
PART IV

IMPROVING
ADMINISTRATIVE
INTEGRITY, RESPONSIVENESS
AND SERVICE

Chapter 17

Fostering Public Ethics and Preventing Corruption

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If a [public servant] neglects his duties, works for his own profit or accepts bribes, it will cause a rapid decay of public morals. People will cheat one another...take advantage of the poor, and there will be no justice for anyone.

— Buddha

As discussed in Chapter 1, public administration is confronted with difficult new challenges and pressures in the 21st century. Demands for better service are increasing and various public sector reforms, such as decentralization, greater managerial discretion, and increased reliance on market or quasi-market mechanisms have been introduced. Public servants face potential conflicts of interest resulting from these new objectives, and in particular from the assignment of more discretionary power to managers. Moreover, uncertainty arises from globalization, which increases contacts with different ethical and cultural norms, and results in a change in society's perception of the expected behavior of public officials. In this complex new context, integrity and ethics in the public service have become even more important for the credibility of government in both developing and developed countries.

ETHICS IN THE PUBLIC SECTOR

The General Context

The features of a public service ethos

In several developed countries, as discussed also in Chapter 20, public administration reforms have been accompanied by (and sometimes based on) a questioning of the very notion of “public service”, and mistrust of civil servants. The complex challenges faced by government in all countries

cannot be met successfully unless the status of government service is revalued. In turn, this requires that the traditional public service ethos be reinforced. The specific core values associated with public service vary from country to country as detailed further in this chapter. The generic values are, however, common to all countries: public servants are expected to treat all citizens with respect, fairness, and integrity; to be impartial and equitable in their actions; and to ensure accountability and effectiveness in the delivery of services.

The politician and the civil servant

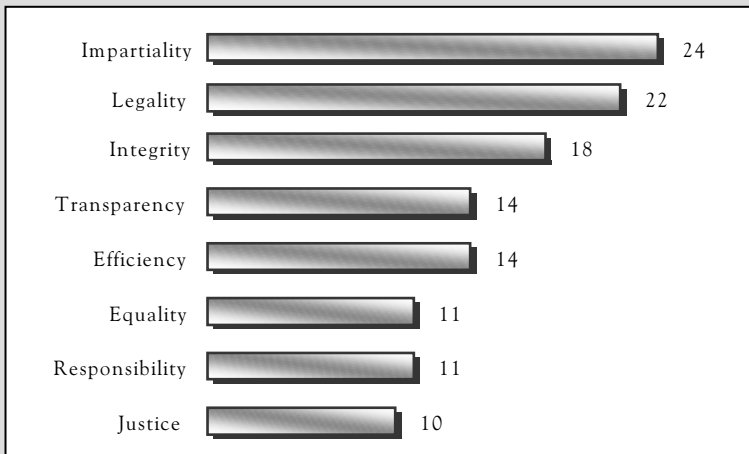
In a representative governance context all public officials, whether elected or not, must be responsible and accountable for how they perform. This means that integrity of *both* the politicians and civil servant must be assured, as both carry a public responsibility and the distinction between politician and public administrator is often difficult to define for the public. The general public does not make such distinction and holds the government responsible, and rightly so, as most public decisions involve both elected and nonelected officials. This is also true at international and supranational levels. For example, in Europe, citizens often perceive the European Union Institutions as one single government called Brussels without making a distinction between the elected members of the European Parliament, the employees and the members of the European Commission, or national public officials meeting in the Council of Europe. International organizations, too, are viewed as a monolith. As a consequence, the integrity issue necessarily involves all components of a government, and attempts to deal with lapses in conduct should target all types of government officials. In the United Kingdom (UK), for example, the Committee on Standards in Public Life had a mandate to review standards at all levels of government activity.

It is clear that the public cannot accept double standards for politicians and civil servants. However, when dealing specifically with public administration, politicians should be viewed more in the context of their relationship with the civil servants rather than as a specific target for attention, as the nature of their accountability is different. This leaves out of the scope of this chapter (and this book) areas such as financing of political parties and political campaigns which in many countries raise profound ethical issues that go much beyond the integrity and effectiveness of the public administration apparatus itself.¹

Are public values universal?

It is frequently argued, especially in Asia (although much less so after the 1997 financial crisis), that cross-country comparison of public ethics is inappropriate, because public ethics are part of the overall value system, which is country- and culture-specific. For example, giving and accepting gifts is a normal way of doing business in some countries, and highly problematic in others; or, nepotism and a violation of the merit principle in some context is viewed a natural “helping your own” in others. Economic conditions are also relevant. As discussed elsewhere, highly inadequate civil service salaries are frequently associated with public corruption. In general, value differences among countries result from the *interaction* of many different factors including historical and cultural specificity, level of economic development, strength of civil society, and accepted governance norms. Nevertheless, despite the real differences among countries there is a growing convergence of views on what is seen as good and proper behavior. There are fundamental values closely associated with good governance, market economy, and a professional civil service: political values of freedom and justice and administrative values of legality, personal integrity, efficiency, effectiveness, equity, and responsiveness. Of course, these values are translated differently in each system, and in the day-to-day work of public officials (Figure 17.1).

Figure 17.1
Most Frequently Mentioned Public Service Values in
OECD Countries



Source: *Public Trust: Ethics management measures in 29 OECD countries*, OECD 2000.

Globalization and changing societal norms

One positive recent development is that countries are increasingly watching events elsewhere, including ethical crises and attempts to deal with them, as part of the general phenomenon of globalization. In Australia, for example, problems and public scandals in other countries have motivated the interest in fostering and maintaining appropriate ethical behavior and accountability. In European countries, the same emulative effect can be noticed following the widely-publicized scandals that led to the collective resignation of the European Commission in 1999.

Globalization has also increased contacts between public officials in different administrations with different ethical standards, as well as contacts with business, including foreign-based or multinational enterprises that may play by different rules of the game. If not addressed, this issue could lead to a global lowest ethical common denominator. If addressed constructively and vigorously, instead, this greater interaction can generate pressure to improve standards everywhere. As a major step forward, Organisation of Economic Co-operation and Development (OECD) countries took collective action against corruption by reaching consensus on the need to outlaw the bribery of foreign public officials in international transactions. (See later in this chapter.)

To foster integrity in the public sector, behavioral standards must reflect changing societal norms. The increasing demands of society in certain areas require specific new action. In most developed countries and some developing countries, this is the case, for example, of measures to eliminate sexual harassment or racial discrimination. A major challenge is that societal norms are evolving faster than in earlier times. What was accepted as normal practice only a few years ago may be now considered as unethical. For example, the long-established tradition of receiving gifts in the Japanese administration has been restricted by the National Public Service Ethics Law of August 1999, which obliges senior officials to report gifts of a value greater than 5,000 yen (less than \$50 equivalent). Before passing this law, Japan had elaborated a code of conduct to provide guidance on expected standards, which already proscribed gifts. However, it was felt that this was not strong enough a tool. Moreover, societal norms are becoming more diversified even in a given country. In the Netherlands, for example, the increasing diversity of society has generated some diversity of standards and values.

Public Sector Values

It is impossible and unfair to demand ethical behavior from public servants unless they are clearly told the basic principles and standards they are expected to apply to their work, and where the boundaries of acceptable behavior lie. The main duty of government is to state standards and to provide mechanisms to support them. A concise, well-publicized statement of core ethical principles and standards that guide public behavior creates a shared understanding across government and the broader community. By themselves, codes of conduct, like all legislation, are useless if dissonant from societal norms or if not enforced. However, they can make a useful contribution to fostering public service integrity when the institutional context is favorable.

Reinforcing traditional public sector values

In most OECD countries, public servants conduct is guided by the broad public sector values presented in Figure 17.1. The following values are formulated differently according to specific country contexts, and should be balanced against one another, when they occasionally conflict (e.g., loyalty to the organization vs. personal honesty):

- *Honesty*: While this value is fundamental and is expected in all sectors of society, it takes on a particular meaning in the public service, as it implies the ability to hold a public trust and to put the common good ahead of any private or individual self-interest. Typically, countries integrate the standard of honesty in the recruitment process of civil servants, by verifying that the person does not have a prior criminal conviction (e.g., in France, Poland, the United States (US), and many other countries).
- *Impartiality*: In addition to nondiscrimination on ethnic, religious, gender, or economic grounds, the main aspect of this value is political neutrality, i.e. nonpartisanship. Civil servants, while loyal to their political leadership, are expected to behave in a manner that does not favor or damage any political party or faction. Indeed, as discussed in Chapter 11, they are subject in their personal political expression to constraints not applicable to persons in private employment.
- *Loyalty*: In a democratic context, loyalty to the political leadership is a duty of civil servants, but reaches its limit when it would imply unethical behavior. This is obvious when the order given is illegal. But loyalty also ends when obedience could seriously jeopardize a

public interest or require unethical behavior (even if not formally illegal). In a complex management environment, the loyalty principle is also challenged when public servants are asked to be ultimately accountable to the citizen (see Chapters 13 and 16 for a discussion of client orientation in government). In theory, there is no conflict between serving a government and serving the clients: users get what they are entitled to, as determined by government policy. But in practice, responsiveness and service to citizens require public servants to use their discretion in their day-to-day activities, which may well conflict with their loyalty to administrative superiors.

