

# The Role of Incentive Design in Parliamentarian Anti-Corruption Programmes

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## Abstract:

The “first wave” of donor sponsored anti-corruption programmes usefully focused on elaborating recommendations for parliamentarians or tried to train them (develop human capital) in anti-corruption. Now it time for these programmes to take into account parliamentarian incentives to adopt these recommendations and/or use this “knowledge.” This paper will discuss these incentives and the ways these programmes should and can help build political capital by managing voter demands, political competition, patronage, and enforcement. The paper also reviews some basic theories from formal political economy which may be of interest to practitioners interested in bridging the theory-practice gap.

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# The Role of Incentive Design in Parliamentary Anti-Corruption Programmes

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## Introduction

Since the mid-1990s, a number of organisations have been engaged in teaching parliamentarians around the world how to fight corruption and support the rule of law. In Central Europe and the Former Soviet Union, parliamentarians are admonished to exercise greater oversight over executive agencies. Parliamentarians are also encouraged to establish "networks" across their countries and across the globe or go on study tours which may or may not have large long-term impacts.<sup>1</sup> While the lack of staff, budgetary resources, and conflicting priorities in parliament are discussed, the underlying assumption of such training is that by building sufficient "human capital" (knowledge and skills), parliamentarians can overcome their institutionally-derived obstacles which prevent them fulfilling their parliamentary obligations and become more effective bulwarks against executive administrative corruption.

Yet, human capital is a small component of a larger problem tied to parliamentary incentives. **Anti-corruption programmes should be designed taking into account a parliamentarians political objectives.** The first part of the paper will review some issues related to previous work in parliamentary training and argue that parliamentary incentives need to be addressed. The Inter-Parliamentary Union's recommendations will be used as an example. The second section of the paper will look at the incentives revolving around the political capital which can be gained or lost through anti-corruption action. The third section will look at the nature of political competition and how this competition affects those incentives. The fourth section will address the degree of enforceability of parliamentary work in areas of representation, legislation, executive supervision, and public information).<sup>2</sup> The fifth section will assess incentives behind the Inter-Parliamentary Union's recommendations and the final section will summarise concrete actions to be taken by donors to address these incentive problems.

There are a number of issues not addressed by this paper for reasons of focus – including parliamentary corruption, the nature of parliamentary oversight through audit institutions and "eGovernment", parliamentary relations in developed (OECD) countries, case studies and historical analyses falling outside the bounds of the (over)simplified political economic analysis used in this paper.<sup>3</sup> The audience for this paper is parliamentarians and parliamentary officials in developing countries, as well as their

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<sup>1</sup> Some examples of such "networks" include the Parliamentary Network on the World Bank (PNoWB), Parliamentarians for Global Action (PGA), the Global Organisation of Parliamentarians Against Corruption, and the African Parliamentarians Network Against Corruption (APNAC), among others.

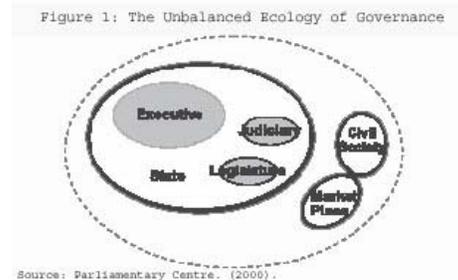
<sup>2</sup> For more on this work in OECD member countries, see the OECD (2001) Report on Parliamentary Procedures and Relations (6-11).

<sup>3</sup> Hopkin (1997) notes how party organisation promotes political corruption. For a primer on political corruption, see Heywood (1997). For more on legislatures, see Olson (1984).

parliamentary colleagues in OECD countries and donor institutions who work with these “developing country” parliamentarians.

## Building on Awareness Raising and Recommendations

During the “first wave” of anti-corruption activity during the 1990s, donor sponsored parliamentary training had a particular conception of the State, which deeply influenced programme design.<sup>4</sup> Figure 1, a representative example of such a view, shows the separate branches of the State. Such a view of the State depicts the executive and legislature as two separate entities -- responsible for working together as well as balancing each others’ power. Such a view is sometimes depicted as pillars of a larger edifice (Ulimwengu, 1995; Stapenhurst and Kpundeh, 1995). Such analogies view these “institutions as actors” -- separate, sometimes working in co-operation and sometimes working in conflict.<sup>5</sup> To the extent that civil society is analysed, it is regarded as a separate actor in contrast to the State and as a counter-balance of state power.<sup>6</sup>



These views, while a useful first approximation, have led to recommendations such as those shown in Figure 2.<sup>7</sup> As can be seen from the recommendations, the legislature is treated as a separate actor from Government, voting legislation, engaging in oversight and working (or not) with civil society. Yet, the legislature, in theory at least, draws its legitimacy, authority and policy initiatives from “civil society” (Mezey, 1983). In practice, legislatures may also rely on patronage in exchange for votes. Legislatures are also linked to the executive through the process of ministerial appointment. In practice, executives may use legislatures as legitimising institutions for executive decisions.<sup>8</sup> The executive may also act along partisan lines (van Aaken, 2003). The theory of “balance of power” may (or may not) work for States, but it becomes less

<sup>4</sup> For more on the “first wave” of anti-corruption activity, see Michael (2004).

<sup>5</sup> There is some theoretical support for this position, for example see DiMaggio and Powell (1991) or March and Olsen (1984). However, even these authors would not take institutions out of their context. Given the 1962 publication of Buchanan and Tullock landmark book, the continuing aversion to a political capital analysis can only be explained by “depoliticisation” – or the glossing over of politics with bureaucratic rhetoric (Ferguson, 1990).

