

Addressing Corruption in Haiti

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Abstract: In the aftermath of the disastrous earthquake of January 12, 2010, Haiti will receive unprecedented aid for reconstruction and for its promising economic strategy. But given the country's legacy of corruption, massive aid could simply result in another massive Haitian failure. Success hinges on facing corruption squarely and developing a hard-headed, politically sensitive anti-corruption strategy. How this could be done, given Haiti's realities and lessons from fighting corruption around the world, is the subject of this paper.

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This paper was prepared as an offering to Haitians and the many foreign friends who wish to help the country rebuild and reform. Email: robert.klitgaard@gmail.com.

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1. Success in Haiti: An Imaginary News Story from 2015

Five Years after the Quake, Haiti's "Model Recovery"

Port-au-Prince, February 13, 2015 (Reuters)—Only a few years ago, Haiti was considered by some a hopeless cause.

"After the earthquake of 2010, more than our buildings had collapsed," says Bonaventure Ouvert, a Haitian journalist. "Our economy was in ruins. There was almost no civil service. Our morale was devastated. Everyone assumed that Haiti would just drop deeper into our historic pattern of corruption and instability."

On the contrary, notes Masahito Okazaki of Transparency International. "Today the level of confidence in Haiti is high, and this reflects a remarkable effort by its leaders to create a state that serves its people's interests."

The percentage of people living in poverty has fallen from more than twice the mean of Caribbean countries to just above that mean. Growth has averaged over 7 percent per year, driven by clothing and textiles, agriculture, and foreign aid and investment. Haiti created a new system for managing reconstruction funds in a transparent way. Free zones have been developed, with good infrastructure and independent administration.

"Haiti's recovery is a model for other countries," observes Jules Fisher of *The Economist*. "Haiti has avoided most of the problems that arise after disasters and during the subsequent reconstruction."

Government in Partnership

Most people believe that behind Haiti's success lies effective governance, vital for the country's large new flows of aid and investment.

"Our government has learned how to work through partnerships," notes Alphonse Michel, Minister of Public Works, Transport, and Communications. "In reconstruction, and in activities ranging from social services to free zones to agriculture, we use a variety of public-private-nonprofit partnerships, all of them ethically led and carefully evaluated."

"They used foreign experts ruthlessly," notes the UNDP's Jürgen Frommer. "They took advantage of strategic help in areas like public works and social audits. They re-conceptualized the whole idea of foreign advisers, thinking of them primarily not as doers but as teachers and capacity builders."

The private sector has participated in "integrity pacts" in most sectors of public works. Here business leaders and government officials jointly pledge not to engage in bribery or other forms of illicit behavior—and to audit jointly any alleged violations.

Citizen surveys have been used to create "scorecards" for every government agency. Also, lawyers, accountants, and business people are interviewed to "diagnose" corrupt systems—and help design and monitor improvements.

These changes—coupled with strong, honest leadership—have led to surprising improvements. Performance indicators have been created for most sectors of government, and they are on the rise. For example, the cost per kilometer of roads built is about 30% less than the historical figure. The cost of constructing a rural school has also declined about 30%. Customs revenues per dollar spent in customs administration have risen to \$240 this year (the world standard is between \$200-\$300).

On Transparency International's Corruption Perception Index, Haiti has moved in five years from near the bottom of world rankings to just a place just behind Costa Rica and ahead of many other countries in the Americas.

Changing Image and Reality

"A major challenge for us was to defeat a mentality that Haiti could never succeed," says Minister Michel. "We still have much to do, but we believe that everyone realizes that Haiti is a place that is on the move, where excellence can thrive."

Important steps in this direction were to improve law and order and to create an effective system of property rights. "Development in so many other countries has foundered on property rights and the problem of creating a transparent and efficient legal system," Frommer observes. "Haiti gave these issues priority from the beginning, and it's working."

Haiti has been able to recapture talent that had gone abroad. Thousands of highly trained Haitians returned to work in public, private, and non-profit sectors. The government has also emphasized the development of talent within the country.

Leadership training has been another area of remarkable innovation. Haiti employed international

[The rest of story is not yet available]

2. Addressing Corruption in Haiti: An Overview

The imaginary news story above makes welcome reading. Five years from now, we learn, Haiti's post-earthquake reconstruction will be a great success. How this success will happen is only hinted at. But note this big idea: Haiti will surmount systemic corruption.