- *Continuity*: Civil servants are expected to ensure stable and continuous services to citizens. Aspects of continuity are that they cannot desert their office and can only have other professional activities in addition to their public duties in limited cases, which do not conflict with performance of their tasks. For example, under Article 101 of the Japanese National Public Service Ethics Law of 1999 civil servants have an obligation to give undivided attention to duty. Another aspect of continuity is that when leaving their position, public officials should not hide or remove any information concerning their past activity in order to ensure a smooth transition.
- *Balancing transparency and discretion*: As discussed in detail in Chapter 16, traditionally government has been reluctant to release information. Sometimes, there are good reasons. But secrecy also works as a way to hide misconduct. It is the duty of the state to define clearly what information is public and to guarantee access to it. For example, the openness and transparency of the Swedish public administration, embodied in the Freedom of the Press Act, have contributed to reduce corruption in the public sector. In Italy, measures increasing transparency were one of the most effective instruments in promoting integrity and reversing corruption. In countries where democracy was restored recently, as in central and eastern Europe, transparency was identified as the key means to achieve modernization. Joining international organizations can also be an incentive. For example, the Republic of Korea created a new legal framework by enacting a Law on Administrative Procedures (1997) to provide information of administrative decision making for citizens, and passed a law on freedom of information. The consequence of openness is extensive control exercised by the citizens and even more by the mass media. Therefore, the obligation of openness must be balanced by the value of discretion. This means that public officials should have clear guidelines about what information they are entitled

to provide and to whom. In this respect, Article 100 of the Japanese National Public Service Ethics Law of 1999 prohibits the divulgence of any secret that may have come to employees' knowledge in the performance of their duties. Other countries have similar provisions.

- *Responsibility and accountability*: Public official must feel personally responsible and accountable for their decisions and actions. Developing a good sense of the public interest is essential. In the Republic of Korea, it has been suggested that a weak sense of responsibility among public officials—caused by frequent change in posts—was a major corruption incentive. These values are operating within a sense of the public interest: virtually all developed countries, and many developing countries, have explicit provisions similar to that in the Canadian Conflict of Interest and Post-Employment Code for Public Office Holders: “public office holders, in fulfilling their official duties and responsibilities, shall make decisions in the public interest and with regard to the merits of each case.” Views of what the public interest means vary in different countries. In any case, employees are expected to arrange their private affairs—to go back to the Canadian example—“in a manner that will prevent real, potential or apparent conflicts of interest from arising, but if such a conflict does arise between the private interests of an employee and the official duties and responsibilities of that employee, the conflict shall be resolved in favor of the public interest.”

Public Sector Managers in a Changing Environment

One of the major recent challenges to public ethics has resulted from the adoption of the many public management reforms discussed in this book (see especially Chapter 19). Public managers face a radically different environment in those countries that introduced and managed substantial reforms in the public sector, which have been intensified since the mid-1980s, especially in the direction of introducing contestability for public functions, and making a number of functions previously performed by the public service commercialized, privatized, or outsourced. Note that none of the following observations is intended to discourage such reforms, or to imply that they inevitably have a negative impact on integrity in the public service. The intention is to underline the linkage between these reforms and the ethical framework, and the ensuing need to take realistic complementary action to prevent an unintended weakening of public integrity.

The impact of delegation

These reforms may have enhanced the efficiency and effectiveness of certain public services, but also led to a fragmentation of public corporate culture, standards, and behavior. This situation requires a new institutional environment in which public servants can be made accountable for the use of their greater discretionary powers, and continue to adhere to the updated values-based framework. The balance between delegation and accountability is of central importance in achieving a well-performing and professional public service with integrity. As central regulations and controls are reduced, the role of public values and the public interest concept that they reflect become increasingly significant, both as a guide for behavior and as the common reference point and unifying thread for the public service. Mechanisms for safeguarding these values need to be upgraded to protect the public interest in new and current situations, lest the greater service efficiency be paid for by a reduction of integrity and, in time, a reduction in effectiveness.

The impact of lower resources

Most governments have faced significant pressure to reduce public expenditure, after the massive expansion in state responsibilities in the 1960s and 1970s. Measures for a more efficient use of resources have included lower budgets and reductions in the size of the public sector workforce (Chapter 10). In some countries, staff reductions did not affect efficiency or workloads when overstaffing was substantial and the downsizing focused on the weaker-performing employees. In other cases, however, fewer employees have been asked to carry out the same level of work with fewer resources. This can have a negative impact on public servants' morale and apparent increases in productivity may be accompanied by lower service quality. Or, short-term improvements may be followed by long-term deterioration of services. Similar impacts on morale and a sense of public service might result from inadequate incentives. For example, when the US budget restrictions led to caps on the salaries of senior executive staff, the logic of the senior executive service itself was negated. Additionally, when resources are limited there may be pressure to cut corners or bypass due process. Training, including induction and ethics in service training, is often the first activity to be curtailed. Downsizing raises other issues related to postemployment restrictions and potential conflicts of interest, as well. It also generates negative implications (low morale, potential loss of best skills afraid by the uncertain situation) that require special efforts to maintain strong ethical behavior.

Finally, public service restructuring also risks affecting the overall state and management of ethics and conduct. Restructuring often includes changes in the status of public sector organizations through devolution of power to autonomous agencies, corporatization, and privatization (see Chapter 6). The modification of familiar legal and administrative forms of organization generates uncertainty as to which values should be applied to the new entities, or how to adapt values to a new environment. In some cases, the organization will have to evolve from a public to a private system of ethics. This requires a new framework for managing new mechanisms for service training and monitoring of performance of individuals and organizations.

Devolved management

Significant efficiency gains have been achieved in many countries by devolved public service management giving additional powers to managers. Central regulations and control have been reduced, providing flexibility to manage people and resources in ways that are tailored to match particular business plans and to achieve the agreed outcomes. In many developed and some developing countries, both the central departments and the line units enjoy far more autonomy than in the past. Concerns have been expressed that if no efforts are made to maintain good systems of professional socialization—that is, the inculcation of public service values—the homogeneity of the public sector ethos and the coherence of government intervention would be jeopardized. The first question, however, is whether the traditional homogeneous ethos is still relevant to begin with. On the other hand, values and conduct depend partly on each organization's mission statements and objectives. For example, the ethical issues applying to an employee of a defense ministry may vary significantly from those applying to someone working in a social security department. On the other hand, there is a need to ensure an overall coherent public service ethos to prevent fragmentation. Thus, even where individual agencies are allowed to design their own agency-specific codes of conduct they must do so in the context of broad central guidelines. This is so even in countries, which have pushed public management changes farthest. For example, in New Zealand, the overall Public Service Code of Conduct is supplemented by department codes to fit operational requirements and circumstances.

A corollary of greater managerial autonomy is a reduction in detailed rules (as in the Reinventing Government program of the US), or a replacement of procedural rules normally incorporated in ad hoc legislation with more goal-oriented formulations concerning the performance that various units

are expected to achieve (as in Australia, New Zealand, or the Nordic countries). Therefore, the greater freedom of action implied by the principle of letting the managers manage also allows more space for irregularities. Some public officials may simply be confused about how to operate when detailed regulations have been reduced without an equally clear and reliable specification of performance indicators. But also, a single-minded stress or result places the manager under pressure to side-step ethical standards or procedural norms. This is why many countries have formulated codes of conduct in order to stimulate adherence to values.

The new public-private sector interface

The evolution of the role of the public sector has increased contacts with the private sector. Of course, the private sector itself is also concerned with fostering ethical behavior. Nevertheless, the evidence shows that the increased contacts have created new opportunities of wrongdoing in a number of areas. In France, for example, the decentralization process that removed traditional (and inefficient) *ex-ante* constraints on local government without providing sufficient *ex-post* oversight has opened the door to several damaging instances of public-private collusion and weakened to some extent the credibility of the necessary decentralization process.

In particular, public servants are increasingly involved in commercial operations with the private sector, which open up risk areas such as build-operate-transfer contracts, and management of privatization processes (see Chapter 13 for a discussion of contracting out). It may be in the area of information technology (IT), where contracting-out was extensive, that the most useful lessons could be learnt. In Norway, the IT investments of a number of large agencies have led to questions about both budgetary and managerial issues, concerning mainly lack of controls and of awareness of responsibility, as well as poor definition of oversight responsibilities between levels of government. In Germany, the most sensitive areas include the awarding of public contracts, allocation of subsidies, licensing, and levying fees. Poland was also concerned about privatization and cross-border transactions, and Greece about tax and customs revenues. The increasing interaction between the public and private sectors should not be discouraged but call for more attention on public service values and for requiring external partners to respect those same values. The consequences of a failure to do so were brought home dramatically by the Asian financial crisis of 1997-99, which was in large measure caused by the degradation of public-private cooperation into collusion and closed circles of influence and privilege.

One central aspect of the new public-private interface is the evolution of employment practices. Traditionally, public servants trade off the higher salaries of the private sector for the security of tenure and the social status associated with government service. The clarity of this trade-off has been blurred in many countries. Security of employment is weakened by the greater use of fixed-term contracts and, as mentioned earlier, respect for civil service has given way to lower regard. Also lateral recruitment from the private sector has taken place with greater frequency than in the past, requiring a corresponding increase in government wages in order to be effective. These developments may have positive effects with respect to improving management or introducing some private sector practices. However, there are concerns that the disappearing distinction between public and private employment may contribute to diluting standards in the public sector, as profit orientation and narrow quantitative measurements may override public sector values and norms.

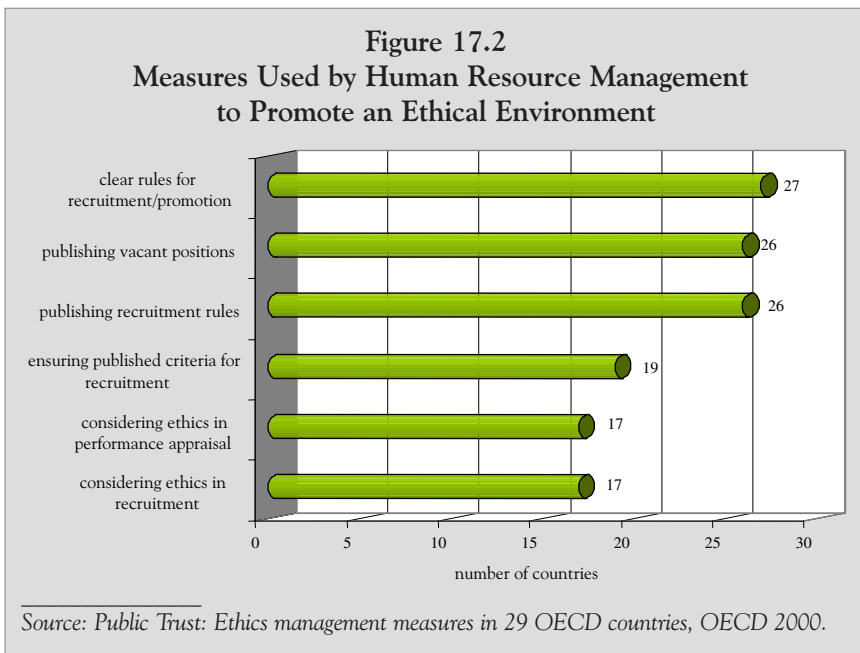
Finally, if government wages do not rise enough to offset the new insecurity and lower status, senior civil servants will be induced to look for private employment. Aside from reducing government efficiency, because it will inevitably be the abler persons who leave, this raises concerns about public servants using privileged information from their public employment to seek, or use in, subsequent employment in the private sector. Areas of particular sensitivity are tax administration and public procurement. This is only a transitional problem, as a new equilibrium would eventually be reached. It does require attention, however, and most developed countries have responded—normally with respect to only very senior staff levels—by tightening up postemployment regulation on public servants (e.g., France, Germany, Ireland, Italy, Japan, Republic of Korea, Norway, Poland, Spain, Sweden, Switzerland, and US).