<sup>6</sup> While this view is endemic in the donor community, it also pervades some of the “normal” development literature (Hodgkinson and Foley, 2003; Van Til, 2000). Civil society organisations are often unrepresentative of the organisations they are supposed to be representing. See Pennings (2000) and Christensen *et al.* (2001) for a more refined view of relations with the executive.

<sup>7</sup> For more information on the recommendations, see [http://www.wmd.org/second\\_assembly/topical/w-t22.html](http://www.wmd.org/second_assembly/topical/w-t22.html). Other recommendations exist, see Kasemets (2001).

<sup>8</sup> See Rockman (1984) for an analysis of legislative-executive relations. Darden (2002) notes the important role of corruption in helping the state to manage policy and service delivery.

useful when applied to institutions. Individuals in these institutions compete for political power and will seek resources to obtain **political capital**.<sup>9</sup>

**Figure 2: Recommendations from the Inter-Parliamentary Union**

<i>Recommendation</i>
<b><i>Law-making</i></b>
Vote appropriate anti-corruption legislation
Vote integrity legislation for members of parliaments
Ensure that appropriate oversight legislation is adopted
Lobby their governments to sign and/or ratify relevant international instruments
Promote the passage of freedom of information legislation
Promote party-funding and electoral campaign legislation that fosters transparency
<b><i>Oversight</i></b>
Reinforce mechanisms within parliament for bringing government to account
Ensure that the process for preparing and executing the national budget is transparent and provides for safeguards against government misuse of public funds and resources
Promote the creation of watchdog agencies such as the Auditor/Controller General, Ombudsman, etc
Ensure that the opposition is adequately represented in the parliamentary structures
Institute transparent and stringent mechanisms for the approval of senior government and public officials
<b><i>Representation (interaction with civil society)</i></b>
Encourage the public to denounce and condemn corruption
Promote or participate in the promotion of high standards of probity and moral integrity through public awareness campaigns

Source: Adapted from Inter-Parliamentary Union (2001).

The recommendations in Figure 2 assume parliamentarians are technocrats -- fulfilling their deontological or technocratic duty -- rather than politicians.<sup>10</sup> Previous attempts to ignore the political nature of policy making – to “depoliticise” using Ferguson’s (1990) jargon -- have met with difficulty. For example as Weeks (1970) finds in his study of New Zealand that the Ombudsman provides citizens with a new access point into the political system for voicing grievances about the public service, but not much more. Holmes (1993) finds that anti-corruption campaigns (in the Former Soviet context) often served very political purposes. Parliamentarians will generally act if such action is in their political interest.<sup>11</sup>

## **Earning Political Capital with Voter Preferences**

<sup>9</sup> For academic readers, this paper is not presenting a new type of capital along the lines of Putnam’s (1993) social capital, Bourdieu’s (1986) cultural capital, or human capital (Becker, 1975). See Lopez (2002) for more on legislators and political capital.

<sup>10</sup> See Evans (1999) for a discussion of parliamentary and extra-parliamentary institutions. See Liiv (2003) for more on the role of the Riigikogu (Estonian Parliament) in restraining of corruption.

<sup>11</sup> Such a statement is a general description and may not apply in all cases, as there are important cases where parliamentarians have acted out of moral conviction instead of political expediency. Yet, given the “dressing up” of political expediency in moral terms, I am loathe to cite specific examples.

Even straying from the “institutions as actors” view, many of the recommendations to parliamentarians assume these politicians will “do the right thing” and maximise social welfare if given the human capital. In this case “**maximise social welfare**” entails providing the maximum amount of public goods and services (including “legislative services” such as high-quality public information on use of state funds). Maximising these goods and services necessarily entails minimising the corruption and the inefficient redistribution of resources through patronage which can “eat into” these goods and services.<sup>12</sup> While there is a *positive* recognition by donors that their “clients” (in this case the parliamentarians) do not do the right thing, they claim that *normatively* they should. If these politicians could be made to understand, or if they could be reminded, about what Carney (1998) refers to “an absolute obligation,” then parliamentarians would fight corruption. Such an approach could reflect the belief in the role of “awareness raising” or could be motivated by diplomacy – as senior officials do not go to conferences where they are accused of being corrupt.<sup>13</sup>

A first variant of the “do the right thing” approach accepts the existence of sometimes prohibitive costs in parliamentarians’ efforts to legislate, oversee, and represent “civil society.” In this view, parliamentarians will monitor the executive if their **information collection costs** are less than any gains which can accrue to society. Such a view implicitly recognises that parliamentarians have few economic and non-economic incentives for monitoring, as parliamentarians generally do not receive more votes or cash by looking for executive improprieties. Yet, parliamentarians also receive only minor benefits from passing legislation which helps stop administrative corruption.<sup>14</sup>

The second variant of the “do the right thing” approach accepts that bribe taking and patronage are part of the State and corruption is a part of the political system as politicians need funds to campaign and civil servants need bribes to stay at their desks.<sup>15</sup> This second variant recognises views a trade-off between social welfare and **bribe taking (or patronage)** – namely between majority and minority interests.<sup>16</sup> While such a trade-off is usually modeled for bureaucrats rather than vote-needing politicians, these officials weigh the benefits of collecting bribes with the potential damages inflicted by enforcement (Ades and Di Tella, 1997; Benson and Baden, 1985).<sup>17</sup> The (non-incentive

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<sup>12</sup> Part of the rationale for legislation revolves around the “social good” aspect which makes up for “market failure” (Breyer, 1980; Stigler, 1975).

