Anti-Corruption in Adverse Contexts: A Strategic Approach

Mushtaq H. Khan[1]
Antonio Andreoni[2]
Pallavi Roy[3]

Abstract: Developing countries are characterized by political settlements where formal rules are generally weakly enforced and widely violated. Conventional anti-corruption strategies that focus on improving the general enforcement of a rule of law and raising the costs of corruption facing individual public officials have typically delivered poor results in these contexts. Our alternative approach is to identify anti-corruption strategies that have a high impact and that are feasible to implement in these contexts.

Our alternative approach identifies anti-corruption strategies from the bottom up. This involves identifying the characteristics of the corruption constraining particular development outcomes. By drawing on theories of rents and rent seeking, and theories of political settlements, we can assess the developmental impact of particular anti-corruption strategies and the feasibility of implementing these strategies.

We argue that feasible anti-corruption in these contexts cannot be solely based on conventional anti-corruption strategies. In societies that have widespread rule violations, high-impact anti-corruption is only likely to be feasible if the overall strategy succeeds in aligning the interests and capabilities of powerful organizations at the sectoral level to support the enforcement of particular sets of rules. We examine four related strategies for changing these incentives and capabilities of critical stakeholders at the local or sectoral level and we argue that this can provide a framework for organizing research on the impact and feasibility of anti-corruption activities in different priority areas in particular countries.

First Draft for DSA Conference Oxford 13th September 2016.

[1] Department of Economics, SOAS, University of London. E-mail for correspondence: mk100@soas.ac.uk

[2] Department of Economics, SOAS, University of London.

[3] Centre for International Studies and Diplomacy, SOAS, University of London.

1. Introduction

Corruption is closely related to the weak enforcement of a rule of law. Corruption involves different types of rule-violations by bureaucrats, politicians and businesses where power is misused for private benefit. Not surprisingly, corruption is also strongly correlated with the weak enforcement of formal institutions in general, including property rights and the formal rules of politics. All of these in turn also appear to be strongly correlated with the level of development of the country's productive structure. Countries that have high levels of corruption are likely to have weak property rights, a weak rule of law, high levels of corruption, informal political rents, and low levels of productive capabilities (even if they sometimes have high per capita incomes as a result of natural resources). These correlations raise important questions and challenges for policy.

Causality clearly runs in both directions. Low levels of development make it difficult to fight corruption and enforce formal rules, for instance because resources and incentives for enforcement are limited. At the same time, high levels of corruption can work in the opposite direction: slowing down development by reducing and distorting productive investments, thereby making it difficult to achieve the high levels of development that would make overall reductions of corruption possible. This means there has to be some forms of effective anti-corruption even at lower levels of development. However, the effects of weak productive capabilities on constraining enforcement capabilities in traditional anti-corruption strategies have often been seriously underestimated. Designing effective policies therefore requires a strategic rethinking of anti-corruption strategies.

In our argument, two systemic problems linked to the nature of *political settlements* in developing and emerging countries make it difficult to implement the usual top-down anti-corruption strategies where improvements in enforcement capabilities, stricter punishments, and changes in incentives and costs of corruption are attempted across the board (Khan 1995, 2004, 2005a, 2005b, 2010, 2012).

First, formal rules and across-the-board anti-corruption strategies are only likely to be effectively enforced when their enforcement is aligned with the interests of powerful organizations in the country. When is this likely? Countries become more advanced as they acquire a more diverse set of productive organizations in different sectors and activities. As these organizations become more productive, they also become more powerful. They pay more taxes, fund political parties, employ more people and therefore begin to have a greater say in what politicians and bureaucrats do. The growing complexity of the economy also means that more and more of these organizations begin to have an interest in the enforcement of the formal rules required to conduct complex businesses and transactions. More economically developed societies therefore have a greater number and diversity of organizations that both have the *incentive* to want rule enforcement in general and have the *power* to do something about it. In contrast, the organizations that are powerful in less developed societies are fewer in number, and more importantly, less dependent on competitiveness and market transactions for their revenues. They can feasibly interact with each other in informal ways and generate rents through political connections. If the most powerful

organizations in a country do not want the enforcement of formal rules, it is unlikely that a rule of law will emerge simply through enforcement efforts from above.

Secondly, as countries become more productive and diversified, political parties can raise enough revenues through formal taxation and legal political contributions to maintain their organizations and political constituencies. Parties in advanced countries have to raise revenues from a great diversity of business interests and sectors and this sets a limit to special privileges that can be granted. These characteristics ensure that political parties have both the *ability* to be rule-following (because taxes and legal resources are substantial) and face the *compulsion* to follow rules (because rule-violating parties can lose significant sources of funding) and this makes them rule-following in their own interest. It is not just the quantum of revenue but also the diversity of sources that is important. When many sectors and firms are powerful, special privileges for a few will be effectively opposed by many others. This is why if a developing country has lot of tax revenue from one or two sources it does not necessarily become rule-following. More typically, in poorer countries, political parties can only raise significant revenues in informal and rule-violating ways, and when in power, the most feasible way of rewarding their supporters is to allow them to violate more rules. In these contexts, it is difficult for political leaders to exercise 'political will' to enforce rules when their tenure depends on doing otherwise.

Without broad support for generalized rule-following behaviour in a society, either from powerful economic or political organizations, anti-corruption strategies that assume that it is possible to enforce generalized rules are likely to be poorly implemented in practice. A feasible anti-corruption strategy in such contexts should instead be to *sequentially attack specific instances of corruption where the anti-corruption strategy is both feasible and has a high impact on development.* To be feasible, there has to be some combination of feasible policy change, institutional adjustment or the mobilization of existing organizations or the creation new ones, which together create sufficient support for the enforcement of *particular anti-corruption strategies*. When these bottom-up anti-corruption strategies target important areas of development, they can enable more productive investments and activities, better developmental outcomes and more inclusive growth, and eventually help to create a broader-based productive economy with more power centres with a growing interest in the enforcement of generalized formal rules. This in turn will make possible successively more ambitious anti-corruption strategies, ultimately making strategies for improving generalized rule-enforcement through the enforcement of a rule of law or society-level transparency and accountability more likely to work.

The immediate anti-corruption priorities will depend on the sectors and processes that are most important for sustaining inclusive growth in particular countries. Identifying high-impact anti-corruption activities is very important if the effort invested in anti-corruption is to be justified. A common error here is to equate the impact of corruption with the magnitude of bribes. An activity with relatively small bribes can have a high development impact, for instance if relatively small bribes prevent the enforcement of regulations on food adulteration and result in deaths and illnesses or lower the quality of health and education services. In contrast, activities with significant bribes may sometimes have a lower impact. For instance, some profit-sharing transfers from businesses to politicians *may* have a lower negative impact on development if the productivity of investments is not too adversely affected. A high-impact anti-corruption

approach therefore has to identify anti-corruption priorities on the basis of a transparent assessment of impact, and from these, target the ones where anti-corruption is most feasible. The priority areas can differ across countries depending on the structures of their economies and the drivers of growth in these contexts. Anti-corruption policy has to identify how corruption may be blocking sustainable development and assess the feasibility of strategies to address these constraints given the configuration of interests affected by potential anti-corruption strategies.

The paper is organized as follows. Section 2 summarizes some of the limitations of existing approaches to anti-corruption, section 3 outlines our alternative approach for identifying feasible and high-impact anti-corruption strategies. Section 4 summarizes four clusters of feasible and high-impact anti-corruption strategies identified on the basis of our previous work and finally, section 5 summarizes the research agenda that emerges for developing theory and evidence in a number of anti-corruption evidence (ACE) clusters in our ACE research programme.

