). However, when testing this relationship, using data from INT annual reports disaggregated by region and year, no statistically significant linear association was found.
To sum up, the “corruption as a crime” agenda promotes direct approaches in combating corruption centered on sanctioning and deterring transgressions. The first set of anti-corruption activities adopting the “corruption as a crime” perspective was primarily motivated by the Bank’s need to fulfill the fiduciary duty to member countries that funds are used for their intended purposes. Leveraging its own experience in creating strong fiduciary oversight, the Bank assisted in improving the fiduciary systems of borrowing countries, mainly through trainings and technical assistance. Another set of anti-corruption activities pertaining to this agenda arose from requirements for countries to implement UNCAC, which included support for national anti-corruption laws and agencies. After a number of internal evaluations concluded that direct measures to reduce corruption rarely succeeded, as they often lacked the necessary support from political elites and the judicial system, the Bank scaled down its support for such interventions. At the same time, work on the recovery of stolen assets as well as support for efforts to prevent illicit financial flows (IFFs) and money laundering expanded since the creation of StAR in 2007. Overall, the “corruption as a crime”-perspective has continuously
shaped the Bank’s anti-corruption programming, not least due to the influence of INT. Three Bank Presidents in a row—Wolfensohn, Wolfowitz, and Zoellick—declared anti-corruption a top priority and regarded the strengthening of INT as a means toward that end. While originally only responsible for investigating corruption in Bank projects, INT has evolved to being centrally involved in strategic decisions about the future of the Bank’s work on anti-corruption.

*Corruption as a Matter of Public Administration.* The ‘corruption as a matter of public administration’ agenda is based on a conceptualization of corruption as a symptom of institutional malfunction and promotes indirect anti-corruption measures focused on improving core public sector management practices and systems.

The 1997 WDR focused on state capability and proposed a more nuanced understanding of the role of the state in development, which marked a significant shift from the market idolatry of the 1980s and early 1990s, and also from the belief in omnipotent states of the 1960s and 1970s. While the report introduced an expanded conception of good government that mentioned the importance of increased citizen voice and participation, in the years following the report’s publication the Bank’s operational engagement remained preoccupied with the technocratic ingredients of state capability. Shortly after the launch of the 1997 WDR, a strategy paper was published specifically on anti-corruption that laid out a basic framework for addressing corruption in the Bank’s operational work. It included the affirmation that “corruption is a governance issue”, immediately followed, however, by the warning that “the Bank must focus on the economic concerns within its mandate and must refrain from interfering in countries’ political affairs” (World Bank, 1997a, p. 5).

In 2000, a report taking stock of the progress made on anti-corruption since the publication of the strategy paper underscored the Bank’s view of corruption as a “symptom of underlying weaknesses in public sector institutions”, and called for “better integration of the anti-corruption agenda with other capacity-building efforts of the Bank” (World Bank, 2000b, pp. 2–3). An obvious workstream to integrate the anti-corruption agenda with was ‘public sector management’ (PSM), which the Bank had classified as a separate sector focused on the workings of core areas of government. Considered part of
the Bank’s bread and butter, the PSM workstream assists countries in reforms of core public sector institutions, such as administrative and civil service reform, public expenditure and financial management reform, tax and customs administration reform, legal and judicial reform, as well as the reform of state-owned enterprises. In spite of entailing a wide array of different measures, public management reforms have in common that they “consist of deliberate changes to the structures and processes of public sector organizations with the objective of getting them (in some sense) to run better” (Pollitt & Bouckaert, 2004, p. 8). Or as an OECD report put it, public management reforms fix the ‘plumbing of the public sector’, focusing on how money is used, how people are motivated and how organizations are structured (OECD, 2009, p. 74).

Most anti-corruption measures related to PSM reforms are based on the premise that corruption stems from the decisions of public agents. Interventions are thus targeted at rendering the decision to engage in corruption more costly and more difficult for public agents. In focusing on individual cost-benefit calculations of rational agents, these measures clearly adhere to the principal-agent approach to corruption, as pioneered most notably by Rose-Ackerman (1978) and Klitgaard (1988). Viewed through the lens of the principal-agent framework, corruption is an agency loss problem, in which agents (bureaucrats) betray their principals (elected or appointed officials) pursuing their own self-interest at the expense of the public interest. Due to information asymmetry, principals are unable to fully monitor the actions of agents, allowing them more discretion to pursue their own self-interest. Corruption thus appears as a form of moral hazard when the interests of principals and agents diverge.

Building on the rational-choice assumption that an agent will only decide to engage in corruption if the expected net benefits outweigh the net costs, principal-agent approaches focus on increasing the cost of corruption for agents, mainly by way of expanding monitoring mechanisms by the principals, raising public sector wages, and augmenting penalties. While interventions pertaining to the “corruption as a crime”-agenda emphasized detecting and sanctioning corruption directly, the “corruption as a matter of public administration”-agenda centers on indirect preventive measures. The Bank supported such indirect preventive anti-corruption measures mainly as part of wider civil service and administration (CSA) reforms and public financial management (PFM)
reforms. Measures linked to CSA reforms often included reforming human resource management involving all aspects of recruitment, performance appraisal, career development, and remuneration. PFM reforms, on the other hand, contributed to reducing opportunities for corruption by modernizing financial management information systems (FMIS), implementing treasury single accounts (TSA) and medium-term expenditure frameworks (MTEFs), as well as by introducing e-procurement systems. Overall, both CSA and PFM reforms intended to simplify administrative procedures and regulations, which would also contribute to reducing official discretion and lowering opportunities and incentives for public agents to engage in corruption.

Anti-corruption measures related to PSM reforms share the commonality that they tackle what Bank reports have referred to as ‘bureaucratic corruption’ (World Bank, 1997a, 2007c, 2008). Besides the oxymoronic nature of the term—which we have critiqued elsewhere (Mungiu-Pippidi & Hartmann, 2019, pp. 15–16), measures focusing on the bribery of bureaucrats tend to only consider factors that are internal to the bureaucracy. In contexts in which the bureaucracy is largely autonomous from political interference, that is, where corruption is the exception, the neglect of the political factor may be justified as it can be assumed that the majority of elected or appointed principals behave with integrity. In the majority of countries in which the Bank operates, however, corruption has systemic character with the administration lacking autonomy and being characterized by nepotism, patronage, and politicization. In these contexts, reforming administrative rules and procedures is not likely to be effective by itself. The Bank is aware that “focusing reforms on combatting bureaucratic corruption seems unfair if state-capture corruption is persisting” and that “reducing state capture (if possible) would make reduction of bureaucratic corruption more effective and sustainable” (World Bank, 2008, p. 63). Despite this awareness, the Bank has addressed state-capture corruption only in a few occasions, when deep political and economic crises exposed the corruption of old regimes and new ones assumed office that placed emphasis on anti-corruption. The Bank has usually avoided advocating measures that would openly contribute to transforming neo-patrimonial regimes since it was regarded as politically too sensitive, even in contexts where the Bank’s own formal and informal analytical work had identified state capture as a root problem (World Bank, 2008, p.63).
The Bank has sought to increase government interest in reforms addressing administrative corruption through Bank-country dialogue, analytical work, and technical assistance. In the early Wolfensohn years, in-country workshops and surveys served to introduce the subject of corruption into the Bank-country dialogue. Examples include the Public Expenditure Tracking Survey (PETS) and the Quantitative Service Delivery Survey (QSDS) which tracked public spending from the budget to service delivery. In 1998, the Bank, jointly with the European Bank for Reconstruction and Development (EBRD), created the Business Enterprise and Environment Performance Survey (BEEPS), which measures aspects of the business environment and includes specific questions on corruption. In 2003, the Bank launched the Doing Business Report, another set of business environment indicators assessing a country’s regulatory burden and providing insights about existing opportunities for corruption. Another diagnostic tool, focused on institutional weaknesses in the area of PFM, is the Public Expenditure and Financial Accountability (PEFA) framework, which was launched in 2005 by the Bank along with several international development partners. Although the PEFA framework does not include an explicit corruption indicator, improvements in the actionable PEFA indicators can help reduce opportunities for corruption in a country’s PFM system. Reviewing the contribution of these diagnostic tools toward anti-corruption, an internal evaluation finds that they have been useful for identifying institutional weaknesses in PFM systems, but that the absence of political and cultural factors in these analyses reflects a general weakness in the Bank’s approaches to anti-corruption (World Bank, 2008, p. 61).