Fostering an Ethics Infrastructure in OECD Countries

To be really effective corruption prevention measures must be paralleled by continuous efforts to sustain a sound “ethics infrastructure”. Drawing on the experience of its member countries, OECD has identified the institutions, systems, tools, and conditions that governments use to promote ethics in the public sector. This ethics infrastructure was translated into the set of principles developed in the 1998 OECD Recommendation on Improving Ethical Conduct in the Public Service, which provides a global approach to develop a coherent framework between the different elements of the infrastructure and also offers guidance for managers on how to review their ethics

management systems. This could be easily transferable to other countries outside the OECD area.

The key issue of the ethics infrastructure is how public servants can be given support in observing high standards of integrity in a rapidly changing public sector environment, without undermining the main thrust of the public management reforms which aim to enhance efficiency and effectiveness. Although there is no single method for constructing an ethics infrastructure in the public service, the various measures used to encourage professional standards of conduct are shown in Figure 17.2 and listed in Box 17.1.



Box 17.1
Main Elements of an Ethics Infrastructure

1. Political commitment

In the absence of sustained political commitment to ethical behavior in the administration, efforts to encourage such behavior will be in vain. The most recent examples show that attempts to improve public sector ethics in OECD countries have been sponsored at the highest political levels: for example, the President of the Republic of Korea requested the Government to elaborate a comprehensive anticorruption strategy and program in August 1999.

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Box 17.1 (cont'd.)

2. Workable codes of conduct

Codes of conduct play an important role in stating the expected standards of behavior, particularly in countries that have reduced the rules applying to public servants and have adopted more managerial styles of public management. Some countries (e.g., Australia) chose a broad public service code of conduct from which individual agencies design a purpose-built code to reflect their particular objectives and mission. In other countries, codes of conduct are entirely agency-based.

3. Professional socialization mechanisms

However, codes of conduct or even legal provisions remain simply words on paper, if not adequately communicated and inculcated. Training (induction and ongoing) is essential to raise ethics awareness and develop skills capable of solving ethical dilemmas; good role models (especially managers) also serve this purpose. For example, ethics issues now constitute an integral part of the initial training of future managers in Belgium, while all senior private sector entrants to the civil service in the United Kingdom are required to focus on ethics issues in their mandatory induction training. In the Czech Republic, public servants' training integrated ethics as one module in the preservice and in-service training.

4. Ethics coordinating body

These take various forms—legislation committees, central agencies, or special bodies—and assume various functions: general promoter of public sector ethics, a role performed by Norway's Ministry of Labor and Government Administration and New Zealand's State Services Commission; counselor and advisor, such as the United States Office of Government Ethics and the Canadian Office of the Ethics Counselor for public office holders in the Executive Branch and the Office of Values and Ethics for the public service; standing oversight committee such as the Committee on Standards in Public Life in the United Kingdom or watchdog body, such as France's permanent anticorruption investigation commission or the New South Wales Independent Commission Against Corruption in Australia. The existence of an ethics office does not, however, absolve public managers of the responsibility for ensuring ethical conduct within their jurisdictions.

5. Supportive public service conditions

The high standards of ethical conduct expected of public officials are one side of the coin. The other side is decent working and living conditions for the servants of the public, consisting of sufficient job security, opportunities for promotion, fair remuneration, or social appreciation. If public servants are underpaid, overworked, and insecure, they are less likely to embrace initiatives to improve performance, including in the ethical domain.

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Box 17.1 (cont'd)

6. Effective legal framework

The legal framework is the “teeth” of the overall ethics infrastructure. Laws and regulations define the basic standards of behavior for public servants and enforce them through systems of investigation and prosecution. In reviewing its legal framework, a country must check that existing criminal codes and civil service laws, and conflict of interest statutes and other regulations that apply to public servants are clear and consistent. Several countries (e.g., Poland) adopted laws recently requiring all public officials to declare their assets.

7. Efficient accountability mechanisms

Accountability mechanisms should encourage ethical behavior by making unethical actions hard to commit and easy to detect. Accountability mechanisms include internal administrative procedures (e.g., requirements that requests be recorded in writing), audits and evaluations of an agency’s performance, whistleblowing (which encourages public servants to expose wrongdoing committed by others or to go public when asked to do something inappropriate), and legislative or other external oversight.

8. Active civil society

Ethics is everybody’s responsibility, including that of an assertive media, which through its probing reporting, helps citizens to act as watchdog over the actions of public officials. Freedom of information (FOI) laws may support public awareness and responsiveness. The United States passed its FOI act in 1967 and Denmark in 1970. Other OECD countries adopted it more recently (e.g., Czech Republic and Japan in 1999) and drafts are under consideration in the United Kingdom and Switzerland (see Chapter 16 for details).

PREVENTING CORRUPTION²

Background

Corruption has been one of the most enduring problems confronting governments throughout history. Although differences may exist in the nature and scope of corrupt behavior, and the extent to which anticorruption measures are enforced, the phenomenon can be found at all times in virtually every political system. It can also be found in the private sector, of course. Indeed, the linkage between public and private sector corruption is an area of particular concern for both developed and developing countries.

Historically, concern about corruption has tended to run in cycles, in which revelations of official abuses prompted anticorruption campaigns and administrative countermeasures that subsequently faded from view until

the next round of scandals provided further impetus for reform. The desire to reduce or eliminate corruption was at the core of many innovations for good governance. The major public administration reforms of the late 19th and early 20th centuries—such as the introduction of a meritocratic civil service system, and professional management of government ministries and departments, or the creation of more formalized budget, procurement, and audit processes and agencies—had their roots in the desire to stop graft and political patronage.

Recently, as mentioned in Chapter 1, the effort to combat corruption has moved to the center of the debate on good governance and economic growth. Pressure for more active measures against graft and corruption is no longer likely to be isolated and sporadic. In response to this pressure, many international organizations have adopted more robust anticorruption measures:

- At a Summit of the Americas in May 1994, the Organisation of American States (OAS) pledged to outlaw cross-border bribery and the “illicit enrichment” of officials in the hemisphere. In March 1996, 21 member states of the OAS signed the Caracas Convention, which calls for energetic collective action in four principal areas: preventive measures and international cooperation, transnational bribery, illicit enrichment, and extradition. The Caracas Convention is now in force between the countries that have ratified it: Bolivia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, and Venezuela.
- The OECD Ministerial Council approved in May 1996 a resolution encouraging its member states to end the tax deductibility of foreign bribes and “commissions”. A year later, it approved a full set of recommendations for criminalizing transnational bribery, enacting stricter accounting requirements and external and audit controls, tighter public procurement, and enhanced international controls. In December 1997, OECD ratified a convention making the bribery of foreign officials a criminal offense, on a par with the bribery of local government officials in the country where the corporation is based. The convention entered in force for all OECD member countries in February 1999.³
- The International Chamber of Commerce recently approved revised rules of conduct that prohibit bribes and recommended that its member associations around the globe, and their member corporations, apply these tighter rules.

- In December 1996, the United Nations General Assembly passed the Declaration Against Corruption and Bribery in International Commercial Transactions.
- In September 1997, the World Bank introduced a formal anticorruption policy, and ADB adopted a similar policy in July 1998.
- A working group on anticorruption has been formed including all multilateral development organizations. Among several other international events to coordinate anticorruption efforts, a major ADB-OECD conference was held in Manila in September 1999.

Definitions of Corruption

The term corruption is used as a shorthand reference for a large range of illicit or illegal activities. Although there is no universal or comprehensive definition, all definitions share an emphasis upon the abuse of public power or position for personal advantage. *The Oxford Unabridged Dictionary* defines corruption as “perversion or destruction of integrity in the discharge of public duties by bribery or favor.” *Webster’s Collegiate Dictionary* defines it as “inducement to wrong by improper or unlawful means (as bribery).” The succinct definition utilized by the World Bank is “the abuse of public office for private gain.” OECD also defines it as “the misuse of public office, roles or resources for private benefit (OECD 1996:13). These definitions are similar to that employed by Transparency International (TI), the leading nongovernment organization (NGO) in the global anticorruption effort: “Corruption involves behavior on the part of officials in the public sector, whether politicians or civil servants, in which they improperly and unlawfully enrich themselves, or those close to them, by the misuse of the public power entrusted to them.”⁴ These definitions do not cover the problem of corruption in the private sector or cover only limited aspects of the role of the private sector in fostering corruption in government. Accordingly, ADB defines corruption as the *abuse* of public or *private* office for personal gain.

An illustrative list (not exhaustive) of illicit behavior typically referred to as corruption is presented in Box 17.2. It shows that some types of corruption are internal, in that they interfere with the ability of a government agency to recruit or manage its staff, make efficient use of its resources, or conduct impartial in-house investigations. Others are external, in that they involve efforts to manipulate or extort money from clients or suppliers, or to benefit from inside information. Still others involve unwarranted interference in market operations, such as the use of state power to artificially restrict competition and generate monopoly rents.