2. Limitations of conventional anti-corruption approaches

Conventional anti-corruption strategies have attempted to attack corruption by improving rule-following behaviour across the board, and in particular, rule-following behaviour by public officials. The first strategy that has informed conventional anti-corruption approaches has been to strengthen the general enforcement of a rule of law and the enforcement of property rights. This strategy has been supported by evidence that appeared to show correlations between institutional characteristics of societies like the degree to which the rule of law is enforced and their levels of corruption (Ades and Di Tella 1996; Rauch and Evans 2000; Treisman 2000; World Bank 2000; Lambsdorff 2005). A second strategy that has also informed conventional approaches has been driven by microeconomic principal-agent models that argued that asymmetric information may allow public officials to subvert the public purpose by engaging in corruption in their own self-interest. The policy response that follows from this perspective is to attempt to change the behaviour of bureaucrats with changes in incentives like better pay structures, better monitoring and stricter punishments (Rose-Ackerman 1978; Klitgaard 1988; Andvig and Moene 1990; Huther and Shah 2000; Spector 2005).

Enforcement of a general rule of law   Policies to make corruption more costly for public officials
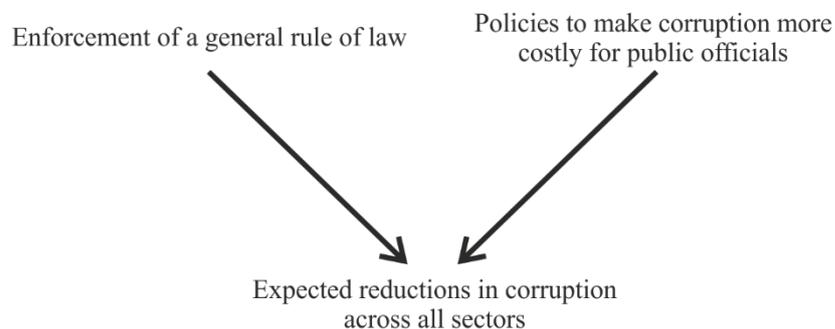
Expected reductions in corruption across all sectors

Figure 1 Conventional Anti-Corruption Approaches

The most common conventional approaches to anti-corruption are therefore based on a combination of strategies to improve the enforcement of formal rules across the board, together with policies that seek to change the cost-benefit calculations of individual

public officials, as summarized in Figure 1. However, neither approach has delivered satisfactory results because they did not recognize that anti-corruption strategies in developing countries have to be designed to be effective in contexts where generalized rule-following cannot be achieved for structural reasons of the type discussed earlier. If reforms cannot immediately change the characteristics of societies so that they become generally rule-following, then anti-corruption strategies that assume that this can be done are likely to fail. Moreover, strategies that seek to change the behaviour of individual bureaucrats are also likely to fail if they ignore the fact that these public officials are operating in networks and social contexts where rule-following behaviour is widely flouted. Indeed individual bureaucrats or politicians who insist on following rules are likely to be removed or ostracized by their peers and superiors.

The characteristics of political settlements in developing countries that prevent generalized rule-following behaviour may still be contested by some (for instance Acemoglu and Robinson 2012) but the limitations of standard anti-corruption strategies are now widely recognized and the underlying reasons are entirely consistent with our analysis of political settlements. For instance, a DFID review of anti-corruption strategies shows that most anti-corruption strategies failed because they ignored critically important policy *interdependencies*. These interdependencies include those between individual calculations by public officials at the micro-level and political, social and cultural structures at the macro-level and interdependencies between different policies that were targeted by anti-corruption strategies and many other policies and institutions that could not be targeted but which nevertheless collectively resulted in the persistence of corruption (DFID 2015). This is a recognition that in a society where there is a general absence of rule-following behaviour, focusing on the enforcement of generalized rules, or attempting to change the behaviour of individuals with targeted incentives is very likely to fail.

A related aspect of the problem with conventional anti-corruption strategies is that they do not distinguish between *policy variables*, which are variables that decision-makers can change (including some institutions and organisations), and the institutional, organisational and political *characteristics* of countries that are outcomes of gradual evolutionary changes that lead to important structural transformations over time. The latter cannot be immediately changed by policy. The quality of the 'rule of law' in a country, or the 'independence of its judiciary' are examples of institutional characteristics that are outcomes of complex processes that involve many interdependent institutions and organizations, and are not immediate policy variables. A policy-maker cannot 'decide' to improve the rule of law in a society where enforcement is weak. Evidence collected on the basis of flawed analytical models can show correlations between corruption and a series of other 'variables', but if these are not policy variables, this evidence is not very useful in telling policy-makers what they can do.

Rents and political settlements
There are two critical and closely related sets of theoretical insights that we believe have to be incorporated in a research programme to deliver policy-relevant anti-corruption evidence and analysis (Khan 2002, 2006a, 2006b). The aim of feasible anti-corruption strategies is to identify combinations of institutional, organizational and policy changes that can actually be implemented in particular contexts, and which taken together, can reconfigure incentives and organizational capabilities at a specific sectoral

level to achieve an improvement in developmental outcomes by ruling out some damaging types of corruption.

To do this, we first need to identify the rent-seeking processes through which different organizations and interests distort the achievement of particular development outcomes as a result of their attempts to capture rents. This is a critical part of the analysis because we need to understand what is going wrong at a sufficient level of detail to be able to assess the required content and therefore the feasibility of anti-corruption strategies addressing the problem. Secondly, we need to assess the relative organizational power of the different interests involved to assess the resistance to particular changes, and the feasibility of constructing appropriate coalitions to counter this resistance.

The first component of research identifying feasible anti-corruption strategies is therefore based on an understanding of the diversity of 'rents' and the *types of corruption* associated with different rents. Corruption happens when there are valuable resources to capture and the rule-violating decisions of bureaucrats, politicians and often businesses determine their allocation. Rents describe the incomes that are created both by the formal policies of states as well as their informal or illegal distortions of these policies when they tax or subsidize, allocate resource like land or natural resources, create employment in public organisations, or introduce regulations that impose costs and benefits on different parties and so on. Corruption may be triggered if individuals try to influence these decisions in informal or illegal ways or if public officials directly appropriate these incomes or resources for themselves or their clients (Khan 2000a, 2000b, 2005a).

The economic consequences of corruption depend on the factors triggering the corruption and the determinants of the strategies of rent-seeking organizations. Different underlying drivers can result in very different types of corruption with very different effects on developmental outcomes. An anti-corruption strategy that fails to analyse the underlying factors triggering the corruption can inadvertently lead to very damaging consequences. For instance, some corruption is the result of market restrictions created deliberately or inadvertently by states. Market restrictions can generate corruption because businesses will try to work around these restrictions. In this case an anti-corruption strategy can be damaging unless it is combined with a policy to remove the restrictions driving the corruption. Preventing this type of corruption while retaining the restrictions could actually make society worse off by restricting potentially useful businesses. On the other hand, corruption can also distort potentially useful policies and thereby directly damage development outcomes. For instance, government subsidies to the private sector to invest in cleaner or more productive technologies can fail if firms can bribe to flout the conditions attached to these subsidies. This corruption is just as important to attack, but here the underlying policies triggering the corruption should *not* be thrown out. However, we may have to think of new policy designs to ensure that attempts at corruption are more easily blocked and the desired social objectives are achieved to a greater extent.

In more complex cases we can have many different types of rents coexisting in an activity and careful analysis is required to identify what needs to be done. Without a theory and analysis of rents we cannot have a policy-relevant theory of corruption. This is particularly important when general improvements in the enforcement of all rules are

not immediately likely, and we are looking for specific anti-corruption priorities targeting adverse outcomes in particular sectors.

The second component of anti-corruption research has to engage with the micro-macro interface between individual decisions and collective power structures as this determines the feasibility of particular types of anti-corruption strategies. Here, the analysis of political settlements (Khan 2010) provides a framework for analysing how the distribution of organisational power can constrain or enable particular types of institutional and policy changes. This is a useful lens for looking at policy interdependencies and the political feasibility of introducing and implementing specific policy combinations in particular contexts.