<sup>13</sup> For more on the awareness raising penchant of donors, see Michael (2004). This type of training’s effects on “socialisation” is questionable given evidence by Welch and Peters (1997) which finds that political variables are more important than others in determining parliamentary attitudes and that a common socialisation process is at work within parliaments.

<sup>14</sup> A useful policy implication which has emerged is that costs should be reduced by promoting parliamentarian access to information as embodied in international regulations such as the IMF’s Reports on the Observance of Standards and Codes (IMF, 2001). In Estonia, Open Society Foundation sponsored a programme in collaboration with universities, NGOs and journalists to help lower these transactions costs.

<sup>15</sup> Darden (2002) talks about corruption as promoting state control.

<sup>16</sup> This trade-off has been well-analysed in the literature, see Sigler and Loomis (1998), or Mitchell and Munger (1991).

<sup>17</sup> While the formal economic models balance the increased immediate personal monetary gain against a risk of detection which can reduce life-time income, the translation from immediate personal monetary gain to “funds for campaigns” (mapping dollars into votes) is straight-forward.

compatible) policy implication is that parliamentary corruption should be outlawed and Ombudsman's institutions should be established to ensure legislative probity (Pope, 2000).

Yet, all these approaches inadequately incorporate the vital role of **political capital**. Parliamentarians are, to some extent, vote maximisers working in these “political markets.”<sup>18</sup> In political markets, parliamentarians would want to expose corruption because social welfare translates into votes. As the issue of anti-corruption becomes more popular, the probability of action turning into votes increases. Pope (2000) notes, “in one EU member country, Austria, Freedom Party Jörg Haider ran a successful political campaign in 1999, in part on an anti-corruption plank.... Haider doubled the Freedom Party's share of the Austrian vote between 1985 and 1999, in part because of his inclusion of anti-corruption as a campaign platform.” If anti-corruption increases returns, it can also decrease risks of being sacked and perhaps Eduard Shevardnadze's support for anti-corruption in Georgia serves as a testament to such a fear (Phillips, 2004). Yet, if serving minority interests and engaging in patronage politics earns more political capital, parliamentarians would be expected not to follow any type of donor training.

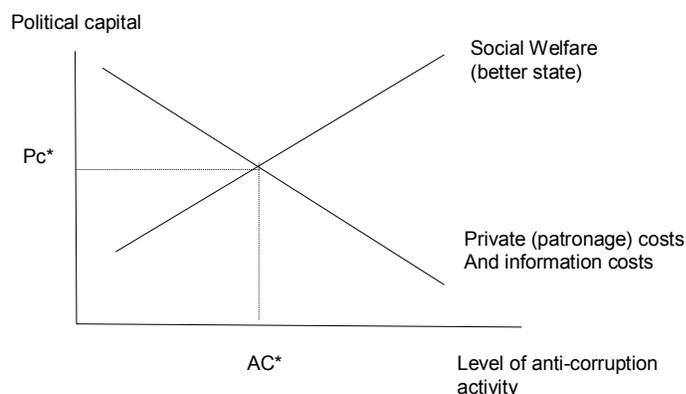
Simply put, parliamentarians, when considering anti-corruption action, will balance the probable increase in votes with the costs to special interests which support them politically. Figure 3 shows the political capital costs and benefits of anti-corruption work for parliamentarians.<sup>19</sup> While the model is an overly simplified representation of the choices parliamentarians face, it draws out some of the issues. The upward sloping line represents the increase in political capital to parliamentarians as anti-corruption activity increases due to favorable voter impressions. The downward sloping line represents the loss in political capital as support to anti-corruption activities threatens key constituencies. The astute parliamentarian in this simple model will trade off the potential sectarian harms with the collective gains to find an optimal level of political capital ( $Pc^*$ ) and anti-corruption activity ( $AC^*$ ).

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<sup>18</sup> For an interesting account of the convergence between political capital and regulation (for product safety), see High and Coppin. (1999).

<sup>19</sup> See Appendix I for discussion in a slightly more refined framework.

Figure 3: Anti-Corruption and Political Capital: A Preliminary Assessment



While the recommendations in Figure 2 are ideal recommendations from a particular phase of the anti-corruption effort, Figure 4 offers some concrete conditions under which the recommendation might be implemented taking the need for parliamentarians to earn political capital.

Figure 4: Political Capital Effects of Inter-Parliamentary Union’s Recommendations

<i>Recommendation</i>	<i>Helps Political Capital</i>	<i>Hurts Political Capital</i>	<i>Incentive Compatible Donor Actions</i>
<b>Law-making</b>	If majority highly value anti-corruption	If special interests (funders) overly harmed.	Offer good PR for “Mr. Clean” <sup>20</sup>
	If perceived different/better than incumbents	If supporting legislation seen as weak	Offer alternate funding sources <sup>21</sup>
<b>Oversight</b>	Executive is site of corruption	If executive can “strike back”	Promote funding of parties and countries with a good record on corruption <sup>22</sup>
	Executive integrity issues rather than	Rely on executive patronage for electoral	Fund equipment needed for institutional communication <sup>23</sup>

<sup>20</sup> Bilateral aid would have little problem given their (sometimes implicit) political mandates. EBRD has a political mandate. World Bank has a mandate given recent speeches by Wolfensohn. Implicitly, donors already offer such PR by inviting such policymakers to highly visible conferences and writing “best practices.”

<sup>21</sup> These funding sources, of course, should not be direct party contributions, but should be based on impartial support to groups important for private sector and social sector development. Again, most donors already do this implicitly.

