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Learning from Good Governance Virtuous Circles[1]

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Executive Summary

ANTICORRP has identified seven success stories in good governance that have led to low levels of corruption in those countries. Can such successes be emulated or lessons learned from them? Are virtuous circles accidents of history – or something that can be applied elsewhere? To what extent does human agency play a critical role? What makes these reforms sustainable? These are the questions that this policy report tackles. It offers two synthetic tables, one summarizing the cases, and another the broader lessons learned for policy reforms.

I. Introduction

King Otto of Greece, a Wittelsbach, debarked from his native Bavaria in 1832 with 3,500 Bavarian troops and three Bavarian advisors aboard the British frigate HMS *Madagascar* and set on the business of turning Greeks into Germans for about thirty years until he was evacuated on another warship of the same Majesty. He left behind a Constitution, Courts and his creation - the University of Athens, but no different rules of the game. Following its partial liberation from the Ottoman Empire at the beginning of nineteenth century, Greece did not take off, despite all such institutional and dynastic imports. It has remained a particularistic society, while Switzerland in just a few decades was so innovative that it caught up with the English industrial revolution and became a politically modern nation.

Following the post-Washington consensus revelation that governance matters greatly in explaining development, the issue of institutional change, which a few decades ago was of interest only to students of Mancur Olson or Douglass North has risen to the forefront not only for economists, but also for the international donor community. Many people have come to believe that successful development reforms can only be based on some primacy of politics. That political institutions were forged and are changing as a result of societal conflict and in turn shaping economic institutions and then innovation and investment seems to be the main lesson learned from history (Acemoglu & Robinson, 2012a). But there is little to no research on the main questions on what makes governance orders based on patrimonialism evolve to ethical universalism by design rather than through a long historical evolution, and if such transformations can be engineered by human agency.

The main question guiding this policy paper on the basis of ANTICORRP Work Package 3 is what explains the change of governance order in the few contemporary societies which managed to accomplish this process, and how a society can transit from a governance norm where public resource distribution is systematically biased in favor of the power privileged to a society where the state is close to being autonomous from private interest and where the allocation of public resources is based on ethical universalism and the pursuit of social welfare

(the benefit of the most). In other words, we study the few governance 'virtuous circles' which have materialized after the Second World War.

The past century and a half has seen many attempts around the world to replicate the examples of modernization achieved by the advanced democracies of the West. Some of these attempts were driven by emulation, others by colonization; rare has been the nation-state not influenced by the notion that the West's superior prosperity is due to its superior institutions. The obvious solution seemed to be to copy them: country after country has hence acquired a written constitution, elections, political parties, bureaucracies, and courts. What was copied was all too often more outward form than inner substance, however. This should not be surprising since the West itself did not copy these institutions from somewhere else but rather developed them to meet its own unique historical circumstances. You can hold elections, but if voting is rigged or bought, or if your society has not yet attained the modern structure that produces interest-aggregating representative parties instead of cliques and cartels, the elections will not mean what they meant in Western history.

Across the world, the ubiquitous symptom of unfinished modernization is the informal institution known as particularism. It may both form the dominant mode of exchange among individuals in a society — which keeps markets in a state of imperfect competition – and shapes transactions between state and citizens, making democracy a mere facade, as resources are systematically spoiled by ruling elites. This term has been borrowed from Talcott Parsons as a catchall to cover everything from clientelism, bribery, and patronage to nepotism and other forms of state favoritism. By underlined particularism we understand the deviation from the underlined ethical universalism norm of underlined public resource allocation (as defined in law, rules, and the modern principles of administrative impersonality, impartiality and equality) resulting in undue benefit for individuals or groups. Particularism limits access to resources, favoring some applicants while discriminating against others, resulting in unfair allocation. It is a broader concept than corruption, since it includes nominally legal phenomena as well (Kaufmann & Vicente 2011). Particularism may coexist with political pluralism, in which case we have an instance of "competitive particularism"; or it may be joined with a monopoly of power, in which case we are dealing with some form of patrimonialism, whether traditional or new.

Whatever form particularism may take, all its varieties produce the same outcome: a regular pattern of preferentially distributed public goods. Douglass C. North and his coauthors call this a "limited-access order" (North et al. 2009), Daron Acemoglu and James Robinson favor the term "extractive institutions" (Acemoglu & Robinson 2012b) and Francis Fukuyama refers to it as "patrimonialism" (Fukuyama 2014). They are all talking about roughly the same thing, and they have all come to acknowledge a key problem: This kind of social norm and the behavior that goes with it are humanity's default condition, and they have overwhelmingly predominated throughout human history. Societies based on open and equal access and public

integrity, far from being some sure historical endpoint, have in fact been very much the exception. This did not deter the promoters of the 2008 UN Convention against Corruption, however. More than 160 countries have signed this pledge of allegiance to the very essence of modernity – ethically universalistic treatment of citizens, delivered impersonally by a state that is not beholden to private interests.