Governance failures of different types in developing countries often have a common source in the significant 'informality' in the operation of the economy and polity as well as the use of political rents to maintain ruling coalitions. These features of developing countries are related to the dominance and power of organizations that do not have an interest in the enforcement of formal rules in general, but some of them may occasionally want the enforcement of some rules that are aligned with their interest. Anti-corruption policies can only be successful in a sustained way if they are designed to operate in areas of intersection where the interests of at least some powerful organizations can be changed or mobilized through appropriate policy changes to achieve effective support for anti-corruption enforcement activities. For instance, corruption in a particular activity can sometimes be feasibly addressed if incentives for some powerful organizations involved in the corruption can be changed, if new collective action of groups harmed by that corruption can be organized and feasible improvements in some targeted governance capabilities can be achieved. The political settlements framework offers a lens for examining these types of possibilities (Khan 2013a).

Evidence gaps
Our identification of gaps in the evidence on anti-corruption is consistent with the findings of a number of recent surveys of the corruption literature (Johnsøn, et al. 2012; DFID 2015) and we take the research agenda forward in significant ways. The analysis of rent configurations and overlapping types of corruption in different political settlements can help to explain why corruption appears to be so resilient to conventional anti-corruption strategies. If the underlying rent problems are different across sectors and countries, different policy combinations will be required in different sectors and countries. Moreover, if the political settlements describing the relative power and capabilities of organizations is also different, the same policy responses will not be feasible in every context, and this too can explain why different policy combinations will be required in different contexts.

A rents and political settlements approach can also help to explain why much of the evidence on the causes and effects of corruption appears to be so anomalous. If quite different types of corruption are involved in different contexts, the 'average' effects of corruption picked up by statistical analysis will depend on the mix of different types of corruption in different countries. As a result, the overall effects of corruption that statistical exercises pick up can be very sensitive to the choice of countries, sectors and time periods. Corruption can therefore paradoxically appear to be compatible with development in some cases (like the East Asian tigers in the 1960s or China in the

1980s) while being seriously damaging in many other developing countries (Rock and Bonnett 2004; Khan 2006a, 2006b).

In the same way, simplistic attempts to identify the efficacy of anti-corruption policies or combinations of policies that can work in every country can produce very weak results (Treisman 2000). This can be explained in two ways. First, countries face a diversity of corruption problems with different and overlapping rents in different sectors and this means that different policy combinations are required for different sectors and problems. Secondly, differences in the political settlements across countries, sectors and regions mean that different combinations of policies may be required to address the *same* types of corruption problem in different political contexts.

Evidence on corruption and the private sector.
The ability of the private sector to do business in corrupt environments appears to vary widely across sectors and countries, as do the apparent effects of private sector corruption. The effects of private sector corruption can include obstacles to doing business, the prevention of entry, the survival of inefficient firms, overpricing, regulatory failures, investments in the wrong sectors, cost inflation and so on. A few policy instruments cannot address all these problems. General improvements in governance, the rule of law and 'doing business' conditions can help, but we know that progress on these dimensions is slow in developing country political settlements. Part of our research will address general regulatory questions but the thrust will be detailed country- and sector-specific analysis, and cross-country comparisons to identify similar clusters of anti-corruption problems and to generate evidence on these anti-corruption evidence (ACE) clusters in terms of the strategies, difficulties and impacts of anti-corruption activities of different types. While there are some general corruption issues affecting the private sector, anti-corruption analysts increasingly recognize the importance of country and sectoral specificities in designing effective programmes (Spector 2005; Campos and Pradhan 2007).

The diverse types of rents and corruption in the private sector means that the private sector cannot be generally treated either as a victim of corruption or as a perpetrator. It can be one or the other or both, depending on sectors and countries. The private sector is often a victim of some types of corruption and is often vocal against it, and at other times it is primarily a beneficiary, and drives corruption through links with bureaucrats and politicians. As a result, private sector support for anti-corruption initiatives at the collective level through business associations and other means has usually been half-hearted and largely ineffective. In many countries, almost all firms are involved in some types of corruption, and even firms that are victims will often not want to rock business arrangements they have developed to solve these problems by exposing their own involvement in corruption. In some cases, the political settlement is such that almost all operations involve some informal or entirely corrupt activity, and this constrains firms from taking particular complaints too far, because public officials can expose them in other areas. In this context, general anti-corruption strategies are unlikely to work, and even very specific ones have to be carefully designed to align interests with feasibility. Our research on private sector corruption will be driven by the recognition that the private sector is diverse and corruption relationships vary significantly across countries, sectors and types of firms.

The types of corruption a firm can engage in can change over time, with changes of government, at different stages of the firm's life cycle and so on. Evidence and analysis of these differences is critical for identifying feasible and high-impact anti-corruption strategies in particular sectors, and for creating incentives to induce potentially compliant firms to actually begin to support anti-corruption measures. Our work on private sector corruption has demonstrated the usefulness of a process analysis approach for identifying different types of rents and rent-seeking processes in particular activities, and therefore the necessary policy combinations required for effective anti-corruption strategies in these contexts (Khan 2014; Mathieson 2014).

The growing evidence base on the problems that drive private sector corruption provided by the World Bank's **Doing Business** initiative has been valuable. However, much of this work assumes that the private sector suffers from particular types of corruption problems that can be addressed by reducing unnecessary market restrictions and failures in the service delivery functions of the state. However, an understanding of firm and sectoral diversity suggests that the corruption driven by unnecessary market restrictions are not the only types of damaging corruption in the private sector. Moreover the corruption driven by market restrictions often do not satisfy our criteria of having a high impact and being feasible to address. Not enough attention has been given to the generation of systematic evidence on other types of rent distortion and rent extractions that the private sector has been implicated in, sometimes as victim but often as a driver. The ACE programme will generate new and complementary evidence on different types of corruption involving the private sector in a diversity of sectors, and classify the most important/feasible anti-corruption strategies in clusters that will allow for comparative policy and research evaluation.

Evidence on policy interdependencies affecting anti-corruption.
Existing research shows that with the exception of a small number of technical measures like PFM, the vast majority of anti-corruption interventions have weak and contested impacts (Johnsøn, et al. 2012). Attempts to discover effective policy combinations through cross-country comparisons have also delivered limited results. One reason for this is that interdependence makes it very difficult to identify policy effective combinations from regression exercises if effective combinations are very specific to countries and even sectors. Policy effectiveness depends on the presence or absence of supporting policies and governance capabilities but equally, just saying that 'context matters' does not help. Generating useful evidence depends on effective strategies for making the problem of interdependence tractable for analysis. Societies are differently constituted, politically, institutionally and culturally: they constitute different types of 'political settlements'. We believe a tractable method of looking at the relationship between policy choices and the collective characteristics of a society is to use frameworks like political settlements to generate evidence on combinations of policies that are effective in countries with identifiable types of political settlements. This will help policy-makers identify policy feasibility in different contexts as well as priorities for action.

But we need to spell out what we mean by identifying the interdependence between policy combinations and political settlements. The distinction between policy variables and collective institutional and social characteristics is again relevant here. It is not useful to discover a correlation that shows that a particular combination of policies is effective for anti-corruption in a sector or in a country where the political settlement is

very different from our target. Therefore, questions on interdependence have to be framed quite differently. We first have to know the combinations of *policy variables* that we are trying to introduce to solve specific *sectoral* problems in particular *political contexts*. This is why an interdependence analysis must draw on an understanding of rents and corruption typologies as well as political settlements. The policy objective is to develop a methodology for identifying policy combinations of potentially effective policies for improving development outcomes in particular sectors and activities that are sufficiently implementable *given the macro-characteristics of a particular society*.

For this reason, a study of interdependence should focus on specific sectoral questions because interdependencies at a very broad level of aggregation often do not have clear policy responses. At the highest level of aggregation (the developing country as a whole), there are so many interdependent institutions and governance capabilities that are either weak or dysfunctional that policy effectiveness would require too many difficult problems to be simultaneously fixed. This is not feasible, and is one reason why ambitious 'good governance' reforms have not resulted in positive results in most developing countries. This too supports the recognition referred to earlier that anti-corruption has to have a strong sectoral focus and work from the bottom up (Campos and Pradhan 2007).