<sup>22</sup> Controversially, this is possibly the theory behind the Millennium Challenge Account. In its role as hegemon, the US is trying to change incentives for governments (including their parliamentarians).

	capacity issues	support	
<b>Representation</b>	If active civil society will support the MP	If active civil society will not support MP	“Lump” interests groups together <sup>24</sup>
	Seen as serving a corruption plagued local constituency	Seen as preaching or applying double standards	Fund investigative journalism

Source: Based on Inter-Parliamentary Union (2001).

## The Effects of Party Competition on Political Capital

Parliamentarians (as politicians) are vote maximisers who operate in a competitive environment. Any anti-corruption action should not only increase political capital, but it must do so without drawing the potentially damaging ire of parliamentary and other State colleagues. In other words, anti-corruption programmes should also be designed to so as to increase the parliamentarians’ “competitive advantage” without excessively jeopardising them during the process of debating and voting on legislation.

Some authors find that increasing the nature of political competition is enough to help reduce corruption. Theoretically, competition for rents generated by corruption should reduce these rents to zero (Becker, 1983; Wittman, 1989; Yalcin and Damania, 2003). The desire to use exposure as a means of furthering the parliamentarian’s personal or party objectives can also lessen corruption (Holmes, 1993). Persson *et al.* (2000) find that more competition (as exemplified by larger voting districts and thus lower barriers to entry) are associated with less corruption. They also find that where larger shares of candidates elected from party lists which have less individual accountability are associated with more corruption.<sup>25</sup>

However, the evidence is mixed. Hopkin (1997) finds that political competition fosters political corruption rather than probity, while Miriam and Chang (2001) find – using regression analysis -- that intra-party competition has no affect on “malfeasance.” However, they also note the nature of that competition during the period under investigation could have been weak. Ades and Di Tello (1999) find that while rents can increase corruption, public worries about abuse of these rents would tend to lead to foreclosure of these rent-seeking opportunities. If political competition could foster corruption, the most likely mechanisms are through collusion between parliamentarians and, fearing reprisals, engaging in “mutual forbearance” and even the distribution of patronage (Golden and Chang, 2001; Development Strategies (2002).

<sup>23</sup> Some parliamentarian projects include such funding, but more is needed.

<sup>24</sup> For example, Libecap and Law (2003) find that “Congress did not enact a federal law until 1906 because competing producer, bureaucratic, and consumer interests, with different assessments of the benefits of federal regulation, prevented the formation of an effective coalition in favor of federal regulation.” The lumping together into coalitions is a useful political strategy.

<sup>25</sup> Insiders have even indicated that information from the Parliamentary anti-corruption commission may even be opportunely timed to coincide with elections!

The net effect then is that anti-corruption will be adapted only if it promotes the “sustainable competitive advantage” of parliamentarians undertaking anti-corruption. Figure 5 address the problem with achieving such a sustainable outcome.<sup>26</sup> In the Figure, politician A and politician B have an incentive to collude given the chance to do so and will both choose the corrupt status quo. Yet, without collusion (and assuming that “exposure” can be used as a political strategy), each politician would choose anti-corruption (exposing the other politician). Yet, if both politicians choose to expose the other, they are individually worse off (but society is best off as shown by the social welfare pay-offs).

Figure 5 presents a counter-intuitive result as politicians do not line up to expose each other. Why is anti-corruption not pursued more vigorous as a political strategy? Partly because politicians see before the game is played that they will either individually or collectively be worse off. Partly because -- unlike the assumptions of the game -- parliamentarians can collude, if implicitly. Thus, if donor activity is to work, it must get parliamentarians to “play the game” and Figure 6 lists some of the ways that donors can help parliamentarians play the game.

**Figure 6: Political Competition Effects of Inter-Parliamentary Union’s Recommendations**

<i>Recommendation</i>	<i>Help competitive strategy</i>	<i>Hurts Competitive Strategy</i>	<i>Incentive Compatible Donor Actions</i>
<i>Law-making</i>	One party is more “competitive”	Breaks implicit contracts	Indirectly promote political competition between parties

Figure 5: Political Capital given Competition

		Politician A	
		Status Quo	Anti-Corruption
Politician B	Status Quo	4,4 <span style="color: green;">2</span>	2,8 <span style="color: green;">4</span>
	Anti-Corruption	8,2 <span style="color: green;">4</span>	1,1 <span style="color: green;">8</span>

Green are social returns

<sup>26</sup> Figure 5 represents a game table giving the options for two politicians and the pay-offs to each. For readers not familiar with game tables, see Dixit and Nalebuff (1993).

	Existence of an Anti-Corruption platform	Fails to live up to platform	Criticism of overly sectarian legislation
<b><i>Oversight</i></b>	Parliament against the executive	Impairs executive from doing job <sup>27</sup>	International independent monitoring of national “independent monitoring”
	Anti-Corruption agencies become invisibly politicised	Anti-Corruption agencies become visibly politicised	Hard accounting systems
<b><i>Representation</i></b>	Steals votes from others’ supporters	Causes nasty feud	External appraisal
	Polarisation of issues-based lobbies <sup>28</sup>	Excess interest group influence	Internal education

Source: Based on Inter-Parliamentary Union (2001).