But how to engineer this development remains far less consensual, if altogether known. It seems far more difficult to change than political order because it is about outcome of public resource distribution, which is a more resilient feature of societies than how leaders are elected (Mungiu-Pippidi 2014). The solution of simply adopting the formal Western institutions was frequently tried, but except some cases of military occupation- Japan or West Germany, as Sam Huntington famously noted – it did not work out in general in development (Evans 2004), let alone in anticorruption (Mungiu-Pippidi et al. 2011). The solution of modernizing the recipient societies altogether, although obviously a longer term one, was also tried by the development community and is still under way in many countries, although the engineered transition from traditional society has produced so far anything but ethical universalism – the proof is that to the extent that we can measure it we have little to no evolution to good governance globally for the past twenty years, though smaller improvements do exist (Levy 2014).

Few successful independent evolutions seem to exist in the history of good governance. Rather, we can trace 20th century successful cases back to a few initial 'achievers'. The first set of independent transformations from traditional to modern social conditions took place in the eighteenth and nineteenth centuries in northwestern Europe (England, the Low Countries, Denmark, Sweden, and certain German states such as Prussia), with France and the United States later joining the mix as well amid their own complex historical circumstances. European-settler colonies such as Australia, Canada, and New Zealand made the journey through both spillover effects and independent evolution in the nineteenth and twentieth centuries. Even in the world's more developed countries ethical universalism remains an ideal, while personal connections and government favoritism still loom larger than anyone officially admits. The computerized analysis of "big data" now lets us measure with precision how large a slice of public contracts or subnational transfers to local government is distributed in a particularistic fashion, whether on the basis of ethnicity, political ideology, or any other factor. We can take a snapshot of a country at moment zero, when we find its government giving most public contracts to companies with official ties, and chart the decline of such transactions into a minority when the norm has changed.

It is often assumed that corruption is linked to a country's level of modernization or, in other words, its state of socioeconomic development. If we thus link a country's degree of modernization, as measured by indicators of life expectancy, education, and income, to its corruption levels we get interesting results (see **Figure 1**). Going by World Bank Control of

Corruption data (CoC), a few societies (Denmark, Norway, New Zealand, the Netherlands, and Singapore) do even better at controlling corruption than their high scores on the Human Development Index would lead one to predict. After these world leaders come Chile, Uruguay, Qatar, and a few Caribbean island countries, which also over perform but at lower levels of both governance and development. Botswana, Cape Verde, and Bhutan follow on the borderline between good and better than average governance, but still do better than they should compared to their respective levels of development.

Even more interesting are the countries that are far more corrupt than they should be, given their levels of socioeconomic development. These governance underperformers include Argentina, Greece, Italy, Mexico, and Russia, as well as most of the Central Asian countries. Countries such as Germany and Brazil are where you would expect them to be, with a perfect fit between success at corruption control and degree of modernization.

Figure 1: Over and Under-Achievers on Governance by Human Development Index
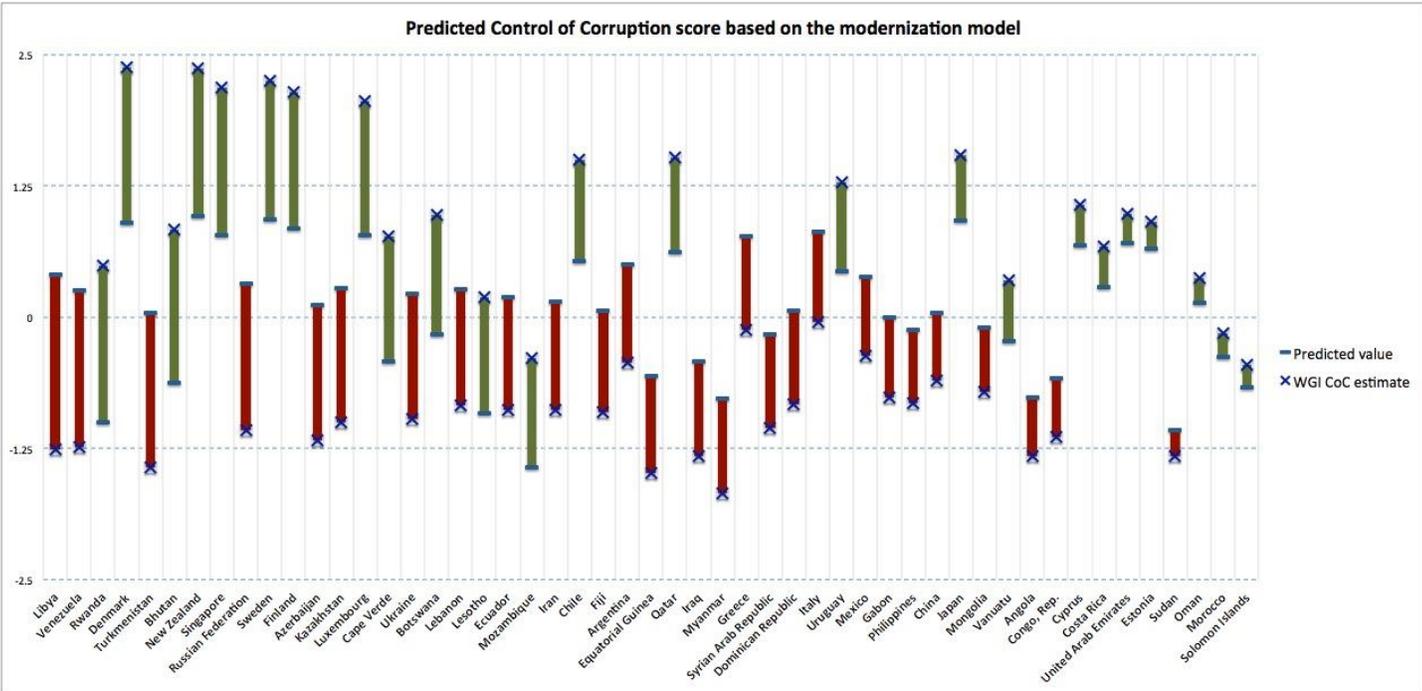
Source of data: UNDP for HDI and WGI for CoC.