The impact and feasibility of anti-corruption strategies
The measurement of the level and impact of corruption is not simple and is obviously constrained by the secrecy associated with corrupt practices. Standard approaches to the quantification of levels of corruption include surveys based on perceptions and subjective evaluations, or the observation of 'proxy' characteristics correlated with the corruption. Each of these approaches has its problems (Søreide 2006). For instance, surveys based on perceptions have the problem of subjective distortion and the definition of corruption is generally too broad to distinguish between types of corruption at an operational level. The problem of using proxies (such as delays in health delivery, or leakages from budgets) to infer corruption at the operational level is that variations in these may be due to factors other than corruption. It is often also difficult to define a proxy that is entirely unconnected to outcomes, so unless we are careful, the measure of corruption can get confused with the outcome, and then one cannot be strictly used to explain the other. There is therefore a need for new types of evidence, and to develop the usefulness and applicability of existing proxy indicators and other approaches.

The existing approaches to evidence are also often inadequate because *the magnitude of corruption is often not a good guide to the effects of corruption* as different types of rents may be involved. A rents analysis shows that the impact of corruption depends not only on the extent of corruption (measured by the level of bribes) but also on the extent to which the corruption *distorts the policies necessary for achieving important policy goals*. This is why the same *magnitude* of corruption can have very different effects on development *outcomes* (Khan 2000a, 2000b). Relatively small bribes in some activities (like evading rules on building regulations) can do a lot more damage than bigger bribes elsewhere. This knowledge can help policy design because we know that aggregate levels of corruption may take time to reduce given the characteristics of the political settlement and the prevalence of patron-client politics. Anti-corruption policies that aim to reduce corruption across the board therefore often have limited effects. In

contrast, if we can identify the types of corruption that have a high negative impact in some areas, anti-corruption efforts can be targeted in line with our theory of change.

An appropriate response to this challenge is to supplement the aggregated and indirect quantitative evidence with new types of qualitative and quantitative anti-corruption evidence based on pragmatic assessments of impact and feasibility using robust and transparent methodologies. The *impact* of a potential anti-corruption strategy measures the estimated effect of that strategy on development outcomes, and therefore the *desirability* of pursuing that anti-corruption strategy. The assessment of impact cannot be simply based on an assessment of the magnitude of bribes but has to estimate the economic impact of the corruption on outcomes. These could be economic growth, but could also be the effect on other socially desirable outcomes like environmental protection, economic diversification, the inclusion of the poor or of women, health outcomes, equity and so on, depending on the characteristics of the sector or activity being assessed.

The *feasibility* of an anti-corruption strategy is a measure of the difficulty of implementing the specific strategy. Attacking a low-impact variant of corruption can waste policy resources even if it can be implemented, but so can a policy that addresses a high-impact variant of corruption that is not feasible to implement. Feasibility can be measured along a variety of dimensions: how many policies and governance capabilities need to be addressed, how difficult each of these changes are, and so on. The approach to assessing feasibility will depend on the type of corruption in the sector or activity being studied, and the objective is to rank the difficulty of implementation of different anti-corruption strategies and to assess whether the risk of failure is commensurate with the investment in policy implementation and the potential gains if some measure of success can be achieved.

3. Feasible and high-impact anti-corruption

Conventional anti-corruption strategies have delivered poor results in the adverse contexts typical in developing countries where rule violations are widespread. An effective anti-corruption strategy in these contexts will typically require a combination of two responses. First, the anti-corruption strategy is likely to have to enhance the capacities of some critical governance agencies related to the monitoring and enforcement of the rules relevant for that particular corruption problem. But secondly, and this is often not recognized, there also has to be a strategy to create effective localized support from powerful agencies and organizations that can help the enforcement of particular anti-corruption strategies. The second part of the anti-corruption strategy is critical in developing countries where widespread rule-violations happen on an everyday basis. *The feasibility of a particular anti-corruption strategy is therefore likely to require not only targeted capacity improvements within relevant governance agencies, but also policy combinations that change the incentives of some relevant and locally powerful players to make the governance and enforcement task feasible.* This approach to anti-corruption is summarized in Figure 2.
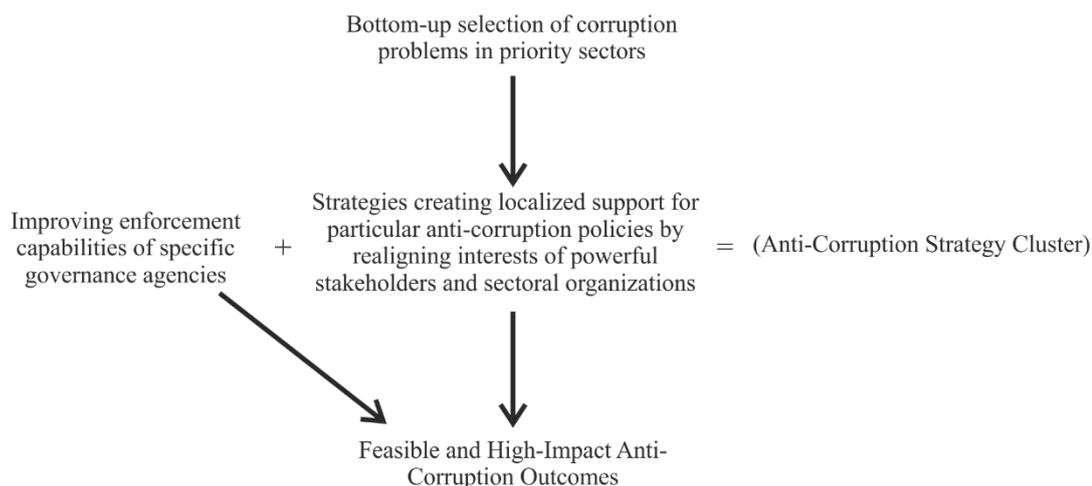
Figure 2 Feasible and High-Impact Anti-Corruption Strategies

The critical component of this incremental, bottom-up approach to anti-corruption is the identification of various types of strategies for creating localized support for the enforcement of anti-corruption. This in turn involves identifying the incentives and characteristics of critical organizations involved in specific corruption processes at the micro-level. By analysing the rent capture processes and the relative power of the different organizations involved in these processes in particular sectors or activities, it is possible to assess the feasibility of creating coalitions of support for anti-corruption in that particular sector or activity. In the next section we will discuss four broad types or clusters of anti-corruption strategies that can help to create coalitions supporting anti-corruption in different types of contexts.

This approach to anti-corruption is underpinned by a particular theory of change. The proposition is that in countries where levels of development and political settlements do not yet allow the effective enforcement of generalized formal rules,

● **IF** anti-corruption can *sequentially attack corruption in sectors and activities where anti-corruption is both feasible and has a high impact*,

● **THEN**, corruption levels will decline at an accelerating pace,

● **BECAUSE**, these targeted strategies will enhance developmental outcomes, helping to create a more broad-based economy with a growing number of powerful organizations that will want rule enforcement in their own interest. This will make possible successively more ambitious anti-corruption strategies. Eventually, strategies targeting higher-level institutional characteristics like the enforcement of a rule of law or society-level transparency and accountability become more likely.

Thus, both the incremental, bottom-up strategy described in Figure 2 and the conventional, top-down or systemic approaches to anti-corruption described in Figure 1 are required at different stages, with the more ambitious top-down anti-corruption strategies gaining in policy relevance with the level of development and the spread of productive capabilities in the economy. However, the priority in most developing countries is likely to be the bottom-up targeted anti-corruption that is based on a sound analysis of the corruption blocking critical and specific development goals. Much of

the existing anti-corruption evidence and strategies do not satisfy these requirements and our approach to the ACE programme focuses on (but is not restricted to) filling this gap in evidence and policy analysis.

