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ANTI-CORRUPTION RESEARCH QUARTERLY

KNOWLEDGE FOR TRANSPARENCY - LINKING ANTI-CORRUPTION RESEARCH AND PRACTICE

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IN THIS ISSUE

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Welcome to the twelfth issue of Anti-Corruption Research Quarterly. Here you will find recent insights and activities in anti-corruption research, synthesised for scholars, policy-makers and practitioners. This newsletter is part of the Anti-Corruption Research Network (ACRN), an initiative of Transparency International to strengthen a knowledge community and information service for anti-corruption research. **Subscribe today!**

MEASURING THE PAYMENT OF BRIBES

By Prof. Richard Rose and Dr. Caryn Peiffer*

A wise man's question is half the answer, especially when it comes to measuring popular experience of corruption. The key questions to ask in a survey are: Have you had contact with any of the following public services in the past year or two? If so, have you paid a bribe? Simply asking people about paying a bribe can lead to the wrong conclusion: that the political system is honest. The other reason for not paying a bribe is that people have not had contact with corrupt public officials.

Since the payment of bribes is a behavioural act, in principle it can be measured by sample surveys. To do so properly requires including in the questionnaire appropriate measures of the chief determinants of bribery: contact with public services, social characteristics and attitudes of individuals and their household and national context. Our current review of hundreds of surveys conducted on different continents, including TI's Global Corruption Barometer (GCB), provides empirical evidence of the importance of covering all these determinants and the risk of misunderstanding if any of these points are left out.

Bribes Buy Services

Bribes are paid for specific public services but contact with public services is contingent. A nationwide survey should ask about "retail" services that public employees deliver locally and a significant portion of the population is likely to use. Five services are normally covered: health, education, police, courts, and official permits. The 2010 GCB adds public utilities, taxes, land contracts and customs. By concentrating on contacts with familiar services one avoids the uncertainty of meaning associated with general and abstract ideas such as "government" or distant institutions such as parliament. Questions normally restrict the time span for paying bribes to the past 12 months to avoid problems of faulty memory.

The Payment of Bribes

Generalizations about corruption in public services imply that the number of bribes paid is the same for every service. This is not the case. Bribes are most often paid for health care, education and the police rather than for services few people use, such as the courts and customs.

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SPOTLIGHT: MEASURING THE PAYMENT OF BRIBES

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Contact and Payment of Bribes for Public Services

	No Contact	Contact and No Bribe	Contact and Bribe
	(percentage of respondents)		
Health	38	53	9
Utilities	46	50	4
Education	54	40	6
Tax	69	29	2
Permits	70	25	5
Police	76	16	8
Land	84	13	3
Courts	86	11	3
Customs	91	7	2

Source: Transparency International Global Corruption Barometer, 2010. Total number of respondents in 81 countries: 87,787

Every national population divides into three groups: those who do not have contact with a service and thus pay no bribe; those who have contact and pay no bribe; and bribe-payers. The Global Corruption Barometer finds that of the 85 percent of citizens who have contact with one or more public services, only 21 percent pay a bribe, compared with the 64 percent receiving services free of corruption. Africa is the only continent in which a majority of people having contact with public services report paying bribes.

Life Cycle and Household Size

An individual's place in the life cycle influences his/her contact with public services.

Older people are more likely to need health care than healthy young adults, while middle-aged people are more likely to have contact with education services because they have school-age children. Across the life cycle, almost everyone will have contact with a full range of public services.

The household is a 'common pot' for sharing such services as utilities, and a bribe for education will be paid by an adult family member. Since households share information as well as income, the Global Corruption Barometer asks respondents to report bribes paid by their household and not just by themselves. Household size should increase the number of contacts with public services, and therefore the likelihood that a bribe is paid. The post-Communist Life in Transition survey (LiTS) is unusual in including detailed household data. As the size of a household increases, so does the experience of paying bribes-but not in proportion to the increase in household size. According to LiTS, in single-person households, only 15 percent report paying at least one bribe, whereas in four-person households 25 percent do so, and in households with seven or more persons, payment rises to 34 percent.