Overall, viewing corruption as a matter of public administration has arguably been the most influential perspective in shaping the Bank’s anti-corruption programming. Building on insights from principal-agent theory, most of the Bank’s anti-corruption programming has been centered on corruption risks in the public sector, with measures aimed at limiting the discretion of public agents and establishing mechanisms of control. Premised on the view that corruption is a symptom of institutional malfunction, this agenda favors indirect and preventive measures over direct and sanctioning ones to curb

48 The Public Expenditure and Financial Accountability (PEFA) program was initiated in 2001 by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom. The first publicly available version of PEFA was launched in 2005.
corruption. In 1997, the agenda was strengthened in the context of a major internal reorganization led by then-President Wolfensohn—known as the Strategic Compact—in the process of which the thematic group Poverty Reduction and Economic Management (PREM) was created. PREM was established with the objective of expanding the Bank’s support for public sector reforms and endowed with specialized staff, which increased in number almost tenfold within the first three years. An internal 2008 survey revealed that more than half of PREM staff specialized in PFM reforms and about one-fourth specialized in CSA reforms, reflecting the emphasis of the Bank’s public sector work at the time (World Bank, 2008, p. 31).

In the mid-2000s, a growing number of evaluations concluded that evidence of the effectiveness of direct anti-corruption measures in developing countries was mostly weak, and that indirect approaches have often proven more successful (World Bank, 2006a; Fjeldstad & Isaksen, 2008). These findings reinforced the view among many Bank staff, and PREM staff in particular, that “you don’t fight corruption by fighting corruption”, but rather indirectly by strengthening core public sector systems.

Another driving factor behind the Bank’s ample support for PSM reform, both in terms of anti-corruption work and in general, is that it suits the Bank’s underlying financial model. Like other multilateral development banks (MDBs), the Bank seeks to be financially self-sustaining by raising the majority of its resource envelope through international capital markets, which it then on-lends to borrowing countries, charging a small mark-up to cover administrative expenses. For example, in fiscal 2019 the Bank raised an USD equivalent of 54 billion by issuing bonds in 27 currencies (World Bank, 2019c). The appeal of the organizational model of MDBs to its member governments is that by investing a relatively small amount of shareholder capital they can achieve a substantial developmental impact, at least in financial terms (Humphrey, 2017, p. 2). On the downside, this organizational model can lead MDBs to face trade-offs between financial and developmental objectives, as often pointed out in the literature (Ben-Artzi, 2016; Humphrey, 2017; Delikanli et al., 2018). As for the Bank, a tension between these dual objectives was revealed by an internal evaluation in 1992—known as the Wapenhans Report—which found that “the Bank’s pervasive preoccupation with new lending”
seriously impaired the quality and management of projects and, thus, the achievement of project development objectives (World Bank, 1992, p. iii).

The origin of the ‘lending imperative’ traces back to Robert McNamara, Bank president from 1968 to 1981, who linked staff promotions to lending targets, incentivizing operational staff to focus on projects that are ‘bankable’ in terms of loan size (Weaver, 2008, p. 84). Little & Mirrlees (1991) were the first to systematically address the negative consequences of the pressure to lend, referring to it as the “McNamara effect” (p. 364) within the Bank. Since then, internal evaluations have reported with frequency that lending pressures are limiting the effectiveness of the Bank’s developmental work (World Bank, 1992; World Bank, 2001a, p. 29; World Bank, 2011b, p. 28). In spite of the occasional formulation of action plans to address these findings (World Bank, 1993), the Bank’s ‘lending imperative’ has remained as an informal but operational rule of the game until today. Out of the three anti-corruption agendas discussed, this one suits the Bank’s underlying financial model best as it entails big-ticket items, such as the financing of large-scale information and communication technology (ICT) systems, which can be wrapped into sizable lending operations.

Organizational learning, furthered mainly through the evaluation work carried out by IEG, has also shaped this agenda. Evaluations have found that PFM is among the reform areas with the strongest evidence for effectiveness in curbing administrative corruption, which is partly owing to measurement tools, such as PETS, BEEPS, and PEFA, that provide high-quality data to track progress (World Bank, 2008; Johnson et al., 2012). As a result of these findings, measures linked to PFM reforms expanded. In contrast, Bank support for measures linked to CSA reforms declined after evaluations showed that civil service reforms remained largely ineffective (World Bank & IMF, 2002; OECD, 2005b; World Bank, 2008). For example, adhering to the principal-agent approach, anti-corruption measures linked to CSA reform sought to increase the cost of corruption for public agents by augmenting penalties as well as salaries. A way of augmenting penalties was by weakening the dismissal protection of public agents. This approach fitted well with the ideas of the new public management (NPM) paradigm in public administration, which intended to bring private sector management practices to the public sector, and to which the Bank has been quite receptive to. However, the weakening of public officials’
job security cuts at the very foundation of the modern bureaucracy in a Weberian sense. Weber regarded providing bureaucrats with job security and a fixed salary as prerequisites for ensuring that state bureaucracies are not compromised by personal interest (Weber, 1947). With respect to salary reform as a means to curbing bureaucratic corruption, the meager results do not come as a surprise given that most of the existing research on the subject provides limited evidence that increasing public sector wages will lead to less corruption (Rauch & Evans, 2000; Van Rijckeghem & Weder, 2001; Di Tella & Schargrodsky, 2003; Treisman, 2007).

A more fundamental critique of this agenda, and its underlying conceptualization of corruption as a matter of public administration, is that it does not give enough consideration to the nature of the state that is supposed to implement the anti-corruption measures. For example, Rauch & Evans (2000) pointed out that a drawback of the principal-agent approach is that to some extent it assumes away the possibility that the principal is himself corrupt. This would seem like a bold assumption to make, particularly for the Bank, given that it tends to operate in particularistic, if not neo-patrimonial, contexts where dominant elites are the main profiteers of widespread corruption and have little will for reform. In such contexts, any lasting effects of administrative reforms on the level of corruption may be questionable. Anti-corruption measures pertaining to this agenda are mostly characterized by a technocratic approach, overlooking the fact that anti-corruption reform, while entailing important technical aspects, also is a political and social endeavor, whose prospect of succeeding is dependent on local circumstances and human behavior. The reason why many of the anti-corruption initiatives fail is because they are non-political in nature, while most corruption in developing countries is inherently political (Mungiu-Pippidi, 2006).

Most of the Bank’s anti-corruption programming has been based on the conceptualization of corruption as a matter of public administration, and hence focused on the strengthening of core public sector management practices and systems. This emphasis suits the Bank’s underlying financial model as it entails comparatively capital-intensive investments, such as support for the modernization of public sector ICT infrastructure. Over the years, the Bank has developed expertise in PSM reform and established a number of fact-based measurement tools to track reform progress, most notably in the area of PFM. While
sound core public sector management practices and systems are a crucial element of a country’s good governance infrastructure, reforms that have too narrowly focused on technocratic solutions have frequently impaired its effectiveness by failing to consider the broad underlying features of the governance environment they operate in.

*Corruption as a Matter of Power and Politics.* The ‘corruption as a matter of power and politics’ agenda is based on a holistic conceptualization of corruption, entailing both legal and illegal forms of corruption, and promotes analytical work focused on networks of actors and underlying power asymmetries, as well as operational work aimed at improving accountability and changing skewed power equilibria.

This agenda constitutes a paradigmatic shift in the analysis of corruption and operational approach to anti-corruption—from a narrow focus on fiduciary, legal, and public management approaches to a broader perspective that incorporates both the institutional environment within which public organizations operate and the dynamics of power and politics. Two streams of work are related to this agenda: First, the political economy strand that aims to improve context sensitivity of the Bank’s engagement, mainly by way of conducting analytical work such as stakeholder mappings, assessments of formal and informal institutions, as well as broader assessments of a country’s political economy conditions. Second, the transparency and participation strand linked more closely to the Bank’s operational work promoting the implementation of transparency-inducing initiatives such as the Extractive Industries Transparency Initiative (EITI), as well as community-driven and -based approaches to enhance citizen engagement. While these two streams could be discussed as separate agendas, they are addressed as part of the ‘corruption as a matter of power and politics’ agenda since they are both related to changing skewed power equilibria and are affected by similar internal driving and limiting factors.

