DIGITAL DEVELOPMENT DEBATES

The Elephant Still in the Room: The Effectiveness of Development Aid Policy Regarding Corruption

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Almost any development aid practitioner will be able to tell you a story about corruption. Sometimes that story will be about a small but informal fee requested and reluctantly paid in the first few days in a foreign land, perhaps in passing a road block or arranging official documents. Sometimes the story will be a reflection on the malaise encountered in public administration or finance, thought by colleagues and friends to be connected to a complex web of social, political and economic relations underpinned by bribes and kickbacks. Or the story might be about a specific aid intervention where fraud actually took place and negotiations entered into how much money should be repaid to the donor in question and with what consequences for future development cooperation with the "corrupt" partner.

Anecdotes abound that corruption is still a very real challenge for development aid policy and practice. So too does more formal research evidence. Take, for example, the World Bank's Worldwide Governance Indicators Project (WGI) which has provided aggregate and individual governance indicators for 213 countries since 1996. A simple comparison of the WGI's control of corruption indicator for 2009 with the OECD Development Assistance Committee's list of aid recipients for the same year shows that the vast majority of least developed countries eligible for OECD aid were found to be below the World Bank's halfway benchmark in terms of control of corruption.

Those skeptical towards macro governance surveys and their methodologies will unfortunately find little solace in qualitative assessments of anti-corruption efforts. A 2008 review published by the Norwegian Agency for Development Cooperation as part of a joint donor evaluation of anti-corruption looked at around 150 studies from a wider literature of 800 books, journal articles, and reports [1]. Few success stories were evident from the literature surveyed, with the previously preferred approach of support to specialized anti-corruption agencies in particular registering little progress.

None of this will be particularly new to development practitioners, policymakers or researchers who focus professionally on issues of governance and corruption. But as we reflect on the evidence available to us, should those of us who concern ourselves with these matters be surprised that the dent development aid seems to be making on corruption is apparently so insignificant?

Here are two reasons why perhaps we *should* be surprised:

1. Aid policy has been preoccupied with anti-corruption for some time. Fifteen years have elapsed since former World Bank president James Wolfensohn's "cancer of corruption" speech to the 1996 World Bank/International Monetary Fund annual meeting. Since that widely acknowledged breakthrough moment – from which point corruption could no longer be con-

sidered the invisible “elephant in the room” of development policy and practice – significant investments have been made by aid institutions in instigating tools, conventions, initiatives, programmatic approaches, projects and studies to address some aspects of the corruption challenge. The UN Convention against Corruption, which entered into force in December 2005, is perhaps the most visible result of the wide range of actions taken by international actors, including aid donors, intended to counter corruption.

2. Conventional wisdom holds that countries are supposed to get less corrupt as they grow economically. Specifically, it has been shown that there appears to be a significant negative relationship between the level of corruption and economic growth [2]. Given recent strong GDP growth in many developing and transition countries, shouldn’t we be beginning to register changes to the prevalence of corruption, at least in some countries?

And here are two reasons why perhaps we *shouldn’t* be surprised:

1. Simple causalities are hard to come by when analyzing corruption. Although corruption may limit economic growth by diverting resources away from productive activities, as far back as 2002 researchers from the University of Manchester in the United Kingdom and from the University of Wisconsin in the United States were pointing out that the very existence of corruption also appears to be influenced by levels of development [3]. This two-way causality accords with empirical evidence that countries at similar stages of development can display varying degrees of corruption. Other factors that may explain this variance include a country’s colonial heritage, its religious tradition, legal system, political structure, democratization, and its openness to trade. These nuances – and others like them, for there are many in the formal literature – make defining policy prescriptions for addressing corruption extremely challenging.

2. Even where clear policy prescriptions can be based on robust empirical evidence, there are large gaps to be bridged between these prescriptions and their real life implementation by actors in development aid. Research done at the Chr. Michelsen Institute in Norway shows, for example, that aid policies for addressing corruption in natural resource rich countries should focus in particular on reducing rent-seeking and patronage [4]. Yet, as Professor Goran Hyden underlines in his recent book “Africa: The Donors’ Big Challenge”, Western donors often have very little access to the inner-circles of political decision making in developing countries. In other words, the mainly technical approaches pursued by donors may only weakly influence behavioural change when it comes to the skewed political incentives that underpin corrupt activity in, for example, resource rich developing countries.

To come back to our analogy of corruption as the invisible “elephant in the room” of development aid policy and practice: although aid actors have for some time recognized that the elephant exists, we can almost certainly say that it has not yet left the room. Indeed, there is both concern about whether it will ever be induced to leave and divergence of opinion in how we will even know it has actually gone. The elephant also knows we are discussing it and will try its best to stay put. Efforts are, however, being made to appreciate the creature's manifold characteristics, and with that comes a possibility to learn more about options for practically maneuvering our elephant through the door.

References:

[1] See: Disch, A., E. Vigeland, G. Sundet. 2008. *Anti-Corruption Approaches: A Literature Review*, Norwegian Agency for Development Cooperation, Oslo.

[2] See: Mauro, P. 1997. The effects of corruption on growth, investment and government expenditure: a cross-country analysis. In K.A. Elliott (ed.) *Corruption and the Global Economy*, Institute for International Economics, Washington D.C.

[3] See: Blackburn, K., N. Bose, E. Haque. 2002. *Endogenous Corruption in Economic Development*, Discussion paper 22, Centre for Growth and Business Cycle Research, University of Manchester.

[4] See: Kolstad, I. and T. Søreide. 2009. Corruption in natural resource management: Implications for policy makers, *Resources Policy*, Vol 34. No. 4.