Perceptions

There are two rationales for asking about perceptions. Firstly, it serves as a proxy for the actual payment of a bribe. Secondly, perceptions of corruption are likely to affect trust in government, satisfaction with democracy or demand for regime change. Early questionnaires tended to muddle the two phenomena by asking about perceptions of corruption in distant institutions of which respondents had no firsthand knowledge, and they were expected to trust and support in a good democracy system.

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SPOTLIGHT: MEASURING THE PAYMENT OF BRIBES

Photo: Alexandr Tovstenko

> *"Two-thirds, although perceiving the police as very corrupt, have had no contact with it. These findings strongly challenge the probative value of using perceptions of corruption as evidence of the actual payment of bribes."*

People who see services as corrupt may be more likely to pay bribes because they assume it is expected and "everybody" does it. When questions about the payment of retail bribes are asked, then questions about perceptions should cover the same institutions; however, this is not always done.

The GCB consistently finds a substantial gap between those who see a public service as corrupt and those who pay a bribe. For example, bribe-payers account for only one-sixth of those viewing the police as extremely corrupt and another sixth are very negative but they have had contact with the police without paying a bribe. Two-thirds, although, perceiving the police as very corrupt, have had no contact with it. These findings strongly challenge the probative value of using perceptions of corruption as evidence of the actual payment of bribes.

Bribery Not the Only Way to Break Laws

Bribes are not the only way in which public services can be delivered in means inconsistent with the Weberian norm of bureaucrats impersonally providing public services strictly in accord with the rule of law. As part of a research project on "negative social capital", the Centre for the Study of Public Policy developed for use in Russia a battery of scenarios asking people what they would do if they faced difficulties in securing health care, a government permit, housing or a university place.

The most commonly endorsed individual strategy is to use connections, to go to a friend or to a friend of a friend with informal access to officials in the relevant public authority. The go-between may negotiate the amount of bribe to be paid or, if the radius of friendship extends far enough, the service can be delivered free as a favour.

Lots of Variation to Explain

Social science surveys invariably collect data about age, gender, income, and education; each characteristic may influence whether a bribe is paid or not. In developing countries, it is also relevant to collect data on informal social capital networks to see whether they facilitate or substitute for a bribe. Contact data can be supplemented by data about the community in which respondents live, for people are less likely to have contact with a hospital or secondary school if they live in relatively isolated rural or mountainous areas.

Identifying the services where bribery is most frequent and the people most vulnerable to being asked to pay bribes can help establish clear and specific priorities for reform. Modelling the process of collecting bribes calls attention to points of intervention where a change in service delivery may make it harder to collect bribes, for example, by computerizing claims for entitlement. By contrast, focusing solely on the perception of corruption may encourage passive acceptance of corruption on the grounds that it is a pervasive feature of the political system and, at worst, may encourage bribery on the grounds that this is the way the system works.

References

For a full discussion, see R. Rose and C. Peiffer (2012), <u>Paying Bribes to Get Public Services: a Global Guide to Concepts and Survey Measures</u>. Glasgow: U. Of Strathclyde in Studies Studies in Public Policy (SPP) series No. 494

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HIGHLIGHTS IN ANTI-CORRUPTION RESEARCH

MEASURING CORRUPTION

National Integrity System Assessment in Greece
Transparency International-Greece, 2013
A key conclusion of the research is that corruption in Greece originates mainly from a crisis of values, which has imbued the country's mentality and institutions. The long-standing mentality of tolerance and fatalism with regard to corruption supports petty-corruption and perpetuates the bottlenecks in institutions, which stand strongly against any reform. The NIS assessment is a qualitative research tool based on a combination of desk research, in-depth interviews and, optionally, field tests.
http://bit.ly/11DoR7q