Box 17.2
An Illustrative List of Corrupt Behaviors

- The design or selection of uneconomical projects because of opportunities for financial kickbacks and political patronage;
- The illicit provision of undervalued foreign exchange;
- Procurement fraud, including collusion, overcharging, or the selection of contractors, suppliers, and consultants on criteria other than the lowest price and best quality service;
- Illicit payments of speed money to government officials to facilitate the timely delivery of goods and services to which the public is rightfully entitled, such as permits and licenses;
- Illicit payments to government officials to facilitate access to goods, services, and/or information to which the public is not entitled, or to deny the public access to goods and services to which it is legally entitled;
- Illicit payments to prevent the application of rules and regulations in a fair and consistent manner, particularly in areas concerning public safety, law enforcement, or revenue collection;
- Payments to government officials to foster or sustain monopolistic or oligopolistic access to markets in the absence of a compelling economic rationale for such restrictions;
- The misappropriation of confidential information for personal gain, such as using knowledge about public transportation routings to invest in real estate that is likely to appreciate;
- The deliberate disclosure of false or misleading information on the financial status of corporations that would prevent potential investors from accurately valuing their worth, such as the failure to disclose large contingent liabilities or the undervaluing of assets in enterprises slated for privatization;
- The theft or embezzlement of public property and monies;
- The sale of official posts, positions, or promotions; nepotism, or other actions that undermine the creation of a professional, meritocratic civil service;
- Extortion and the abuse of public office, such as using the threat of a tax audit or legal sanctions to extract personal favors; and
- Obstruction of justice and interference in the duties of agencies tasked with detecting, investigating, and prosecuting illicit behavior.

More narrow definitions of corruption are often necessary to address particular types of illicit behavior. In the area of procurement, for example, the World Bank defines corrupt practice as “the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution,” and fraudulent practice as “a misrepresentation of facts in or to influence inappropriately a procurement process or the execution of a contract to the detriment of the Borrower, and includes collusive practices among bidders...designed to establish bid prices at artificial, noncompetitive levels and to deprive the Borrower of the benefits of free and open competition.”

It is often useful to differentiate between “grand corruption”, which typically involves senior officials, major decisions or contracts, and the exchange of large sums of money; and petty corruption, which involves low-level officials, the provision of routine services and goods, and small sums of money. It is also useful to differentiate between systemic corruption, which permeates an entire government or ministry, and individual corruption, which is more isolated and sporadic. Next, bribes given to induce public officials to deviate from their duties should be distinguished from “grease money”, i.e., bribes given to get them to do what they are supposed to do in any case, or to do it more expeditiously. Finally, it is useful to distinguish between syndicated corruption in which elaborate systems are devised for receiving and disseminating bribes, and nonsyndicated corruption, in which individual officials may seek or compete for bribes in an ad hoc and uncoordinated fashion. The policy and operational responses will vary according to the type of corruption problem being addressed.

The Costs of Corruption

Corruption has not always been perceived as having a negative impact upon development. In earlier decades, arguments were advanced that it could have beneficial effects. It was argued that bribes were a necessary supplement to very low civil service wages, with no fiscal cost to the government. It was alleged that corruption could advance economic efficiency by helping to raise administratively determined prices to market-clearing levels, or to channel resources to more efficient persons, with the means to pay greater bribes. Others maintained that corruption played a useful redistributive role, transferring resources from wealthy individuals and corporations to those of more modest means, or that it could serve as a tool of national integration by allowing ruling elites to entice or co-opt fractious political, ethnic, or religious groups. Finally, some scholars have

argued that corruption is a natural stage of development, noting that it was widespread in many advanced countries until recently, when it was reduced (but not eliminated) through the gradual imposition of public sector reforms over the last century.

None of these arguments is valid for the longer term and in a broader context; they refer to the benefits stemming from specific illicit acts and do not consider the systemic impact of corruption. However, first, although a given incident or transaction may have positive results, it may also generate negative externalities that degrade the performance of the system as a whole and compromise the economy's long-term efficiency (Klitgaard, 1998).

Second, many of the alleged benefits from corruption, such as streamlining government transactions or enhancing civil service pay, only appear beneficial against the background of a public sector that is failing to perform effectively. The experience of economies such as Singapore indicates that patient and persistent efforts toward improved public sector management, by streamlining customs procedures or by paying wages that are competitive with the private sector, for example, are likely to result in greater benefits over time than tolerating relatively high levels of corruption to compensate for these deficiencies.

Third, corruption encourages people to avoid compliance with regulations both good and bad without considering their content. There is no guarantee that an importer who bribes a customs official to expedite the clearance of badly needed medication one week will not bribe the official to expedite the clearance of illegal narcotics the next.

Fourth, bribes tend to channel resources not to those who are more efficient in economic activity, but to those who are more skilled at bribery. (Tanzi, in Schiavo-Campo, ed. 1999)

Although there are instances when illicit acts can improve the short-term economic rates of return, the bulk of the evidence indicates that corrupt actions typically generate far more costs than benefits. A study of corruption in one African country, for example, concluded that corruption intensified ethnic conflict, ruined the efficiency of municipal government and federal agencies, crippled the merit system of hiring and promotion, and generated an atmosphere of distrust which pervades all levels of administration. A study of an Asian country found that the money raised

through corruption was never “directly and productively invested.”⁵ Almost 20 years ago, an extensive study of corruption in another Asian country concluded:

Graft and corruption has strongly affected development efforts negatively, belying the so-called “revisionist hypothesis” prevalent in the West which considers corruption as either a necessary step in the development process or a means of speeding it up. Instead [our research] found that corruption leads to the favoring of inefficient producers, the unfair and inequitable distribution of scarce public resources, and the leakage of revenue from government coffers to private hands. Less directly, but no less perniciously, corruption leads to loss of confidence in government.⁶

Upon closer inspection, many of corruption’s alleged distributive, efficiency, and political benefits turn out to be illusory. Rather than enhancing a more equitable distribution of income, corruption distorts the allocation of social resources away from those who are legally entitled to them and toward the rich, the powerful, and the politically well connected. Rather than compensating civil servants for poor pay, corruption undermines the merit system, compromises service professionalism, and perpetuates the low pay structure. At times, it can even foster additional inefficiencies within the public sector. In one African country, for example, each imported container shipment is inspected three times by custom officers because of the opportunity for graft and speed payments, rather than conducting a spot check based upon the previous history of the importer, as is the practice in many other countries. And, instead of cementing political loyalties, corruption more often breeds public cynicism and resentment toward the political process and those associated with it.

Many studies of the cost of corruption in individual cases paint a picture of resources lost, squandered, or devoted to suboptimal uses:

- As much as \$30 billion in aid for Africa has ended up in illicit foreign bank accounts. This amount is twice the annual GDP of Ghana, Kenya, and Uganda combined.⁷
- Over the last 20 years, one East Asian country is estimated to have lost \$48 billion due to corruption, surpassing its entire foreign debt of \$40.6 billion.⁸
- An internal report of another Asian government found that over the past decade, state assets have fallen by more than \$50 billion, primarily

because corrupt officials have deliberately undervalued them in trading off big property stakes to private interests or to international investors in return for payoffs.⁹

- In one south Asian country, recent government reports indicate that \$50 million daily is misappropriated due to mismanagement and corruption. The Prime Minister stated publicly recently that the majority of bureaucrats and the administrative machinery from top to bottom are corrupt.¹⁰
- In one North American city, businesses were able to cut \$330 million from an annual waste disposal bill of \$1.5 billion by ridding the garbage industry of mafia domination. A particular problem was the permeation of regulatory bodies by organized crime.¹¹
- Studies of the impact of corruption upon government procurement policies in several Asian countries reveal that these governments have paid from 20 to 100 percent more for goods and services that they would have otherwise.¹²
- Corruption can cost many governments as much as 50 percent of their tax revenues. When customs officials in a Latin American country were allowed to receive a percentage of what they collected, there was a 60 percent increase in customs revenues within one year.¹³
- In a European country, corruption inflated total government debt by as much as 15 percent, or \$200 billion. In one city, anticorruption initiatives have reduced the cost of infrastructure by 40 percent, allowing the city to significantly increase its outlays for the maintenance of schools, roads, street lamps, and social services.¹⁴

Although impossible to value precisely, the indirect costs of corruption can often dwarf its direct costs. Scarce resources are squandered on uneconomical projects because of their potential to generate lucrative payoffs, and priority sectors such as education or health suffer disproportionately. Legitimate entrepreneurial activity is hindered or suppressed. Public safety is endangered by substandard products and construction. Individuals who would not otherwise engage in illicit behavior decide they have no alternative. Time and intellectual energy are diverted from more productive pursuits to figuring ways to get around the system. In many countries corruption of police forces, including border guards, have

dangerous and pervasive effects on public trust in the rule of law and encourage citizens to act illegally. In extreme cases, the legitimacy of the public sector itself is called into question, and governments may be confronted with political instability or collapse.

Although corruption is always costly, its impact upon economic growth is not uniform. Some countries can tolerate relatively high levels of bribery and graft and continue to maintain respectable rates of economic growth, whereas others cannot. Several factors influence the extent to which corruption serves as a brake upon the process of development. At the most basic level, a state's natural resource base and the sources of its comparative advantage play a critical role in its ability to attract investment. A second factor is the form in which corruption is practiced. In some countries, corruption is highly routinized. Payoffs are generally known in advance, uniform, and concentrated at the top in "one-stop" fashion. Such an approach may reduce transaction costs and add a measure of predictability to investment decisions, making the country inherently more attractive than other countries where many different officials can demand unspecified and unanticipated payments. Finally, the extent to which money remains in the country and is invested in productive economic activity, or flows abroad into foreign bank accounts, will also have an impact upon a nation's ability to tolerate relatively high levels of corruption and still enjoy decent rates of economic growth.

