

# Leadership under Systemic Corruption

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Suppose a new leader wishes to attack systemic corruption in his ministry, his enterprise, his city, or even his country. Let us set aside our skepticism about whether such leaders are in abundant supply. Suppose for the sake of discussion that our leader does have the will to make reforms. What advice might we give him (or her)? And how might regional collaboration help?

First of all, what does “systemic corruption” mean? We use this term to distinguish two situations. One is where some people are corrupt. Another is where many people are corrupt—where the system itself has grown sick. A distinguishing characteristic of systemic corruption is that the many parts of the government that are supposed to prevent corruption have themselves become corrupted—budgeting, auditing, inspection, monitoring, evaluation, and enforcement. This makes the anti-corruption task much more difficult. We cannot simply call for capacity building in these anti-corruption parts of government, because their capacity has been bought off and directed away from their ostensible mission.

The good news is that around the world courageous leaders have made impressive progress against systemic corruption. Each case is different. But some themes emerge that might be helpful for other leaders who wish to fight systemic corruption. They need to change a corrupt institutional culture. They need to mobilize and coordinate a variety of resources inside and outside the government. And they have to think in terms of corrupt systems instead of corrupt individuals. Let us consider each of these points in turn.

## ***Change the Institutional Culture***

“Institutional culture” refers to a set of norms and expectations within an institution (such as a tax bureau or a city government, or indeed a national government). When corruption is systemic, the institutional culture itself has grown sick. The norm is corruption; expectations are that corruption will continue. Cynicism and despair are widespread. Change seems impossible.

And yet there are cases where leaders have made substantial progress in changing the institutional culture. Not completely and not forever, but enough to enable systemic corruption to be reduced. What did the leaders do?

In all cases the leaders begin by sending a strong signal of change to their institutions and to citizens. They publicize their intent to attack corruption. But in corrupt societies, words count for little. People have heard plenty of rhetoric about corruption and now don’t believe it. The culture of corruption contains the idea that big fish will swim free, that the powerful enjoy impunity. Successful leaders change this idea through impressive action, not just words.

One step is to fry a big fish (or two). Thirty years ago, Hong Kong’s Independent Commission against Corruption was launched. One of the first steps was to capture and punish a former police commissioner, who symbolized impunity. Just after he assumed power in Colombia in 1998, President Andrés Pastrana’s anti-corruption team flew to several regions and held hearings about

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supposedly corrupt mayors and governors. The team had the power to suspend people from these offices—something that leaders in other countries may not have—and the team used this power to send a signal not only to the local leaders but to the whole country. The President’s anti-corruption team also went after a specific case of corruption in the Congress—choosing as the big fish people from the President’s own party. In 2001-2002, President Enrique Bolaños of Nicaragua went one step further. He locked up the former President Arturo Alemán, under whom Bolaños had served as Vice President, on charges of corruption.

A second principle used by successful reformers is to change the institutional culture by “picking low-hanging fruit.” These leaders do not necessarily tackle the most important problem first, if that problem is very difficult. Instead, they create short-term successes that are highly visible and change expectations: “Maybe things can change...maybe they will change.” Short-term successes built momentum for long-term reforms.

Finally, successful leaders bring in new blood. Even though they work with people within existing institutions, they invite in young people to be “eyes and ears” (Mayor Ronald MacLean-Abaroa of La Paz, Bolivia), business people to take important public positions (the Anti-Corruption Czar under President Pastrana, many leaders of President Vicente Fox’s reform efforts in Mexico), and young accountants to partner with “senior heroes” and investigate cases in depth (Judge Efren Plana, who famously cleaned up the Philippines’ Bureau of Internal Revenue more than two decades ago).

### ***Mobilize and Coordinate***

A successful fight against systemic corruption must involve more than one agency of government. For example, success requires the help of the supreme audit authority, the police, the prosecutors, the courts, the finance functions of government, and others. What’s more, the fight against corruption requires the help of the business community and civil society. They can provide unique information about where corruption is occurring and how corrupt systems work.

This suggests an apparent paradox. The fight against systemic corruption requires a strong leader—someone strategic and brave and politically astute. But the leadership trait that is most important is the ability to mobilize other actors and to coordinate their efforts productively. The task is not command and control, but mobilization and coordination.