Quality of Government and Corruption from a European Perspective
Charron, Lapuente & Rothstein, 2013, Edward Elgar Publishing
In this book, the authors tackle the concept of 'Quality of Government' (QoG) both conceptually and empirically and apply their focus to EU countries and regions. They map out regional QoG for the first time. They follow up the quantitative assessment with three case studies demonstrating the wide variation of QoG found within the countries of Italy, Belgium, and Romania. The book will be out in early June 2013. Until then, there is a pre-publication discount of 50 percent.
http://bit.ly/ZHwhJC

UNDERSTANDING CORRUPTION

Political Connections and Firm Value: Evidence from the Regression Discontinuity Design of Close Gubernatorial Elections
Do, Lee & Nguyen, 2013, LIEPP Working Paper, Evaluation of Democracy Research Group, nº15
Drawing upon regression discontinuity method, this working paper investigates the role of political connections on firm values in the United States. The authors find evidence that firms connected with elected politicians do increase their value. This paper throws light on the role of alumni and classmate networks on firm values. While this paper does not directly deal with corruption, it provides interesting insights into the broader picture of political influence and lobbying.
http://bit.ly/17HNgPB

Bribe-Taking and Bureaucratic Competition: A Search Cost Model of Corruption
Kiselev, 2012, Job Market Paper, Available at SSRN
In this article, the author tackles the issue of bribery and the effect of competition among bureaucrats on the amount of bribes paid by businesses. Juxtaposing his theoretical arguments with empirical data from Russia, he compares the frequency and amount of bribes paid to obtain licenses to the degree of competition among bureaucrats in a given area. He argues, as a result, that higher competition leads to less frequent but higher bribes, as corrupt bureaucrats tend to target companies for which the cost of looking for a non-corrupt bureaucrat is too high.
http://bit.ly/17HOpXv

Auditing Leviathan: Corruption and State Formation in Early Eighteenth-century Britain
Graham, accepted 2013, English Historical Review
This paper examines "mentalities" towards corruption in early modern England. The author argues that modern definitions of corruption such as "transgression" and "contrary to public good" are not necessarily applicable to England in the period before 1830. Indeed, in the era of state formation 1660-1830, institutions were inefficient and prone to activity we would understand today as corruption. However, many of these nominally corrupt practices were in fact necessary to keep the state structures running.
http://bit.ly/11wEP83

Public Sector Size and Corruption: Evidence from 290 Swedish Municipalities
Bergh, Fink & Öhrvall, 2012, IFN Working Paper No.938
This research paper brings further insights into the existing literature probing corruption determinants. This paper proposes a new investigation of the relationship between government size and corruption extent, drawing upon data collected in 2007 from 290 Swedish municipalities. The authors found strong evidence of a negative correlation between total public expenditure and corruption, casting doubt upon the still dominant "public-choice" paradigm.
http://bit.ly/ZfFcWa

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> *"The author argues, as a result, that higher competition leads to less frequent but higher bribes, as corrupt bureaucrats tend to target companies for which the cost of looking for a non-corrupt bureaucrat is too high."*
>
> Kiselev 2012

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HIGHLIGHTS IN ANTI-CORRUPTION RESEARCH

"Why do politicians involved in scandals avoid severe penalties in their re-election bids?"

Fernandez-Vazquez, Barbera & Rivero, 2013

FIGHTING CORRUPTION

When More Discretionary Power Improves Public Procurement Efficiency: An Empirical Analysis of Auctions with Negotiation and Reduction of Formalism
Chever & Moore, 2012, European Procurement
This article addresses the efficiency of different contract awarding mechanisms in the procurement process. In recent years, sealed-bid open auctions have come to be widely recognized as the most efficient contract awarding procedure. However, the authors argue that there is no clear empirical data to support the claim that such mechanisms yield more substantial results than alternatives like auctions with negotiations or less-formalized auctions.
http://bit.ly/11Dj1Gj