Impossible, many say. "The biggest obstacle to reconstruction and development in Haiti is corruption," they shrug. "But what can be done about that, especially here?"

The feeling of futility is part of the challenge in Haiti. To overcome it, we must begin with Haitian reality. ("We" of course means Haitians first and foremost.) We must appreciate the legacy of systemic corruption, understand Haiti's proposed economic strategy, and anticipate the scale and challenges of reconstruction.

Then we must look hard at the various phenomena that go under the rubric of corruption. We must understand corruption's costs, so that we do not simply sweep it under the rug in the name of reacting quickly and strongly to urgent human needs. We must understand corruption as a phenomenon of systems, rather than (just) of immoral individuals. And we must appreciate that systemic improvements have been made, even in very difficult settings. Experience in other countries shows how corruption can be prevented and subverted—if never, alas, eliminated.

Then we can turn to the implications for Haiti. How can Haiti's reconstruction and development efforts address the old realities and the new possibilities of systemic corruption?

3. Great Beginnings and Elephant Elites

In the aftermath of the earthquake of January 12, 2010, many people inside and outside Haiti have called for a new beginning. The crisis is an opportunity to remake the country, they say, not just the collapsed buildings but also the legacy of bad governance and systemic corruption. “I want this to be a new country,” President René Prével said at the end of January, waving his hands for emphasis. “I want it to be totally different.”

This yearning for a new Haiti is by no means something new. In April 2009, Prime Minister Michèle Duvivier Pierre-Louis gave an impassioned speech to Haiti’s aid donors (Pierre-Louis 2009a). “I believe that together we will seize this opportunity to make a real difference and change forever the course of history,” she said. “We strongly believe that Haiti is at a turning point, perhaps even a tipping point.” But she also acknowledged that in Haiti calling for a new beginning can evoke derisive laughter.

“In Haiti, popular comedians have for the past 50 years parodied the almost theatrical repeated announcement of a ‘Great Beginning’ in which they did not really believe themselves. The time has come to break away from such cynicism.”

“We Fall into the Same Trap Over and Over Again”

Michèle Pierre-Louis was present at another of Haiti’s “great beginnings.” In 1991, she was part of the new government of Jean-Bertrand Aristide, the first democratically elected president since Haiti became independent in 1804. Aristide came to office promising to wash away the old Haiti of Papa Doc and Baby Doc Duvalier, the *tonton macoutes*, the predatory corruption.

“It was very exhilarating, at the beginning,” Pierre-Louis told an interviewer in July 2009. “Everybody in the world was saying finally Haiti is going to come out, finally democracy is going to be built” (Pierre-Louis 2009b).

In 1991 Haiti was at a low point. One of Haiti’s ablest economists, Leslie Delatour, concluded: “Recent events in the economic and financial areas present clear evidence that the Haitian economic system is on the verge of a collapse.” In a book entitled *Paper Laws, Steel Bayonets: Breakdown of the Rule of Law in Haiti*, the Lawyers Committee for Human Rights concluded bluntly: “There is no system of justice in Haiti (Lawyers Committee for Human Rights 1990). Even to speak of a ‘Haitian justice system’ dignifies the brutal use of force by officers and soldiers, the chaos of Haitian courtrooms and prisons, and the corruption of judges and prosecutors.” Two experts in public administration, Derick Brinkerhoff and Carmen Halpern, said that Haiti’s “history and culture do not offer firm footing for transition to either democracy or ‘service government’... The road to change is filled with potholes and blind curves. Reformers beware.” (Brinkerhoff and Halpern 1989). A French anthropologist argued that rural people had given up on the Haitian state.

Their every action and inaction was designed to protect themselves against what Brinkerhoff and Halpern called “the sanctioned plunder that was and remains the core of Haitian politics.”

President Aristide promised a fresh start. He seemed to have what for years Haitian governments had lacked: integrity, political will, and popular support.

Six weeks after his inauguration, it was my good fortune to spend a week with President Aristide and some of his cabinet. “There has been a change of mentality,” he told me, “a political will not to have corruption, terrorism, drugs. We have begun a strategy that reflects the importance of transparency and participation.”

I talk to people and they say we cannot do anything with Haiti because it has always been corrupt. “They rob and they rob,” they say, and history demonstrates it. I’m shocked by hearing this; but it is true, it is a fact. But since we have come in, we are respecting the law and the rights of citizens. . . So we will change this impression and create confidence, in America and France and Germany. Our example will demonstrate this *change*, which is real.

