Corruption Control by State-Society Designs

The Quest for Good Governance
How Societies Develop Control of Corruption
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Againstcorruption.eu

Anticorrp.eu

1. The most corrupt societies have the most laws (Latin saying)

1. Look at Romania today, 18 ministers in jail in the past three years and most public contracts still corrupt (65% more exactly, figure unchanged from 2007)
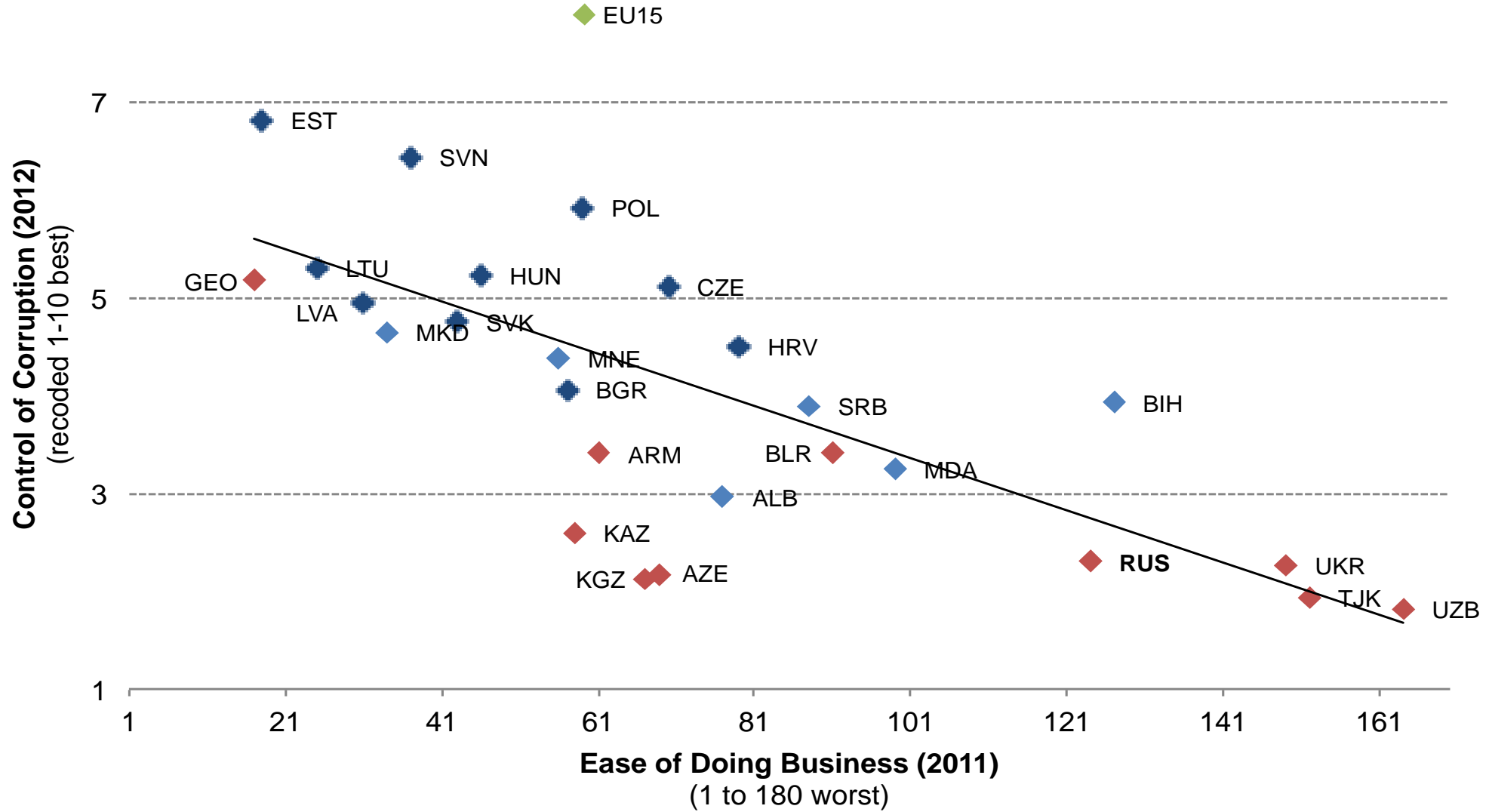
2. Statistical evidence in abondance shows that

- More anticorruption laws do not mean less corruption (implementation gap)

- More party finance regulations do not bring cleaner politics

- Societies higher on integrity are under-regulated, not overregulated (Denmark, Netherlands…)