Legend: Differences between estimates of control of corruption as predicted by HDI and real scores. Overperformers are in green and under-performers in red. Length of bar indicates amount of deviation, and horizontal marks, 'x', indicate current real score on Control of Corruption.

Modernization, however, explains only about half the variation in control of corruption. More sophisticated panel-regression analysis shows that a complex of factors accounts for a

country's level of success at corruption control. Roughly speaking, this complex includes a society's capacity to place constraints on both those endowed with power and the various "resources" (whether natural or simply things that can be used to hinder competition, such as red tape) that powerholders can exploit in order to rake in undue gains. Societal constraints are not independent of classic "modernity" factors: Empowered citizens and magistrates are essential to constraining corruption, and the more schooling and development a society can boast, the more of these types of people it will have. Among the strongest predictors of corruption control are the shares of household Internet connections and of Facebook users in a country. While none of the usual anticorruption tools work if used in isolation (countries that adopt them do not progress more than countries that fail to), formal transparency (as indicated by a country's having a freedom of information act (FOIA), for instance) becomes significant when it interacts with a strong civil society. But this interaction model of corruption control is only a snapshot; it captures a state of affairs but tells us nothing about how it came about or how to bring it about.

To move the analysis a step further, we survey neglected cases. These include historical examples (such as the medieval Italian city-states of Florence, Genoa, Siena, and Venice) in which particularism was checked under pre-modern conditions. They also include "contemporary achievers" – states that have succeeded on their own in moving peacefully toward ethical universalism since 1945. The first set of cases, covered in our history work package, yields a record of fascinating institutional arrangements for corruption prevention, but no virtuous circles. Instead, there is a dead end: Starting with the French invasion of the early sixteenth century, foreign armies moved into northern Italy and snuffed these small polities out of existence. The second set of cases, the contemporary achievers, includes some controversial picks – some might reasonably dispute that countries such as Botswana, Chile, Costa Rica, Estonia, Georgia, South Korea, Taiwan, and Uruguay have installed ethical universalism as a dominant norm of governance – but they seem closer to having traced virtuous circles, and our project has given them more in-depth study.

II. Contemporary Good-Governance Achievers

Three criteria determine this list of high achievers. First, a country must *either* rank in the upper third of all countries on the World Bank's Control of Corruption scale *or* be performing significantly better than other countries in its neighborhood *or* the expectation set by its human-development scores. Second, no country can make the list unless it is on Freedom House's roster of "electoral democracies." Third, a country must have compiled the bulk of its corruption-control achievements in the last thirty years, since our oldest corruption indicator dates from 1984. Countries that are "authoritarian achievers," such as Qatar, Singapore, and

the United Arab Emirates, are excluded because no place where the rulers are above the law can be said to be governed by ethical universalism, even if it has little bribery, able bureaucrats, and a business-friendly climate. Policy expertise also cannot create enlightened despots: The challenge remains that of taming corruption by means consistent with democracy, which implies solving collective-action dilemmas.

Our group of "achievers" is highly varied. It includes Estonia and Georgia in Eastern Europe; Chile, Costa Rica, and Uruguay in Latin America; Botswana in Africa; and South Korea and Taiwan in East Asia. To analyze these cases, we followed a three-step methodology. First we assessed how well each country fits the models that relate corruption control to the level of modernization and to the interaction in a society between resources and constraints. Then ANTICORRP researchers examined the dynamics of change in each country through process-tracing in order to understand the context and the drivers of institutional change from "moment zero" (when particularism ruled) to the present. Finally, we compared all the cases with one another. Because of the "change over time" aspect of process-tracing, our researchers worked partly as historians, documenting the change in equilibrium through analytic narratives following classic steps in democratic-transition studies.

The contemporary achievers differ from one another in many ways, including the number of years since independence and more recent trends in corruption control (the most advanced among them have been stagnating or even regressing slightly). A brief comparison is summarized in **Table 1**. Estonia and Georgia made the most rapid transitions (lasting fewer than twenty years). They had full-fledged revolutions, with political liberalization accompanied by free-market reforms aimed at taking away old elites' rents. In both Estonia and Georgia there was an alternative elite committed to ethical-universalist ideas. In Estonia this was the group around the young nationalist historian Mart Laar, who was able to engineer Eastern Europe's most successful transition even though, at the time he became premier in 1992, he had read only one book on economics — Milton and Rose Friedman's *Free to Choose* (1980)*.