## Addressing the Legislation-Enforcement Gap

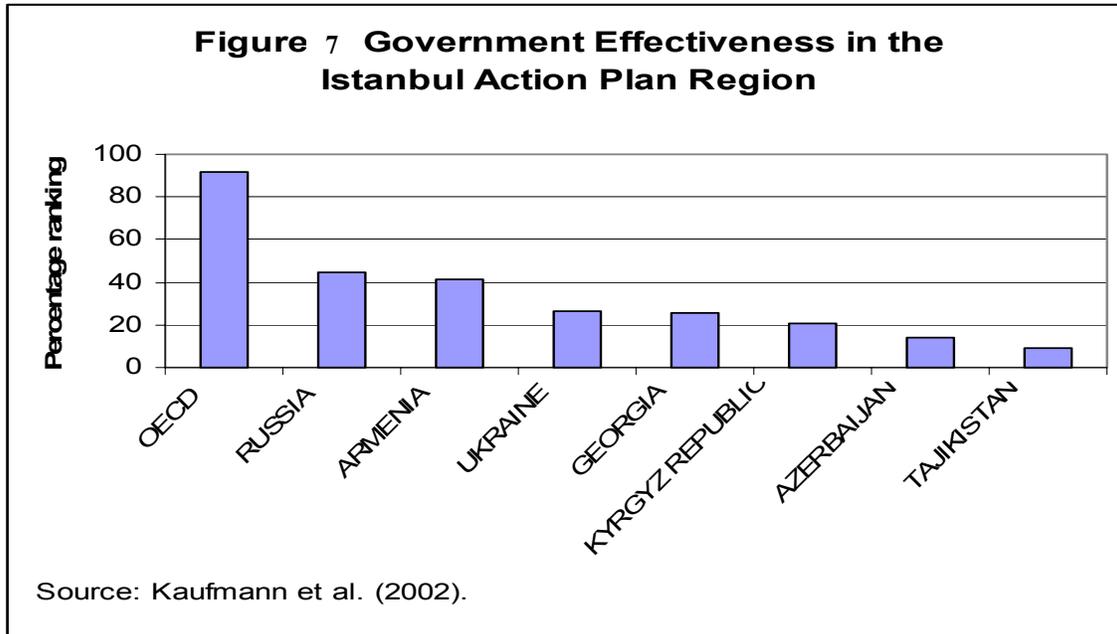
Even if legislative instruments, oversight mechanisms, and representation institutions are in place, and even if there is a political settlement, enforcement issues can still hamper parliamentary action on anti-corruption. In the 1980s and 1990s, donors worked on legislative and legal assistance, postulating that once laws were in place, institutions of enforcement would emerge given the incentive structures of legislation (Rapaczynski, 1996).<sup>29</sup> Irregardless of the “quality of such legislation,” experience suggests that enforcement was an issue. Figure 7 shows “government effectiveness” for several countries in the Caucasus region and Central Asia have low enforcement power relative to OECD member governments. Given the non-enforceability of these laws, often “transplants” from Western legislation, parliamentarians face a fundamental trade-off.<sup>30</sup>

<sup>27</sup> For more, see Anechiarico and Jacobs (1998).

<sup>28</sup> Fauchaux (2002) notes that interest groups can help a politician with publicity and even fund-raising but warns that these interest groups can dominate a parliamentary candidates’ agenda.

<sup>29</sup> A more stringent view, predominant during economic transition in Central and Eastern Europe, held that legislation itself would “spontaneously” emerge in response to incentives. For information on the World Bank’s legal and judicial support, see World Bank (2004) and Gupta *et al.* (2002) provide a favorable assessment.

<sup>30</sup> The effectiveness of Western legislative advice is controversial and this paper will not attempt to assess this work other than to point the reader to Schauer (2000).



The tradeoff is between liberalism and populism.<sup>31</sup> The social optimum for parliamentarians is to pass *liberal* legislation which forces executive agencies to “catch up” with the ideals embodied in the legislation. Prosecution of bribery is one example where new institutions of enforcement were developed in OECD countries to deal with anti-corruption provisions. In some cases, the optimum is politically attainable if the agency responsible for execution is given some power over the targets of regulation.<sup>32</sup> The parliamentarian’s optimum (given the political capital perspective) is to pass detailed legislation according to international “best practice” which is unenforceable.<sup>33</sup> Such legislation in the short-term helps the parliamentarian obtain political capital without threatening real interests. A variant of the parliamentarian’s optimum consists of applying rules that either apply selectively or randomly -- such as spot checks (Beker, 1968; Polinsky and Shavell, 2000). Such legislation creates the fear of enforcement without being overly “binding.” A parliamentarians pragmatic solution is to pass *populist but enforceable* legislation.<sup>34</sup> Coote (1997) finds that citizens tend to comply with laws not only due to fear of enforcement, but also if they are consistent with social norms. “Alignment” of legislation with social norms reduces the chances that laws are perceived

<sup>31</sup> Unsurprisingly, see Riker (1982) for more. Glaeser and Shleifer. (2003) also find that regulation was less vulnerable to subversion by business interests than litigation, thus supporting some form (if even a weak form) of liberalism.

<sup>32</sup> Law (2003) writes convincingly about the enforcement of the Pure Food and Drug Act, enforcement which was only possible due to the licensing powers given to what is now known as the Food and Drug Administration.