Ease of Doing Business and Corruption
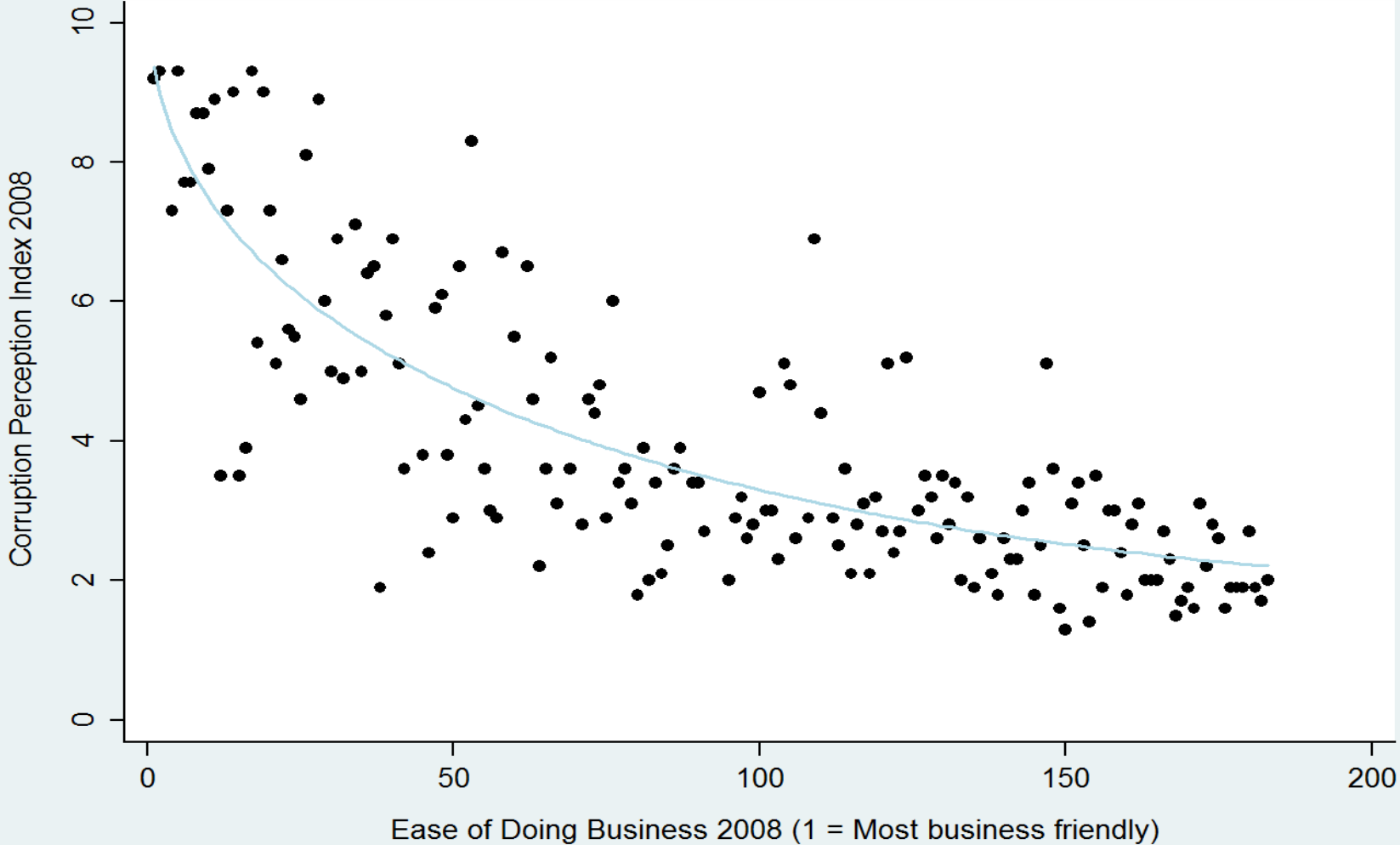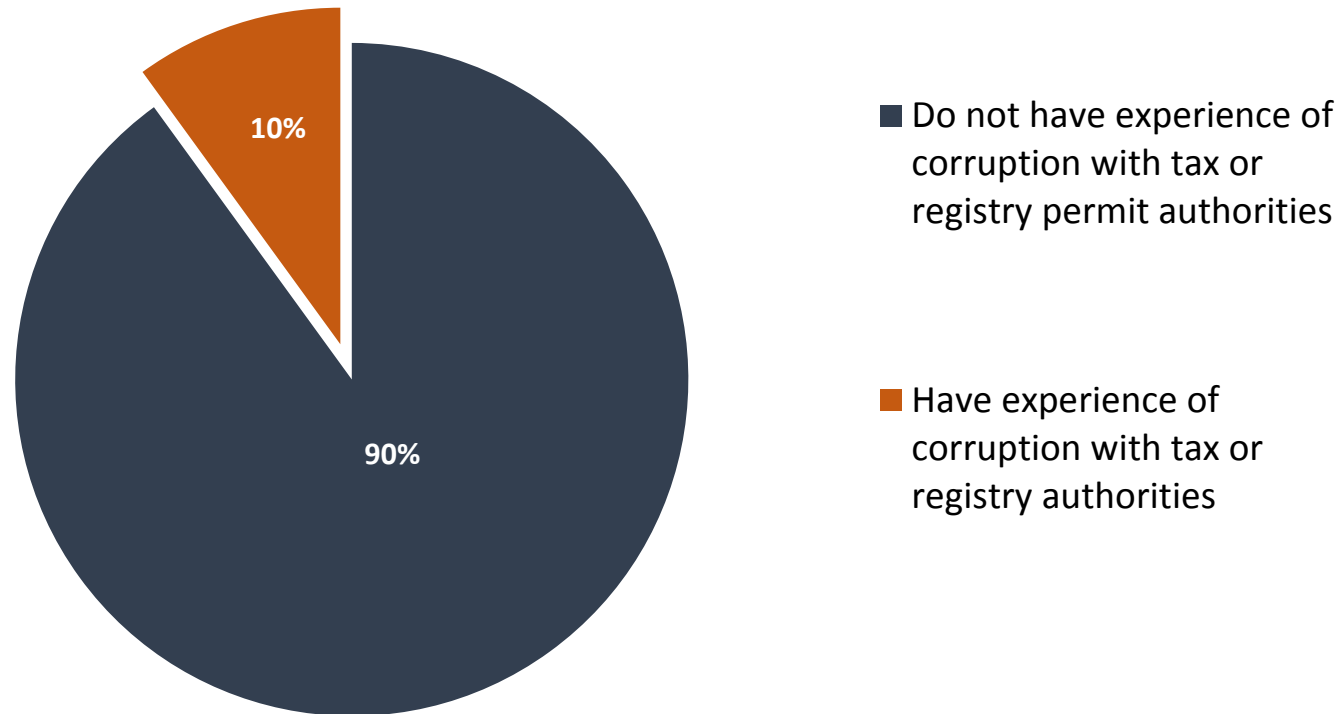
Causes of Corruption:
Red tape

2. For laws to matter, rule of law has to preexist

- Is the state autonomous from private interest?
- Is any individual or group above the law?
- Is access to public services granted equally and fairly on the basis of formal rules enshrined in the Constitution, laws, codes of conduct?
- In informal stronger than formal, than why formal regulations?