Laar took little Western advice, relying instead on his own knowledge of Estonian society. During his first stint as prime minister (1992–94), he replaced almost every judge left over from Soviet times, and uprooted much of the "resource base" for corruption by passing a flat tax and cutting red tape. When he returned to the premiership from 1999 until early 2002, he furthered the cause of good governance by giving his country the globe's most advanced e-government system. Under Laar, Estonia made the quickest and most successful good-governance transformation that the contemporary world has ever seen.

The staunch anticommunism of Laar and his group provided an extraordinarily powerful incentive – Laar told me in an April 2015 interview that he and his colleagues considered communist institutions to be entirely corrupt, so removing them meant removing corruption. But the honesty and wisdom of this group of former Soviet dissidents also were extraordinary.

From the mistakes that Russian premier Yegor Gaidar had made while following U.S. advice, they learned a key lesson: The rule of law must come first. Grasping that in a post-communist context it matters a great deal who the first capitalists are, they prevented the communist-holdover networks of enterprise managers, secret-police bureaucrats, and other nomenklaturists from emerging as the transition's big winners and controllers, thereby sparing Estonia the crony capitalism that has blighted Russia for the past twenty years.

More exceptional still, the Laar team was remarkably open to the principle of competition. Its members, while seeking no profit themselves, allowed very young consultants to make decisions about privatization as they thought best. By 1998, Estonia was already edging toward good governance as the dominant norm. After the Rose Revolution of 2003, Georgia sought to reproduce this pattern, and still holds the record (granted, measurements of this kind of thing have not been around very long) for the greatest positive change in corruption control in the shortest period of time by any country, anywhere. In Georgia as in Estonia, the keys were the reduction of administrative discretion by a simplification of legislation and an extensive economic liberalization which reduced resources for corruption. Georgia had the advantage of its own alternative elite, concentrated in universities and NGOs despite hardship of Soviet times, with U.S. ties and classical-liberal ideas. In Georgia, however, the new elite had a weaker commitment to making sure that its own members did not wind up profiting from rent-seeking.

Except for Estonia, which had a 90 percent literacy rate as long ago as 1900 (thanks mostly to the influence of evangelical Christianity), none of the cases on our list fits the good-governance predictive models at all well. South Korea and Taiwan had undertaken U.S.-sponsored land reform efforts, followed by the rapid spread of education, but remained far from having a modern societal structure. Chile had some favorable conditions for good governance – it lacked the vast landed estates that were so prominent in Argentina and its elite is going back to founding days was a merchant class with views close to those of British liberals – while Uruguay was South America's most urbanized society. Yet as of 1945, both countries were still very poor. The desire to alleviate poverty drove the governance reforms of Chilean Christian Democrat Eduardo Frei, whose career began at the head of the public-works ministry in 1945 and culminated in the presidency (1964–70). Poverty has also had much to do with the success of the urban-Marxist Frente Amplio (Broad Front) movement in Uruguay. Chile had extensive natural resources (chiefly copper) that gave corruption a foothold. Georgia has had to contend with a trio of separatist regions, recent civil wars, and the enmity of Russia, its biggest neighbor.

Despite conditions that were often less than ideal, all these cases came to over perform their modernization levels. A state-society virtuous equilibrium describes much of what we see today, as low administrative discretion coincides with high levels of civil society activism and states that avoid hindering market competition. Formal legal constraints on corruption seem to

have followed rather than led changes in the social balance of power and the adoption of good-governance policies—even in Chile, people do not credit courts with squelching corruption and do not fully trust them.

The institutional equipment available to corruption-fighters in these countries is quite varied. Only Botswana has an agency tasked with prosecuting corruption, but is also the only one lacking a freedom-of-information act. Preventive institutions in the form of audit and control organizations carry some weight in Chile, Costa Rica, South Korea, Taiwan, and Uruguay. Having an autonomous, merit-based, and prosperous civil service prior to democratization was a help everywhere except in the post-Soviet cases, which replaced nearly all their Soviet-holdover public employees. Estonia under Laar stressed prevention, requiring public officials to disclose their assets and conflicts of interest as a way of engaging the public in the work of watchdogging government.

Botswana deserves a separate word, as its achievement differs from the ethical-universalism ideal and from the interaction model. Its path has been more traditional and top-down (Sebudubudu 2014). We did no process-tracing in the Botswanan case since there is no process to trace, only top-down, state-led modernization. Botswana was put on its positive path by Seretse Khama (1921–80), its first president and a traditional chief. He was a monarch in all but name, and an enlightened one who founded autonomous courts and an autonomous civil service, protected from widespread politicization. The concentration of power has remained high, and the current president is the founder's grandson, with a cabinet full of relatives. Botswana's achievements are obvious: At the time it gained independence from Britain in 1966, it was one of the world's poorest countries amid a very poor region; it has developed steadily ever since. Botswana seems to have traveled a virtuous path in comparison with its neighbor, Zimbabwe, which has slid into social and economic collapse, but then again the Botswanan model can be a source of inspiration only for countries that have enlightened traditional rulers and limited pluralism.

The sequencing of political reforms and economic growth seems to confirm the presence of virtuous circles. In all our Latin American and East European cases, political reforms that shrank resources for corruption preceded long periods of economic growth. The Asian cases are murkier. South Korea and Taiwan experienced gradual evolutions punctuated by confrontations, leading in each to a wavering progress curve and growth that benefited from state support as well as better governance. But if these cases seem to confirm that good governance promotes growth, how that happens is a complicated story; only in Costa Rica and Estonia were democratic regimes the main achievers. Democratization helped everywhere, but in some places the virtuous circle needed more time to close, with authoritarianism sometimes playing a role by suppressing clientelism or cultivating an effective bureaucracy.