Beginning in the mid-1990s, the Bank shifted greater focus on the economic cost of poor governance and undertook a range of analytical work to diagnose and measure the quality of governance. In 1996, the macro-level Worldwide Governance Indicators (WGI), a collection of six aggregate indicators of governance, including a measure of the ‘control of corruption’, were issued for the first time. In 1999, the Bank started conducting more detailed Institutional and Governance Reviews (IGRs) intended to analyze a country’s
public sector institutions with explicit emphasis on political economy issues. IGRs, which were discontinued in the late 2000s, were sometimes carried out in tandem with anticorruption surveys of citizens, firms, and government officials. The majority of the early analytical work on corruption was pioneered in the Europe and Central Asia (ECA) region by staff affiliated with the World Bank Institute (WBI) and the Poverty Reduction and Economic Management (PREM) department. The experience in the ECA region informed a series of reports that developed the concept of ‘state capture’ and had a lasting impact on the Bank’s overall thinking on anti-corruption (World Bank, 2000a; Hellman et al., 2000).

The reports introduced ‘state capture’ as a new typology of corruption, defined as “the actions of individuals, groups, or firms in both the public and private sectors to influence the formation of laws, regulations, decrees, and other government policies (i.e., the basic rules of the game) to their own advantage by means of the illicit and non-transparent provision [of] private benefits to public officials”. It distinguished this from ‘administrative corruption’, which does not alter the basic rules of the game, but occurs when “actors obtain individualized exceptions to or favorable application of those rules” (World Bank, 2000a, pp. 1–2). State capture and administrative corruption are often wrongly equated—including in official Bank publications (e.g., World Bank, 2008, p. 58)—with the more familiar distinction between ‘grand corruption’ and ‘petty corruption’, which generally refers to the level at which corruption occurs.

However, administrative corruption is not confined to lower levels of government and can occur at all levels when special discretionary exemptions to laws and regulations are granted. State capture, on the other hand, occurs when the rules of the game are being changed, which tends to encompass higher levels of government empowered to change legislation, but can also extend to lower levels of government (World Bank, 2000a, p. 16). Another seminal paper that highlights the importance of differentiating types of corruption and tailoring anti-corruption reforms to local contexts was published by Huther and Shah in 2000. Huther and Shah distinguish between contexts of weak, fair, and good quality of governance and argue that in contexts of high corruption and weak governance—i.e., where corruption has systemic character—direct anti-corruption measures would be counterproductive and that under such circumstances the Bank should
instead focus on promoting broader governance reforms, including greater public participation in public expenditure decisions, judicial reform, and economic liberalization (Huther & Shah, 2000b). The recognition at the time that a country’s quality of governance, as well as the prevalent type of corruption, need to be assessed *ex-ante* in order to determine suitable anti-corruption measures led to the completion of numerous governance and anti-corruption surveys.

The findings of the empirical survey work, which included questions assessing state capture for the first time, pointed to a departure from the traditional public sector management approach to fighting corruption that had centered on reforming administrative processes and systems. The WBI had been at the forefront of promoting an approach to institutions-building with, from the outset, a participatory, coalition-building focus that placed emphasis on collective action (World Bank, 2000c, p. 151). WBI conducted workshops to disseminate results of the surveys among all segments of society, including government officials, parliamentarians, the media, and local NGOs. In addition, it conducted a number of trainings and seminars on a range of topics to promote ‘good and clean governance’49, including on investigative journalism and parliamentary oversight. Since the Bank generally has governments as counterparts and needs those governments’ approval for its activities, the majority of the Bank’s anti-corruption programming focused on the supply side—i.e., on reforms that are supplied by the government. Some of WBI’s activities, however, are specifically aimed at the demand side for better governance. Through diagnostic, awareness-raising, and capacity-building activities the WBI has actively supported coalition-building and bottom-up participatory processes to strengthen the demand side for institutional change. The WBI thus pursued a strategy that departed from conventional approaches of focusing on internal rules and laws, and instead emphasized voice, external accountability mechanisms, transparency tools, and participatory consensus-building strategies involving key stakeholders (World Bank, 2004, p. 20). Increased WBI activity—mostly in the form of trainings—has caused the peak in the overall numbers of anti-corruption activities observed between 2003 and 2007 (see Figure 11, p. 72).

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49 In 1999, President Wolfensohn launched the Comprehensive Development Framework (CDF) in which he identified ‘good and clean governance’ as a structural prerequisite for sustainable growth and poverty alleviation (Wolfensohn, 1999a).
In 2000, the Bank published “Reforming Public Institutions and Strengthening Governance”—a grand strategy document which incorporated the themes and lessons of the body of work focused on diagnosing and measuring the quality of governance that had emerged in previous years. The strategy recommended that analysis of a country’s political economy be conducted as a routine part of all operational engagement to assess the political power of local stakeholders and the political support for reform. The strategy noted that a full understanding of the political economy landscape was necessary to empower reform-minded stakeholders and help countries break out of dysfunctional political equilibria (World Bank, 2000c, p. 34). As a result, the political-economic focus of diagnostic instruments such as IGRs and PERs solidified, at least in the years following the publication of the strategy.

Another publication that underscored the importance of adequately considering the political-economic context was the edited book “The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level” (World Bank, 2007d) which constituted the first Bank publication taking a deliberate sectoral cut at analyzing problems of corruption. Intended to provide guidance for the integration of anti-corruption measures into sectoral reforms, the book’s main recommendations included—in addition to the (even then) worn-out dictum that “one size does not fit all”—to complement supply-side interventions with demand-side mechanisms to increase effectiveness, and to strengthen electoral institutions. Furthermore, the book reiterated one of the recommendations made in the 2000 strategy that the Bank should look out for windows of opportunity in which the incentives of key stakeholders realign in favor of envisioned reforms. Crises often present such windows of opportunity in which reformers are able to introduce institutional change that otherwise would not have been feasible. Taking the incentives of stakeholders seriously also implies that reforms may need to be more pragmatic in that second- or third-best solutions might be preferable if better aligned with stakeholder incentives. In contexts where no stakeholder coalition strong enough to implement reforms seems to exist, the book advises against taking any action, simply stating that “in some cases, doing nothing may be the best option” (World Bank, 2007d, p. 15).

Most analytical frameworks for political-economic work were developed in the early to mid-2000s. The most prevalent themes of this stream of work include political incentives
of stakeholders, distribution of political power, government credibility, institutional fragility, as well as the recognition of substantial variation in the political-economic landscape on the regional and sub-regional level (World Bank, 2011a, pp. 10-18). For the most part, political economy analysis took the form of analytical inputs informing country or sectoral strategies, as well as projects. Stand-alone political-economy outputs were produced less frequently. In identifying “state capture” as one of the main threats to governance and anti-corruption efforts, political economy analysis has prompted the integration of a range of mitigation measures into the Bank’s programming. While one strategy has been to ringfence projects to protect them from elite inference—e.g., by installing a project implementation unit (PIU) that adheres to Bank policies and guidelines—, another approach has focused on empowering reform-minded stakeholders and developing their capacities vis-à-vis the elites. The latter has been favored by those who conceptualize corruption more broadly as a matter of power and politics.

The need for a better understanding of domestic political dynamics became even more apparent when the Bank embraced a developmental approach that emphasized recipient-country ownership and promoted greater use of and support for country systems and institutions. Commitment to fostering local ownership became an overarching strategic objective of all Bank engagement which has also been enshrined in international agreements such as the 2002 Monterey Consensus (United Nations, 2002, pp. 14-15) and the 2005 Paris Declaration (OECD, 2005a, p. 3). In the early 2000s, the Bank—along with other donors and lenders—adopted the Poverty Reduction Strategy Paper (PRSP) process to guide lending to low-income countries. The PRSP approach was based on the stated objectives of ensuring country ownership and a pro-poor focus of reforms. Documents guiding the creation of PRSPs recommended the active involvement of all stakeholders—government, civil society, and donors—as well as a better understanding of relationships of power between them.