In spite of these caveats, the most recent empirical research demonstrates that—even correcting for differences in administrative efficiency—countries that tolerate relatively high levels of corruption are unlikely to perform economically as well as they would have otherwise. A study of over 70 countries during the late 1970s and early 1980s (Mauro 1995) found that corruption is strongly negatively associated with the investment rate, regardless of the amount of red tape, and that a reduction of corruption translates into a significant increase in both the investment-GDP ratio and economic growth.¹⁴ This finding is supported by other recent studies. Countries perceived to have relatively low levels of corruption were able to attract significantly more investment than those perceived to be more prone to corrupt or illicit activity. (This result held true for both countries where corruption was highly syndicated and predictable, and countries where it was not.) Asia is no different from any other region in this regard.¹⁶

THE INTERNATIONAL AND NATIONAL RESPONSE

The International Response

Many countries have criminalized corruption and a national response to corruption is crucial. However, the pervasive and trans-border nature of corruption calls for a more global approach.

The international response to the problem of corruption is intended to reduce the burden that widespread systemic corruption exacts upon the economies of developing countries, and should not involve interference in the political affairs of a country or be influenced by its political character. It is centered upon three basic objectives:

- (i) supporting competitive markets and sound public administration as part of the broader challenge of good governance;
- (ii) supporting promising anticorruption efforts on a case-by-case basis and improving the quality of the dialogue with developing countries on a range of governance issues, including corruption; and
- (iii) ensuring that externally-funded projects adhere to the highest financial and ethical standards.

ADB and other international development agencies have funded many projects with anticorruption components. A variety of measures have also been taken by ADB and other international development institutions to ensure integrity in their own operations, including strengthening procurement procedures (Chapter 9) and introducing independent internal reporting and oversight mechanisms.

OECD Countries' Experience

Echoing the international consensus concerning corruption, summarized above, a recent survey of OECD countries experiences¹⁶ suggests that corruption prevention should rely on a combination of mechanism rather than on any one single measure. Such mechanisms include law enforcement and independent investigation techniques, preventive management and financial controls, transparency mechanisms (e.g., declarations of assets, public exposure), raising the awareness and the skills of officials, and adequate remuneration of public officials.

Most country initiatives target financial impropriety. In addition to moves to strengthen penalties and investigative powers, efforts are made to increase transparency and public exposure of government activities mainly through asset registers, register of corrupt firms, declaration systems, and register of political lobbyists. Moreover, guidance and training for officials, the introduction of specialized bodies, and reviews of the broader environmental conditions influencing corruption are all under consideration or being developed.

Corruption prevention is more complex than just initiating new laws or establishing new anticorruption institutions. To be coherent, these measures must be integrated in the existing environment. Increasingly, countries seem to be looking at the way institutions and circumstances provide conditions that encourage or restrain the growth of corruption. Switzerland, for example, is developing plans to improve the effectiveness of existing provisions such as criminal, taxation, and competition law. Germany is examining the possibility of introducing risk analysis to identify the areas of the public sector most susceptible to corruption. Similarly, the range of policy areas seen as relevant to corruption prevention appears to be expanding. While in all countries anticorruption measures are linked with crime and justice administration, for some countries other policy areas are relevant for corruption prevention—such as competition policy (Belgium, Czech Republic, Greece, Hungary, Italy, Poland and Switzerland), public administration (France, Ireland, Italy, Japan, Mexico and Sweden), and regulatory reform policies (Italy, Republic of Korea, and Mexico). This multi-dimensional approach raises issues of policy coherence and coordination, in each country and between them.

The transparency mechanisms in OECD countries fall into three groups: measures that guarantee the openness of systems and the standardization of public processes; those that provide access, or scrutiny of public sector processes; and measures that facilitate reporting or exposure of wrongdoing. A recent innovation is the creation of monitoring bodies with special responsibility for administering transparency legislation: Greece established a special parliamentary committee; Italy established the office of guarantor of legality and transparency; and, reflecting a growing concern with the financing of political parties, Belgium established a parliamentary commission to oversee transparency of election campaign funding.

According to each country's traditions the continuum that ranges from illegal to inappropriate may vary and so will also legal provisions.

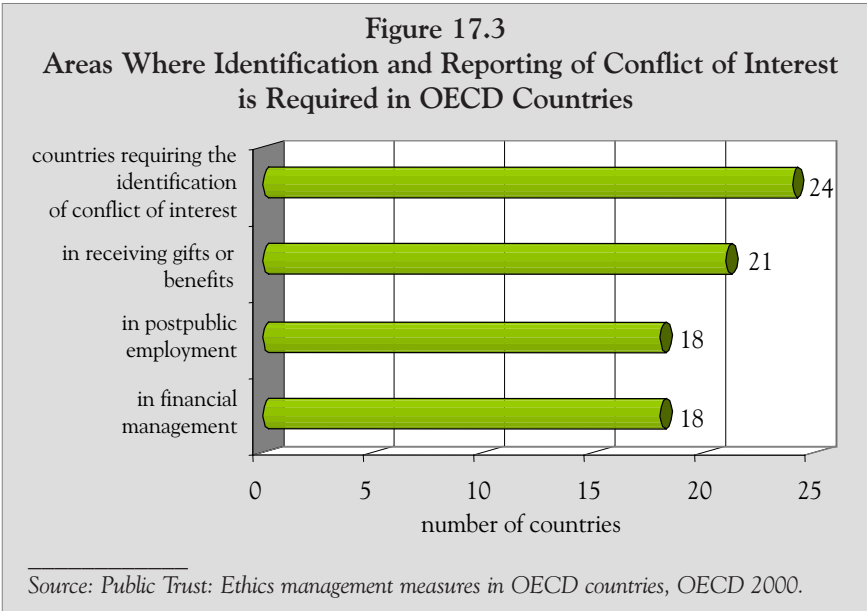
Prohibitions and restrictions imposed by law usually include bribery, maladministration and abuse, unauthorized use of confidential information, trading in influence, electoral fraud or interference, and inappropriate employment practices. Some countries have also initiated more specific legislation to prohibit or restrict certain practices. This is usually the case when there is a risk of endemic wrongdoing in a particularly sensitive area or when past tolerance needs to be reversed. Specific provisions include false statements to officials (Ireland, Mexico, and Switzerland), illicit enrichment (Czech Republic and Mexico), interfering or impeding public procurement (Belgium, France, Mexico, Sweden), taking reprisals against a person reporting wrongdoing (Hungary, Sweden), deserting office (Japan, Republic of Korea), and causing discredit to the public service (Japan).

Three types of legislation are most often used to prohibit wrong behavior: criminal provisions against specified types of corruption; civil service legislation that establishes obligations applying specifically to public officials; and general law provisions that have the effect of corruption prevention. Although legislation is an essential aspect, other instruments, such as sound procedures, good management, and well-functioning institutions are also needed.

Criminal legislation

To deal with serious illegal acts by public officials, countries typically apply their criminal codes. For example, in the UK bribery is a general criminal offence, regardless of whether the accused is a public servant or not. In some cases, criminal codes deal specifically with public offences as in the Netherlands where it is a criminal offence for a public servant to accept a gift or a promise. Some countries (e.g., the US) have established specific conflict-of-interests laws. Penalties are usually dismissal and either fines or even imprisonment. Before embarking in new legislation, a determination is needed whether a country's existing criminal code can sufficiently handle corrupt behavior in the public service.

Criminal codes usually specify the offence of bribery. The term bribery can be used to characterize a range of offences that cover active, passive, indirect, and attempted bribery. There is a discernible trend to strengthen bribery legislation and broaden the scope of the offence of bribery. The German Anti-Corruption Act of 1997, for example, has expanded the traditional definition of bribery—i.e., granting and acceptance of advantages—to include “attempts to persuade a civil servant into doing or



refraining from doing anything in his official capacity for a consideration,” and increased the penalties attached to the offence. In France the legislation applies to all persons performing public functions, not only to government personnel.

Bribery is only one visible aspect of misconduct. Effective sanctions should also criminalize related, and often more pervasive wrongdoing, such as fraud, abuse of authority, abuse of public office, abuse of public facilities, and abuse of public finances.

Other laws and procedures

The most significant are civil service and administrative laws, although in some cases broader areas of legislation are concerned: in Poland financial and commercial legislation has been introduced relating to commercialization and privatization of state enterprises or (as also in the Czech Republic) unfair competition.

To deal with less serious illegal acts that do not constitute a criminal offence, countries rely on their civil service laws. Most OECD countries have a legislation to establish the duties and obligations of public officials and allow for disciplinary action when they are breached. For example,

under the Finnish State Civil Servants Act, a public servant can be issued a written warning or dismissed. Often these laws also establish related mandatory procedures intended to prevent corruption such as declaration of interests and public procurement regulations. The most common requirements imposed by law on civil servants are embodied in:

- statement of general duties, obligations, and values of public office;
- requirements for public officials to disclose assets and financial interests;
- rules on conflict of interest, including receiving gifts, concurrent office holding, and financial and political activity; and
- general administrative procedure and specific procedures for public procurement.

Most of the provisions in criminal legislation are reinforced by administrative measures. Germany, Ireland, and Republic of Korea have, for example, provisions for the reduction of the pension of an official convicted of or dismissed for corruption. Poland introduced legislation to regulate payments made by police and other investigating authorities to informants in the course of official operations, and Swedish legislation requires sound recordkeeping by financial institutions and corporations as a preventive measure against bribery. Of course, all these measures can be effective only to the extent that they are enforced.

Institutions for investigation, prosecution, and control

Investigation and prosecution of misconduct should normally take place through a well functioning law enforcement system (including the judiciary) able to detect and sanction wrongdoing. But the legislature also performs a role for detecting misconduct, and legislative bodies have been created in many countries to deal with corruption: permanent parliamentary investigative bodies exist in Germany, Greece, Ireland, Italy, Mexico, Poland, and Sweden. In Belgium, Czech Republic, Germany, Hungary, Ireland, Italy, Republic of Korea and Mexico provisions also exist for setting up an ad hoc committee at any time. A recent example was the Italian Special Commission for the Prevention and Repression of Corruption. The most sophisticated example is when parliamentarians have added a system to review their own ethics, such as in Sweden through a parliamentary oversight committee, or in Japan through deliberative councils in both houses of parliament.