At other times, authoritarian reversions taught democrats hard but useful lessons that made them change their ways; this was the story in Uruguay. There, as in Chile, the alternation of dictatorship and democracy subtly advanced the cause of ethical universalism. Nondiscretionary government has been achieved by both leftists (ex-Marxists in Uruguay) and students of Milton Friedman (not only in Estonia but in Chile and Georgia as well). What matters is that social allocation is based on ethical universalism and not the ideology of a particular government. A strong central government seems to matter as well: No success story is a federal state. Key individuals had a variety of motives, but human agency mattered a great deal everywhere: No place just drifted into better governance as a secondary effect. In Taiwan, for example, a series of justice ministers willing to impose tough reforms played a big role. Precisely because they all had the stomach for doing hard things, none was in office for long. In a counterfactual Taiwan with no virtuous circle, we would find long-serving ministers with no reforms to their names. Individuals who were willing to reach for a goal and take the heat made a difference.

External factors have played an uneven role. The international anticorruption movement of the past two decades cannot claim credit for any of the success stories that we have listed. South Korea and Taiwan, both on the front lines of the Cold War, received foreign assistance at critical moments, part of it conditional upon reforms. Emulation of foreign models, in particular the Anglo-Saxon liberal model, played a role in Chile, Estonia, and Georgia, where local elites in charge of the economy often had spent time studying in the United States. Uruguay had a Swiss constitutional model and its population descends from immigrants from various European countries, giving it a far more diverse mix than other Latin American countries. A similar dynamic is at play in South Korea, where a considerable number of local elites were educated in Japan. Estonia has benefited from its emulation of the Finnish corruption-control model as well as help from the Scandinavian countries (whose investments in Estonian local-media outlets kept post-Soviet oligarchs from buying them up).

Table 1: Transitions to Good Governance in Selected Countries

Country	Evolution type	"Modernization goodness of fit"	Political sequencing of good governance	Economic sequencing of good governance	External triggers and influences
BOTSWANA	Gradual	Poor	Control of corruption preceded genuine pluralism	Growth after	Southern African Customs Union
COSTA RICA	Gradual	Poor	Pluralism preceded control of corruption	Growth after	Little and late
CHILE	Gradual	Good	Control of corruption preceded pluralism	Growth after	Economic crisis prior to first Good Governance reforms; American model emulation
ESTONIA	Big-bang revolution	Good	Pluralism preceded control of corruption	Growth after	Some Scandinavian model emulation, then EU accession, but low
GEORGIA	Big-bang revolution	Poor	Pluralism preceded control of corruption	Growth after, curbed by global crisis	Some diffusion across former Soviet Republics (Estonia); American emulation
SLOVENIA	Gradual	Excellent	Control of corruption preceded pluralism	Economic development first	Austrian model emulation, investment
SOUTH KOREA	Gradual, confrontational	Good	Partial control of corruption preceded pluralism	Economic development first, followed by crisis, followed by Good Governance	American and IMF conditionality; Japan model emulation
TAIWAN	Gradual, confrontational	Good	Partial control of corruption preceded pluralism	Economic development first	Important American assistance in the past
URUGUAY	Gradual	Good (highest literacy rate in Latin America)	Control of corruption preceded pluralism	Good Governance first, growth after	Always important European influence, European descent

Source: Updated from Mungiu-Pippidi 2015

III. Sequencing strategic choices

The handful of cases where modernity or full colonization achieved good governance are of limited policy use. One cannot reproduce history – there is little prescriptive policy advice in such examples. For most part, however, the study of traditional evolutions to good governance serves only to understand the naivety of some current policy prescriptions. For instance, we ground a lot of our policies in the idea that businesses in general seek a level playing field and prefer the virtue of perfect competition without asking ourselves why the current globalized businesses only seem to seek public contracts, unlike the British wool merchants in the eighteenth century who wanted the government to stay out of their trade – so great was their competitive advantage that government favoritism was only getting in their way. This put Siemens in harm's way, for instance, in 23 countries where this undeniably high quality company is investigated for some alleged attempt to get government favors (Kartner & Warner 2015).

Contemporary cases are more rewarding when lessons learned are concerned. Changes in governance order are possible, but occur only gradually and by a succession of radical actions and disequilibria until a new equilibrium is achieved at superior control of corruption. That explains why so few success stories exist, and why they seem to result more from domestic agency and broad reforms following exceptional circumstances, such as democratization after a dictatorship, than from typical internationally assisted anti-corruption strategies focused on civil service and the judiciary. From a donor perspective, a few logical steps need therefore being considered before any context sensitive intervention on good governance is decided.