The quality of governance was regarded as inextricably linked to poverty and therefore deliberately addressed in PRSPs, as well as in the ensuing operational engagement. An innovative element of the PRSP approach was that it sought to increase the participation of marginalized groups in policy making and monitoring processes as a way to strengthen their political voice and representation, as well as to increase the quality of policy making,
governance, and service delivery (World Bank, 2002, p. 275). PRSPs explicitly promoted community-driven development (CDD)—as this approach to development assistance came to be known that seeks to actively engage beneficiaries in the design, management, and implementation of programs. The Bank became a strong supporter of the CDD approach, lending on average USD 2.6 billion annually toward CDD programs between 2007 and 2017, which represents 5 to 10 percent of overall Bank lending during the same period (Wong & Guggenheim, 2018, p. 8). In addition to supporting CDD, the Bank has contributed to fostering local demand for good governance through a range of initiatives. Those include, in the area of ‘participation’ and ‘social accountability’ initiatives such as the Global Partnership for Social Accountability (GPSA), and in the area of ‘transparency’ the Extractive Industries Transparency Initiative (EITI), among many others. While these initiatives stated anti-corruption only as secondary objectives, from a perspective that conceptualizes corruption primarily as a matter of power and politics, they are considered useful anti-corruption tools due to their contribution to enhancing collective action and rebalancing skewed power equilibria.

Between 1982 and 2010, the salience of political-economic and governance concerns in the Bank’s analytical and operational work—as measured by the number of occurrences of the keywords “political economy” and “governance” in all publicly disclosed documents available through the Bank’s online database—peaked in the early 2000s and declined afterwards in relative terms (World Bank, 2011a, pp. 9-10). The agenda picked up momentum again with the implementation of the 2007 Governance and Anti-Corruption Strategy (GAC) which was designed as a change management process that sought to strengthen staff awareness and capacity, build tools, and generate good practice in the areas of good governance and anti-corruption. The implementation of GAC, as well as most of the initiatives previously mentioned, was primarily financed through trust funds, which are earmarked grants that the Bank administers for external donors. The 2007 GAC Strategy set the intention to ramp up the Bank’s work on anti-corruption, but since it was financed through a large multi-donor trust fund—called the Governance Partnership Facility (GPF)—the amount of Bank budget (BB) that was being allocated to anti-corruption declined during that period. When the GPF funding ended after a couple of years, the Bank did not substitute the funds with its own resources, leading to a decline of work related to GAC themes. GPF funding had been used to fund governance specialist
staff positions and provided resources to Bank staff intending to integrate governance into operations at the country level and into sectors. When GPF funding dried up, however, most of these specialists did not get re-hired and there were significantly fewer resources available to conduct political economy analyses to inform operational work.

More recently, the World Development Report 2017: Governance and the Law (WDR 2017) revived the message that power and politics matter fundamentally for development outcomes. Simply put, the report examined how governance—defined as “the process through which state and nonstate actors interact to design and implement policies within a given set of formal and informal rules that shape and are shaped by power” (World Bank, 2017, p. 3)—determines development outcomes and how power asymmetries can undermine the effectiveness of policies. There is usually a time lag of one to two years between the publication of a WDR and its operationalization in programming. Asked about the impact of the WDR 2017 about two years after its launch, one interviewee observed that the report “didn’t affect operations”50 and another one that it was “a good support to our cause, definitely, but it was a little bit too abstract”51. Another recent report that dealt explicitly with corruption as a matter of power and politics was the 2018 Development Report for the Middle East and North Africa region. The report, titled “Privilege Resistant Policies in the Middle East and North Africa: Measurement and Operational Implications”, proposed a range of concrete instruments and operational interventions to address state capture (World Bank, 2018, ch. 3). There is also ongoing research on the role of politics in development led by Stuti Khemani of the Development Research Group—the Bank’s principal research department (World Bank, 2016; Khemani, 2017; Habyarimana et al., 2018).

While the streams of work grouped together under the “corruption as a matter of power and politics” agenda differ with regards to their type and level of engagement, they share an interest in understanding and changing skewed power equilibria, either through political-economic analysis that reveals the degree of state capture, or through operational approaches aimed at fostering demand and collective action for good governance.

50 Author’s interview with former World Bank staff member, June 2019.
51 Author’s interview with World Bank staff member, May 2019.
Moreover, the streams of work pertaining to this agenda are affected by similar driving and limiting factors.

The leadership of certain groups of actors within the Bank is the main driving factor behind this agenda. Shortly after assuming the Bank’s presidency in 1995, Wolfensohn elevated corruption and governance problems to center stage, setting a tone at the top that created space for analytical and operational work explicitly addressing these phenomena. Some of those centrally involved with this agenda have reported that over the years they have observed an evolution in their thinking about the central drivers of development from ‘institutions matter’ to ‘politics matters’. The publication of the 1997 WDR (World Bank, 1997b) thus constitutes an important milestone for this agenda as well because it endorsed the ‘institutions matter’-paradigm as guiding principle for all Bank engagement. The 1997 WDR also reflected the emerging influence of new institutionalist thinking on the Bank’s development discourse at the time. Among the contributors and reviewers of the 1997 WDR were the leading new institutional economists Douglass North and Dani Rodrik, as well as then-chief economist Joseph Stiglitz. The 1997 WDR was described by several interviewees as laying the foundation for the ensuing generations of the Bank’s political economy work.52

With regards to operations, Wolfensohn empowered certain actors within the Bank and provided them with resources to advance the governance and anti-corruption agenda. He held retreats with country directors every other month to discuss governance and anti-corruption and to push operationalization. According to a former senior manager, in the early Wolfensohn years it was institutionally very attractive to incorporate governance and anti-corruption measures into country programs.53 Also from a career point of view, engaging on these topics was seen as beneficial, particularly for people who were young and upcoming. The importance of high-level commitment was also recognized by proponents of this agenda when strategizing about ways to mainstream governance and anti-corruption concerns into Bank operations and concluding that “having champions across the Bank in every unit and in every sector is absolutely vital” (Teskey, 2010, p.

52 See Hudson & Leftwich (2014) for an in-depth discussion and critique of three generations of political economy work.
53 Author’s interview with former senior World Bank manager, May 2019.
In addition to high-level support from Bank management, important impetus for this agenda came from the Bank’s shareholders. In 2006, for example, the Board—which is comprised of representatives from shareholder countries—required the Bank to formulate a strategy on governance and anti-corruption. Furthermore, a number of shareholders supported the implementation of the GAC strategy with a designated trust fund—the GPF. As part of the implementation of the GAC strategy, the Political Economy Community of Practice was established in an attempt to facilitate knowledge sharing and institutionalize political-economic analysis. While the Community of Practice has still around 400 affiliated staff members it became relatively dormant in recent years which an interviewee attributed to a lack of “leadership that has a certain degree of informal authority and legitimacy in the Bank, to move this you can’t just be technocratic”.

Factors limiting the “corruption as a matter of power and politics” agenda cluster around three main themes: The Bank’s legal and policy mandate, the underlying financial model, and the organizational culture.

The Bank’s legal mandate, as defined in the original Articles of Agreement, has been used as the main argument for avoiding any explicit discussion of corruption at the Bank until Wolfensohn came on board in 1995. Wolfensohn managed to lift the taboo by redefining the concept of corruption from a political to a social and economic issue (Wolfensohn, 1999b). While this redefinition allowed the Bank to address corruption explicitly, the prohibition of considering the political dimension of the concept remained in force, preventing the Bank to seriously address dynamics of power and politics, which are often a root cause for corruption. The Bank’s charter prohibits the interference in the political affairs of any member, and allows the Bank only to interact with borrowers through certain government agencies. In addition, the Bank’s borrowers are also on its Board. The Bank’s legal mandate thus restricts the organization’s ability to credibly threat neo-patrimonial practices in member countries. The structure of the Board—providing seats to both donor countries that provide the Bank’s capital and countries that borrow from the Bank—has resulted in incoherent policy mandates at times with regards to

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54 Author’s interview with former World Bank staff member, June 2019.
governance and anti-corruption. Paul Volcker, after conducting an in-depth review of the work of INT and the GAC strategy, stated that “the Board itself has been ambivalent […] as to whether they really want an effective anti-corruption program or not” (Guha & Callan, 2007, para. 4). Traditionally, donor countries have been more eager to push this agenda, primarily to be able to show to their constituencies that they are taking action against the misuse of funds. Borrower governments—particularly those that depend on politically corrupt practices—have been understandably less eager to support reforms that would subvert the neo-patrimonial nature of their regimes. More recently, however, Bank staff has reported an increase in demand for anti-corruption from borrowing countries—even if this demand is often centered around the issue of illicit financial flows to stem illegal movements of capital from developing to developed countries.