ALL LEGISLATION HAS TO DETER CORRUPTION, NOT JUST ANTICORRUPTION LEGISLATION- Weight of bribery experience among respondents perceiving high corruption

10%

90%

- Do not have experience of corruption with tax or registry permit authorities

- Have experience of corruption with tax or registry authorities

Public sector driven by favoritism- survey data (GCB)

Region	% of respondents who think that personal contacts are important to make public service work
Western Europe	47
Southern Europe	66
New EU Member States	59
Former Soviet Union	63
Ukraine	75
Russia	73
The Balkans	68
Serbia	59
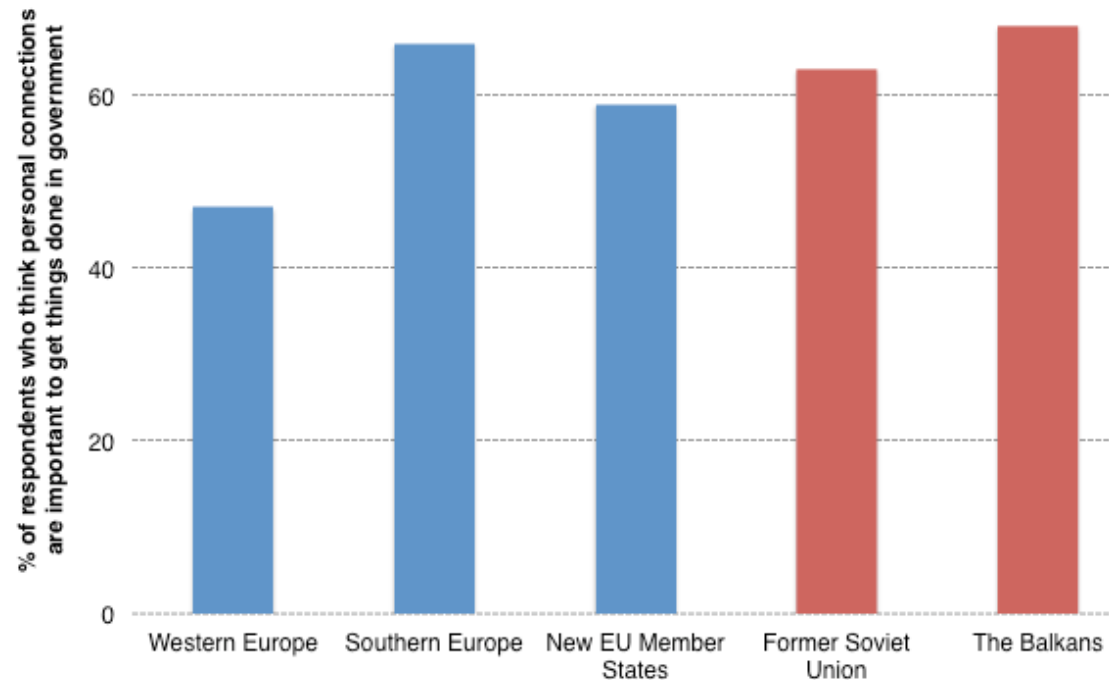
3. Solutions- When do laws matter?

Evidence shows that taken in isolation few laws and institutions matter- none of the above is significant statistically=

- Party finance regulation

- Financial disclosure

- Freedom of information
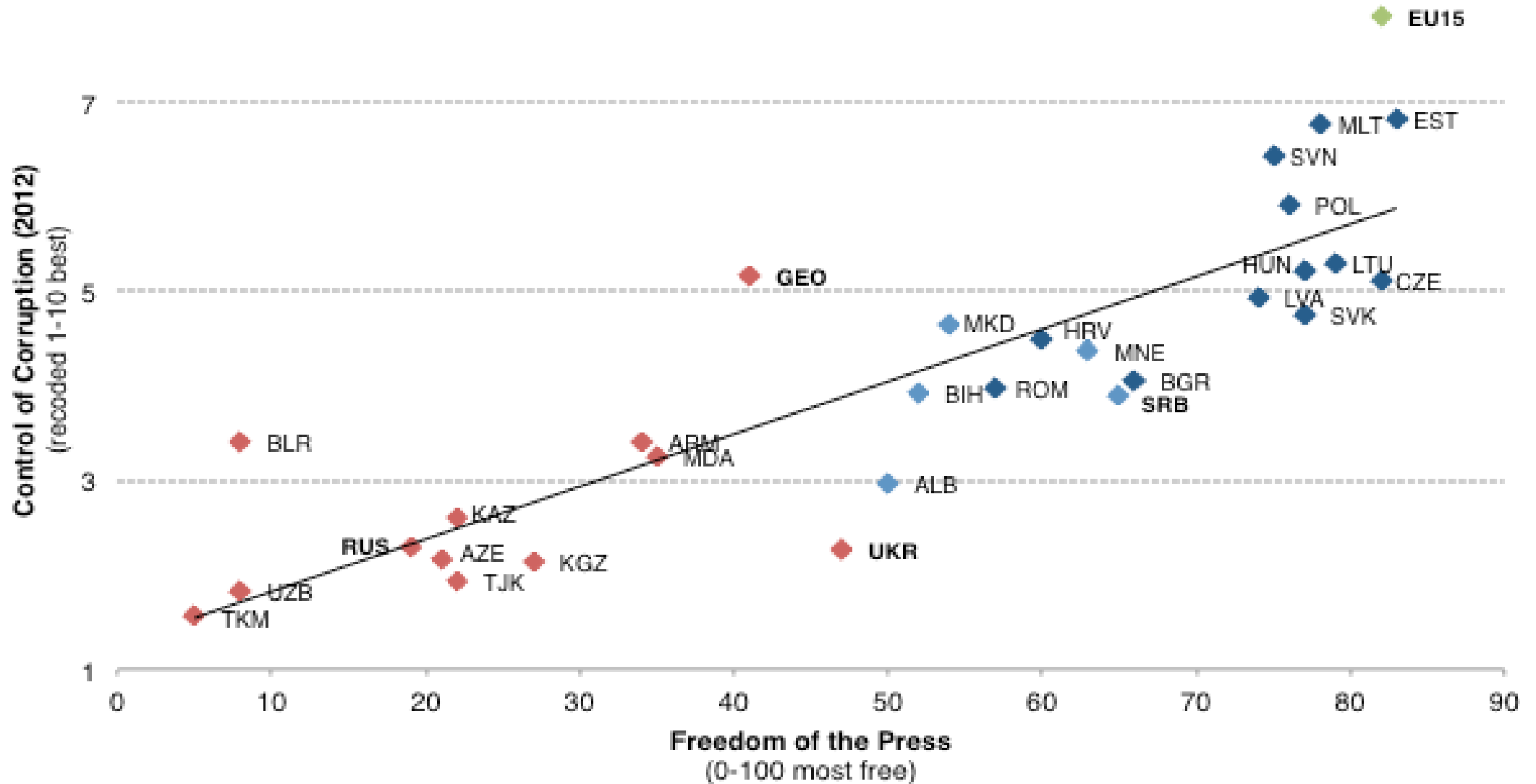
- Immunities

- Electoral legislation

Or ACA, Ombudsman, UNCAC (Mungiu-Pippidi 2010). Countries whoch adopt these (or more of…) do not better than the rest