The first step is a full diagnosis of the governance context. What is the exception and what the norm in social allocation (ethical universalism or particularism)? How advanced is public-private separation in society? How unevenly is power distributed? Who rips most of the joint benefits and who stands the losses? How transparent and democratic is this process (programmatic policies voted in elections) versus insidious and informal? How much of the social allocation goes into rents? Is law treating everyone equally? Is the governance order perceived as legitimate? Making a difference between traditional patrimonialism, neo-patrimonialism and competitive particularism opens suggests quite different strategies. Even if a country score from World Bank or Transparency International offers by itself synthetic answers to the above we need to document in full both resources and constraints to assess not only where control of corruption stands in a given society, but also why it is so. Governments may be lobbied to reduce red tape, but civil society, demanding citizens and a performing judiciary cannot be built in the space of a few years and presume long term investment and an interval of time when particularism would reign.

The second step is charting the position of actors in favor or against the status quo in order to establish if a plausible principal exists at the domestic level who can be the main actor of any good governance coalition. A principal should never be taken for granted. If, for instance, the Ministry of Internal Affairs in a semi-authoritarian country perceives a commission from all the informal payments extracted by the subordinate control agencies, grounding a technical assistance program at his level would not help in the least and would not yield any positive results. The status quo is in the interest of the minister and his staff. Who are then the plausible agents of change and how long would they remain so if they were to gain power? Do we find both professional groups who can be sustainable allies of good governance because this is how their best interest would be served (egoists) and promoters of ethical universalism (altruists)? What is the potential of such groups and individuals to form a stable, goal oriented coalition? In the past, merchants motivated by profit and lawyers and journalists motivated by the need to have equal access with the privileged classes were in the vanguard of historical good governance. 'Achiever' countries all had professional elites engaged in changing governance regimes: lawyers trained in the US and bureaucrats trained in Japan in South Korea, economists trained at American universities in Chile and Georgia. The co-optation system of particularistic regimes frequently manages to deter such coalitions, but not always – it would take tremendous resources to distribute payoffs to everyone so there are no losers of corrupt rules of the game. The chapter focusing on history in '*The Quest for Good Governance. How Societies Develop Control of Corruption'* (Mungiu-Pippidi 2015, Chapter 3) suggests that in democratizing contexts a critical mass is gradually built, as in the Dreyfuss affair in late 19th century France, which cannot be accommodated by old networks of power and privilege. Can we observe or even plan such a buildup? All these are preliminary questions to the decisive diagnosis if sufficient domestic agency exists or can exist in the near future, as the evidence shows that in the absence of educated and autonomous professional groups fighting for good governance because it is in their best interest, sustainable development does not exist and advocacy by external agents remains fruitless.

This does not match easily with the programs of donors, however. Most international donors are governments or inter-governmental organizations and they assist as a ground rule other governments. However, constitution-writing and training civil servants or magistrates deprived of fundamental autonomy (financial and otherwise) from the center of power are poor palliatives. Such dependent groups evolve when the demand increases for them in society and gets to match the power influence they are subjected to. Creating collective action – and providing political support - at the level of strategic groups within society seems to be the only good governance change strategy which has worked in the past. And we do see such attempts today, but they are scarce. For instance, the American Bar Association (ABA) helps lawyers in young democracies organize as a profession and articulate their demands – it has developed

over the ears a grassroots rule of law program complete with indicators and volunteers of top quality.[2] The charity Oxfam organizes genuine consumer surveys for public services which deter corruption far better than pure anticorruption programs, while also increasing collective action capacity.[3] These are genuine society-building programs, which surpass in ambition and the usual anticorruption programs that most international donors prefer and which produce so meagre results (See also Persson et al. 2013).

Presuming that some principals can be found, t**he timing of the intervention (when) should be assessed as a third step**. Evidence from the cases of historical and early 'achievers' indicates the important role of certain contexts in promoting good governance. Windows of opportunity are offered by crises of any sort; elections (when actors need to compete to prove their integrity), revolutions and some status upgrade perspective (joining an international club or free trade agreement). Changes in equilibrium are greatly helped by such circumstances, and smart support should make the most of them. Aid selectivity or cash-on-delivery are ways of engineering such circumstances, however weaker than natural ones. Is it a good moment to intervene to build ethical universalism in this given governance context? For instance, are major stability and political violence problems checked? Corruption should be a concern only when a polity is free of major violence and has no essential stability threats. When groups can obtain what they want by violent means, different strategies, including offering them privilege in exchange of laying down their arms, unfortunately might be necessary. Bosnia is corrupt because it is no longer violent: Ethnocracies exist there because the price of disarming them was to allocate the country among ethnic groups. While the international community starts considering good governance strategies for Bosnia, it needs to understand that particularism was one of the chief foundations of the Dayton Peace Accords. Particularism was built into the Bosnian Constitution and it flows into the entire governance context. A radical change at this stage is bound to be very difficult.