The President directed his new ministers to root out corruption. They seemed to be listening. The Planning Minister told me, switching from French to English for emphasis, “The President is *dedicated* to this cause. I swear to you that each Minister is *committed* to fighting corruption.”

In April 1991, I wrote a short policy paper called “A New Start for Haiti?” I expressed the hope that Aristide’s mandate would enable something dramatically different, something that would change the psychology of defeatism. “Haiti may invite some people to despair,” I wrote. “But as President Aristide’s courageous example shows, Haiti is also a land of surprises” (Klitgaard 1991).

The next surprise came less than six months later, on September 29, 1991, when a military coup removed President Aristide from office.

Violence and repression followed; corruption resumed in force. Three years later, in 1994, Aristide was brought back to office with international help. But the hope he had represented had largely vanished. To many people, Aristide had become what he once had opposed, a dictator astride a machine of corruption. As Pierre-Louis (2009b) recalled:

Those were very long years, and something happened to the country and to the president. When he came back, I think things got really rough, we really started going down the drain. Somehow, something very deep happened in the mind of this country, and we have not really put our finger specifically on it.

Interviewer: What did you feel was different after the return of Aristide in 1994?

Pierre-Louis: The man himself had changed. He was married, he was into money, he was into corruption. He invented the *Petits Projets de la Présidence* [a corruption-riddled system of presidential largesse]. I don't think he had escaped from the Haitian president's syndrome, which is stay in power by all means.

There are many Haitian presidents who have fallen into that trap. Once that is your perspective and that is your project, all means are used... I don't think we know our history very well, and we fall into the same trap over and over again. It's unfortunate that we keep making the same mistakes.

Yesterday and Today

Now skip forward to 2008. Food riots and four hurricanes hammered Haiti, leading to a sudden loss of 15 to 20 percent in gross domestic product. The global recession undercut the ability to respond of Haiti and of the international community. But Haiti and its friends did take positive steps. A new economic strategy, crafted by Oxford University economist Paul Collier (2009) and developed with Haiti's many stakeholders, promised realistic and yet potentially transformative changes (more on this plan below). The April 2009 donors' meeting addressed by Prime Minister Pierre-Louis promised important partnerships. President Préval received international praise for leading the country forward.

The problem, however, is not just Haitian presidents. In her July 2009 interview, Prime Minister Pierre-Louis talked about Haiti's systemic corruption.

All the elites—the mulatto elites, the university elites, the union elites, the peasant elites—are like a huge elephant sitting on this country and you cannot move it, because there is no political class, because there are no political parties, and everyone becomes corrupted and perverted. If you can't go into that system, the system rejects you. And so far we have not found the wrench that will move this thing.

These words of the Prime Minister were received by many influential Haitians as a slap in the face. A Haitian political analyst blogged (my translation):

Her remarks, however justified against an obsolete political class and a largely corrupt economic elite, sapped her political support. The majority of the political parties have poorly received and digested her truths. Against her, a bloc has formed through the processes of illicit enrichment of the Bourdon Group close to the president and his wife. The numerous potential candidates for the presidency are made very nervous by her presence in the prime minister's office. Together these political sectors did not wait for the constitutionally mandated delay of one year in office to attack her (Lucas 2009).

One of the justifications for their attacks on Pierre-Louis turned out to be: corruption. Widespread rumors said that part of \$197 million in aid following the 2008 hurricanes had disappeared. Since it was her government, her critics said, she was to blame.

Under fire, Prime Minister Pierre-Louis addressed the nation on October 27, 2009. She defended herself against the critiques. Three audits of the emergency fund would show that accusations of corruption were unwarranted. She reviewed the achievements during her year as head of government. She emphasized the creation of a new image of Haiti, a new discourse about public administration and the role of the state. She underlined the efforts her government had made to improve the situation of the people and “change the negative image given to Haiti at the international level.” In terms of international cooperation, she spoke of “a change of paradigm.”

Two days later, on October 29, the Haitian Senate voted to dismiss Michèle Pierre-Louis and her government. Her own great beginning was over.