3. Solutions- Interaction model

We find statistical impact of interaction between

- Strong civil society and freedom of information
- Strong civil society and fiscal transparency
- Freedom of the press and financial disclosures forms
- E-govt as e-services offer and e-services used (demand)

Captured Media

Weak civil society

Control of Corruption (2012) (recoded 1-10 best)

NIT Civil Society rating (2011) (1 to 7 worst)

EST
SVN
POL
LTU
HUN
CZE
LVA
SVK
HRV
MNE
GEO
MKD
SRB
BGR
ROM
BIH
ARM
BLR
MDA
ALB
KAZ
UKR
RUS
KGZ
AZE
TJK
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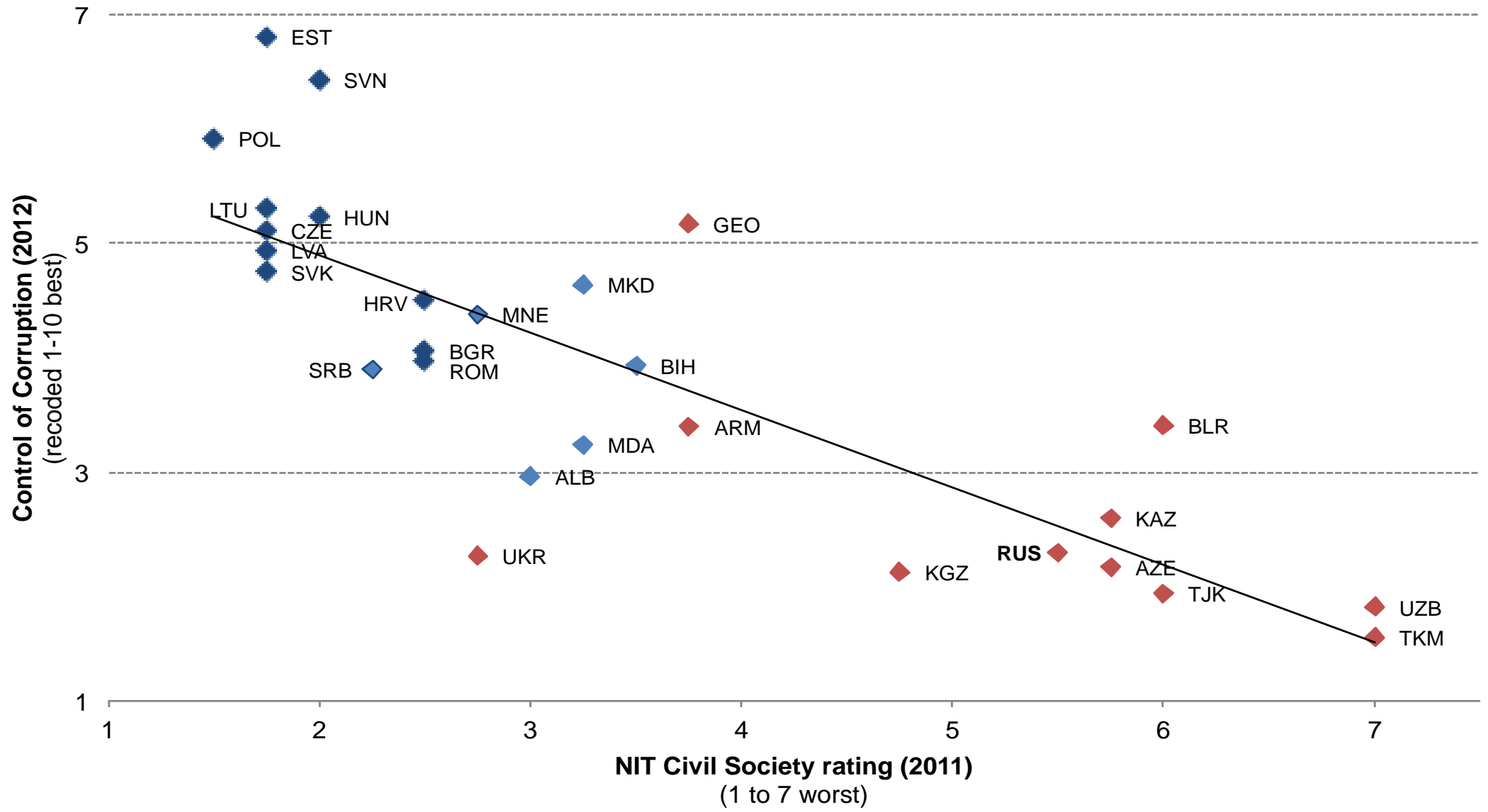
Restricted access to information (Internet)