The anti-corruption evidence (ACE) research programme is therefore driven by two 'guiding theories' which respond to key evidence gaps identified in the literature. These provide us with the tools to identify critical research questions and projects and to locate a large number of different research questions in a coherent research map that can generate policy-relevant evidence. These are theories of political settlements, and theories and typologies of rents, rent seeking and corruption. However, within each research question we will use a wide diversity of methods and approaches to identify impact and feasibility of particular anti-corruption strategies.

A) Political Settlements, Institutions and Governance. An important strand of recent research we draw on is the literature on how governance in developing countries is constrained by the configuration of their political settlements (Khan 1995, 2010, 2012; Roy 2012). *It is now widely recognized that the poor enforcement of formal institutions in developing countries is not an anomaly that can be solved simply by investing in enforcement agencies or supporting transparency initiatives or the rule of law.* These 'top down' initiatives can sometimes help, but the configuration of organisational capabilities and powers means that informal processes of rent allocation and capture by powerful and largely informal organisations are likely to remain important for some time. In particular, informal power networks are likely to continue to distort the operation of formal institutions in these countries.

The importance of this strand of literature, which engages with a number of related political economy approaches, is twofold. The analysis of the current political settlement and its direction of evolution provides an overall framework for the risk assessment of anti-corruption and other development programmes in a country. Secondly, mapping the relative power of the organisations and agencies involved in a particular corruption process is necessary to determine the feasibility of different anti-corruption strategies.

B) Rents, Rent Seeking and Corruption. The work of Joseph Stiglitz and other leading economists has shown that different types of rents (broadly defined as incremental income flows associated with particular policies or institutions) can have complex effects (Stiglitz 1989, 1996). Some rents are essential for well-working markets and to achieve good development outcomes (for instance efficiency wages or health sector subsidies), while other rents can destroy value and block development (monopoly rents, predatory extractions). Corruption is likely to be involved whenever policy creates rents in developing countries because their political settlements allow rule-violating behaviour to influence the creation and allocation of particular types of rents. To engage in anti-corruption activities in these contexts, we have to locate the corruption in the context of specific policies and rents to determine the package of policy responses that are required to improve development and welfare outcomes. In some cases anti-corruption has to be combined with the *removal* of the policies that created damaging rents, in other cases anti-corruption has to be combined with policies to *strengthen* or *redesign* policies that create socially beneficial rents. Corruption is most damaging when it supports the persistence of damaging rents, or distorts or destroys potential developmental rents (Khan 2000a, 2000b, 2004).

Types of corruption, feasibility and impact
The analysis of rents allows us to distinguish different types of corruption, based on the classification in Khan (2006a). This classification reveals some general characteristics of different types of corruption and indicates the feasibility and impact of anti-corruption strategies targeting each of these types of corruption. While several different types of corruption can coexist in particular sectors and activities, it is useful to assess the potential impact and feasibility of anti-corruption strategies targeting particular types of corruption identified separately.

Market restriction-driven corruption emerges when there are unnecessary or damaging market distortions created by states either deliberately or inadvertently, which are in turn evaded by businesses and individuals using corruption. Corruption of this type is therefore a response to restrictions like unnecessary red tape, barriers to entry, or regulations that are either unnecessary or that the state does not have the capacity to enforce but which can block productive business activities. These types of market distortions and restrictions create damaging rents by preventing entry into particular sectors or activities, and corruption in this context can paradoxically reduce the overall effects of damaging rents by transferring some rents to public officials to allow some restrictions to be by-passed. This type of 'greasing the wheels' can appear to be efficiency-enhancing in a superficial sense but the problem is that it generates incentives for the persistence of distortions and restrictions and can create incentives for the creation of new restrictions. If this type of corruption is not addressed, the overall efficiency of the economy is likely to decline over time. This is the type of corruption that is implicitly targeted in the World Bank's Doing Business surveys. However, anti-corruption activity here cannot simply be to attack the corruption, *it has to simultaneously remove the market distortions*, otherwise society can become worse off as a result of the anti-corruption.

In contrast, in ***Policy-distorting corruption***, the underlying state policies and associated rents are potentially socially useful and corruption prevents these policy-induced resource flows from achieving development goals. For instance, health, education, environmental or technology upgrading policies implicitly create rents for different types of organizations providing important services or engaging in activities that have a social benefit. If these rents and the policies allocating them are distorted by corruption and other types of rent-seeking activities, socially desired outcomes are not achieved. This is potentially a very important type of corruption because at the sectoral level in many developing countries, the failure to design necessary policies and regulations in ways that can be effectively implemented can seriously constrain development.

The impact of policy-distorting corruption can vary greatly across sectors and countries. In some cases it can have relatively mild distortionary effects, mainly redistributing the benefits of policy between businesses and public officials. For instance, if the state has the capacity to withdraw rents from organizations that do not perform, public officials can corruptly claim a share of the additional profits of firms and organizations receiving support without significantly distorting the development outcome. This was the case, for instance, in the corruption in the granting of industrial policy support to South Korea's chaebol in the 1960s and 1970s. The redistributive effects of that corruption were undesirable but it did not seriously distort policy and therefore did not constrain

the country's development (Khan 2000b). In other cases, the policy-distorting corruption can have seriously damaging effects because the distortionary effect is more significant and results in the wrong organizations getting support or in rents not being withdrawn even when outcomes are very poor. Thus, while policy-distorting corruption is always damaging, the effects can vary significantly across cases. An assessment of the severity of the impact of policy-distorting corruption in different sectors and countries, and the feasibility of responses has to be an important focus of research on anti-corruption.

Figure 3 summarizes the critical difference between these two types of corruption in terms of the anti-corruption policy package that is implied. The difference is significant because in one case anti-corruption has to *remove* the underlying policy that drives the corruption while in the other, anti-corruption has to *maintain* the policy structure or redesign it in ways that make the anti-corruption policy feasible. This reiterates why the analysis of the rents involved in particular sectoral or policy problems is vitally important. Policies and interventions that are market restricting and those that are potentially beneficial are not always clearly distinguishable. A transparent analysis is required to identify the characteristics of the rents and the effects of corruption in particular sectors and countries. Without that, an anti-corruption strategy can inadvertently do more harm than good. Moreover, the same sector may have overlapping policies so that some of the corruption in the sector may be driven by market restrictions and some may be policy-distorting. In these cases, which are quite typical, a careful sectoral analysis is required to identify the welfare enhancing anti-corruption policy combinations.

Damaging Market Restrictions $\longrightarrow$ **Market restriction-driven corruption** bypasses restrictions $\longrightarrow$ Anti-corruption has to include *removal* of market restrictions

Beneficial State Policies $\longrightarrow$ **Policy-distorting corruption** damages outcomes $\longrightarrow$ Anti-corruption has to *maintain* or *redesign* beneficial state policies

Figure 3 Corruption and the importance of a rents analysis

Political corruption describes rent creation and allocation through informal patron-client networks through which powerful groups maintain their power, particularly in political settlements where informal resource flows are a critical part of political allocations. As important elements of this type of corruption are closely related to the type of political settlement, it is often not easy to fight, particularly in developing countries, where patron-client politics and informal rent flows play an important role in political stabilization (Khan 2005a, 2010; North, et al. 2013). The reduction of political corruption is a longer term challenge, and is related to our theory of change identifying the importance of creating a more diversified and productive society with a wide diversity of organizations capable of paying significant taxes. In many cases, therefore, the best response in the medium to short term is to identify the most important power networks and design developmental programmes and policies so as to insulate them as much as possible from political rent capture. The failure to understand the drivers of political corruption has resulted in many anti-corruption initiatives failing. An analysis of the specific political settlement is therefore vital background analysis because the

feasibility of addressing other types of corruption depends on the ways in which political corruption is intertwined with other corruption.