For example, in Colombia President Pastrana’s Anti-Corruption Czar created new mechanisms for coordination across major ministries and agencies of government (auditing, investigation, prosecution, and so forth). In the Philippines, BIR head Plana used investigators from the Defense Ministry, where he used to work, to document the lifestyles of the top 125 employees of the Bureau of Internal Revenue (BIR). He invited the Commission on Audit to supplement the BIR’s internal audits. He used the press to publicize cases of BIR corruption, which created a highly effective form of non-judicial punishment.

It is important to mobilize the employees of the systemically corrupt institutions. Surprisingly perhaps, many success stories involved people in the government in the diagnosis of government corruption. It turned out that even people involved in corrupt systems were willing and able to analyze where those systems were vulnerable—where there was a combination of monopoly plus discretion minus accountability.

Successful reformers also begin with the positive. They do something good for their public sector employees. For example, new systems of performance measurement are linked with better pay, promotion policies, and “prizes” such as overseas trips and courses.

Those who have successfully fought systemic corruption have involved the people. Mayor MacLean invited citizens' groups to become involved in local public works, which enabled new kinds of accountability. Many leaders invite business groups and lawyers and accountants to describe how corrupt systems work and to suggest remedial measures. President Pastrana's team used the Internet to publicize all contracts and budgets—and also to enable citizens to denounce cases of inefficiency and possible corruption. Similar efforts in e-government are proliferating around the world, with the promise of reducing corruption.

Successful leaders analyze existing corrupt systems in terms of winners and losers. The winners from corruption will resist change. They have to be neutralized. The losers are potential allies. They can be mobilized in the anti-corruption effort.

The potential allies include international aid agencies and multinational corporations, as well as the President (if the reformer is a mayor or a minister or the head of a public enterprise). Successful leaders help these important actors look at the fight against corruption as something good for them—and thereby earn, in the case of Pastrana and MacLean-Abaroa, crucial financial and technical assistance.

### **Reform Systems**

In the long term, curing systemic corruption requires better systems. Successful leaders understood that better systems go well beyond better laws and new codes of conduct. They implicitly or in MacLean's case explicitly apply the formula

$$\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Transparency}$$

to guide their systemic reforms. Corruption flourishes when someone has monopoly power over a good or service, has the discretion to decide how much you get or whether you get any at all, and where transparency and accountability are weak. So, to fight corruption we must reduce monopoly, reduce discretion, and increase transparency in many ways.

Reducing monopoly power means enabling competition, as in government contracts in La Paz and in Colombia. Mayor MacLean-Abaroa got the city of La Paz out of the construction business, meaning that public works could be carried out by any of a number of private companies. Mexico now puts online all government contracts and procurement plans before and after the decisions are made, so prices and winners are public knowledge. Argentina reduced corruption in hospitals by publishing prices of all purchases throughout the hospital system. Corrupt deals that had resulted in higher prices were quickly made evident.

Limiting discretion means clarifying the rules of the game and making them available to the common man and woman. Mayor MacLean Abaroa created a "Manual for the Paceño," which described simply and in three languages what was required to get a permit, build a house, start a business, and so forth. President Pastrana used the Internet to limit discretion: it became harder for a government official to trick a citizen because the rules of the game were available online. Judge Plana simplified the tax code, making it simpler to understand and reducing thereby the effective discretion of BIR employees.

Enhancing accountability means many things, and creative leaders use a remarkable variety of methods. One way to improve accountability is to improve the measurement of performance. Leaders can work with their employees and clients to create new systems for measuring the performance of agencies and offices—and then link rewards to results.

Another method is listening and learning from businesses and from citizens. This includes mechanisms for public complaints, but it goes beyond the reporting of individual instances of abuse to the diagnosis of corrupt systems. President Pastrana's *Colombiemos* campaign linked up the *veedurías* around Colombia, enabling these non-government organizations to provide even better oversight of public programs and leaders.

Accountability is also increased by inviting outside agencies to audit, monitor, and evaluate. Finally, the press can be an important source of accountability, if they are invited to be partners in reform instead of treated as potential political enemies.