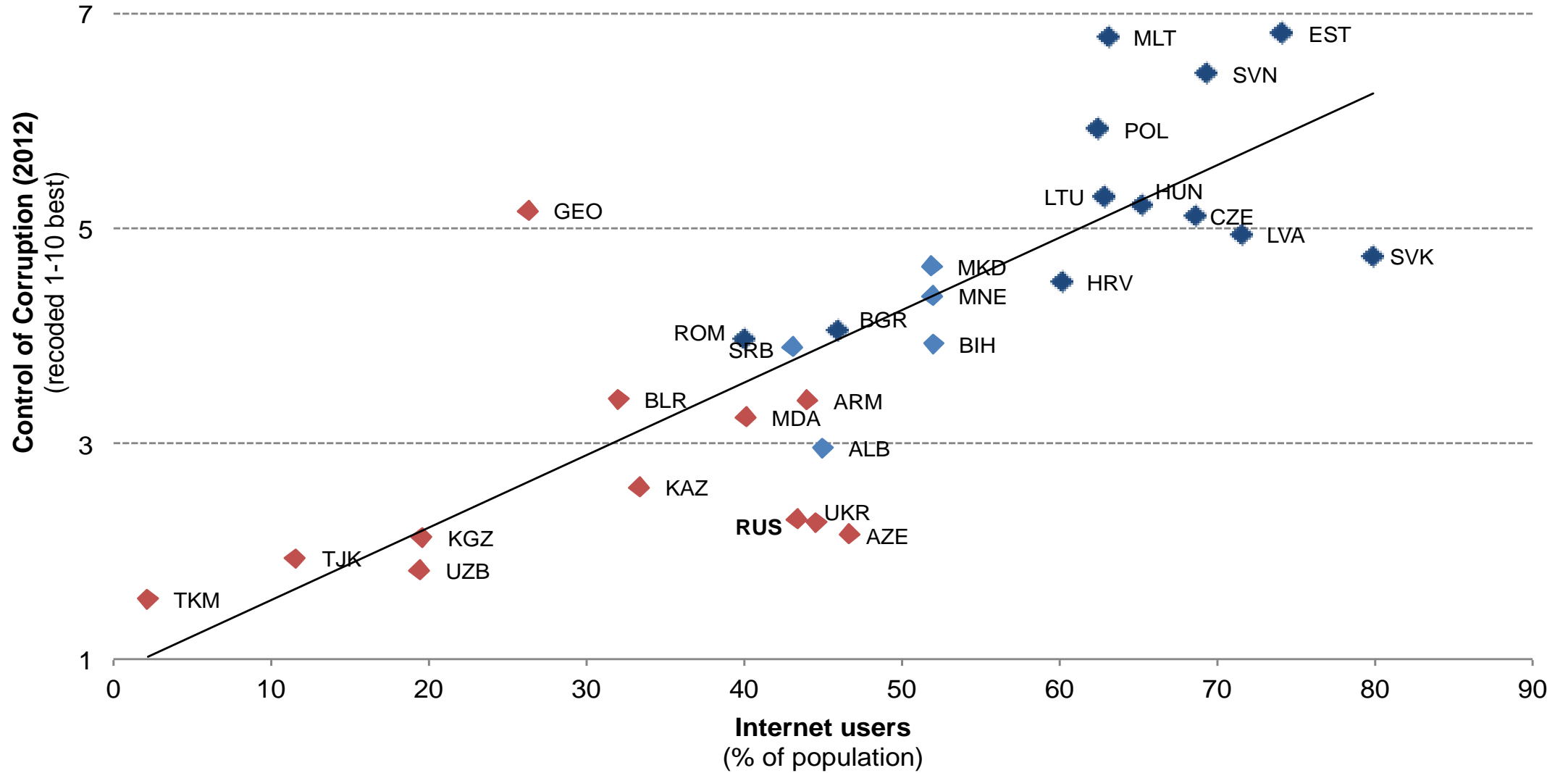# Mart Laar's, Prime Minister of country no 1 who progressed on good governance, Estonia

"To arrest people is easy,

to change hard core

regulation is difficult"

How to know what is to be done? A new measure based on *policy causes* of corruption- **Index for Public Integrity (IPI)**

- The IPI comprises six institutional factors, which are significantly associated with effective control of corruption

- These factors capture: the extent of *administrative regulations* and *trade barriers*, the degree of *budget transparency* and *judicial independency*, the scope of *e-government* proliferation, and the degree of *free media*

- The variables are based on *specific*, mostly *objective* and thus *actionable* data

- The IPI covers *93 countries* and every region in the world

- The data can updated regularly and used to *monitor changes* over time

Six components of the Index of the Public Integrity

1. **Administrative Burden** measures the extent of *domestic* bureaucratic regulations. Excessive administrative burden and regulations open doors for discretion and red tape thereby resulting in a high risk of corruption. The component is constructed combining the average number of procedures and time needed to start a business and pay corporate taxes (Doing Business dataset, WB; 2014).

2. **Trade Openness** measures the extent of regulations concerning a country's *external* economic activities. The less restricted the economic transactions of a country with the rest of the world are, the less room there is for administrative discretion. It combines the trade-weighted average tariff rate with the average number of procedures and time for exporting and importing (World Development Indicators, Doing Business datasets, WB; 2014).

3. **Budget Transparency** measures the overall extent and the quality of public accessibility of a central government's budget at its different stages of implementation - from a draft proposal to audit reports - in order to provide control mechanism for discretionary public spending (Open Budget Index, International Budget Partnership, 2015).

3. **Judicial independence** captures the extent to which the judiciary is independent from influences of members of government, citizens, or firms. The measure is based on experts' assessments. (Global Competitiveness Database, WEF; 2014).

4. **E-Government** measures the scope of public online service deliveries that include the use of e-government to provide information and services to citizens, *'open government data', e-procurement and mobile government*. It also provides an assessment of the facilities which promote *e-participation* by the citizens (UN E-Government Survey, 2014).