In an analysis of the Bank’s role and ability to promote good governance, Thomas (2007) also finds that the Articles of Agreement as well as the structure of the Board are factors that limit the Bank’s ability to pursue the governance and anti-corruption agenda effectively. Based on this finding, she goes on to consider the prospects of pursuing this agenda in the hypothetical case that the Bank is freed from these limitations—i.e., the provision prohibiting political interference is removed from the Bank’s charter and that borrowers are not anymore represented on the Board. While such a scenario is not very likely to occur—nor desirable from a sovereignty and self-determination perspective—, even if it was, according to Thomas, a number of constraints would still remain. Among those remaining constraints, Thomas highlights the perceived lack of understanding of how good governance develops, which leads her to question whether the Bank (or any donor) could be suitable for pursuing this agenda at all (Thomas, 2007, p. 745). Since the publication of her article, research emerged that distilled theories of change from real-world examples of transitions to good governance, and informed donors, including the Bank (e.g., World Bank, 2017; Mungiu-Pippidi & Johnston, 2017). Another remaining constraint that Thomas mentioned, and which according to interviewees continues to limit the prospects of this agenda until today, is related to the Bank’s underlying financial model and the internal incentives associated with it.

The Bank’s underlying financial model—the structure of which was discussed in the previous section (p. 100)—has been a binding constraint on the Bank’s ability to
effectively pursue anti-corruption activities that address structural factors related to power and politics. Anti-corruption activities pertaining to this agenda generally do not require large amounts of money and contribute little to sustaining the Bank’s lending levels. A survey undertaken as part of a 2011 IEG evaluation found that almost half of Bank operational staff agreed that the Bank’s lending imperative conflicted with its ability to pursue governance and anti-corruption goals (World Bank, 2011b, p. 180). The Bank’s underlying financial model is built on making loans to client countries—as borrowing countries are referred to in Bank jargon. The strong incentive to build and maintain good relationships with client countries thus originates from the simple motivation of remaining operational and developing business. Country Management Units (CMUs), which are principally responsible for Bank dialogue with country governments, have occasionally been hesitant to propose the implementation of activities related to this agenda out of concern that it could jeopardize client country relationships or damage the carefully crafted image of the Bank as a neutral technocracy.

For example, in Guatemala, after an UN-backed anti-corruption commission was expelled by the government, the Bank was quick to seek meetings with lobbyists, parliamentarians, and government officials to convey impartiality and protect its operational portfolio in the country (World Bank, 2019b, p. 28). Incentives emanating from the Bank’s underlying financial model have not only caused reluctance to discuss corruption as a matter of power and politics with clients externally, but also shaped the development of this agenda internally. The “lending imperative”—while for over two decades regularly bemoaned in internal Bank reports and external studies (e.g., World Bank, 1992; Fukuyama, 2006; Weaver, 2007b; World Bank, 2011b)—has been reported to still impact staff behavior. For example, the current staff and management performance evaluations continue to reflect this emphasis on lending. Regarding the internal incentive system, an interviewee remarked that “if my performance is evaluated on the amount of money I disburse, then any type of capacity building or technical assistance, which lies at the core of any governance reform, is being penalized.” Anti-corruption activities pertaining to this agenda—both analytical and operational—tend to be at odds with the lending imperative since they are usually less capital-intensive, but do require significant

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56 Author’s interview with World Bank staff member, May 2019.
commitments of staff time. The Bank’s internal incentive-to-lend-structure thus reduces staff’s eagerness to integrate political economy analyses or social accountability mechanisms into operations.

From a financial point of view, most of the activities related to this agenda are “unfunded business lines” and therefore a drain on the Bank’s resources. Most of the activities related to this agenda have been funded through temporary funding mechanisms, such as the GPF. When these sources of funding expired, however, the Bank has only rarely put permanent arrangements in place to sustain this type of work. Examples for activities that were discontinued due to—at least partly—a lack of funding include IGRs and Governance and Anti-Corruption Diagnostics (World Bank, 2019b, p. 94). More importantly, a major setback for this agenda was the dismantling of the World Bank Institute (WBI) in 2015. The WBI—which was the capacity building branch of the World Bank—pioneered innovative approaches to political economy analysis (World Bank Institute, 2010) and promoted collective action approaches to fighting corruption (World Bank Institute, 2008). Asked about the reasons for the closing of the WBI, a former WBI staff member said: “the rhetoric is that we’re a knowledge Bank, but when you get to the decisions and pressure, the lending side wins the battle. Everything that isn’t for lending and that isn’t the Bank’s core business gets sidelined or discontinued”\textsuperscript{57}. This statement corroborates a 2011 evaluation of the Bank’s work in governance and anti-corruption, in which “a tension […] between the Bank’s lending imperative and its rhetoric on governance” is observed in that “the informal but operating rules of the game in the organization remain misaligned with the formal emphasis on good governance and accountability” (World Bank, 2011b, p. xi).

The third limiting factor of this agenda is the Bank’s organizational culture. Among the internal factors distilled from the review of IO literature—see beginning of this section (p. 84)—, the ‘organizational culture’ of the Bank has been found to be particularly unfavorable to this agenda. An organization’s culture, defined as "the rules, rituals, and beliefs that are embedded in the organization” (Barnett & Finnemore, 1999, p. 719), is heavily influenced by the professional background of its staff. While the Bank has evolved into an institution with global expertise covering a wide range of sectors and

\textsuperscript{57} Author’s interview with World Bank staff member, May 2019.
issues relevant to development, it remains principally staffed by economists. The background and skillset of Bank staff also influences their predisposed views on how to tackle corruption. While lawyers tend to have a predilection for punitive legal measures and economists for efficiency-enhancing preventive measures, political scientists are more inclined to support solutions that address power and politics. Since there are comparatively few political scientists, however, the organizational culture is biased toward the other types of approaches.

An example which indicates economists’ high status within the Bank’s organizational culture was the creation of the position of a ‘chief institutional economist’ instead of a ‘chief political scientist’ in 2015. While the person recruited for the position was a political scientist by training and tasked with leading the Bank’s research on governance and institutions, it seemed necessary that the title contained the word ‘economist’ to be taken seriously. Another feature of the Bank’s organizational culture—likely linked to the dominance of the economics profession—is its quantitative bias. According to Weaver, at the Bank “considerable weight is given to economic and technical factors that are easy to identify and measure, whereas complex political and social risk assessments that involve ‘soft’ qualitative indicators are usually distrusted as unscientific” (2008, p. 86). Activities pertaining to this agenda, which aim to consider and, to the extent possible, address power asymmetries as an underlying cause of corruption, tend to pursue outcomes that are long-term, and often intangible, or at least difficult to quantify. The lack of easily quantifiable outcomes is a major hindrance in an environment like the Bank where most issues are subject to cost-benefit analysis. Other limiting factors linked to the organizational culture that surfaced in the analysis include risk aversion, work overload, and time pressure. While these other factors, which can probably be observed at most development agencies, affect the Bank as a whole, the perverse incentives arising from them are particularly detrimental to this agenda. Concerning time pressure, for example, the common practice of using one-year budgets creates pressure on Bank staff to disburse and show results quickly in order to avoid suffering budget cuts the following year (Ostrom, 2011, p. 32). In view of those incentives, Bank staff will think twice before pursuing activities pertaining to this agenda as they tend to neither include results indicators that are quickly attainable nor disburse large amounts of money.
The three themes discussed above—the Bank’s legal and policy mandate, the underlying financial model, and the organizational culture—and the limiting factors related to them appear to hold most explanatory power for the trajectory of this agenda at the Bank. Most of them are structural and hence by nature difficult to transform—if that is at all desired. A non-structural factor that should be mentioned when discussing factors limiting this agenda is organizational learning. Interviewees have pointed to two comprehensive IEG evaluations of the Bank’s work in governance and anti-corruption that have affected this agenda in particular. One is a 2006 evaluation which found that “community-driven approaches are useful for getting funds to people but appear unable to stem corruption” (World Bank, 2006b, pp. 10-11). The other one is a 2011 evaluation that lamented that the increased resources devoted to governance and anti-corruption in the realm of implementing the 2007 GAC Strategy did not translate into improved project outcomes. On political economy analysis, the evaluation noted that the operational benefits of political economy reports “were often limited by an overly academic orientation, uneven methodological rigor, and a lack of consistency between recommended actions and prevailing interpretations of the Bank’s Articles of Agreement” (World Bank, 2011b, p. xvi). While the impact of organizational learning on this agenda is difficult to assess, it appears that it did affect specific parts of this agenda, such as the prevalence of community-driven approaches, but that it had a comparatively minor impact on the agenda as a whole.