The fourth step is an assessment on the donors' influence itself. It seems that the Star Trek Next Generation dictum never to intervene in the life of other civilizations is wisdom confined to fictional contexts only: many international donors intervene today in the governance of other countries. **But other donors should at least assess thoroughly how their intervention would affect the balance, both on the side of resources and on the side of constraints**. There are many borderline situations where the intervention might be worthwhile, but it can be argued that these are the least challenging situations. For the others, expectations have to be severely curtailed and the main concern should be not to produce more harm than

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[2] See ABA Rule of Law Initiative, accessible at http://www.americanbar.org/advocacy/rule_of_law.html
[3] See 'What if anti-corruption measures aren't the best way to fight corruption?', July 15, 2014, available at http://politicsofpoverty.oxfamamerica.org/2014/07/anti-corruption-measures-arent-best-way-fight-corruption/

good. For instance, the creation of a strong anticorruption agency where power is highly asymmetrical may simply provide another repressive tool. The pouring of a large quantity of money into discretionary investments versus clear, universalistic allocations may simply bring new resources which would not change, but stabilize a suboptimal equilibrium. Some people argue, for instance, that EU funds should be better used to pay unemployment benefit than go into infrastructure programs with high costs, poor returns and used by local elites for their clienteles, thus consolidating their power (Fazekas et. al 2014). But the observation applies to what can be considered already high development and reasonable goodness of fit contexts-Italy or Greece. What about Zambia or Bangladesh? Below a certain level of income, set at approximately 2,700 USD/capita[4], corruption can be seen as a survival strategy and an alternative to violence (with each case needing its own diagnosis). In such cases donors should simply organize their assistance funds to make sure it reaches targets, but dedicated programs on anticorruption itself would make little sense.

Once the 'if' question is decided in favor of intervention (country has reasonable domestic agency which shows the will to change, there is growing demand for a change, we understand the local power relations and how 'it works', and some favorable circumstance exists which pressures the government to show some good will), and only then, the question of what to do and what tools to select arises.

In the case of traditional monarchies, the path is that of the king of Denmark: top down reforms, elite control agencies, buildup of a merit based, solid bureaucracy, the care that all categories are represented to check on the privileged class which gets most rents and gradually reduce them. Technical assistance in this case might help, to direct reforms to the key elements affecting the balance: we do have Qatar, UAE or Bhutan which seem to move in this direction by themselves.

In the case of neo-patrimonial systems, the situation is different. Their leaders and cliques are generally far more predatory and authoritarian. Assisting them in 'anticorruption' results seldom only in some credibility transfer from the donor to the ruler, so risks being both useless and immoral. Entrusting them with anticorruption tough legislation and agencies (which they will control) is dangerous for their opponents. What is the realism of hoping they will reduce the administrative discretion they profit from? Solutions should therefore be sought in the area of building demand for good governance, empowering citizens, fostering collective action, and if such programming risks being too political it is always a good backup plan to invest in alternative (new) media, development of civil society (regardless of its area) and citizen empowerment. A village with an Internet café is connected to the news and other people and so it has far better potential to contribute to good governance than a village without. The strategy to build an enlightened citizenry and some collective action capacity is a

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[4] Paul Collier's bottom billion estimation is used (See Collier 2011).

long term one, but this is the basis of sustainable development, though few donors pursue this path presently.

But frequently this strategy is not realistic and political barriers exist preventing this sort of programming. The best strategies for such situations if a donor needs to engage that country is to ensure some form of direct provision of aid through charities which work directly at grassroots level in cooperation with targeted recipient communities and apply both external and community based mechanisms of audit and control (with the great advantage of also developing local organization and collective action capacity). Pre-modern community based mechanisms that are described in Chapter 3 of '*The Quest for Good Governance. How Societies Develop Control of Corruption*' (Mungiu-Pippidi 2015) can hopefully be a source of inspiration here: downsizing aid on sector and community can allow building participatory audit and oversight mechanisms even in pre-modern societies and contexts. Direct organization of aid procurement by donors themselves could also be a solution where evidence exists that spoiling would otherwise be dramatic and aid would only increase resources for corruption.

Combining assistance in neopatrimonial or competitive particularistic contexts with good governance/state modernization strategies is what has been attempted on a large scale during the past twenty years and has yielded disappointing results (De Maria 2010; Mungiu-Pippidi et al. 2011). The good governance strategies were not implemented and conditionality was either not enforced or caused programs to be terminated due to the failure to fulfill conditions. Evidence in ANTICORRP shows that achievers (Estonia, Georgia, Uruguay) do their own state-building by emulating proper models, when faced with the necessity, and that non-achievers (e.g. Zambia, Romania and Ukraine, three countries which top the list with the greatest donor investment in the area) do not, regardless of external help and conditionality, since elites are not constrained enough to accept the disablement of their spoiling machines. If Georgia managed to reform its notoriously corrupt traffic police and Ukraine did not, although Ukraine had far more international grants than Georgia in that period, it is clear that only domestic agency matters.

Finally, in the case of competitive particularism, donors could identify plausible principals, assist their coalition building and support the increase in demand more generally. These countries have pluralism and freedom: what they miss is capacity of collective action, the sort of social organization allowing permanent accountability of the government, not only at elections' time. Magistrates, clerks, policemen and voters all need to become far more autonomous and change oriented. Nobody can organize them from outside - donor sponsored coalitions, like in the early nineties in Albania by USAID are frail and disappear once financing is gone. But genuine coalitions need support. External conditionality or selectivity might not succeed in building good governance directly, as is shown in this report, but any form of international pressure can be conceived work in a piecemeal way, leading to the gradual

adoption of institutional weapons that the domestic civil society can use: e-government, freedom of information, fiscal transparency, red tape reduction, participatory budgeting and auditing (see **Table 2**). The success mechanism is interaction cutting across state and society, proposing some mechanism to affect the equilibrium: FOIA and a civil society using it actively, tax simplification and tax collection outsourced to private collectors (as in Uruguay), e-government and media watchdogs or Ombudsmen from civil society watching government sites. Participation and social accountability have great potential, as shown in some famous experiments (for instance, in municipal budgeting in Brazil). Attempts in the Czech Republic and India to build anticorruption parties have shown in recent years that Facebook is a great means to gather people at a protest rally, but building stable alternative organizations on the basis of ethical universalism and ideology to compete in elections against client based party machines remains a daunting task. However, parties may reform at a faster pace if challenged by alternative political formations with an integrity building agenda: both countries cited are evolving case studies worth watching in this respecting.