Finally, **Predatory corruption** is a particularly damaging variant where coercion and violence is used by powerful groups to extract rents. This type of corruption becomes dominant in advanced stages of state failure. Fortunately, while some elements of predatory corruption exist in every developing country, it is not the dominant form of corruption in most cases. When predatory corruption becomes the dominant form of corruption, anti-corruption strategies of the type we are discussing are no longer sufficient. State-building activities and the construction of a less violent political settlement become priorities for society. In principle, the anti-corruption requirement here is to strengthen the enforcement capacities of the state but it also has to ensure that the ruling coalition has sufficient legitimacy to rule without excessive repression. This can be hugely complex and challenging. Our understanding of the policies that can change political settlements in particular directions is still very rudimentary. Misguided policies that have sought to change the political order have often had severe unintended consequences in many countries. Effective policy responses to high levels of predatory corruption are therefore not very feasible given our existing state of knowledge.
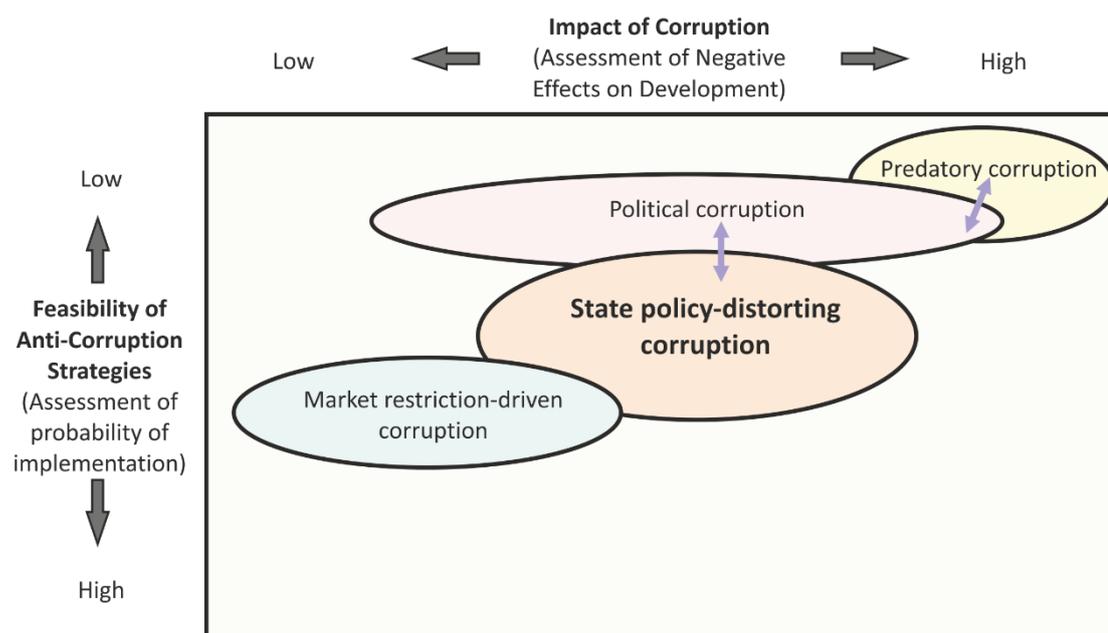
Source: Based on Khan (2014)

Figure 4 Feasibility and Impact of Anti-Corruption

On the basis of the discussion above, we can locate anti-corruption strategies targeting each of these types of corruption in terms of their relative impact and feasibility. Figure 4 shows the likely impact and feasibility of anti-corruption strategies targeting each type of corruption. In reality, most sectoral activities are likely to involve several overlapping types of corruption. The mix is also important to keep in mind for assessing the feasibility of an effective sectoral anti-corruption strategy. For instance, if significant political or predatory corruption is involved in the operation of a sector, the anti-corruption policy combination may have a low feasibility even if its expected impact is likely to be high.

Market restriction-driven corruption is likely to be the most feasible type of corruption to address in many cases because anti-corruption may involve the removal of relatively small restrictions in most cases. High powered political organizations are less likely to be dependent on these corruption incomes and may even be persuaded that the removal of some of these restrictions may be in their own interest. On the other hand, the impact on development outcomes of removing particular restrictions and the corruption associated with them may not be particularly high either. In general, therefore, anti-corruption strategies that target market restrictions are likely to be *relatively* more feasible but also have a more limited impact on development outcomes taken on their own.

In contrast, policy-distorting corruption can have a range of outcomes, and in many developing countries the negative impact of this corruption can be quite high. But political interests are also more likely to be connected with the allocation and management of these rents and this can make policy-distorting corruption more difficult to address. Nevertheless, anti-corruption strategies targeting policy-distorting corruptions have the most favourable combination of impact and feasibility. Many variants of policy-distorting corruption are relatively feasible to attack while delivering a high impact if removed or reduced. This is why we highlight this variant of corruption in Figure 4. However, some variants of state-distorting corruption can be quite difficult to attack because they may be very closely tied to political corruption. For instance, bank lending rules may be violated to benefit inefficient politically connected companies. Here the corruption involved is not only policy-distorting but also has elements of political corruption and may therefore be more difficult to address. This is shown by the arrow linking some policy-distorting corruption to political corruption in Figure 4.

Political corruption describes a range of rent creation and allocation strategies that are widespread in developing countries and linked to the nature of their political settlements. Some political rent allocations may have a relatively low impact (if they are largely redistributive) and some may have a very high impact (if they distort economic policies or result in political violence). In general political corruption is much more difficult to address because powerful political organizations are involved. This means that despite the high impact of some of these types of corruption, anti-corruption strategies may not fulfil the condition of feasibility in many developing country contexts. Finally, political corruption can at the margins change into predatory corruption, and this is shown by the arrow linking political to predatory corruption in Figure 4.

Predatory corruption is in general the most damaging variant of corruption. In extreme cases, predatory corruption can result in the cessation of all or most normal productive activities and investments. Societies where warlords dominate develop variants of war economies where developmental outcomes are heavily constrained. Predatory corruption is also typically the most difficult type of corruption problem to address because the powerful organizations involved have substantial violence potential by definition, and sometimes have their own armies.

Most sectors and activities are likely to have a mix of types of corruption going on, and the process analysis of different types of rents is essential to uncover what is going on.

In general, we expect the biggest gains are likely to be achieved by anti-corruption strategies that target policy-distorting corruptions, though in particular sectors and activities several types of corruption may have to be simultaneously addressed. Many relevant anti-corruption strategies are likely to have to address combinations of market restrictions and policy design and enforcement problems that drive different types of corruption. In general, anti-corruption strategies for a particular sector is likely to have to identify and target several types of corruption simultaneously.

Our two guiding theories of rents and political settlements therefore define how we begin to look for sectors and activities where anti-corruption may be feasible and have a high impact. However, they do not necessarily determine the theories and methodologies that are most useful for digging deeper into particular research questions and identifying feasible and high-impact combinations of policies that are likely to be effective. A variety of disciplinary approaches can be used to provide deeper insights into the causes of and possible solutions to particular corruption problems. Some questions may use a deeper application of the rents and political settlements approach, others may use entirely different methodologies to look at, for instance, the role of collective action and organisations, specific features of institutions, individual and collective behaviour, legal frameworks and agencies, and so on. In the same way, a wide variety of data collection and processing strategies can be used, ranging from case study approaches to standard statistical techniques, RCTs and so on.

4. Anti-corruption strategy clusters

The analysis and evidence base on the likely impact and feasibility of different types of anti-corruption strategies are likely to be most useful if the results are comparable across types of problems, sectors and countries. The strategies referred to here are the ones described in Figure 2 as strategy clusters relevant for creating support for anti-corruption enforcement in particular sectors and activities. There are a variety of ways in which localized support for anti-corruption can be created, and we find that these fall into a few broadly defined patterns that define a number of anti-corruption strategy clusters. As our aim is to generate theory and evidence on the impact and feasibility of different types of anti-corruption activities, we describe these policy clusters as anti-corruption evidence (ACE) clusters.

On the basis of our research so far, we identify four initial clusters of strategies that define the starting point for organizing the evidence generated by the ACE programme. Some complex corruption problems may require a combination of more than one of these types of strategies. Moreover, other types of anti-corruption strategies may also emerge in the course of the research, justifying the addition of a number of new ACE evidence clusters. Our four initial ACE clusters are listed below. We also provide examples of research questions on potential anti-corruption strategies that could be classified under one of these clusters.