To sum up, the “corruption as a matter of power and politics” agenda, which encompasses a broad range of activities that are built on the assumption that power and politics play a central role in development outcomes, has fluctuated in its significance over the twenty-year period examined in this paper. The agenda peaked in the early 2000s due to high-level commitment from Bank leadership and again around 2007 when a number of shareholder countries provided additional funding that was earmarked to be used for good governance and anti-corruption work. Major constraints impacting the evolution of this agenda include incoherent legal and policy mandates, the underlying financial model, as well as the organizational culture. New impetus for this agenda was given by recent reports highlighting the importance of considering power asymmetries and state capture in development policy making. It remains uncertain, however, if this new impetus will be
forceful enough to prevail over the constraints and lead to considerations of power and politics being translated into programming.

4.5. Conclusion

Anti-corruption has come a long way at the Bank from prohibition to prominence, as this paper has detailed. The compilation of an inventory of anti-corruption activities served to illustrate trends with regards to frequency, type, and regional distribution. Anti-corruption peaked between 2003 and 2007, when on average about 100 new anti-corruption activities were approved each year. The vast majority of anti-corruption activities were of non-lending type—i.e., technical assistance, trainings, and analytical work. The regional distribution was similar to the pattern of overall Bank engagement, with the largest share of activities being focused on the Africa region.

Furthermore, the paper attempted to shed light on the factors driving and limiting the Bank’s anti-corruption programming. To this end, the potential impact of a number of external country-level factors on the allocation of anti-corruption activities was assessed. Results indicate that among the external factors studied, only a country’s level of corruption is significantly associated with the number of anti-corruption activities allocated. The lack of correlation of the variable of interest with the other variables suggests that internal organizational-level factors hold more explanatory power for the evolution of the Bank’s anti-corruption programming. The subsequent qualitative analysis of internal factors distinguished three agendas operating under the anti-corruption label by its underlying conceptualization of corruption and theories of change. Each agenda has its raison d’être, fulfilling different and complementary functions in the Bank’s anti-corruption work, and is affected by internal factors to varying degrees.

While the agendas conceptualizing corruption “as a crime” and as a “matter of public administration” fit the Bank’s modus operandi and incentive structure for the most part, the “corruption as a matter of power and politics” agenda is faced with several institutional constraints. Three stood out among them: incoherent legal and policy mandates, incentives emanating from the underlying financial model, and an economistic organizational culture. Despite being prominently featured in recent flagship reports, the perspective in which corruption is understood as driven by power and politics has rarely
been operationalized due to these limiting factors. Effective operationalization of this perspective requires increased awareness of institutional binding constraints and, if necessary, taking adequate countermeasures, such as institutionalized high-level support and stable financing arrangements. If the Bank is to close the gap between rhetoric and action on state capture corruption, it needs to pro-actively integrate theories of change that are grounded in an understanding of local power and politics into the design of new operations. The successful implementation of the Bank’s renewed strategic and operational approach to anti-corruption—which is currently being developed—will thus hinge on its ability to acknowledge and counterbalance the existing institutional binding constraints.
5. Conclusions

Against the backdrop of mounting public pressure for greater corruption control the world over, the main objective of this thesis was to contribute to a better understanding and improvement of donor-supported anti-corruption efforts. To conclude, the main results of the individual chapters are summarized and its contributions toward this objective discussed. As for the key research questions formulated at the outset, chapter three specifically addressed theories of change underlying anti-corruption efforts, and chapter four distilled factors shaping the design and choice of donor-supported anti-corruption interventions. Finally, limitations of the research are recognized and avenues for future research on corruption proposed.

5.1. Chapter Two: Corruption and Development: A Review of Theories

The second chapter served to delimit and position the dissertation within the larger body of research that rests at the intersection of corruption and development. In reviewing the history of thought on corruption and development, the chapter found that over time the theoretical arguments behind the pursuit of anti-corruption shifted from focusing on moral considerations to economic ones. The appearance of numerous empirical studies that sought to quantify the economic cost of corruption in the 1990s reflected this shift of emphasis toward the economic costs of corruption. In the aggregate, the empirical results obtained by these studies suggested that societies incur high economic costs as a result of corruption. The empirical evidence on the detrimental effects of corruption motivated and legitimized donor-supported anti-corruption.

The second chapter also linked the surge of corruption as a research topic in its own right as well as donors’ ensuing eagerness to engage in the area to broader paradigmatic shifts in development thinking. The prevailing presumption at the time that economic development takes primacy over institutional development implied that there was no need to address corruption explicitly since it was believed to resolve itself with economic growth and therefore considered a secondary matter. Only after this theory was superseded by the view that ‘institutions matter’, addressing corruption explicitly became considered imperative as it was thought to undermine the functioning of institutions.
Furthermore, the chapter proposed a way of conceptually grasping the corruption phenomenon. To this end, it reviewed institutionalist literature and found that studies have in common that they stress the importance of state capacity to enforce public versus private interest. It also showed that most institutionalist scholars conceptualize this capacity to control private interest as a continuum ranging from a bad to a good extreme. The chapter then argued that bad governance is societies’ default condition. In other words, that if all countries in the world were placed on this continuum today, the majority of them would be closer to the bad extreme than the good extreme, regardless of whether these extremes are labelled limited access order and open access order, particularism and universalism, or favoritism and impartiality. While this assumption was only validated empirically in the following Chapter 3 (Figure 6, p. 40), the implication was drawn that this thesis would conceptualize control of corruption as a continuum and that altering it would require a wide-ranging societal process.

The second chapter thus established the governance-focused conceptualization of corruption that this dissertation builds upon, encompassing both legal and illegal forms of corruption. Adopting this holistic perspective on corruption, chapter two critically assessed principal-agent approaches and attributed shortcomings in performance to a lack of sensitivity for the political-economic context of such interventions. The chapter contrasted them with collective action approaches that are presented as more suitable to development contexts in theory. It recognized, however, that empirical evidence for the effectiveness of collective action approaches is equally limited.

Overall, the second chapter laid the theoretical foundation for this thesis by embedding it in existing literature on the nexus between corruption and development. It served to specify the conceptual understanding of corruption underlying this dissertation as well as to identify a number of factors and theories of change potentially impacting the design of donor-supported anti-corruption that were later assessed empirically in Chapter 4.

5.2. Chapter Three: Corruption as a Development Policy Issue: Linking Theory and Practice

Chapter three served to connect the theoretical part of this dissertation with the empirical part. To this end, it synthesized the theory of the previous chapter into a framework of typologies to be applied in the empirical analysis of the following chapter.
First, the chapter briefly discussed recent trends and innovations in defining and measuring corruption. It presented a range of definitions and typologies of corruption to reflect the complexity of the phenomenon. Furthermore, it addressed innovations in corruption measurement that have been driven by the expansion of e-government and access to information legislation in many countries. A comprehensive list of objective measures of corruption complemented the discussion of innovations in corruption measurement.

Drawing on the literature review in chapter two, chapter three identified the theoretical approaches to the study of corruption that are considered to have been most influential in shaping the design of anti-corruption practice over the past 25 years. The chapter highlighted three conceptualizations of corruption as particularly important for anti-corruption policymaking: corruption as (i) a solution to problems of scarcity and political representation, (ii) a problem of a principal-agent relationship, and (iii) a problem of collective action. It went on to argue that depending on which of these perspectives on corruption reformers adopt, the design and focus of anti-corruption policies may differ. While reformers who adopted the functionality lens on corruption focused on problems to which corruption serves as a solution, those who took on the principal-agent perspective focused on incentives for individuals to engage in corruption, and those who viewed corruption as primarily a problem of collective action were more concerned with incentives that prevent individuals from engaging in anti-corruption.