Within ministries and agencies, some internal investigative power for detecting corruption has also been given to the traditional internal inspectorates in France, Italy, Republic of Korea, Mexico, and Sweden. A number of relatively independent and specialized investigation services can also exist, as in Italy, where investigation is exercised by special judicial agencies, as well as the General Finance Inspectorate, the State Accounting Service, the Public Service Department Inspectorate, and administrative investigation institutions. Some countries have specialized units within police and judicial structures to prosecute corruption (Belgium, France), while in Italy a specialized anti-mafia judiciary has been set up to coordinate all activities to combat organized crime. In general, however, experience shows that anticorruption agencies should be independent of the police.

For serious cases of corruption committed by senior officials—usually restricted to elected officials—special trials may be conducted by the legislature according to constitutional provisions (e.g., France, Mexico).

External checks and investigations are unlikely to be effective in the absence of any internal control. Internal control is an integral part of the management of public organizations. It assists managers in monitoring the efficiency of the system and operations of the organization, and improving internal processes. Internal control is thus complementary with external control performed by independent authorities, such as a general audit office or ethics agencies with independent authority, e.g., the US Office of Government Ethics. The need for independent oversight is particularly true in the financial realm, where external auditors play an essential role for detecting misuse of public money.

The effectiveness of anticorruption efforts, however, does not depend on the number of investigative bodies. On the contrary, without a supportive climate and strong accountability institutions, a proliferation of investigative efforts can give the illusion of action without the substance. In certain circumstances, the investigative bodies themselves can become a source of corruption, which accomplish nothing for public integrity but adds to the unpredictability of the overall administrative and business climate.

Figure 17.4
Institutions Performing Independent Scrutiny Over the Administration



Source: *Public Trust: Ethics management measures in OECD countries*, OECD 2000.

KEY POINTS AND DIRECTIONS OF IMPROVEMENT

Key Points

Integrity is a fundamental condition for governments to provide a predictable and effective framework for the economic and social life of their citizens. While the increased use of private sector methods in the public sector can improve public sector efficiency, it can also lead to a fragmentation of public service values, standards, and ways of operating. This situation requires enhanced mechanisms to strengthen public servants' accountability for their new discretionary powers and to ensure that they adhere to standards of integrity as well as to citizens' expectations. As traditional central regulations and controls are reduced, the role of values—and the public interest concepts they embrace—becomes increasingly significant, both as a guide for individual civil servants' behavior and as the common reference point and unifying thread for the whole public service.

Although measures must be to some extent country-specific, the integrity framework should ensure in all countries that public servants'

behavior is in line with the purposes of the organization; public service operations are reliable; citizens receive impartial treatment on the basis of legality; and public resources are properly used. Transparency is a key incentive for civil servants to act ethically, and measures must be in place to permit public scrutiny and redress.

Governments should foster a culture in which the public servant and the citizen have a common understanding of the expected behavior of public office holders. The changing public sector environment requires regular updating of the rules, but impartiality, legality, and integrity remain the unchanging core values of public service. Within these values, specific standards should set boundaries for public servants' conduct—particularly in relation to the use of official information and public resources, receiving gifts or benefits, and working outside the public service. Specific professions entail specific standards, and special attention is needed for sensitive areas or where there is a high risk of conflict of interest, such as public procurement or tax administration.

Values and standards can be inculcated mainly through training the new recruits to the public service and through on-the-job training. In addition, public servants must have the possibility of turning to their superiors or (preferably) to an external entity to obtain advice on ethics-related questions.

Central institutions, such as public service commissions, as well as the supreme audit office should carry out and publish periodic reviews of the status of integrity in the public service.

Even in a system of sound ethics management corruption may occur. Corruption, defined as the misuse of public power for private gain, is harmful to economic efficiency and growth and particularly damages the poor and vulnerable groups. The main source of corruption is a complex opaque regulatory framework, but in general corruption is greater where accountability in government is weak. Taking actions against corruption is the shared responsibility of managers and external investigative bodies, with the active assistance of citizen groups, NGOs, and the media.

A sound legal framework to combat corruption is necessary but not sufficient. In addition to it, managers have a key role to play in monitoring compliance with standards, initiating disciplinary measures, and providing protection for whistleblowers.

There is a need to ensure that ethics promotion and anticorruption measures are consistent and complementary. Effective anticorruption efforts thus require a variety of interrelated initiatives, as well as strong political leadership from the top. Therefore, while a specialized anticorruption commission can make an essential contribution, it is useless or even counter-productive in the absence of the necessary complementary measures.

Attention is typically focused on punishing corrupt behavior. However, a balance must be struck between corruption prevention and enforcement. Reducing the openings for corruption (especially by streamlining regulations) can be as effective in fighting corruption as aggressive enforcement and harsh penalties. As a general criterion, the rules and the enforcement mechanisms should ensure that the expected benefits to the individual from corrupt behavior are smaller than the likely costs. This requires reducing the potential gains from corruption at the same time as any misbehavior is pursued swiftly and predictably.

Direction of Improvement

Efforts to foster ethics and prevent corruption are two sides of the same coin and must be combined. As a 1999 OECD survey of corruption prevention showed, many of the measures taken by countries have contributed to both build a sound ethics framework and combat corruption. One of the most effective preventive measures is the internalization of integrity standards into personal behavior. However, an incentive framework that raises the costs and risks of corrupt behavior above its potential benefit is essential as well. These two aspects are closely linked. In time, the internalization of integrity standards reduces the incidence of corruption and thus makes enforcement of anticorruption regulations all the more effective; conversely, the existence of high cost/risk for corrupt behavior is a powerful inducement for maintaining high personal standards. Thus, in addition to criminalizing corruption, governments need to elaborate and communicate the standards of appropriate behavior, e.g., the difference between a harmless gesture of appreciation for good service, an inappropriate gift, and an outright bribe.

Anticorruption is part and parcel of the good governance agenda and, as such, needs to be addressed in the context of the specific public management improvements outlined elsewhere in this book. Accordingly, the only general direction of improvement that can be recommended is to strengthen accountability, transparency, the rule of law and participation

in each individual area of public administration—focusing where corruption problems are greatest. In particular, stronger accountability assures the independent review of individual administrative actions; and transparency of decision-making criteria and prompt communication of administrative decisions exposes wrongdoing. Certain broad considerations, however, are relevant to efforts at improving the ethical climate and reducing corruption. In no particular order of importance:

- Make sure to expose and penalize misbehavior at the top of an organization or of the political system, rather than just catching a few “small fish” for public relations purposes.
- Asset disclosure and public exposure can be powerful means of disciplining corrupt behavior, even without criminal prosecutions, and at the same time they provide important information to the public in the exercise of its political choices.
- Good management is key. While ethical behavior is the responsibility of each individual civil servant, a climate of trust combined with effective oversight by the responsible manager provide the essential enabling environment. In the words of a Russian proverb: “Trust but verify.”
- Preventing corruption is far more effective, and cheaper, than punishing corruption after it occurs. Although prevention is automatically weakened if enforcement is known to be lax, restricting the opportunities for corruption is not only more effective, but also reduces the risk of creating a “witch-hunt” climate. Because the largest single source of corruption is an overcomplex and opaque regulatory framework, streamlining and clarifying the regulatory framework is the single best anticorruption measure, and in addition contributes to reducing transaction costs and improving economic efficiency.
- A distinction is needed between “grease money” (sometimes called “speed money”), i.e., gifts or favors given to induce the civil servant to do his job, and outright bribes to induce him to violate the rules, give preferential treatment, or not enforce the laws. Both forms are harmful, and both must be discouraged, but in a deeply corrupt system priority should first be given to forceful action against outright bribery. The practice of grease money can only be eradicated in the context of comprehensive civil service reform.

- Especially in developing countries, anticorruption efforts should focus at least as much on the private corruptor as on the government corrupted, including the pervasive bribe-giving from external agencies and companies.
- International aid organizations have an essential role to play, at a minimum in preventing corruption in their aid-financed projects, but more broadly in cooperating actively with each other and with the recipient country's efforts.
- As true in other areas, the swiftness and certainty of punishment are more effective than severe punishments with an extremely low probability of being imposed. In some developing countries, less than 1 percent of those indicted on corruption charges are eventually convicted *and* serve their sentence. As a general rule, attention should focus on the expected loss, i.e., the severity of the punishment for a certain action multiplied by the probability of being caught and actually receiving that punishment.
- In personnel procedures, ethics criteria should be introduced in the recruitment and advancement process. Although it is impossible to guarantee that only ethical persons will enter the public service, explicit consideration of this dimension will lead to winnowing out some high-risk candidates. It is also important to assure that whistleblowers are not only protected, but actually rewarded, while building in safeguards to punish destructive gossip and prevent the creation of a witch-hunt climate.
- Specialized anticorruption agencies can perform an important role. However, they should be genuinely independent—especially from the regular police—and accompanied by complementary measures on regulatory simplification, legislation, personnel procedures, judiciary efficiency, etc. In the absence of such complementary measures, anticorruption agencies have shown a record of ineptness and futility.

Annex VII

AN ACT ESTABLISHING A CODE OF CONDUCT AND
ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND
EMPLOYEES IN THE PHILIPPINES

SECTION 1. *Title.* This Act shall be known as the “Code of Conduct and Ethical Standards for Public Officials and Employees.”

SECTION 2. *Declaration of Policy.* It is the policy of the State to promote a high standard of ethics in public service. Public officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and uphold public interest over personal interest.

SECTION 3. *Definition of Terms.* As used in this Act, the term:

- (a) “Government” includes the National Government, local governments, and all other instrumentalities, agencies or branches of the Republic of the Philippines including government-owned or controlled corporations, and their subsidiaries.
- (b) “Public Officials” includes elective and appointive officials and employees, permanent or temporary, whether in the career or non-career service, including military and police personnel, whether or not they receive compensation, regardless of amount.
- (c) “Gift” refers to a thing or a right disposed of gratuitously, or any act of liberality, in favor of another who accepts it, and shall include a simulated sale or an ostensibly onerous disposition thereof. It shall not include an unsolicited gift of nominal or insignificant value not given in anticipation of, or in exchange for, a favor from a public officials or employees.
- (d) “Receiving any gift” includes the act of accepting, directly or indirectly, a gift from a person other than a member of his family or relative as defined in this Act, even on the occasion of a family celebration or national festivity like Christmas, if the value of the gift is neither nominal for insignificant, or if the gift is given in anticipation of, or in exchange for, a favor.
- (e) “Loan” covers both simple loan and *commodatum* as well as guarantees, financing arrangements or accommodations intended to ensure its approval.