ACE Cluster 1. Incentive Restructuring Strategies
The focus of the anti-corruption strategy here is to change the relative returns to different types of activities in a production or value chain to create support for particular anti-corruption activities within powerful insiders.

Many production activities involve the allocation of policy-created rents at different points of the chain to achieve particular development objectives. Socially harmful policy-distorting corruption emerges when powerful organizations in the private and/or public sectors capture these rents in ways that are detrimental to developmental outcomes. If the organizations engaged in these activities are powerful and they cannot be made to see the benefit of shifting to more productive strategies, attempts to enforce anti-corruption from above are likely to fail. In these cases, a feasible anti-corruption strategy has to involve policy design changes that can increase the returns to productive activities relative to unproductive ones. If process analysis can reveal useful points of entry where feasible policy changes can achieve these outcomes, anti-corruption enforcement can become more feasible because powerful business and state interests that were previously capturing rents in unproductive ways can now begin to get benefits by being productive. This behaviour change can support effective targeted anti-corruption strategies in that sector, thereby improving development outcomes.

In this cluster, described as incentive restructuring strategies, policy combinations are sought that can restructure incentives in the production and value chain in ways that may be attractive to powerful players in the system and achieve better development outcomes. If so, the self-interest of these players can be mobilized to support the enforcement of anti-corruption policies that now benefit them, and also help to achieve developmental objectives of the country.

ACE Cluster 2. Strategies addressing differences in organizational interests
The focus of this anti-corruption strategy is to identify differences in interests across organizations who may be involved in corruption for different reasons, to create support for anti-corruption by a sufficient number of potentially compliant firms and organizations.

In many sectors and activities, all or most firms or organizations involved in that sector may be engaged in corruption, but for very different reasons. Some firms may lack capabilities to comply with regulations and have to survive by engaging in corruption. Typically this is because they are too under-capitalized, or insufficiently productive to operate in the sector in a rule-following way. But other firms in the same sector could potentially have complied with regulations or survived without resorting to egregious corruption, but the absence of appropriate regulatory conditions that would allow them to comply mean that they too have to be corrupt. Anti-corruption is only likely to be effective in these contexts if policy combinations can be introduced that allow potentially compliant organizations to actually comply. It may also be necessary to

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introduce exit strategies or consider other means of dealing with organizations that cannot comply, particularly if the enforcement of rules would result in significant immediate hardship or unemployment.

Many sectors with entrenched corruption in developing countries are of this type. Many if not all firms and organizations in a sector are corrupt, but for very different reasons. Anti-corruption strategy has to recognize the heterogeneous nature of organizations and devise strategies that enable the potentially compliant to comply. One reason why anti-corruption is so difficult in many countries is that even organizations that want to comply often find that they have to violate rules, and this creates a race to the bottom where all organizations in the sector become corrupt and non-compliant. If the potentially compliant group is significant, policy combinations that enable compliance by the latter can create powerful support that can help to make the overall anti-corruption enforcement strategy feasible.

ACE Cluster 2: Enhancing Compliance by Addressing Differences in Organizational Interests

Illustrative example of Building Regulations in the Bangladeshi garments industry

In recent work for DFID on private sector corruption we showed that the failure to enforce building regulations in the Bangladeshi garments industry was related to firm heterogeneity (Khan 2014). Potentially compliant high-capability firms were also violating regulations because they were forced to bribe to get building certification. Many of them then sought to recover this loss by capturing rents through violations. But many other firms violated regulations because they had no capability to meet existing regulations and their profitability depended on violations from the outset. To enable regulatory compliance by the potentially compliant firms, it is necessary to revisit the long list of regulatory requirements given the limited number of inspectors and personnel available for issuing certification in a timely manner. This requires achieving a new social consensus on a more limited list of regulatory requirements that is essential for safety and that can actually be monitored and enforced with feasible improvements in regulatory capabilities. Only then can a large section of firms who want to comply actually become compliant. On the other hand, exit strategies are also required for non-compliant firms because they employ large numbers of poor people. Shutting them out overnight can result in damaging social outcomes. When organisational heterogeneity is the main issue, adequate policy responses involve identifying the different types of firms, organisations or agents so that appropriate policy responses can be identified, their feasibility assessed, and implementation phased in to address the different drivers of violations. If a sufficient number of capable organizations can be compliant and benefit from compliance (as is the case in an export-oriented sector like garments), support can be generated for the application of anti-corruption policy in regulatory enforcement.

ACE Cluster 3. Strategies of organizing collective action
The primary focus of these anti-corruption strategies is to organize new or already existing groups to engage in collective action to support the enforcement of particular aspects of an anti-corruption strategy.

While higher-level enforcement capabilities are weak and are difficult to immediately improve in developing countries, in some cases there are powerful local interests that can be mobilized to assist the enforcement of particular rules that are socially useful. A feasible anti-corruption strategy in some cases may be to support collective action by interests aligned with the enforcement of particular policies or regulations. However, the feasibility of this collective action and the organizations that need to be involved have to be carefully analysed and identified. The organisation of collective action may also require policy support, and again combinations of policies may be required, with the possibility of multiple ways of supporting the collective action.

> **ACE Cluster 3: Organizing Collective Action**
>
> **Illustrative example of anti-corruption activities led by the Bangladeshi electronics industry**
>
> Some types of corruption driven by powerful interests directly hurt other powerful interests and the mobilization of the latter through collective action can begin to help the enforcement of anti-corruption activities in that sector. As the power of affected groups can be increased through policy support for collective action, less powerful groups who are potentially powerful can be assisted to make a sustainable impact on the enforcement of anti-corruption. The emerging Bangladeshi electronics industry is hurt by the violations of customs duties by powerful networks of smugglers who use corruption to pay less or no import duties on electronics imports. This hurts the learning strategies of emerging electronics producers who fail to achieve productivity growth through learning-by-doing in production that could eventually make them competitive enough to survive without protection. However, to counter this, the electronics industry has begun to organize collective action through its industry association, and it pays investigators to survey shops selling cheap imported electronics products and report them to the National Board of Revenue for further investigation. This pressure occasionally produces results and constrains corruption. A more concerted collective action could improve outcomes further. Other groups of producers or consumers are less well organized and could be supported in similar ways. For instance, the group of small machinery and machine tools producers in Bangladesh could potentially create similar pressure for the enforcement of tax and tariff rules whose violation hurts their productivity enhancement strategies.

ACE Cluster 4. Strategies Addressing Contested Rights
Some corruption problems emerge because there are overlapping or contested rights and the only resolution available to the contesting parties is to engage in corruption to resolve disputes. Anti-corruption in these areas may only be feasible if policy finds ways of resolving the underlying conflicts.

The underlying problem here is that several parties may be in conflict over resources or rents that result from (sometimes legitimate) overlapping claims over particular policies or assets. This type of conflict can sometimes emerge because policies and regulations are (often deliberately) badly designed and confer conflicting rights and rents to different people or sometimes to the same person. For instance, there may be several interpretations of the duty payable on a particular import. Resolving these conflicts requires bribes, and in the simplest case, this is just a variant of distortion-driven corruption.

The more significant and less tractable cases are where the conflicts over rights derive from overlapping rights that may each have some legitimacy. In this case, the underlying problem is not just a market restriction or distortion, but something deeper involving conflicting legitimate claims. For instance, different systems of rights may have existed over land and the conflicts between these rights may not yet have been fully resolved. For this type of problem, clarifications or changes in rules or improvements in administrative enforcement capabilities or even collective action responses are inadequate. Effective and legitimate conflict resolution processes have to be devised that can find compromise solutions that offer the parties an alternative, cheaper and more predictable mechanism of conflict resolution compared to competitively bribing land administration officials, judges and others.