Building on the discussion of conceptualizations of corruption, the chapter then introduced typologies that served to map the fragmented landscape of donor-supported anti-corruption. The chapter distinguished three types of anti-corruption interventions by underlying perspectives on corruption and theories of change: those that address corruption as (i) a crime, (ii) an institutional weakness, or (iii) a matter of power and politics. Generally, anti-corruption interventions considering corruption primarily as a crime adopted a theory of change that emphasized deterrence; anti-corruption efforts considering corruption the result of institutional weakness embraced a theory of change focused on reducing opportunities for corruption (e.g., through administrative simplification); and anti-corruption interventions addressing corruption as a matter of power and politics adopted a theory of change that seeks to alter skewed power equilibria.
The typologies created in chapter 3 with the objective of mapping the field of anti-corruption practice also served as an analytical tool in the following chapter 4 to identify and examine different agendas that are operating under the rubric of anti-corruption at the World Bank.

As for policy implications, the review of past experiences suggested that anti-corruption policies are more likely to succeed when they address corruption indirectly and are adapted to political-economic context.

5.3. The Evolution of the World Bank’s Anti-Corruption Programming: An Analysis of Driving and Limiting Factors

To gain a better understanding of the factors that shape the design and the underlying theories of change of donor-supported anti-corruption, chapter four conducted an in-depth empirical case study of the anti-corruption programming of the World Bank. Building on the theoretical and conceptual groundwork laid in the previous chapters as well as on a novel dataset of World Bank anti-corruption activities and on expert interviews, chapter four examined the driving and limiting factors of the World Bank’s anti-corruption programming.

At the outset, the chapter provided a historical account of the evolution of the governance and anti-corruption agenda at the World Bank which gradually moved from a place of prohibition to prominence over the 1944–1996 period. It identified and discussed both internal (e.g., changes in the legal interpretation of the original articles of agreement; shifting orthodoxies with regards to the role of the state among Bank staff) and external factors (e.g., geopolitical changes related to the fall of the Iron Curtain; evolving intellectual landscape of development thinking) that conjointly paved the way for eventually lifting the taboo on addressing corruption explicitly in 1996. This historic overview of the evolution of the governance and anti-corruption agenda pre-1996 also served to detect path dependencies in the way the World Bank frames and operationalizes anti-corruption since 1996.

Chapter four introduced the first comprehensive inventory of World Bank activities that addressed corruption explicitly between 1996 and 2016, including both lending and non-lending activities. Conducting a systematic search on over 100,000 activities it identified
about 1,000 that addressed corruption explicitly. The inventory served to show trends with regards to frequency, type, and regional distribution of the World Bank’s anti-corruption programming.

The inventory also allowed assessing the impact of a number of country-level factors on the distribution of World Bank anti-corruption activities. Among the country-level factors assessed, a statistically significant positive association was only found between the number of World Bank anti-corruption activities and a country’s level of corruption.

The remainder of chapter four focused on organizational-level factors which it assessed qualitatively using primary data gathered through expert interviews and document reviews. Applying the typologies introduced in chapter three, the analysis honed in on three of the agendas operating under the label of anti-corruption at the World Bank. It found that while the agendas conceptualizing corruption as “a crime” and “a matter of public administration” are largely compatible with the prevalent incentive structures at the World Bank, the “corruption as a matter of power and politics” agenda is constrained by several institutional-level factors. The most significant of these being related to the financial model, the organizational culture, and the legal and policy mandate of the World Bank.

In the context of ambitions expressed in recent World Bank publications that it would increasingly address high-level political corruption, such as state capture, the chapter concluded that if the Bank is to avoid a strategy-implementation gap going forward, it needs to address the institutional-level constraints that this chapter has highlighted.

5.4. Limitations and Implications for Future Research

The primary objective of this dissertation was to make an analytical contribution to the ongoing discussion on how donor-supported anti-corruption can become more effective in assisting countries improve their control of corruption. Through an in-depth examination of the anti-corruption programming of a major donor, it revealed that organizational-level factors matter a great deal in determining the choice of design and underlying theory of change of anti-corruption interventions. This finding suggests that organizational-level factors such as those related to an organization’s underlying financial
model or organizational culture have undermined reform effectiveness as the guiding principle of anti-corruption policy formulation.

It should be cautioned that the extent to which these findings apply to other donors may be limited due to the unique nature of the case—the World Bank still being primus inter pares among donors because of its global reach, its strong knowledge production capabilities, and its substantial material and normative power. Nevertheless, some of the findings may be applicable to other donors as well. In particular to other multilateral development banks (MDBs) that are based on similar business models and are constrained by similar policy mandates.

Finally, the findings of this dissertation point to a complex set of incentives operating at the organizational level that affect the design of donor-supported anti-corruption. The mechanisms by which these incentives shape the design of donor-supported interventions and how they can be prevented from jeopardizing reform effectiveness remains poorly understood. Examining the inner workings of donor organizations is therefore a promising avenue for future research on donor-supported anti-corruption and its effectiveness—or the lack thereof.
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7. Annexes

Annex I (Chapter 3)

Table 5: Objective Measures of Corruption

<table>
<thead>
<tr>
<th>Corruption Indicator</th>
<th>Country</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incidence of single-bidder contracts (i.e., contracts awarded in procurement tenders in which only one bid was submitted) [single bidding]</td>
<td>EU-27 + Norway, Sweden</td>
<td>Fazekas &amp; Kocsis, 2020</td>
</tr>
<tr>
<td>Bribe paid in USD million (according to court documents, such as plea statements) [bribes paid]</td>
<td>8 Latin American countries</td>
<td>Campos et al., 2019</td>
</tr>
<tr>
<td>Number of regional registered cases of corruption relative to the population [conviction rates]</td>
<td>Spain, China, Italy</td>
<td>López-Iiturriaga &amp; Sanz, 2018</td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>Escresa &amp; Picci, 2015</td>
</tr>
<tr>
<td>Ratio of expected to actual number of cross-border corruption cases, using data on bilateral trade share as predictor</td>
<td>Portugal</td>
<td>Stockemer &amp; Calca, 2013</td>
</tr>
<tr>
<td>% of total federal resources transferred to municipalities that is associated with fraud in the public procurement of goods and services, diversion of funds, and over invoicing of goods and services</td>
<td>Brazil</td>
<td>Ferraz &amp; Finan, 2011</td>
</tr>
<tr>
<td>Kickback amount as measured by percentage of the contract value (using corporate records)</td>
<td>Asian country</td>
<td>Cole &amp; Tran, 2011</td>
</tr>
<tr>
<td>% of infrastructure expenditures that cannot be accounted for by independent expenditure estimate [missing expenditures]</td>
<td>Indonesia</td>
<td>Olken, 2009</td>
</tr>
<tr>
<td>Ratio of physically existing public infrastructure (roads, schools, hospitals, etc.) to money cumulatively allocated by government to create these public works</td>
<td>Italy</td>
<td>Golden &amp; Picci, 2005</td>
</tr>
<tr>
<td>% of intended grants received by schools [captured funds]</td>
<td>Uganda</td>
<td>Reinikka &amp; Svensson, 2004</td>
</tr>
<tr>
<td>% change in prices for basic medical supplies procured by public hospitals [overpricing/overinvoicing]</td>
<td>Argentina</td>
<td>Di Tella &amp; Schargrotsky, 2003</td>
</tr>
</tbody>
</table>

Source: Author’s table.
## Annex II (Chapter 4)