There are also those situations when the international community is very strong for one reason or another in a country: from the Balkans to Taiwan or Namibia such cases do surface now and then. When violence is not the paramount problem, as in Iraq or Afghanistan donors can take advantage of their privileged position to intervene in the institution building, by correcting the initial institutional endowment, as in the case of US sponsored land reforms of South Korea and Taiwan, greater accountability, as in the case of general controller in Chile (an American inspired advice) or radical reform and socialization of judiciaries and magistrates involved: lawyers trained in British, US or Japanese law schools mattered in Botswana, Chile, India and various other places.

Borderline countries (where the past norm, particularism, and the new norm, ethical universalism, compete for supremacy) present the best opportunity for the international anticorruption industry to make a serious impact, as they already have the society preconditions, in other words, a critical mass which demands good governance. And here is where the current strategies of just adopting legislation in the area of whistleblowing or lobby fail. In other words, a sound good governance program in countries where sufficient conditions exist for an intervention should be built on the lines of this classic elementary strategy: to reduce opportunities and increase constraints (see Table 2). Rather than monitoring a rather insensitive CoC or Transparency International's Corruption Perception Index (CPI), or doing general population surveys, agencies promoting good governance can monitor indicators on these robust independent variables- time to pay taxes, red tape for external trade, fiscal transparency, e-services offered by government and used by citizens, independence at least of top judges and prosecutors. All these are statistically proven contributions to good governance.

Table 2: Checklist and Indicators to Trace Progress on Good Governance in Borderline Countries

	Action	Indicator	Benchmark country
Reduce opportunity			
Natural resources	• Private management with public share of proceeds established by broad consultation and transparently spent	• Public report on spending revenues from natural resources	Botswana (EITI)
Administrative discretion	• Reduce red tape and enforce equal treatment • Ombudsman also auditor and controller • Make resources transparent through e-government	• Ease of doing business; indicators of equal treatment • Cases solved administratively/cases solved through prosecution • E-services as % as total public services	Georgia Chile Estonia
Public spending	• Public spending concentrated on areas such as health, education, research and innovation with infrastructure funded mostly through private-public partnerships (FDI)	• Existence of e-portal on online tracking expenses for national and local government procurement	Uruguay
Formalization	• Tax simplification • Tax collection by private agents • E-payments facilitation	• Time of paying taxes • % increase in collection rate yearly	Uruguay
Increase constraints			
Judicial independence	• Tenure, appointment and sanctioning of magistrates entrusted to magistrates' bodies only with validation by 2/3rds of upper chamber	• WEF Judiciary independence (perception of businessmen) • Successful litigations against government	Chile, Botswana and Taiwan
Civil society	• Ease of registering, 'sunshine' laws for public consultations, civil society component in every donor program, separate or combined with assistance to government, conditions on participatory budgeting, auditing or evaluations	• Number of NGOs • % public consultations from total new legal drafts or policies • Existence and traffic of watchdog websites • Facebook users per country	Estonia
Freedom of the media	• No government regulation for media except anti-trust or cartel legislation • Political conditionality from international community related to media freedom	• Media sustainability indicators • News readership/audience	Estonia
Empowered citizens	• IT investment in education, training for educators • Freedom of Internet	• Internet connections per household • Facebook users per country • % citizens using e-services	South Korea Estonia

Source: Updated from Mungiu-Pippidi 2015, pp. 219-20.

The policy menu in **Table 2** has two advantages over the ordinary toolkit of consultants. First, each variable is tested and is robustly significant. We know that it matters in affecting control of corruption in a context with all relevant controls. Second, each strategy or policy action was tried in some previously borderline country and worked. On the weak side, administrative and judicial reforms depend on the government - if no genuine principal exists, it is unlikely that reforms will go deep, even if pushed as part of a conditionality package. The table is not a universal recipe, but rather a checklist, an evidence based instrument to trace reforms and measure progress on what should finally be an optimal equilibrium. It cannot replace the kind of political economy strategy described above; it still comes after the 'who' question was solved.

Formalization, cutting red tape, building civil society capacity, supporting media and partnering with the private sector are also worth doing in more challenging governance contexts. After all, the border to 'borderline' is fuzzy: whenever the political will exists to promote such reforms or assist them the checklist above applies. Donors who invest in any of these areas contribute indirectly to good governance even if their primary target might be media or computer literacy. Such indirect help might prove far more effective than direct action sometimes, as it does not provoke a counter-mobilization of those who stand to lose from anticorruption. Developing the communications infrastructure of a country is a universal desiderate, and is less openly a political program: but it greatly contributes to good governance (Mungiu-Pippidi 2015, Chapter 8).

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