- (f) “Substantial stockholder” means any person who owns, directly or indirectly, shares of stock sufficient to elect a director or a corporation. This term shall also apply to the parties to a voting trust.
- (g) “Family of public officials or employees” means their spouses and unmarried children under eighteen (18) years of age.
- (h) “Person” includes natural and juridical persons unless the context indicates otherwise.
- (i) “Conflict of interest” arises when a public official or employee is a member of a board, an officer, or a substantial stockholder of a private corporation or owner or has a substantial interest in a business, and the interest of such corporation or business, or his rights or duties therein, may be opposed to or affected by the faithful performance of official duty.
- (j) “Divestment” is the transfer of title or disposal of interest in property by voluntarily, completely and actually depriving or dispossessing oneself of his right or title to it in favor of a person or persons other than his spouse and relatives as defined in this Act.
- (k) “Relatives” refers to any and all persons related to a public official or employee within the fourth civil degree of consanguinity or affinity, including *bilas*, *inso*, and *balae*.

SECTION 4. *Norms of Conduct of Public Officials and Employees.* (A) Every public official and employee shall observe the following standards of personal conduct in the discharge and execution of official duties:

- (a) *Commitment to public interest.* Public officials and employees shall always uphold the public interest over and above personal interest. All government resources and powers of their respective offices must be employed and used efficiently, effectively, honestly, and economically, particularly to avoid wastage in public funds and revenues.
- (b) *Professionalism.* Public officials and employees shall perform and discharge their duties with the highest degree of excellence, professionalism, intelligence and skill. They shall enter public service with utmost devotion and dedication to duty. They shall endeavor to discourage wrong perceptions of their roles as dispensers or peddlers of undue patronage.
- (c) *Justness and sincerity.* Public officials and employees shall remain true to the people at all times. They must act in justness and sincerity and shall not discriminate against anyone, especially the poor and the underprivileged. They shall at all times respect the rights of others,

and shall refrain from doing acts contrary to law, good morals, food customs, public policy, public order, public safety, and public interest. They shall not dispense or extend undue favors on account of their office to their relatives whether by consanguinity or affinity except with respect to appointments of such relatives to positions considered strictly confidential or as members of their personal staff whose terms are coterminous with theirs.

- (d) *Political neutrality.* Public officials and employees shall provide service to everyone without unfair discrimination and regardless of party affiliation or preference.
 - (e) *Responsiveness to the public.* Public officials and employees shall extend prompt, courteous, and adequate service to the public. Unless otherwise provided by law, or when required by the public interest, public officials and employees shall provide information on their policies and procedures in clear and understandable language, ensure openness of information, public consultations and hearings whenever appropriate, encourage suggestions, simplify and systematize policy, rules and procedures, avoid red tape and develop an understanding and appreciation of the socioeconomic conditions prevailing in the country, especially in the depressed rural and urban areas.
 - (f) *Nationalism and patriotism.* Public officials and employees shall at all times be loyal to the Republic and to the Filipino people, promote the use of locally-produced goods, resources and technology and encourage appreciation and pride of country and people. They shall endeavor to maintain and defend Philippine sovereignty against intrusion.
 - (g) *Commitment to democracy.* Public officials and employees shall commit themselves to the democratic way of life and values, maintain the principle of accountability, and manifest by deeds the supremacy of civilian authority over the military. They shall at all times uphold the Constitution and put loyalty to country above loyalty to persons or party.
 - (h) *Simple living.* Public officials and employees and their families shall lead modest lives appropriate to their positions and income. They shall not indulge in extravagant or ostentatious display of wealth in any form.
- (B) The Civil Service Commission shall adopt positive measures to promote (1) observance of these standards including dissemination of information programs and workshops authorizing merit increases beyond regular progression steps, to a limited number of employees recognized by their office colleagues to be outstanding in their

observance of ethical standards; and (2) continuing research and experimentation on measures which provide positive motivation to public officials and employees in raising the general level of observance of these standards.

SECTION 5. *Duties of Public Officials and Employees.* In the performance of their duties, all public officials and employees are under obligation to:

- (a) *Act promptly to letters and requests.* All public officials and employees shall, within fifteen (15) working days from receipt thereof, respond to letters, telegrams or other means of communication sent by the public. The reply must contain the action taken on the request.
- (b) *Submit annual performance reports.* All heads or other responsible officers of offices and agencies of the government and of government-owned or controlled corporations shall within forty-five (45) working days from the end of the year, render a performance report of the agency or office or corporation concerned. Such report shall be open and available to the public within regular office hours.
- (c) *Process documents and papers expeditiously.* All official papers and documents must be processed and completed within a reasonable time from the preparation thereof, and must contain, as far as practicable, not more than three (3) signatories therein. In the absence of duly authorized signatories therein, the official next-in-rank, or officer-in-charge shall sign for and in their behalf.
- (d) *Act immediately on the public's personal transactions.* All public officials and employees must attend to anyone who wants to avail himself of the services of their offices, and must, at all times, act promptly and expeditiously.
- (e) *Make documents accessible to the public.* All public documents must be made accessible to, and readily available for inspection by, the public within reasonable working hours.

SECTION 6. *System of Incentives and Rewards.* A system of annual incentive and rewards is hereby established in order to motivate and inspire public servants to uphold the highest standards of ethics. For this purpose, a Committee on Awards to Outstanding Public Officials and Employees is hereby created composed of the following: The Ombudsman and Chairman of the Civil Service Commission as Co-Chairmen, and the Chairman of the Commission on Audit, and two government employees to be appointed by the President, as members.

It shall be the task of this Committee to conduct a periodic, continuing review of the performance of public officials and employees, in all the branches and agencies of Government and establish a system of annual incentives and rewards to the end that due recognition is given to public officials and employees of outstanding merit on the basis of the standards set forth in this Act.

The conferment of awards shall take into account, among other things, the following: the years of service and the quality and consistency of performance, the obscurity of the position, the level of salary, the unique and exemplary quality of a certain achievement, and the risks or temptations inherent in the work. Incentives and rewards to government officials and employees of the year to be announced in public ceremonies honoring them may take the form of bonuses, citations, directorships on government-owned or controlled corporations, local and foreign scholarship grants, paid vacations, and the like. They shall likewise be automatically promoted to the next higher position with the commensurate salary suitable to their qualifications. In case there is no next higher position or it is not vacant, said position shall be included in the budget of the office in the next General Appropriations Act. The Committee on Awards shall adopt its own rules to govern the conduct of its activities.

SECTION 7. *Prohibited Acts and Transactions.* In addition to acts and omissions of public officials and employees now prescribed in the Constitution and existing laws, the following shall constitute prohibited acts and transactions of any public official and employee and are hereby declared to be unlawful:

- (a) *Financial and material interest.* Public officials and employees shall not directly or indirectly have any financial or material interest in any transaction requiring the approval of their office.
- (b) *Outside employment and other activities related thereto.* Public officials and employees during their incumbency shall not: (1) own, control, manage or accept employment as officer, employee, consultant, counsel, broker, agent, trustee or nominee in any private enterprise regulated, supervised, or licensed by their office unless expressly allowed by law; (2) engage in the private practice of their profession unless authorized by the Constitution or by law, provided that such practice will not conflict or tend to conflict with their official functions; or (3) recommend any person to any position in a private enterprise which has a regular or pending official transaction with their office.

These prohibitions shall continue to apply for a period of one (1) year after resignation, retirement, or separation from public office, except in the case of subparagraph (b) (2) above, but the professional concerned cannot practice his profession in connection with any matter before the office he used to be with, in which case the one-year prohibition shall likewise apply.

- (c) *Disclosure and/or misuse of confidential information.* Public officials and employees shall not use or divulge confidential or classified information officially known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) to prejudice the public interest.
- (d) *Solicitation or acceptance of gifts.* Public officials and employees shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value from any person in the course of their official duties or in connection with any operation being regulated by, or any transaction which may be affected by the functions of their office.

As to gifts or grants from foreign governments, the Congress consents to (i) the acceptance and retention by a public official or employee of a gift of nominal value tendered and received as a souvenir or mark of courtesy; (ii) the acceptance by a public official or employee of travel grants or express for travel taking place entirely outside the Philippines (such as allowances, transportation, food, and lodging) of more than nominal value if such acceptance is appropriate or consistent with the interests of the Philippines, and permitted by the head of office, branch or agency to which he belongs.

The Ombudsman shall prescribe such regulations as may be necessary to carry out the purpose of this subsection, including pertinent reporting and disclosure requirements.

Nothing in this Act shall be construed to restrict or prohibit any educational, scientific or cultural exchange programs subject to national security requirements.

SECTION 8. *Statement of Assets and Liabilities and Financial Disclosure.* All public officials and employees have an obligation to accomplish and submit declarations under oath of, and the public has the right to know, their assets, liabilities, net worth and financial and business interests including those of

their spouses and of unmarried children under eighteen (18) years of age in their households.

(A) *Statement of Assets and Liabilities and Financial Disclosure.* All public officials and employees, except those who serve in an honorary capacity, laborers and casual or temporary workers, shall file under oath their Statement of Assets, Liabilities and Net Worth and a Disclosure of Business Interests and Financial Connections and those of their spouses and unmarried children under eighteen (18) years of age living in their households.

The two documents shall contain information on the following: (a) real property, its improvements, acquisition costs, assessed value and current fair market value; (b) personal property and acquisition; (c) all other assets such as investments, cash on hand or on banks, stocks, bonds, and the like; (d) liabilities; and (e) all business interests and financial connections.

The documents shall be filed: (a) within thirty (30) days after assumption to office; (b) on or before April 30, of every year thereafter; and (c) within thirty (30) days after separation from the service.