5. **Freedom of the Press** measures the degree of media independence thereby capturing the national *legal, political and economic environment* in which print, broadcast, and internet-based *media* operate. Free media serves as a general indicator for monitoring democratic institutions, public accountability and good government (Freedom House, 2014).
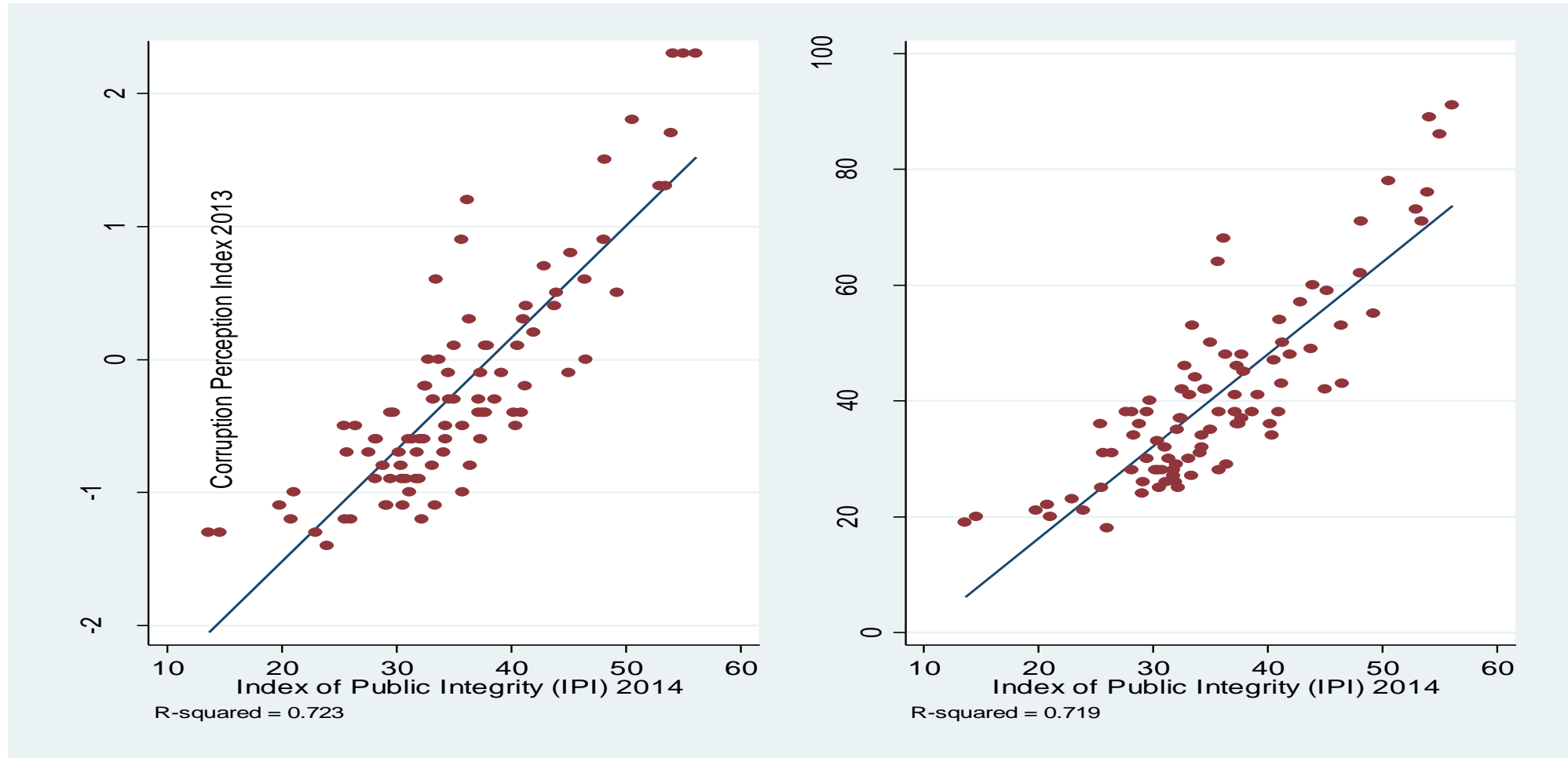
Building the Index of Public Integrity

- Each indicator is tested for validity in a OLS regression with WGI Control of Corruption (and other measures of corruption) as a dependent variable and HDI as a control

- To build the indicators, the raw data is first standardized (equal means and standard deviations) and then rescaled to be ranged between 1 and 10 (min-max-transformation)

- In case , a component consists of sub-components (e.g. administrative burden), the same procedure is applied at the disaggregated level and then a simple mean of the sub-components is built to obtain the values of the respective indicator

- The IPI score is the total value of the six components

- Alternatively, we also used principal component analysis: The first principal component of our six indicators explained around 55 % of the variation in the data and was the only one with an eigenvalue of larger than one. This variable correlated with the IPI at the value of 99%. For the sake of simplicity, transparency, and better illustration of the composition of the IPI for each country, we decided to use the simple aggregation to build the IPI

- Comprehensive and interactive online tool containing all relevant data will be available soon at http://integrity-index.org

The Relevance of the IPI components

	(1)	(2)	(3)	(4)	(5)	(6)
HDI	3.352***	2.391***	3.337***	2.250***	3.208***	2.981***
	(7.05)	(3.68)	(6.73)	(6.36)	(5.05)	(7.91)
Administrative Burden	0.153***					
	(3.71)					
Trade Openness		0.165***				
		(4.18)				
Budget Transparency			0.113**			
			(3.02)			
Judicial Independence				0.311***		
				(10.94)		
E-Government					0.077*	
					(2.26)	
Freedom of the Press						0.169***
						(6.12)
Constant	-3.662***	-2.986***	-3.155***	-3.291***	-2.789***	-3.137***
	(-9.79)	(-8.85)	(-9.69)	(-13.74)	(-7.89)	(-11.22)
Countries	92	92	92	92	92	92
Adj. R-squared	0.523	0.520	0.520	0.777	0.477	0.630