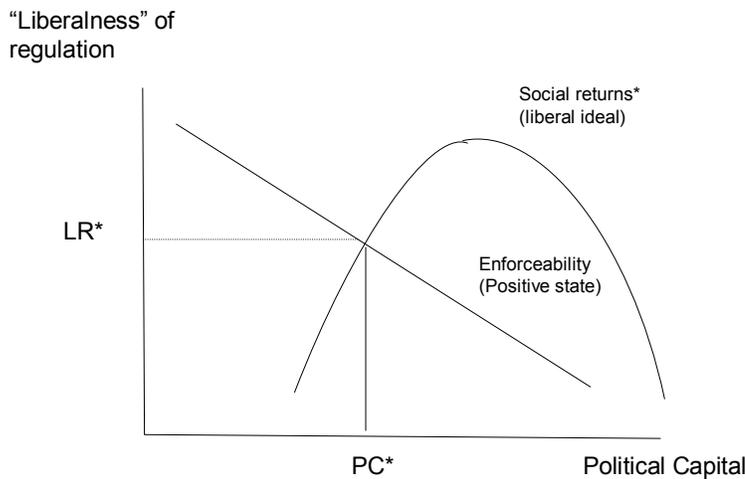
<sup>33</sup> Many countries’ adherence to the UN Convention Against Corruption represents such a situation, given that many under-developed countries do not have the capacity (or even political will) to enforce the Convention.

<sup>34</sup> Such legislation may need some help in the form of surveillance from the legislature (Mulgan, 1997). The recent debate on Regulatory Impact Assessment in Estonia suggests the “quality of regulation” tends to make certain regulations more or less “transparent”, liberal and enforceable” (Kasemets and Liiv 2004).

as unjust or irrelevant. Several scholars have asserted that much legislation fits this evolutionary profile (Hirschleifer, 1982; Anderson and Hill, 1975).

Figure 8 shows the trade-off between the liberal and populist modes of regulation. In a liberal world, where parliamentarians can pass completely enforceable laws, social returns rise and thus long-run political capital rises. However, less “unrealistic” anti-corruption legislation is less enforceable – and thus the line on the graph descends. As for enforceability, “populist” anti-corruption regulation promotes political capital as it conforms with the pre-existing political preferences of voters.<sup>35</sup> Thus, parliamentarians must trade-off their liberal ideals for practicality – and the result should be at a certain degree of liberalness (LR\*) and political capital (PC\*).

**Figure 8: Liberal versus Populist Legislation**



Given this inherent trade-off, liberality can help the parliamentarian if the State structures and others are responsive to such policy. Populism would result in more political capital, though, if little change can be accomplished in existing institutions. Given these constraints, donors should work to ensure that institutions can support a liberal vision as much as possible.

**Figure 9: Liberal Regulation Effects of Inter-Parliamentary Union’s Recommendations**

<i>Recommendation</i>	<i>Liberality Helps</i>	<i>Liberality Hurts (Enforcement)</i>	<i>Incentive Compatible Donor Actions</i>
<i>Law-making</i>	Voters ready for	Change fatigue	Provide liberal models

<sup>35</sup> The careful reader will note this effect agrees with Figure 3 such as political capital rises as the level of anti-corruption rises. Figure 8 refines this analysis to look at the quality as well as the quantity of anti-corruption regulation and action. If “liberalness” merely restates social welfare, then Figure 8 is simply a restatement of Figure 3.

	change		
	High State capacity	Too much democracy <sup>36</sup>	Methods of “parliamentary enforcement”
<b>Oversight</b>	Responsive executive	Other interests in society (business?) can police executive	Support to other “stakeholders”
	Shared liberal (developmental) vision <sup>37</sup>	Credibility crisis	Support of vision
<b>Representation</b>	Educated civil society	Fear of parliament	Work on “harmonisation”
	Active civil society	Credibility Crisis	Teaching non-government orgs to “do it yourself”

Source: Based on Inter-Parliamentary Union (2001).

## An Evaluation of Parliamentary Recommendations

The “technical merits” of recommendations like the Inter-Parliamentary Union’s are above question – “dictator” establishment of mechanisms based on these recommendations would probably decrease corruption. Yet, the political merits of executing these recommendations may be questioned. Figure 10 attempts to assess the incentive compatibility of each of the Inter-Parliamentary Union’s recommendations on average. A simple scale is employed from 1 to 5 where 5 is the most incentive-compatible and 1 is the least.

For law making, these laws can potentially translate into political capital, thus representing the “parliamentarian’s optimum” as discussed above. Enforceability of the legislation generally earns low ratings. Political sustainability (the risk of reprisal) is relatively low given the general nature of these laws. Finally, the human capital element is relatively low with the exception of specialised legislation such as that related to party finance.

**Figure 10: Recommendations from the Inter-Parliamentary Union**

<b>Recommendation</b>	<b>PC</b>	<b>E</b>	<b>PS</b>	<b>HC</b>
<b>Law-making</b>				
Vote appropriate anti-corruption legislation	3	1	3	2
Vote integrity legislation for members of parliaments	3	1	2	2

<sup>36</sup> Democracy may collapse due to lack of governability (see Huntington, 1991).

<sup>37</sup> For more on the impact of “the national model,” see Crouch and Streeck (1997) or Coates (2000) for a rejoinder.

Ensure that appropriate oversight legislation is adopted	2	3	2	4
Lobby their governments to sign and/or ratify relevant international instruments	3	2	3	1
Promote the passage of freedom of information legislation	3	3	2	3
Promote party-funding and electoral campaign legislation that fosters transparency	3	3	1	4
<b><i>Oversight</i></b>				
Reinforce mechanisms within parliament for bringing government to account	3	2	3	4
Ensure that the process for preparing and executing the national budget is transparent and provides for safeguards against government misuse of public funds and resources	3	4	3	5
Promote the creation of watchdog agencies such as the Auditor/Controller General, Ombudsman, etc	3	4	3	4
Ensure that the opposition is adequately represented in the parliamentary structures	2	2	2	2
Institute transparent and stringent mechanisms for the approval of senior government and public officials	2	3	3	2
<b><i>Representation (interaction with civil society)</i></b>				
Encourage the public to denounce and condemn corruption	2	2	4	2
Promote or participate in the promotion of high standards of probity and moral integrity through public awareness campaigns	3	2	4	2

Source: Inter-Parliamentary Union (2001).