**Table 6: List of Interviewees**

<table>
<thead>
<tr>
<th>Name</th>
<th>Active at Bank</th>
<th>Position Title (highest while at the Bank)</th>
<th>Interview</th>
<th>Length (min)</th>
<th>Recording</th>
<th>Confidential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian Fozzard</td>
<td>since 2001</td>
<td>Practice Manager</td>
<td>in person (5/30/19)</td>
<td>45</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Alberto Leyton</td>
<td>since 2002</td>
<td>Lead Public Sector Specialist</td>
<td>in person (5/28/19)</td>
<td>30</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Arntraud Hartmann</td>
<td>1981-2004</td>
<td>Director for Southeast European Countries</td>
<td>in person (5/13/19)</td>
<td>60</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Chrik Poortman</td>
<td>1976-2006</td>
<td>Regional Vice-President, Country Director</td>
<td>over phone (5/23/19)</td>
<td>45</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Francesca Recanatini</td>
<td>since 1998</td>
<td>Lead Public Sector Specialist</td>
<td>in person (5/29/19)</td>
<td>60</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>James Anderson</td>
<td>since 1998</td>
<td>Lead Public Sector Specialist</td>
<td>in person (5/29/19)</td>
<td>60</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Joel Turkewitz</td>
<td>since 2000</td>
<td>Lead Public Sector Specialist</td>
<td>in person (5/16/19)</td>
<td>60</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Lorena Vituela</td>
<td>since 2009</td>
<td>Senior Public Sector Specialist</td>
<td>in person (5/17/19)</td>
<td>50</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Marcela Rozo Rincon</td>
<td>since 2011</td>
<td>Senior Public Sector Specialist</td>
<td>in person (5/28/19)</td>
<td>50</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Marco Larizza</td>
<td>since 2009</td>
<td>Senior Public Sector Specialist</td>
<td>in person (5/30/19)</td>
<td>50</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Michael Woolcock</td>
<td>since 1998</td>
<td>Lead Social Scientist</td>
<td>in person (6/3/19)</td>
<td>60</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Peter Eigen</td>
<td>1968-1990</td>
<td>Regional Director</td>
<td>in person (8/20/19)</td>
<td>60</td>
<td>Audio</td>
<td>On record</td>
</tr>
<tr>
<td>Philip Keefer</td>
<td>1994-2014</td>
<td>Lead Research Economist</td>
<td>in person (5/24/19)</td>
<td>45</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Roby Senderowitsch</td>
<td>since 1999</td>
<td>Practice Manager</td>
<td>in person (5/30/19)</td>
<td>30</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Theodore Ahlers</td>
<td>1985-2012</td>
<td>Director of Operations, Country Director</td>
<td>in person (5/22/19)</td>
<td>60</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Verena Fritz</td>
<td>since 2007</td>
<td>Senior Public Sector Specialist</td>
<td>over phone (5/28/19)</td>
<td>30</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
<tr>
<td>Vinay Bhargava</td>
<td>1975-2007</td>
<td>Director of International Affairs and Operations, Country Director</td>
<td>over phone (6/3/19)</td>
<td>50</td>
<td>Audio</td>
<td>Confidential</td>
</tr>
</tbody>
</table>

The following steps were taken to compile the inventory of World Bank anti-corruption engagement.

(1) Identification of semantic proxies for corruption:

a. On April 12, 2017, a query was run in the World Bank’s Operations Portal (version 2.0) using the keyword “corruption” delimiting the query to only search projects’ Project Development Objectives (PDO) and Results. The query yielded 853 entries of which 144 were classified as lending operations (i.e., Investment Project Financing/IPF; Development Policy Financing/DPF; Program-for-Results Financing/PforR). 25 projects were randomly selected out of the 144 entries (sampling universe for randomization) and key project documents (mostly project appraisal documents/PADs and implementation completion and results reports/ICRs) examined individually to identify euphemisms for corruption. In addition, 341 prior actions that were classified under the theme “Other accountability/anti-corruption” in the Development Policy Actions Database (DPAD) were examined with the same objective.

b. A list of 32 directly and 77 indirectly related terms to ‘corruption’ was derived from the analysis described above. Find list of directly related terms below:

<table>
<thead>
<tr>
<th>Anti-asset laundering</th>
<th>Conflict-of-interest</th>
<th>Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticorruption</td>
<td>Control of corruption</td>
<td>Giftgiving</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Corrupt</td>
<td>Illicit enrichment</td>
</tr>
<tr>
<td>Anti-fraud</td>
<td>Corrupt practices</td>
<td>Integrity</td>
</tr>
<tr>
<td>Anti-money laundering</td>
<td>Corruption-free</td>
<td>Internal misconduct</td>
</tr>
<tr>
<td>Arbitrary and discretionary behaviors</td>
<td>Corruption-related problems</td>
<td>Mismangement of public funds</td>
</tr>
<tr>
<td>Asset declaration</td>
<td>Counter-corruption</td>
<td>Misuse of public funds</td>
</tr>
<tr>
<td>Asset and income declaration</td>
<td>Crimes against public finance</td>
<td>Money laundering</td>
</tr>
<tr>
<td>Assets declaration</td>
<td>Declarations of income and assets</td>
<td>Procurement code of ethics</td>
</tr>
<tr>
<td>Bribery</td>
<td>Discretionary powers</td>
<td>Whistle blowers</td>
</tr>
<tr>
<td>Conflict of interest</td>
<td>Ethics</td>
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</tr>
</tbody>
</table>

Table 7: List of Semantic Proxies for Corruption

(2) Search query was conducted using list of corruption euphemisms:

a. On May 4, 2017, a separate search query was conducted in the Operations Portal (Version 1.0) search engine for each of the 32 terms listed above. Those 32 queries

58 Randomization was done in Excel using the =RAND formula.
combined yielded a total of 9,921 results\textsuperscript{59} (including duplicates) from a universe of 116,955 activities (i.e., all World Bank activities from 1996 to 2016). 4,879 unique activities containing at least one of the search terms in its metadata remained after filtering out duplicates.

(3) Relevant activity information was added to the dataset:

a. The list of 4,879 activities was saved in an excel file and the following corresponding attributes were added:

i. Project Development Objective (PDO) and Project Component. Using an R code which accesses a database of PDOs and Project Components (created by the Operations Solutions Unit/ITSOP for the Internal Evaluation Group/IEG), these attributes were added for each activity as per their availability.

ii. Abstract. Using an external application programming interface (API)\textsuperscript{60}, abstracts were added for each activity as per their availability.

iii. Indicators. Using access to the ITSOP database, indicators were added for each activity as per their availability.

iv. Sector and Theme. Using the WB API\textsuperscript{61} for sectors and themes, the up to 5 major sectors, sectors (and their %), major themes, themes (and their %) were added to the database for each activity.

(4) The dataset was filtered for all activities that confront corruption explicitly:

a. The list of 4,879 activities was filtered for activities that explicitly confront corruption.

b. An activity is considered to be explicitly about corruption if at least one of the following criteria is met:

i. The “Other accountability/anti-corruption” theme % is greater than or equal to 30.

ii. The word ‘corruption’ or a semantic proxy is mentioned in the title.

iii. The word ‘corruption’ or a semantic proxy is mentioned in the components.

iv. The word ‘corruption’ or a semantic proxy is mentioned in the project development objectives.

v. The word ‘corruption’ or a semantic proxy is mentioned in the abstract.

vi. The word ‘corruption’ or a semantic proxy is mentioned in the indicators.

c. Applying the above filters yielded a list of 1,035 activities (including activities approved between 1996 and 2016 only and excluding dropped activities) that explicitly confront corruption.

\textsuperscript{59} The 9,921 results stem from 17 terms. The searches for the other terms did not yield any results. Also, the term ‘integrity’ was excluded since it yielded over 12,000 results which also included results containing references to terms like ‘Integrated’, ‘Integral’ etc. There might also be some other false positives, however that number is not likely to be very high.

\textsuperscript{60} http://search.worldbank.org/api/v2/projects

\textsuperscript{61} http://reports.worldbank.org/BIDATAINFOMATICS/APISubListing.jsp?domain=Project
(5) **Stolen Asset Recovery Initiative (StAR) activities were added to the dataset:**

a. A list of 120 StAR activities was merged with the dataset resulting in 44 additional activities. The remaining 76 were not added either because they were already included in the master dataset or they were considered to be non-relevant (e.g., scoping missions to non-IBRD countries).

(6) **The final dataset contains 1,079 World Bank activities that deliberately confronted corruption between 1996 and 2016.**

a. The dataset was successfully tested for completeness by checking whether it captured a number of anti-corruption activities that World Bank staff had indicated as being deliberate anti-corruption activities.

b. Despite the rigorous method applied to identify anti-corruption activities, it should be noted that the degree to which activities included in the dataset are about anti-corruption might vary considerably. For example, one activity might be 100% about anti-corruption because it has the sole purpose of creating an anti-corruption agency, while another activity might only be 35% about anti-corruption because only one component supports anti-corruption measures.
Annex III: Information on Cumulative Dissertation

This cumulative dissertation consists of three individual papers, presented in the following order within the text above:

Chapter 2: Corruption and Development


Chapter 3: Corruption as a Development Policy Issue: An Overview of Contemporary Research and Practice


Chapter 4: The Evolution of the World Bank’s Anti-Corruption Programming: An Analysis of Driving and Limiting Factors

Annex IV: List of Pre-Publications