OLS regressions. The dependent variable is WGI control of corruption 2013. t statistics in parentheses * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$. Robust std. err. are used. Note for one country in our sample (Slovakia), HDI data is not available.
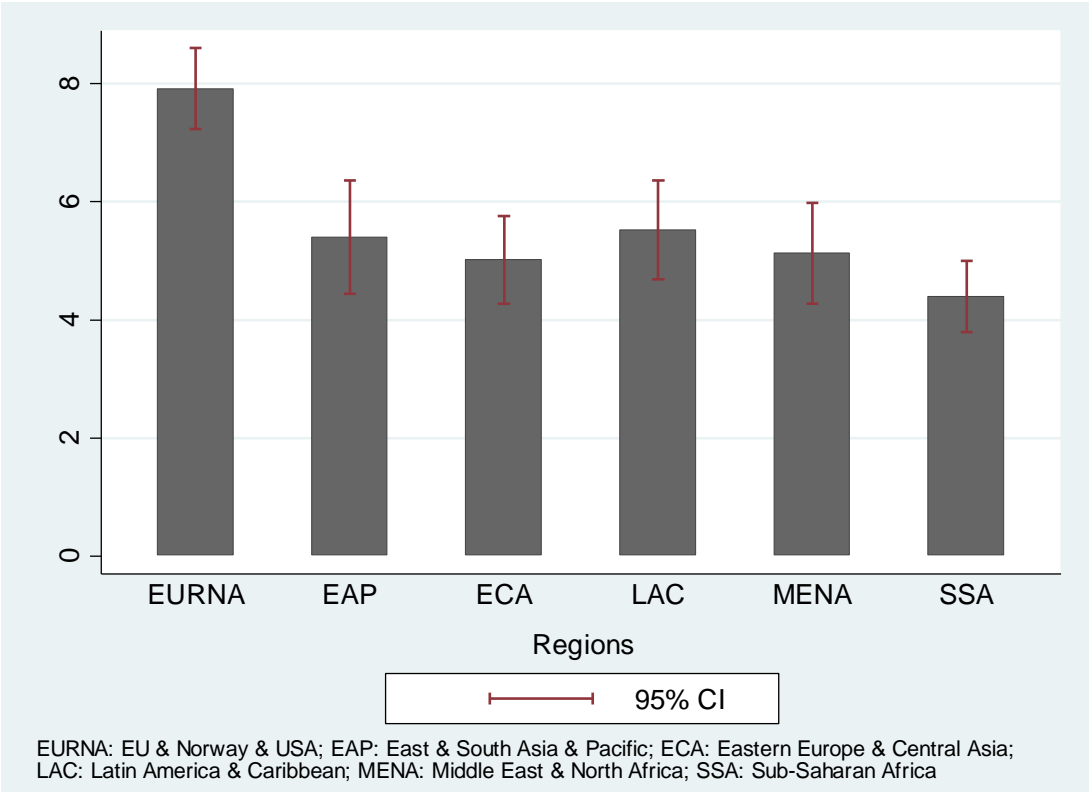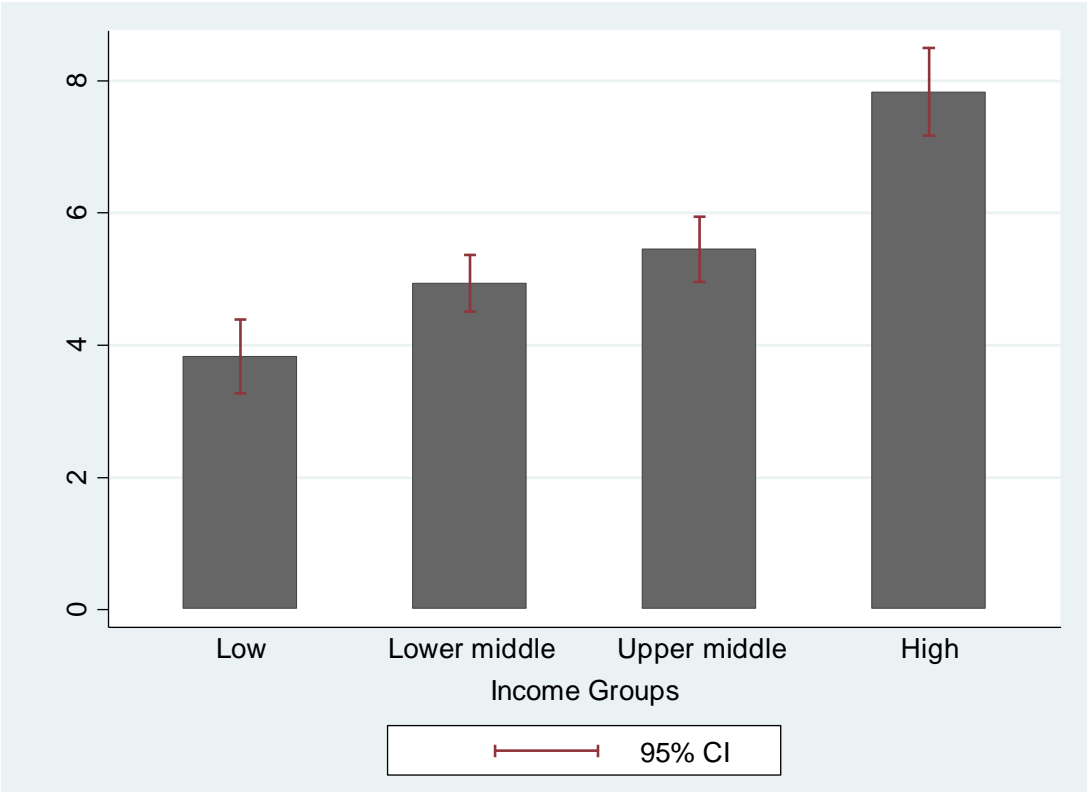
Index of Public Integrity and Corruption Measures