Rooting Out Corruption or Rooting For Corruption? The Heterogeneous Electoral Consequences of Scandals
Fernandez-Vazquez, Barbera & Rivero, 2013
Why do politicians involved in scandals avoid severe penalties in their re-election bids? The take away of this paper is that voters ignore corruption when there are side benefits and positive externalities valuable to the community. Using data from the 2011 Spanish local elections, they suggest that the economic output of the corrupt activity has to be taken as a relevant dimension to explain why voters punish politicians.
http://bit.ly/161S5Hj

Preventing Bribery and Extortion in International Business Transactions
Klaw, 2012, Harvard Journal on Legislation, Vol. 49, No. 2
This article argues for a modification in the U.S. strategy against corruption in international business transactions. The author points out several drawbacks on imposing criminal penalties on only those who give bribes to foreign officials. According to the author, the U.S. regulatory framework establishes a perverse incentive structure that ensures that bribery will remain secret in most cases. Companies will not disclose their payments because they know they will be persecuted.
http://bit.ly/14IRSsV

Open vs Restricted Procurement Auctions: Evidence from Regression Discontinuity
Coviello, Guglielmo & Spagnolo, 2013
In their article, the authors make good use of the special opportunity offered by the Italian context to study the causal effects of open rather than restricted auction mechanisms. As a matter of fact, in the global debate on procurement systems, theoretical arguments tend to favour open auctions for procurement. On the other hand, some authors have argued that more discretionary powers for the buyer may lead to more optimal results.
http://bit.ly/ZfGWyt

Theories of Change in Anti-corruption work: A Tool for Programme Design and Evaluation
Johnsøn, 2012, U4 Issue 6
In this report, the author explores the Theory of Change (ToC) approach as a method for improving the processes of project design, implementation, and evaluation. It can be used in designing overarching policies or specific programmes or projects as well as in setting priorities within or between projects. The paper presents a user-friendly five-step methodology for building a theory of change for a programme or project. It highlights the importance of distinguishing between those preconditions that can be addressed by the programme design and those that cannot.
http://bit.ly/13qjPAZ

Curbing Corruption and Enhancing Trust in Government: Some Lessons from Singapore and Hong Kong
Quah, 2013. In Liu, Hebenton & Jou (Ed.), Handbook of Asian Criminology (pp. 25–47). New York: Springer
This chapter is from the Handbook of Asian Criminology, which analyzes illicit enterprises and criminal justice efforts in 25 Asian countries. Firstly, it identifies the causes of the high level of corruption on the continent. Secondly, it analyses the cases of Singapore and Hong Kong as regional outliers. According to the author, both countries have a low level of corruption and a high level of public trust in politicians because of their highly effective governments. Four lessons are highlighted from the experience of these two countries: adopting meritocracy, paying competitive salaries to attract and retain the "best and brightest" citizens in the civil service and curbing corruption effectively.
http://bit.ly/ZDqO9L

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FEATURED CURRICULUM

COMPREHENSIVE ANTI-CORRUPTION GUIDELINES FOR CURRICULUM CHANGE FOR BUSINESS SCHOOLS

The Principles for Responsible Management Education (PRME) initiative is supported by the Siemens Integrity Initiative and United Nations Global Compact.

In July 2012, PRME launched a toolkit for use by business schools to design or adapt anti-corruption modules, or to integrate anti-corruption content with existing curricula, with specific reference to MBA programs.

Through core concept readings and detailed case discussion, students are expected to develop an appropriate set of skills to recognize and frame business ethics dilemmas and implement effective transparency and accountability systems in response to local and global compliance regimes.

As explain on the PRME website each of the ten study modules includes a long list of these resources to allow faculty from different countries to design a course that is appropriately suited to the necessities of his/her students.

Modules

(1) Core Concepts: The recognition and framing of ethics dilemmas and social responsibility and their importance in strategic decision making.

(2) Economics, Market Failure and Professional Dilemmas: Economics and market failure in its various forms, and how it is manifested in corruption.

(3) Legislation, Control by Law, Agency and Fiduciary Duty: Many of the agency issues to which corruption gives rise flow logically from improper gifts, side deals and conflicts of interest.