The Earth Moves

And now, of course, the world has turned its attention to Haiti once more. The horrific earthquake of January 12, 2010, has been called the world’s greatest peacetime disaster apart from the 2004 Asian tsunami. President Barack Obama quickly galvanized an unprecedented U.S. relief effort. Other international actors also reacted strongly. As I write several weeks after the earthquake, one sees progress in relief work and the first steps toward an international strategy for reconstruction and development. One hears calls for a Marshall Plan for Haiti. One hears rhetoric about a new beginning, such as President Préval’s words cited above, or those of John Miller Beauvoir, a young Haitian NGO leader: “I think we should bury the status quo under the rubble.”

And predictably, one also hears what Pierre-Louis called that old cynicism about Haiti. “Despite the best intentions of the international community,” declares the lead paragraph of a Reuters news story fourteen days after the earthquake, “Haitians have little faith they will see the billions of dollars in aid pledged to rebuild their earthquake-shattered country, which international monitors rate as one of the world’s most corrupt” (Zengerle 2010). One learns of crime mounting from an already high level, thanks to a combination of thousands of escaped prisoners, greater economic privations, and new criminal opportunities following the earthquake. Some have speculated that the drug economy, already huge in Haiti, will flourish further in the chaos of 2010 and beyond. “Haiti has always been a weak link against drug trafficking,” said Ivelaw Griffith of the City University of New York. “It’s a grave situation, and it’s going to get graver, because people are now going to be even more susceptible to whatever corrupting forces are out there” (Hawley 2010).

These are realities that Haiti's reconstruction and development strategies must face. It is no use saying, as one leading development economist did, that talk about corruption is just an excuse for not doing anything. It is no use writing, as two international experts on Haiti recently did, "Of course Haiti has failed, failed and failed again. Yet episodes of traumatic failure are ingrained in the histories of even the most advanced economies" and then simply moving on to the need for aid (Collier and Warnholz 2010).

It is also of no use, at least not until we do the analysis, to jump to the conclusion that Haiti's legacy of failure makes Haiti a hopeless case. We should instead ask how the design and implementation of Haiti's reconstruction and development strategy might address "the sanctioned plunder that was and remains the core of Haitian politics." This is the goal of this paper.

4. Haiti's Economic Strategy

A legacy of systemic corruption is one part of Haiti's reality. Another is Haiti's impressive new economic strategy (Collier 2009 and Government of Haiti 2009). How do the corruption and the strategy interact?

The economic strategy, written before the earthquake, focuses on jobs, basic services, food security, and the environment. The strategy is under no illusion about the competence or probity of Haitian state institutions. It calls for many public-private partnerships, which though they involve government leadership and monitoring also include NGOs and the private sector, as well as international partners. It also calls for new institutions, such as property rights courts for free zones.

In Table 1, I try to provide the key elements of the economic strategy and some of the critical roles the strategy asks the Haitian government to perform.

Several points are worth underscoring.

First, both reconstruction and the new economic strategy will rely heavily on **public-private-nonprofit partnerships**. Government officials will have to learn how to design and manage partnerships for rebuilding cities and infrastructure, for maintenance, for free zones, for the garment industry, to name a few. These tasks require going beyond the standard repertoire of public administration.

Second, some **new government entities** are foreseen, such as a dedicated court to hear land claims in free zone areas and one or more independent service authorities for social services.

In Haiti, unusually for developing countries, most social services are now provided by nongovernmental organizations (NGOs) and private sector. In part, this reflects the weakness of Haiti's government, particularly in rural areas, and the desire of donors to evade possible mismanagement and corruption. But the current system is said to suffer from geographic imbalances, some current services of very low quality, and nonoptimal subsidies for particular services in particular areas.

Therefore, the country's economic strategy recommends the creation of a government-led Independent Service Authority (ISA)—or perhaps more than one—to coordinate and co-fund NGO and private-sector provision of social services. This quasi-independent public organization would implement policies set by government ministries (health, education, and so forth). An ISA would have three functions: take in money from donors and government; channel the money via contracts to providers; and monitor the performance, creating competition, with best providers being scaled up. An ISA would have a board with a government majority but with participation from donors and other pertinent actors. How to create and run such

an agency, how to lead and manage such a board, would be new challenges for Haiti’s government—and for its partners.