The scale is 1 to 5 with 1 being the lowest. PC represents political capital, E represents possibility of enforcement, PS refers to political sustainability given possible reprisals, and HC refers to the “human capital” or technical competency needed in parliamentary offices.

For over-sight, the scores are more ambiguous. Political capital can be built to the extent that the public understands the importance of such oversight. Enforceability is possible to the extent that resources are available. Political sustainability is generally low given that executives are strong and legislatures weak.<sup>38</sup> Finally human capital generally must be quite high – as specialised tasks like auditing require specific skills.

<sup>38</sup> In this respect, Dewatripont and Roland’s (1995) theory of “divide and conquer” sequencing may be valid, as momentum slowly builds for reform.

As for representation, political capital can be high if “civil society” believes the parliamentarian is credibly representing their interests. The scores are middle range due to the credibility problem generally encountered by parliamentarians. Enforceability is low as civil society has very little “capacity” of its own – either in the investigative journalism sector or elsewhere. Political sustainability poses a risk as civil society can highlight perceived policy failures – even if they are successes. Finally, human capital can be low as these type of programmes usually involve parliamentary “cheerleading” (or moral suasion in slightly more technical language).

## Future Donor Work and Areas to Avoid

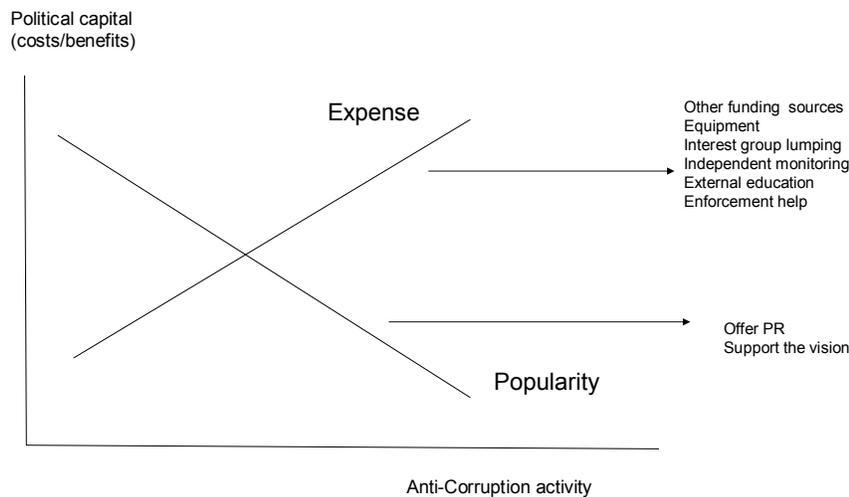
Given the simple political economy framework used in this analysis, donor work on parliamentary anti-corruption must increase political capital while decreasing the costs of acquiring that capital. Formally, it can change institutional incentives so as to promote the adoption of the Inter-Parliamentary Union’s recommendations. Figure 11 provides an overview of the incentive compatible actions.

<i>Recommendation</i>	<b>Political Capital Effects</b>	<b>Political Competition</b>	<b>Liberal Regulation</b>
<i>Law-making</i>	Offer good PR for “Mr. Clean”	Indirectly promote political competition between parties	Provide liberal models
	Offer alternate funding sources	Criticism of overly sectarian legislation	Methods of “parliamentary enforcement”
<i>Oversight</i>	Promote funding of parties and countries with a good record on corruption	International independent monitoring of national “independent monitoring”	Support to other “stakeholders”
	Fund equipment needed for institutional communication	Hard accounting systems	Support of vision
<i>Representation</i>	“Lump” interests groups together	External appraisal	Work on “harmonisation”
	Fund investigative journalism	Internal education	Teaching non-governemnt orgs to “do it yourself”

Given the suggested donor actions, Figure 12 shows the effects of such donor action on political capital acquisition costs and benefits. Most of the suggested actions reduce the cost of implementing the Union’s recommendations. For example, providing parliamentarians with alternative funding sources would reduce the political costs associated with alienating pro-corruption constituencies. Promoting education about tendering procedures would also, in theory, reduce the work parliamentarians must do to educate businesses in their constituencies. Building state capacity can help parliamentarians, as Falconer *et al.* (2001) note, “if public administration has a role to

play in supporting parliamentary work it will have to reflect critically on its foundations of efficiency, effectiveness and user (client) friendliness - key features of managing in the public sector but not necessarily political values.” As unpopular as the advice is being, teaching parliamentarians about the advantages of neo-liberal reform could be an effective way of reducing corruption under certain circumstances (Gerring et al., 2001). Golden (2002) finds that increased competition implicit with “globalisation” sparked investigations in Italy indicting corrupt politicians and businesspersons. All of these activities would shift the expense curve up thereby increasing political capital for less politically risky increases in anti-corruption activity.

Figure 12: Helping Others to Help Oneself



If donor work can increase the popularity of anti-corruption work done by parliamentarians, then both anti-corruption and political capital rise. Examples include the wide press coverage received by the UN Convention on Corruption.<sup>39</sup>

Given the possible range of donor activities which may change parliamentary political incentives to engage in anti-corruption, a number of risks can be identified. First, such work should avoid the appearance that parliament is being “depoliticised” or “bureaucratized.” Parliaments are, by design, political entities and any technocratic programme will eventually confront politics. Instead, political values must be clearly stated and discussed.<sup>40</sup> Second, international organisations should not be allowed to

<sup>39</sup> For more on the Convention, see [http://www.unodc.org/unodc/en/crime\\_convention\\_corruption.html](http://www.unodc.org/unodc/en/crime_convention_corruption.html).