(4) Why Corruption, Behavioral Science: The module addresses the question: What does Behavioral Science teach us about how to design a performance incentive system that encourages integrity as well as productivity?

(5) Gifts, Side Deals and Conflicts of Interest: Legislation and cases to understand gifts, side deals, and conflicts of interest and the lying and obfuscation that is often used to conceal them.

(6) International Standards and Supply Chain Issues: Frameworks and analytic methods for discussing the problems that companies face in the need to respect moral standards across borders, local customs and bribery.

(7) Managing Anti-Corruption Issues: Designing, implementing, and overseeing corporate ethics and compliance systems in response to local and global compliance regimes.

(8) Functional Department and Collective Action Roles in Combating Corruption: The Functional Departments examined include human resources, marketing, accounting and finance.

(9) Truth and Disclosure, Whistleblowing and Loyalty: These topics raise issues of timing and context as to what point and under what circumstances it is permissible for an agent or employee to blow the whistle on corruption.

(10) The Developing Global Anticorruption Compliance Regime: Topics include: (a) global public policy principles and how are they promoted and (b) links between corruption and forms of state failure such as deprivation of human rights and environmental degradation.

Toolkit available online *http://bit.ly/17drMvv*

Are you currently teaching or developing a course on corruption? Share your ideas and help corruption curriculum development in academic institutions around the world by featuring it through the ACRN. Please write to us: acrn_editor@transparency.org

RESEARCH MARKETPLACE

Call for papers and Funding Opportunities:

- **Youth Writing Competition**
  Transparency International
  If you are between 18 and 30 years old we want to hear how you think corruption can be tackled with the following theme: What can young people do to stop corruption? The deadline for submissions is 1 July, 2013. Find out more about how to get your work published and other prizes here: *http://bit.ly/11XTJp5*

- **Central European University, Budapest**
  Financial Aid packages
  The main types of CEU Financial Aid include: CEU Fellowships for Master's students (full and partial), Tuition Scholarships (full and partial) and CEU Doctoral Fellowships for most students pursuing PhD degrees.
  http://bit.ly/11uEzr8

RESEARCH MARKETPLACE

Training and Events:

- **Transparency International Summer School on Integrity**
Intensive Anti-corruption Training for Future Leaders
8- 14 July Vilnius, Lithuania
The Transparency International Summer School on Integrity addresses the subject of corruption and how to fight it. The Summer School is for students, graduates and young professionals. See where our previous participants came from.
http://bit.ly/15BMzem

- **Best of Robert Klitgaard**
IACA Campus, Laxenburg, Austria
10 – 11 July 2013
During this two days seminar, Professor Dr. Robert Klitgaard will discuss the efficacy of anti-corruption efforts by examining interactive case studies and explaining innovative methods of good governance and institutional reform.
http://bit.ly/Yo2ccS

- **Workshop: The Economics of Corruption**
University of Passau, 6-13 October 2013
The event is targeted towards PhD and master-students with an interest in experimental and behavioral approaches to corruption.
http://bit.ly/17zbrBI

- **Conference: Promoting Democracy: What Role for the Emerging Powers?**
University of Ottawa, 15- 16 October 2013
This event has the goal of examining what role emerging powers, particularly emerging democracies such as Brazil, South Africa, Turkey, India or Indonesia can play in promoting democracy beyond their own borders. It is organized by the German Development Institute, the International Development Research Centre (IDRC) and the University of Ottawa
http://bit.ly/1093UCX

NEWS FROM ANTICORRP

WHAT IS ANTICORRP?

ANTICORRP is a new large-scale research project funded by the European Commission's Seventh Framework Program. It´s central objective is to investigate factors that promote or hinder the development of effective anti-corruption policies.

The project started in March 2012 and will last for five years. The initiative consists of twenty-one research groups in sixteen EU countries. Transparency International is a member of ANTICORRP consortium.

Future issues on the Anti-Corruption Research Quarterly will feature news from ANTICORRP as a way to keep you inform about this exciting project.