Successful reformers recognize that corruption is an economic crime, not a crime of passion. Reformers work hard to change the risk-reward calculations of those who might give bribes and those who might receive them. Raising pay is good, especially for Ministers and other government leaders. Salaries should be somewhat competitive with the private sector—perhaps 80 percent is a good norm. But note that beyond some reasonable minimum that enables leaders to live well, the level of pay does not have much of an effect on corrupt calculations. “Should I take this bribe or not?” The answer depends on the size of the bribe (which is a function of my monopoly power and my discretion), the chance I’ll be caught (a function of accountability), and the penalty I’ll pay if I’m caught. It only depends a little on my level of income, at least once I have enough to live on. Therefore, once salaries for top officials are “reasonable,” leaders should emphasize improving information about performance and the incentives attending good and bad performance.

What about ethics and morality? Successful leaders set a good example. They sometimes create training programs for employees and citizens. Nonetheless, in the success stories I have studied, what might be called “moral initiatives” are not the key feature of the long-term reforms. The keys are systems that provide better incentives for imperfect human beings to perform in the public interest—and to avoid corruption.

### ***Subverting Corruption***

There is one final and important point to make. When corruption has become systemic, it resembles organized crime. It has its own parallel system of recruitment and hierarchy, of rewards and punishments, of contracts and enforcement. This parallel system has some inherent weaknesses. For example, in no country of the world are bribery and extortion legal. Therefore, they must be kept (somewhat) secret. The money gained must be hidden. One cannot openly recruit new members. The mechanisms for enforcement are illicit.

How can these corrupt systems be subverted? Obviously we cannot count on members of organized crime to clean themselves. Instead, we must analyze the corrupt systems and ask, “How might they be destabilized?” Who is “we”? It can be a new president and his or her team, or a new mayor or head of a public enterprise. But it can also be you and me as members of civil society. Around the world we see new examples of citizen activism, of business groups entering into “integrity pacts,” of intellectuals and journalists and religious leaders going beyond lectures and sermons to analyze corrupt systems and work together to subvert them.

For example, a corrupt system of road building in Colombia involved senators, government executives, and key business people. The system involved many “emergency works” that were let on a noncompetitive basis—at a price 30 percent higher than works bid competitively. The surcharge was shared corruptly. This system did not involve all senators, all government officials, or all businesses. The honest ones combined forces. They analyzed the corrupt system. They

documented the lifestyles of the corrupt senators and officials. Finally, they publicized the results. The corrupt system could not withstand the light, and soon the key figures were in jail.

A wise leader wishing to fight systemic corruption will mobilize people in the same way. Together, they can analyze corrupt systems and document lifestyles far out of proportion to official pay. And together, they can subvert organized crime and begin a new era of good government.

### ***Possibilities for Regional Collaboration***

Despite the obvious sensitivity of devising and implementing strategies against systematic corruption, regional collaboration can help—and indeed already does help, through aid for democratic reforms, more competitive economies, and the improvement of governance. But a more focused effort is needed: a systematic attack on systematic corruption. In coming years, the improvement of democracy and accountability in the region will provide opportunities for collaboration in controlling bribery, extortion, kickbacks, fraud, and other forms of illicit behavior. Efforts to meet the millennium development goals will not succeed if the institutions of the private and public sectors are riddled with systematic corruption. As a few countries make progress in fighting corruption, others will follow.

Let me suggest three regional initiatives for your consideration in the Mekong region.

#### **a. Regional diagnostic studies**

**Purpose:** Mobilize systematic action by both the private and public sectors to reduce corruption in the MRS region.

**Basic idea:** Each country invites the *business* sector to carry out confidential diagnostic surveys of *three or four* areas prone to corruption, such as procurement, government contracting, health care, and revenue agencies. The surveys ask business people anonymously to diagnose how possibly corrupt systems work in practice—where the holes and weaknesses and abuses may be. The idea is to analyze systems, rather than identify particular individuals in either the public or private sector. The goal is not academic research but an action-oriented diagnostic. A small sample of 40 business people could well be sufficient to produce a useful report. When each country's diagnostic study is complete, an international conference would share the results and analyze remedial measures, including possible international co-operation.

**Political benefits:** The fact that such a study is international would make clear that corruption is not just a problem of country X, but an international problem needing international solutions. It also makes it clear that corruption is not just a problem of the government (or “this” government); the private sector is part of the problem and part of the solution. Political leaders are able to make the face of the issue much more politically attractive. They can say that the diagnostic is being done continent-wide, addressing international dimensions of bribery as well; the problem is not just in their country but a world-wide problem. And they can point out that the diagnostic is being carried out by and about the private sector, members of which are usually complicit where corruption exists.