<sup>40</sup> Lupo (2001) notes that “It consequently highlights the need for Parliaments, in order to be consistent with their historical mission of guaranteeing transparency and democratic nature of decision-making process, to lay down specific procedures and to adopt new instruments for the purpose of ensuring the enhancement of the quality of legislation becoming a **political objective**. In particular, through the

interfere in parliamentary work. Parliaments are designed to incorporate the political values of the country and not to serve the interests of international organisations. Too close links with the international organisations may well threaten their perceived sovereignty as well as the institution's legitimacy.<sup>41</sup> Third, donors working closely with parliamentarians and parliamentary networks need to avoid capture. Donor work needs to create political incentives. However, political incentives may drive recommendations for donor support – leading to projects which are too focused on short-term “awareness raising” rather than long term “capacity building.”<sup>42</sup>

## Conclusion

Simply providing parliamentarians with human capital (though this is really information and now knowledge) is insufficient. Parliamentarians must have the proper incentive structure and the proper organisations forms. In this paper, we discussed the ways that political capital can be fomented, how enforcement compatible legislation can be passed, how political sustainability can be achieved.

An important next step in assessing both the impact of parliamentary recommendations and the proposed actions in this paper will be to conduct a regulatory impact assessment (RIA). The preliminary data from Estonia – as shown in Kasemets (2001) shows that these assessments are useful for guiding policy toward legislatures. Future work will need to be done to assess parliamentary incentives as they perceive them – highlighting the role of RIAs. The preliminary data from Estonia and other CEE countries – as shown in Kasemets (2001) – indicates that these assessments are useful for guiding policy toward legislatures. Future work will need to be done to assess parliamentary incentives as they perceive them – highlighting the role of RIA as an institutional tool for more transparent and knowledge based policy-making and parliamentary debate.

The “first wave” of donor sponsored anti-corruption programmes usefully focused on elaborating recommendations for parliamentarians or tried to train them (develop human capital) in anti-corruption. Now it time for these programmes to take into account parliamentary incentives to adopt these recommendations and/or use this “knowledge.” This paper has discussed these incentives and the ways these programmes should and can help build political capital by managing voter demands, political competition, patronage, and enforcement.

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rationalisation and simplification of existing regulation and through the evaluation and verification of information provided by the executive concerning the effects of the new legislation” (italics ours).

<sup>41</sup> Bork (2003) convincingly argues that the internationalisation of the legislative process is increasingly violating the sovereignty and democracy of national institutions.

<sup>42</sup> For a more technical description of problems related to identifying such “public goods,” see Tideman and Tullock (1976) for a more formal discussion and Clark (2000) for a more approachable and fuller discussion.

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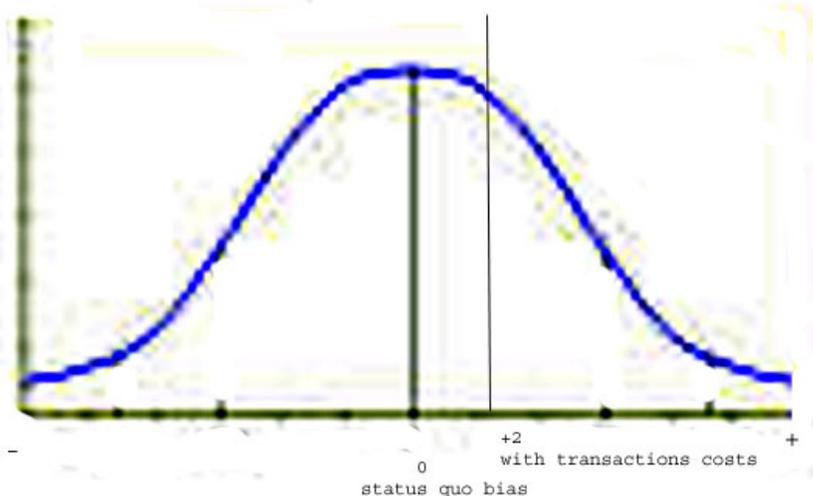
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## Appendix I: An Alternative Formulation of the Incentive Problem

A slightly more refined analysis – but qualitatively similar to the analysis presented in the text – would assess the costs and benefits for voting on anti-corruption reform. Assume a normal distribution (to expose the issues more clearly) of gains and losses from corruption for voters. Further assume the median voter is indifferent as he or she neither gains nor loses from corruption. Given these particular assumptions, a status quo bias would exist in this system. If transactions costs such as collecting information, exposing oneself to the ire of parliamentary colleagues, or risking negative enforcement exist, then these transaction costs would need to be paid by these tax payers before anti-corruption becomes incentive compatible.

Appendix Figure: Distribution of Gains from Corruption



Given this simple view, two types of activities should be undertaken to make anti-corruption politically incentive compatible. First, costs can be shifted such that the median voter experiences a positive gain from anti-corruption. Second, the distribution of gains and losses can be shifted such that the median voter is harmed with the same transactions costs. Of course, these results ignore a large amount of research such as Persson and Tabellini (1999) who find that “groups organised as a lobby have disproportionate influence on the final allocation, which generally results in sub-optimal allocations.” For simplicity, this paper will not address coalition models or models with minority voting power.