Announcements and Events

Call for papers:

- **Panel "And now Kill us All. The Challenges of Mobilizations against Corruption and Organized Crime"**
National Conference of the Italian Political Sciences Association
Panel Discussant: Professor Dr.Donatella della Porta, EUI
Dr. Alice Mattoni will be chairing the panel. Deadline for receipt of papers is 15 May, 2013. *http://bit.ly/11eMrLQ*

- **Opening Keynote Speech: Why is Italy so disproportionately corrupt? A Conjecture**
ANTICORRP 2nd General Meeting, European University Institute, Florence 8 May 2013
After a welcoming address by Donatella della Porta (EUI) and Alberto Vannucci (University of Pisa - EUI), Diego Gambetta (EUI) will present a Keynote Speech on Italy's current situation.
http://bit.ly/1326NLj

- **Inception Conference**
South-East Europe Leadership for Development and Integrity network
21- 22 May 2013, Belgrade
This event is coordinated by the Center for the Study of Democracy (CSD).
http://bit.ly/12550Cn

- **Panel "Corruption and Political Power from a Comparative Area Perspective"**
Annual Meeting of the Comparative Politics Section, German Political Science Association
9-11 October 2013, Leipzig University
Panel Discussant: Professor Dr. Alina Mungiu-Pippidi, Hertie School of Governance. Panel Chairs: Dr. Christian von Soest & Dr. Thomas Richter, GIGA *http://bit.ly/15AH1jP*

ANTICORRP's Second General Meeting European University Institute, Florence May 7 – 10 2013

More information here www.anticorrp.eu

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NEWS FROM ANTICORRP- CONTINUED

→ **9 April 2013**
The paper **"The Good, the Bad and the Ugly: Controlling Corruption in the European Union"** was submitted for discussion in a public debate at the European Parliament.
Photo provided by ERCAS

↓
17 March 2013, Workshop on Methodological Issues, School of Communication and Media, Bratislava
Photo provided by Skamba

PUBLICATIONS

The Good, the Bad and the Ugly: Controlling Corruption in the European Union

By Hertie School's European, Research Centre for Anticorruption and State-Building (ERCAS) as contribution to the ANTICORRP research project. Main author of the report: Alina Mungiu-Pippidi

A new study from ANTICORRP estimates that if EU member states would all manage to control corruption at the Danish level, tax collection in Europe would bring in yearly about 323 billion more, so double the current EU budget for 2013. The report, released in Brussels at the European Parliament on April 9, argues that corruption is a major impediment to economic recovery in the European Union, as it bolsters deficits on behalf of discretionary spending (and hurts investment in public health and education), reduces tax collection and the absorption rate of EU funds and generates vulnerable employment and brain drain. Fundamentally, as data from Romania and Hungary shows, it affects free market as companies' fortunes decline or rise with the success or demise of the political party they are tied with.

The report identifies Bulgaria, Czech Republic, Greece, Latvia, Poland, Slovakia and Romania as facing the highest corruption risk and argues that the process of EU integration does not improve governance by itself. Greece and Italy have not evolved,

during their time in EU. New member countries have only shown some progress before accession. The shining exception is Estonia, but due to a dynamic of its own reforms, not EU conditionality.

How can a country 'become Denmark", in other words, improve the capacity to control corruption and have a government which treats citizens and businesses equally and impartially, so they reciprocate by trusting the government with their money and paying taxes? Full report here
http://bit.ly/ZEmA1J

RECENT ACTIVITIES

Workshop on Methodological Issues
School of Communication and Media, Bratislava
21-22 February 2013
The ANTICORRP Work Package 6 organized a workshop on methodological issues related to the research on coverage of corruption in the media and the role of journalists in covering corruption.
http://bit.ly/XXgyZp

Book presentation: Can Russia Modernise? Sistema, Power Networks and Informal Governance
SciencesPo, Paris
17 March 2013
Professor Alena Ledeneva, Anticorrp researcher, launched her new book published by Cambridge University Press
http://bit.ly/13qXYcK

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