#### **b. A contest for municipal anti-corruption programs**

**Purpose:** Communicate the idea that a city or town can have a strategy against corruption. Capture the imagination of people around the region via an international contest.

**Basic idea:** Special aid should be allocated to municipalities that are willing to undertake reforms to address systematic corruption. Suppose your countries created a program that promised seven years of special and significant support to one town or city in each country that proposed the best municipal strategies against corruption. To help kindle interest in this “contest” you (perhaps with the help of the Asian Development Bank) would fund local *workshops* on combating corruption. Then municipal-level *studies involving both the private sector and the government* would focus on key areas such as revenue raising, procurement and public works, and the justice system. The focus would be on the vulnerability of systems to corruption, rather than on individuals. The results of these studies would be shared, and measures would then be designed to remedy structural defects. (This idea obviously dovetails with the proposed regional diagnostic studies.) At this stage, interested municipalities would prepare their *strategies against corruption*. The best strategies—perhaps one from each country—would be supported by special funds. (Other municipal strategies, or components thereof, might well be supported by other donors—and, of course, by the participating countries themselves.)

**Political advantages:** A competition would create incentives for cities and towns to show they are serious about corruption. They would be assisted in learning (including from each other) what a strategy against corruption might contain, including such measures as

- experiments with incentive reforms in the public sector;
- mechanisms to enhance accountability through the involvement of businesses, NGOs, and citizens;
- enhancing capabilities in investigation, prosecution, and judging;
- legal reforms in campaign finance, illicit enrichment, and regulatory and administrative law; and
- reforms that designate an anti-corruption focal point and simultaneously facilitate inter-agency co-ordination.

### c. Regional “tool kits”

**Purpose:** Accumulate and disseminate the region’s best practices in reducing corruption, perhaps by function, sector, level of government, and other relevant categories.

**Basic idea:** The region’s leaders (and institutions such as the ADB) can help to assemble and disseminate *examples of best practice*, as well as *frameworks for policy analysis*—a combination that might be called “tool kits” for fighting corruption. Possible areas might be revenue raising, including tax and customs agencies; the justice system broadly construed; health care (from hospitals to pharmaceuticals); and government procurement, licensing, and contracting.

**Tasks:** In each area chosen, you would try to develop tool kits containing the following:

- Analytical frameworks for diagnosing the risks of corruption in an agency (generic frameworks but also specific ones for tax administration, customs administration, police, prosecution, judges, procurement, contracting, and so forth).
- Case studies of best practice and success in reducing corruption, at different levels of government and in different sectors and domains.

- “Participatory pedagogies,” which means a variety of devices to enable citizens, business, NGOs, the media, and government employees all to learn about, and teach each other about, corrupt systems and what to do about them.

### ***Ethical Reforms***

What about the promotion of ethics in the civil service? As part of a wide-ranging campaign against corruption, the promulgation of a simple and easy-to-understand code of conduct may be a useful step. For example, government officials might sign a declaration that they will not accept bribes, and all firms participating in public-sector procurement might sign one saying that they will not offer bribes.

Experience in many countries, however, shows that efforts to improve public servants’ ethics through codes of conduct and exhortation alone are non-starters. Some of the most scandalous regimes make the loudest noises about public ethics (witness Marcos’s 1975 reforms in the Philippines, or Mobutu’s many moralization campaigns in Zaire). If we could suddenly transform ourselves into more ethical beings, corruption would be reduced, but governments lack ready tools for accomplishing such transformations.

Therefore, combating corruption should focus on the reform of systems, combined with great political sensitivity and strategy. The design and implementation of the measures we have been discussing must obviously be closely tailored to each country’s special conditions. And yet, as we have seen, regional cooperation can make a big difference. Sometimes providing specialized skills can help, such as organizing high-level seminars or the hiring of international investigators to track down ill-gotten deposits overseas. Regional cooperation can help develop or stiffen political resolve. Acting together usefully conveys the recognition that you are all involved in the problem of corruption and together you must find ways out. Or dare I say as your friend, that *we* are all involved.

We need to advance the debate beyond which country has more corruption than what other. We need to remind people and policy makers that fighting corruption is not a morality play, or at least not only that. This is a sensitive subject where we have to be at our coolest and most cerebral to make progress. But in closing I do wish to offer an exhortation. Corruption *can* be reduced, even where it seems to be endemic, and regional co-operation should be part of the solution.