All public officials and employees required under this section to file the aforementioned documents shall also execute, within thirty (30) days from the date of their assumption of office, the necessary authority in favor of the Ombudsman to obtain from all appropriate government agencies, including the Bureau of Internal Revenue, such documents as may show their assets, liabilities, net worth, and also their business interests and financial connections in previous years, including, if possible, the year when they first assumed any office in the Government.

Husband and wife who are both public officials or employees may file the required statements jointly or separately.

The Statements of Assets, Liabilities and Net Worth and the Disclosure of Business Interests and Financial Connections shall be filed by: (1) Constitutional and national elective officials, with the national office of the Ombudsman; (2) Senators and Congressmen, with the Secretaries of the Senate and the House of Representatives, respectively; Justices, with the Clerk of Court of the Supreme Court;

Judges, with the Court Administrator; and all national executive officials with the Office of the President; (3) Regional and local officials and employees, with the Deputy Ombudsman in their respective regions; (4) officers of the armed forces from the rank of colonel or naval captain, with the Office of the President, and those below said ranks, with the Deputy Ombudsman in their respective regions; and (5) All other public officials and employees, defined in Republic Act 3019, as amended, with the Civil Service Commission.

(B) *Identification and disclosure of relatives.* It shall be the duty of every public official or employee to identify and disclose, to the best of his knowledge and information, his relatives in the Government in the form, manner and frequency prescribed by the Civil Service Commission.

(C) *Accessibility of documents.* (1) Any and all statements filed under this Act, shall be made available for inspection at reasonable hours. (2) such statements shall be made available for copying or reproduction after ten (10) working days from the time they are filed as required by law. (3) any person requesting a copy of a statement shall be required to pay a reasonable fee to cover the cost of reproduction and mailing of such statement, as well as the cost of certification. (4) any statement filed under this Act shall be available to the public for a period of ten (10) years after receipt of the statement. After such period, the statement may be destroyed unless needed in an ongoing investigation.

(D) *Prohibited acts.* It shall be unlawful for any person to obtain or use any statement filed under this Act for (a) any purpose contrary to morals or public policy; and (b) any commercial purpose other than by news and communications media for dissemination to the general public.

SECTION 9. *Divestment.* A public official or employee shall avoid conflicts of interest at all times. When a conflict of interest arises, he shall resign from his position in any private business enterprise within thirty (30) days from his assumption of office and/or divest himself of his shareholdings or interest within sixty (60) days from such assumption.

The same rule shall apply where the public official or employee is a partner in a partnership.

The requirement of divestment shall not apply to those who serve the Government in an honorary capacity nor to laborers and casual or temporary workers.

SECTION 10. *Review and compliance procedure.*

- (a) The designated Committees of both Houses of the Congress shall establish procedures for the review of statements to determine whether said statements have been submitted on time, are complete, and are in proper form. In the event a determination is made that a statement is not so filed, the appropriate Committee shall so inform the reporting individual and direct him to take the necessary corrective action.
- (b) In order to carry out their responsibilities under this Act, the designated Committees of both Houses of the Congress shall have the power, within respective jurisdictions, to render any opinion interpreting this Act, in writing, to persons covered by this Act, subject in each instance to the approval by affirmative vote of the majority of the particular House concerned.

The individual to whom an opinion is rendered, and any other individual involved in similar factual situation, and who after issuance of the opinion acts in good faith in accordance with it shall not be subject to any sanction provided in this Act.

- (c) The heads of other offices shall perform the duties stated in subsections (a) and (b) hereof insofar as their respective offices are concerned, subject to the approval of the Secretary of Justice, in the case of the Executive Department and the Chief Justice of the Supreme Court, in the case of the Judicial Department.

SECTION 11. *Penalties.*

- (a) Any public official or employee, regardless of whether or not he holds office or employment in a casual, temporary, holdover, permanent or regular capacity, committing any violation of this Act shall be punished with a fine not exceeding the equivalent of six (6) months' salary or suspension not exceeding one (1) year, or removal depending on the gravity of the offense after due notice and hearing by the appropriate body or agency. If the violation is punishable by a heavier penalty under another law, he shall be prosecuted under the latter statute. Violations of sections 7, 8, or 9 of this Act shall be punishable with imprisonment not exceeding five (5) years, or a

fine not exceeding five thousand pesos (₱5,000.00), or both, and in the discretion of the court of competent jurisdiction, disqualification to hold public office.

- (b) Any violation hereof proven in a proper administrative proceeding shall be sufficient cause for removal or dismissal of a public official or employee, even if no criminal prosecution is instituted against him.
- (c) Private individuals who participate in conspiracy as co-principals, accomplices or accessories, with public officials or employees, in violation of this Act, shall be subject to the same penal liabilities as the public officials or employees and shall be tried jointly with them.
- (d) The official or employee concerned may bring an action against any person who obtains or uses a report for any purpose prohibited by Section 8 (D) of this Act. The Court in which such action is brought may assess against such person a penalty in any amount not to exceed twenty-five thousand pesos (₱25, 000.00). If another sanction hereunder or under any other law is heavier, the latter shall apply.

SECTION 12. *Promulgation of rules and regulations, administration and enforcement of this Act.* The Civil Service Commission shall have the primary responsibility for the administration and enforcement of this Act. It shall transmit all cases for prosecution arising from violations of this Act to the proper authorities for appropriate action: *Provided, however,* That it may institute such administrative actions and disciplinary measures as may be warranted in accordance with law. Nothing in this provision shall be construed as a deprivation of the right of each House of Congress to discipline its Members for disorderly behavior.

The Civil Service Commission is hereby authorized to promulgate rules and regulations necessary to carry out the provisions of this Act, including guidelines for individuals who render free voluntary service to the Government. The Ombudsman shall likewise take steps to protect citizens who denounce acts or omissions of public officials and employees which are in violation of this Act.

SECTION 13. *Provisions for more stringent standards.* Nothing in this Act shall be construed to derogate from any law, or any regulation prescribed by any body or agency, which provides for more stringent standards for its officials and employees.

SECTION 14. *Appropriations.* The sum necessary for the effective implementation of this Act shall be taken from the appropriations of the Civil Service Commission. Thereafter, such as may be needed for its continued implementation shall be included in the annual General Appropriations Act.

SECTION 15. *Separability Clause.* If any provision of this Act or the application of such provision to any person or circumstance is declared invalid, the remainder of the Act or the application of such provision to other persons or circumstances shall not be affected by such declaration.

SECTION 16. *Repealing Clause.* All laws, decrees, and orders or parts thereof inconsistent herewith, are deemed repealed or modified accordingly, unless the same provide for a heavier penalty.

SECTION 17. *Effectivity.* This Act shall take effect after thirty (30) days following the completion of its publication in the Official Gazette or in two (2) national newspapers of general circulation.

NOTES

- ¹ This is a major reason why the OECD Anti-Bribery Treaty, discussed later in this chapter, does not cover “political” corruption.
- ² Adapted from ADB 1998. See also Schiavo-Campo, ed. (1999), and the chapter by Vito Tanzi therein.
- ³ The OECD antibribery convention does not cover “grease money” or “political” corruption, including that from the financing of political parties.
- ⁴ See World Bank 1997, p. 8. See also Transparency International 1996. *The TI Sourcebook*, edited by Jeremy Pope. Berlin: TI, p. 1. The World Bank definition includes the activities of private agents who subvert public policies and processes for competitive advantage.
- ⁵ The African citation is from Herbert Werlin 1979. “The Consequences of Corruption: The Consequences of Corruption: The Ghanaian Experience,” in Monday U. Ekpo, ed. *Bureaucratic Corruption in Sub-Saharan Africa: Toward a Search for Causes and Consequences*, Washington, D.C.: University Press of America, p. 253. The second citation is from Kang Sintaek 1978. “Conclusion and Recommendations,” in a paper prepared for the Fourth Working Meeting on Bureaucratic Behavior and Development, Hong Kong, China.

- ⁶ Ledivina V. Carino and Josie H. de Leon 1983. "Final Report for the Study of Graft and Corruption, Red Tape and Inefficiency in Government," cited in Klitgaard 1988. p. 38.
- ⁷ P.E. Pedersen (1996). "The Search for the Smoking Gun," *Euromoney* (September): 49.
- ⁸ Philippine Government estimate, cited from *Reuter Newswire* 1997. "Philippines Corruption a 'Nightmare'—Ramos," 11 January. See also *Philippine Star* 1997. "Commission on Audit: ₱1.2 B Lost to Graft Each Year," 12 June.
- ⁹ Internal report, cited from *Business Week* 1993. "The Destructive Costs of Greasing Palms," 6 December, p. 133.
- ¹⁰ *The News* (1997). 28 March.
- ¹¹ *The Financial Times* (1997). 6 June.
- ¹² Thinapan Nakata. 1978. "Corruption in the Thai Bureaucracy: Who Gets What, How and Why in its Public Expenditures," *Thai Journal of Public Administration* 18 (January): 102-28; Clive Gray. 1979. "Civil Service Compensation in Indonesia." *Bulletin of Indonesian Economic Studies* 15 (March): 85-113; and Robert Wade. 1982. "The System of Administrative and Political Corruption: Canal Irrigation in India." *Journal of Development Studies* 18 (April): 287-328. Cited in Klitgaard. 1988. Pp. 39-40.
- ¹³ *Business Week* (1993). "The Destructive Costs of Greasing Palms," 6 December, pp. 134-35.
- ¹⁴ *Business Week* (1993). "The Destructive Costs of Greasing Palms," 6 December, p. 135.
- ¹⁵ It should be noted that these studies are based on levels of perceived (versus actual) corruption, and also that they can have problems in separating corruption's effects from those of other variables related to the quality of governance.
- ¹⁶ The analysis was conducted by Jose Eduardo Campos and Sanjay Pradhan in conjunction with the *1997 World Development Report*. Washington D.C.: World Bank, pp. 102-109.
- ¹⁷ *Public Sector Corruption, An International Survey of Prevention Measures*, OECD 1999.