Table 1
Schematic Summary of Governance Challenges in Haiti’s Economic Strategy

Objective	Priority	Role of State	Key Innovations	New Skills
Jobs	Expand garment industry	Improve and expand free zones Create better partnerships with garment industries	Property rights fast track New maintenance funding and mgt for roads New private roles in electricity and ports New management of Customs in free zones New partnerships with garment industries	Property rights reforms and fast-track mgt. Regulating enhanced free zones Creating and managing maintenance partnerships Designing and regulating private roles in electricity and ports Contract with and supervise outside mgt of Customs Creating and managing partnerships with garment industries
	Labor-intensive works with maintenance (roads, reconstruction, etc.)	Encourage use of labor-intensive methods Revamp maintenance systems	New ways to fund and perhaps to deliver the maintenance of roads (and other infrastructure) New ways to involve citizens in design and implementation of reconstruction New ways to monitor quality and conditions	Create and manage new relationships with donors, businesses involved in infrastructure, and citizens’ groups—in design and in maintenance Design and manage new processes for citizen involvement in reconstruction. Create and use flows of objective information about activities and results
	Expand mango exports (and more generally agricultural development)	Create new free zones in agriculture Facilitate farm-to-market transactions	Setting up rural free zones Property rights, including fast track in free zone Lead in the design, maintenance, and mgt. of rural roads	Creation and regulation of free zones Property rights reforms and fast-track mgt Creating and managing maintenance partnerships

Basic services	Extend and unify basic public services to all of Haiti	Lead and regulate efforts by NGOs and private providers	Create independent service authority for public services (more than one?)	Creation, mgt., and evaluation of independent service authority(-ies), combining government, NGOs, and private sector Create and use flows of objective information about activities and results—including systems for client feedback
Food security	With donors, create a virtual insurance policy against large jumps in world food prices Enhance domestic food production	Food-for-work scheme plus tapered subsidies Earmark aid budget for “insurance” Facilitate farm-to-market transactions	New schemes of many kinds New ways to fund and perhaps to deliver the maintenance of rural roads	Creation and mgt of domestic and international partnerships to provide food for work, subsidies, and virtual insurance Improve partnerships for design and maintenance of rural roads, with donors, businesses, and rural people
Environment	Reforest Haiti	Create clear and marketable property rights Improve maintenance Change prices of charcoal (+) and “gas bombs” (-) Reduce population pressure in rural areas	Redo property rights from laws to registries New public-private partnerships for maintenance of forests and of land agreements	Property rights reforms and fast-track mgt. Creating and managing maintenance partnerships

Third, the partnerships depend on the **evaluation of activities and results**. Evaluation is notoriously difficult in settings like Haiti’s, for reasons of cost, data quality, data analysis, and possibilities for distortion. Nonetheless, around the world exciting examples exist of the use of feedback from citizens and partners to gauge what is working and what isn’t. The demand for such information is another

challenge, and the developing world is replete with examples of performance data that policymakers (and citizens) ignore. The best way to make sure that people care about performance is to have their own incentives linked to evaluation. This opens a large area of both concern and promise, where international experience should help guide Haitian officials and their partners.

Finally, all the priority areas in the economic strategy, plus of course the huge reconstruction effort, are susceptible to **corruption**. More on this below.

For the economic strategy to succeed, therefore, the Haitian government and its partners will need strong skills, some of them novel. Some of the skills are cross-cutting, others are area-specific.

- **Cross-cutting skills.** Designing and managing public-private partnerships. Public works and reconstruction: planning, management, and maintenance. Evaluation. Preventing corruption.
- **Area-specific skills.** Property rights reforms and administration. Free zones (clothing; agriculture). Enabling and regulating the private provision of electricity. Enabling and regulating private ports. Customs reform (managing private customs organizations in free zones; computerizing customs data elsewhere)

Haiti's massive reconstruction effort, still undefined at this writing, will no doubt also demand better governance. Large-scale public works programs are notorious in Haiti and elsewhere for inefficiency and corruption. Moving people from disaster-susceptible areas to other parts of Haiti will require sophisticated planning, political mobilization, security, and property rights. Haitian public officials will have to do new things, and do old things in different ways.

The challenge goes beyond the mustering and development of new skills. In a demoralized public sector, an important task will be to rebuild pride in Haiti and in public service. The greatest lack is said to be ethical leadership and effective management. How to address these needs is a first-order challenge for Haiti and its international friends.