Index of Public Integrity and Development
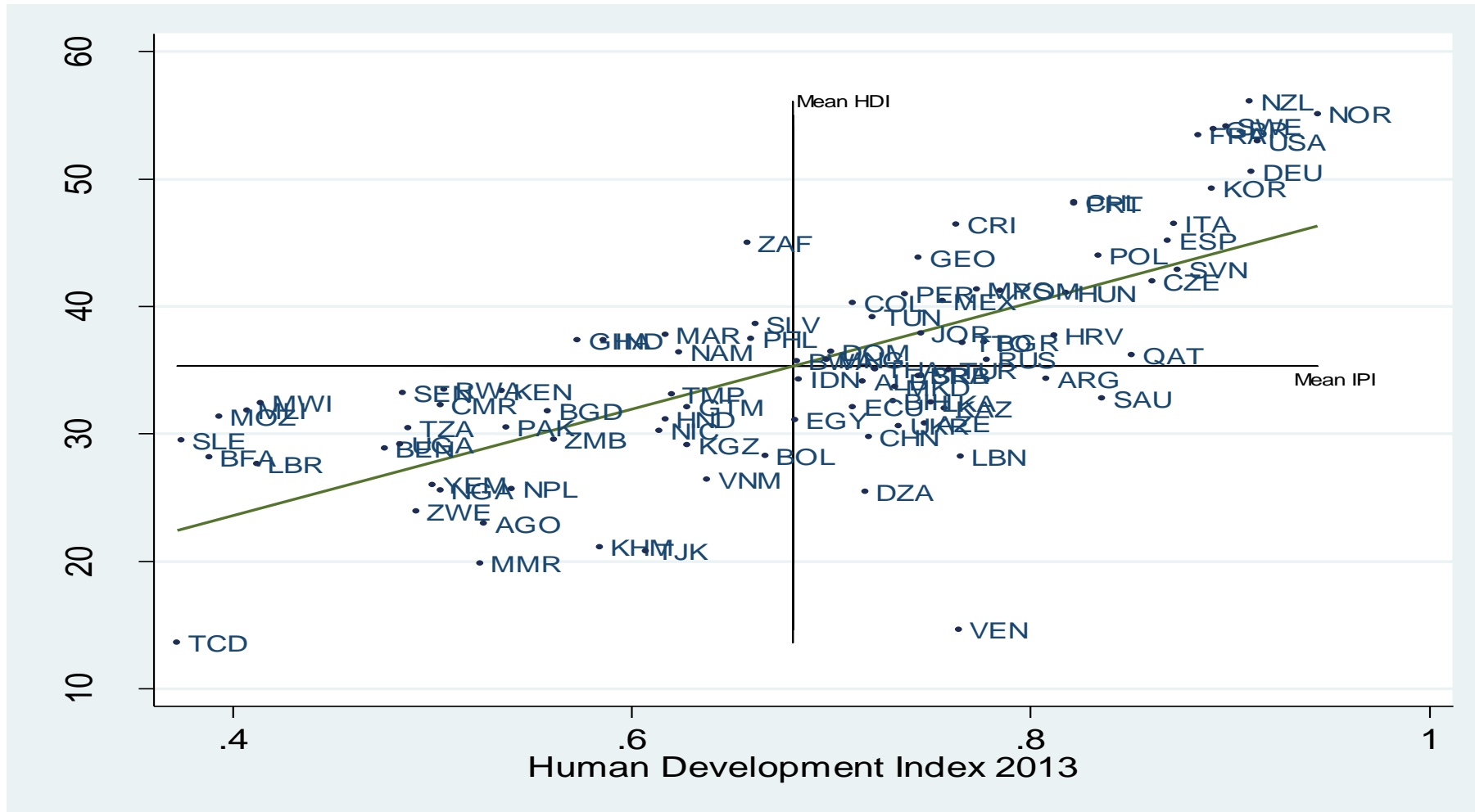
Average IPI scores for different country groups

IPI - Country Scores

Rank	Country	Score
1	New Zealand	56.09
2	Norway	55.05
3	Sweden	54.12
4	United Kingdom	53.93
5	France	53.42
6	United States	52.94
7	Germany	50.55
8	Korea, Rep.	49.24
9	Chile	48.17
10	Portugal	48.07
11	Italy	46.49
12	Costa Rica	46.43
13	Spain	45.16
14	South Africa	44.99
15	Poland	43.97
16	Georgia	43.81

Rank	Country	Score
17	Slovenia	42.89
18	Czech Republic	41.94
19	Malaysia	41.33
20	Romania	41.2
21	Hungary	41.04
22	Peru	40.93
23	Slovak Republic	40.58
24	Mexico	40.43
25	Colombia	40.26
26	Tunisia	39.14
27	El Salvador	38.62
28	Jordan	37.89
29	Morocco	37.78
30	Croatia	37.72
31	Philippines	37.47

Rank	Country	Score
32	India	37.34
33	Ghana	37.32
34	Bulgaria	37.21
35	Trinidad and Tobago	37.13
36	Dominican Republic	36.45
37	Namibia	36.37
38	Qatar	36.17
39	Mongolia	35.79
40	Russian Federation	35.78
41	Botswana	35.69
42	Thailand	35.05
43	Turkey	35.01
44	Serbia	34.58
45	Brazil	34.56
46	Argentina	34.30

IPI - Country Scores

Rank	Country	Score
47	Indonesia	34.29
48	Albania	34.08
49	Macedonia, FYR	33.67
50	Rwanda	33.46
51	Kenya	33.35
52	Senegal	33.21
53	Timor-Leste	33.11
54	Saudi Arabia	32.79
55	Bosnia and Herzegovina	32.57
56	Sri Lanka	32.48
57	Malawi	32.39
58	Cameroon	32.23
59	Ecuador	32.11
60	Guatemala	32.08
61	Kazakhstan	31.99
62	Mali	31.82

Rank	Country	Score
63	Bangladesh	31.76
64	Mozambique	31.35
65	Honduras	31.12
66	Egypt, Arab Rep.	31.08
67	Azerbaijan	30.84
68	Ukraine	30.59
69	Pakistan	30.51
70	Tanzania	30.42
71	Nicaragua	30.23
72	China	29.74
73	Zambia	29.51
74	Sierra Leone	29.50
75	Uganda	29.19
76	Kyrgyz Republic	29.09
77	Benin	28.83

Rank	Country	Score
78	Bolivia	28.29
79	Lebanon	28.19
80	Burkina Faso	28.18
81	Liberia	27.63
82	Vietnam	26.42
83	Yemen, Rep.	25.98
84	Nepal	25.66
85	Nigeria	25.55
86	Algeria	25.44
87	Zimbabwe	23.92
88	Angola	22.95
89	Cambodia	21.09
90	Tajikistan	20.78
91	Myanmar	19.82
92	Venezuela, RB	14.62
93	Chad	13.58

Sum up of evidence based advice

1. Do not inflate legislation and contribute to implementation gap, rather advocate streamlining, simplification, reduction of discretion

2. Do not increase opportunities for corruption by just pouring material resources into it (give ownerwhip to the people, not the predators...)

3. Do not depress good governance demand by top down donor organized GG campaigns or coalitions- rather seek plausible actors of change and create incentives for their collective actions

4. Conceive GG as a balance between resources and contraints and act comprehensively

5. Conceive GG as a state-society interaction, institutional weapons need armies of users (social accountability designs)

6. Impact on practices in measurable- always trace progress

7. GG as an approach to everything (component) better than a five years plan to build GG directly