ACE Cluster 4: Strategies Addressing Contested Rights

Illustrative example from Land Administration in Bangladesh

The corruption in land administration in Bangladesh, as in many developing countries, is partly due to administrative corruption related to manipulations of land records. But it is also partly due to inconsistencies in the land records themselves that often reflect legitimate overlapping claims. The BRAC programme of conflict resolution in land claims affecting poor women uses out-of-court conflict resolution processes to find ways of resolving these conflicts. These types of approaches are effectively supportive of anti-corruption strategies because they take particular vulnerable groups out of the remit of corruption and their exploitation by land administration officials who may otherwise have charged to 'resolve' their conflicts. Research will estimate the effectiveness of different types of conflict-resolution processes as a mechanism for avoiding corruption-driven resolutions. The interdependency analysis will identify the combination of governance capabilities and policies that enables BRAC to play this role, and to assess its effectiveness given the political settlement. Similar land right conflicts exist in other countries and conflicting claims can drive corruption in other sectors.

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5. The research agenda

The analysis in previous sections identifies a research approach for further work on policy-relevant anti-corruption. The approach can be used both for examining corruption issues affecting the private sector as well as corruption affecting state

policies. In both cases, a similar methodology for identifying feasible and high-impact anti-corruption strategies is potentially relevant. The two following diagrams summarize the sequence of analytical steps in each case for designing and researching questions on private sector corruption and policy interdependencies, and for locating research questions and findings in different ACE clusters.

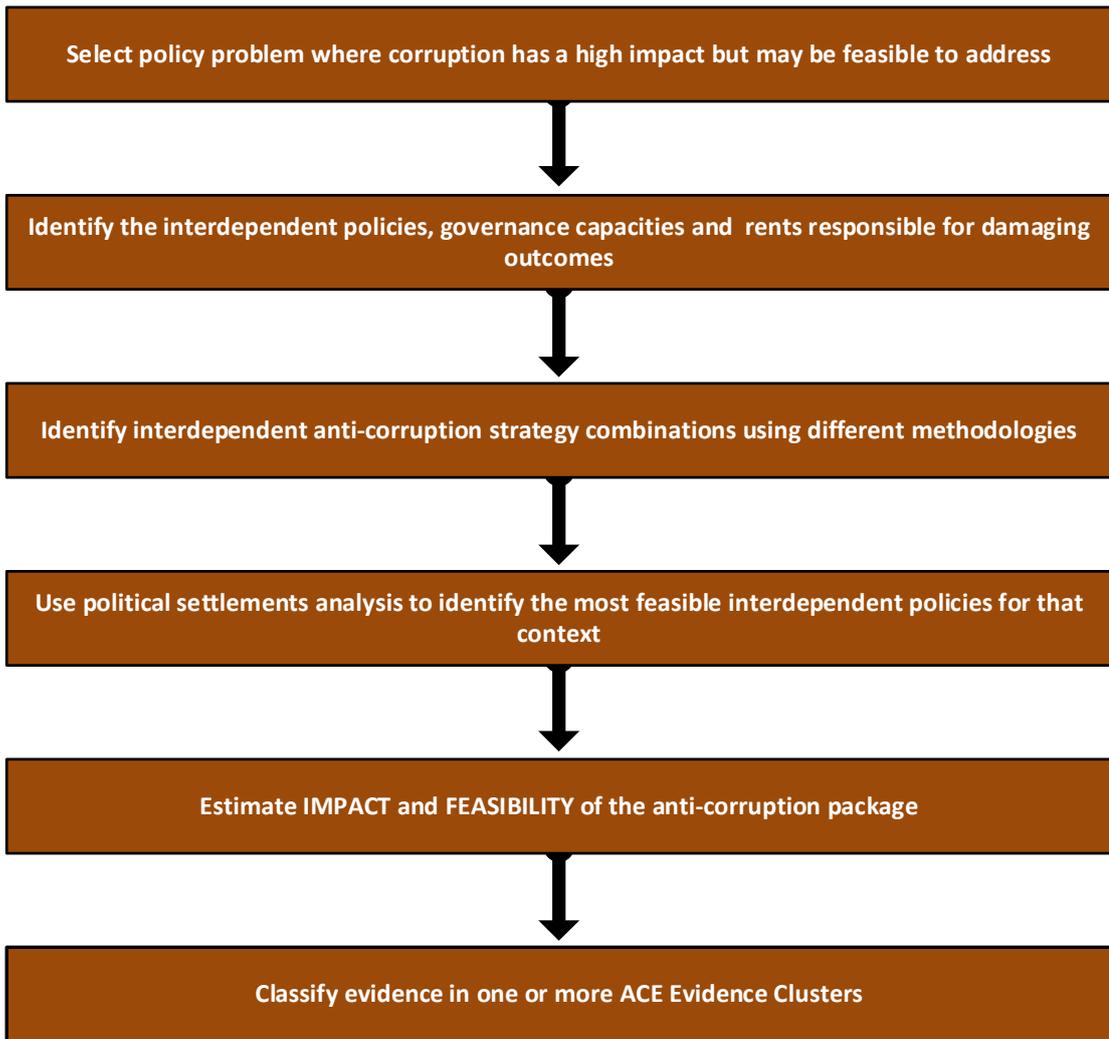Figure 5 Analytical Steps in Private Sector Anti-Corruption Research

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┌─────────────────────────────────────────────────────────────────────────────┐
│   Select policy problem where corruption has a high impact but may be         │
│   feasible to address                                                         │
└─────────────────────────────────────────────────────────────────────────────┘
                                      │
                                      ▼
┌─────────────────────────────────────────────────────────────────────────────┐
│   Identify the interdependent policies, governance capacities and  rents      │
│   responsible for damaging outcomes                                           │
└─────────────────────────────────────────────────────────────────────────────┘
                                      │
                                      ▼
┌─────────────────────────────────────────────────────────────────────────────┐
│   Identify interdependent anti-corruption strategy combinations using         │
│   different methodologies                                                     │
└─────────────────────────────────────────────────────────────────────────────┘
                                      │
                                      ▼
┌─────────────────────────────────────────────────────────────────────────────┐
│   Use political settlements analysis to identify the most feasible            │
│   interdependent policies for that context                                    │
└─────────────────────────────────────────────────────────────────────────────┘
                                      │
                                      ▼
┌─────────────────────────────────────────────────────────────────────────────┐
│   Estimate IMPACT and FEASIBILITY of the anti-corruption package              │
└─────────────────────────────────────────────────────────────────────────────┘
                                      │
                                      ▼
┌─────────────────────────────────────────────────────────────────────────────┐
│   Classify evidence in one or more ACE Evidence Clusters                      │
└─────────────────────────────────────────────────────────────────────────────┘
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Figure 6 Analytical Steps in Public Policy Interdependency Research

		PRIORITY AREAS		
		Public Goods and Infrastructure	Productive Sectors and Skills	Health and healthcare delivery	Governance Agencies and Media
ACE CLUSTERS (Type of Anti-Corruption Strategy)	1. Incentive Restructuring Strategies				
	2. Addressing differences in organizational interests				
	3. Organizing collective action				
	4. Addressing contested rights				

LOCATION OF ANTI-CORRUPTION EVIDENCE FROM EACH RESEARCH PROJECT

Figure 7 Anti-corruption evidence clusters

The aim in both our private sector and public policy research is to engage in a number of projects in different priority areas to generate evidence on the impact and feasibility of different types of anti-corruption strategies. The anti-corruption strategy that is the focus of each project will be located in one or more of the strategy clusters discussed above, and each study will also be focused on a particular priority area in one or more of our study countries, initially Nigeria, Tanzania and Bangladesh. The impact and feasibility evidence will build up an evidence base on the difficulty and desirability of anti-corruption strategies in each cluster, with further differentiation across priority areas and types of sectors and countries. Over the longer term, this evidence will help us to design better anti-corruption strategies not only in the particular sectors and countries being studied, but by building up an evidence base, it will help to deepen our understanding of effective policy design for anti-corruption policies in a wide range of economic and political contexts (Figure 7).

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