Finally, the subject of this paper, corruption. Haiti's economic strategy raises old and new challenges of good government. Public-private partnerships have the promise of shared information and comparative advantage. They have the potential disadvantages of creating of a quasi-monopoly, increasing cronyism, and inadvertently promoting a kind of "regulatory capture" on steroids. Privatizing port activities or electricity provision promises lower costs but in many countries is also the occasion for grand corruption. Independent service authorities need to guard against a government takeover of NGO and private activities, with the threat of cooptation and corruption, and the loss of diversity and competition inherent in a decentralized system of service providers. And reconstruction after emergencies is

fraught with corruption even in advanced countries, but especially where accounting is weak and people are not widely involved in monitoring public works.

In Haiti, therefore, improved governance and anti-corruption should be central components of reconstruction and development. Given the legacy of poor governance and systemic corruption, how can this be accomplished?

5. International Lessons on Combating Corruption

Even an economic strategy as sensitive to governmental weakness as Haiti's is will require new governmental roles and skills. Even a plan that envisions so many public-private partnerships will face daunting risks of incompetence and corruption. Can Haiti and its international partners possibly overcome these risks?

The question has an all-too-ready answer: "Not here." The psychology of pessimism in Haiti is not delusional, although it sometimes draws on some delusional rhetoric (racism, imperialism, and so forth). History in Haiti does not lead to optimism. Haiti's current problems do include frightening levels of violence (Eberstadt 2006), widespread childhood slavery (Cadet 1998), and appalling governance (and sometimes in rural areas no governance). And yet when we confront people who cite these facts as evidence that Haiti is beyond hope—be they Haitians or outsiders—it is tempting to shout them down ("racists") or simply to cheer the Haitian equivalent of "yes, we can." It is difficult to face up to systemic corruption. We fear that admitting the problem will derail reconstruction and development efforts, because we assume, wrongly, that nothing can be done about systemic corruption.

This phenomenon is not at all confined to Haiti. Around the world, railing against corruption is popular in local newspapers and in international agencies. But if corruption is admitted to be a central problem, what can be done about it? This question quickly changes the complainers' tune from impassioned outcry to embittered cynicism. "Nothing can be done about corruption," many of the same citizens and journalists and officials will mutter sadly, if privately. This mismatch between diagnosis and response, between heart and head, means that we do too little about corruption.

Corruption Cripples Development

So what? "What is the problem about corruption?" was the title of an article by political scientist Colin Leys more than four decades ago (Leys 1965). His answer: corruption is not much of a problem. Leys argued that corruption has its functions, sometimes even its benefits. Under awful conditions, bribery may be socially and not just privately beneficial. The political scientist Samuel Huntington (2006 [1968]) noted: "In terms of economic growth the only thing worse than a society with a rigid, overcentralized, dishonest bureaucracy is one with a rigid, overcentralized, honest bureaucracy."

These scholars of the 1960s had a point. But today, informed by both careful case studies and econometric estimates, we have abundant evidence of corruption's many costs. Systemic corruption distorts incentives, undermines institutions, and redistributes wealth and power to the undeserving. Corruption slows economic progress. Axel Dreher and his colleagues (2007) estimate that corruption is

responsible for a reduction of 58 percent in per capita income in Latin America and the Caribbean, and 63 percent in sub-Saharan Africa and south Asia. My research with Johannes Fedderke shows that other things equal countries with more corruption have less investment, and each dollar of investment has less impact on growth (Klitgaard et al. 2005; Fedderke and Klitgaard 2006). Daniel Kaufmann and colleagues (2009) have shown that measures of poor governance, such as high corruption, lack of rule of law, and lack of citizen voice, have direct and negative effects on long-term outcomes such as infant mortality and educational attainment. Corruption undercuts democracy and decentralization. As John T. Noonan (1984) put it, dictatorship and corruption are the two great sins of government.

We should not think of opposing corruption in Haiti or elsewhere because we are goody-goodies and corruption is sinful. We fight corruption because it hurts what we most want to achieve in society.

Can anything be done about corruption? The short answer is yes. Around the world, one finds inspiring examples of cities and towns, ministries and agencies, and countries making progress in the fight against corruption. Not everywhere, to be sure, and even with the success stories progress is not overnight. Success is always incomplete, and “recorruption” is always a threat (Dininio 2005).

Despite success stories in reducing corruption, it is surprising how cynical people can become about this subject, to the point of fallacy. “Corruption has existed throughout history. Every country has corruption, even the most advanced. So, what can be done about corruption? Nothing.”

To see the fallacy clearly, substitute “disease” for “corruption.” No one would conclude that nothing can be done about disease, that there is no use for public health programs, doctors, hospitals, or medicine.

Like disease, corruption comes in many forms, some cancerous, some mild. Like disease, corruption can be widespread like a pandemic or occasional like the mumps. Like disease, prevention is important, and so is treatment of diseased members of the body politic. Fortunately, we can learn from other countries about preventive measures and cures for the various diseases grouped under corruption. Of course, the problems and the settings differ, so we cannot simply copy. But common themes emerge.

- a. Successful reformers change institutional cultures.
- b. They mobilize and coordinate a variety of resources inside and outside the government.
- c. They think in terms of corrupt systems instead of corrupt individuals.

How to Change the Institutional Culture

When corruption is widespread, the institutional culture grows sick. The norm is corruption; expectations are that corruption will continue. Cynicism and despair

become widespread. Change seems impossible. Even so, there are cases where leaders have made substantial progress in changing a sick institutional culture. The leaders begin by sending a strong signal of change. Not just words: in corrupt societies, people have heard plenty of rhetoric about corruption and now don't believe it.

Fry Big Fish

To break through this culture of corruption, experience indicates that “frying big fish” is essential. Big, corrupt actors must be named and punished so that a cynical citizenry believes that an anti-corruption drive is more than words. This includes those giving as well as those receiving bribes. It is also important that a campaign against corruption is not confused with a campaign against the opposition. Importantly, therefore, one of the first big fish should preferably come from the political party in power.

In Hong Kong, for example, credibility for the new Independent Commission against Corruption came when an ex-police commissioner of Hong Kong was extradited from retirement in England and punished in Hong Kong. The ICAC also nailed scores of other high-ranking police officials. To a skeptical public and a hardened civil service, these prosecutions sent a credible signal of change. As a former ICAC commissioner wrote:

An important point we had to bear in mind (and still have to) is the status of people we prosecute. The public tends to measure effectiveness by status! Will they all be small, unimportant people, or will there be amongst them a proportionate number of high-status people? Nothing will kill public confidence quicker than the belief that the anti-corruption effort is directed only at those below a certain level in society (Williams 1983).

Just after he assumed power in Colombia, President Andrés Pastrana's anti-corruption team flew to several regions and held hearings about supposedly corrupt mayors and governors. The team had the power to suspend people from these offices—something that leaders in other countries may not have—and the team used this power to send a signal to the local leaders and to the whole country. The President's anti-corruption team also went after a specific case of corruption in the Congress—choosing as the big fish people from the President's own party.

Under President Susilo Bambang Yudhoyono, Indonesia's Corruption Eradication Commission has won global praise for its performance. It has successfully prosecuted scores of public servants, some of them extremely senior, as well as business people giving bribes.

In 2001-2002, President Enrique Bolaños of Nicaragua went one step further. He locked up the former President Arturo Alemán, under whom Bolaños had served as Vice President, on charges of corruption.

Even though “frying big fish” is an indispensable step in breaking the culture of impunity, the emphasis on past offenders can be overdone. An analogy with health policy is germane. Individual cases of grave illness must be dealt with. But in the long run, prevention deserves priority. Therefore, after frying a few big fish, the strategy should emphasize prevention and the reform of institutions.

Pick Visible, Low-hanging Fruit

A second principle used by successful reformers is to show progress in some highly visible areas within six to twelve months. These leaders do not tackle the most important problem first, if that problem is very difficult. To build momentum, it is good to begin an anti-corruption campaign where citizens perceive it to be most evident and most annoying, or where the political leadership has given a field particular salience, or where it is believed that corruption is undercutting economic reform.

In doing so, these leaders create short-term successes that can change public expectations: “Maybe things can change...maybe they will change.” Short-term success builds momentum for deeper, long-term reforms.

Bring in “New Blood”

Even when they work with people within existing institutions, effective reformers invite in people from outside. This “new blood” might be young people to be “eyes and ears” (as Mayor Ronald MacLean-Abaroa did with interns in La Paz, Bolivia), business people to take important public positions (for example, the Anti-Corruption Czar under President Pastrana and several leaders of President Vicente Fox’s reform efforts in Mexico), and young accountants to partner with “senior heroes” in in-depth investigations (as in the case of Efren Plana, who famously cleaned up the Philippines’ Bureau of Internal Revenue more than two decades ago).

How to Mobilize Allies

Coordinate Government Institutions

A successful fight against systemic corruption must involve more than one agency of government. Long-term success requires the contributions of the supreme audit authority, the police, the prosecutors, the courts, the finance functions of government, and others. The fight against corruption also requires a strong leader—someone strategic and brave and politically astute. But the leadership trait that is most important is the ability to mobilize other actors and to coordinate their efforts productively. The task is not command and control, but mobilization and coordination.

For example, in Colombia the Anti-Corruption Czars of Presidents Pastrana and Alvaro Uribe have created mechanisms for coordination across major ministries and agencies of government (auditing, investigation, prosecution, and so forth). Hong Kong’s Independent Commission against Corruption works in three areas—

prosecution, prevention, and public relations. In each area, the ICAC works closely with and through other government agencies.

Involve Public Servants

Surprisingly perhaps, it turns out that even public servants involved in corrupt systems are willing and able to analyze where those systems are vulnerable to corruption—as long as the focus is on corrupt systems and not on condemning isolated individuals.

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

Mobilize Citizens

The government must invite those outside of government to become part of the solution. After all, corruption is not confined to the public sector. Business people and lawyers pay the bribes while condemning the phenomenon of bribery. They find themselves in a situation described in the novel *Catch-22*:

“But suppose everybody on our side felt that way?”

“Then I’d certainly be a damned fool to feel any other way. Wouldn’t I?”

Only collective action and credible, systematic reform can break out of this corrupt equilibrium. Citizens should be part of the solution. How?

Mayor MacLean invited citizens’ groups to become involved in local public works, which enabled new kinds of accountability. So did Mayor Jesse Robredo in Naga City, Philippines, and Mayor Elba Soto in Campo Elias, Venezuela. Mayor Soto created an Office for Development and Citizen Participation, using citizens as eyes and ears to insure successful implementation of public works. Benin’s National Front of Organizations against Corruption discovered adulteration of glucose sacks distributed by the government, leading to wide publicity and a conviction.

Citizens know where corruption is and how corrupt systems work. Lawyers understand the workings of corruption in legal systems. Accountants know the illicit games played with audits. Business people understand how corrupt systems of procurement and contracting work. Citizens know where bribery shapes the services they receive (or don’t receive).

This knowledge can be culled in many ways. In surveys, people can be asked *where* they perceive corruption to be occurring. In confidential interviews, insiders can be asked *how* a corrupt system works. For example, a study of a procurement system may lay out the various steps: prequalification of bidders, technical criteria and their weights, the judging of the various bids, the process for post-award changes, and the payment of the contract. Each of these may be subject to corruption. Interviewees are asked, in effect, “Here is how things are supposed to work in

prequalification. In your experience, what problems tend to emerge? How prevalent do you guess these problems are? What distortions are created?"

The results of many such interviews (perhaps fifteen or more) can then be the basis for a diagnostic of a procurement system. The diagnostic can be shared with the interviewees for comments and corrections. The final version can be shared with many parties, including the government, and used to plan remedial actions. A year later, the interviews and surveys can be repeated. Progress can be assessed. New remedial actions can be recommended.

Mobilize International Partners

Successful leaders also mobilize international assistance in the fight against corruption. Foreign aid can be used to fund the diagnosis of corrupt systems. Aid can enable experiments, such as "report cards" where citizens give marks to different public services (Paul 2002), and incentive reforms.

Preventive Measures through Better Systems

In the longer term, reducing corruption requires better systems. Successful leaders understood that better systems go beyond better laws and codes of conduct. Corruption can be understood through a stylized formula:

$$\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability.}$$

Corruption flourishes when someone has monopoly power over a good or service, has the discretion to decide how much you get or whether you get any at all, and where accountability is weak. It also is affected by positive and negative incentives. So, corruption-fighters must reduce monopoly, limit and clarify discretion, and increase transparency in many ways. And they must alter incentives.

i. Reduce Monopoly

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

ii. Limit Discretion

Limiting discretion means clarifying the rules of the game and making them available to the common man and woman. Mayor MacLean-Abaroa created a "Manual for the Paceño," which described simply and in three languages what was required to get a permit, build a house, start a business, and so forth. President Pastrana used the Internet to limit discretion: it became harder for a government

official to trick a citizen because the rules of the game were available online. Judge Plana simplified the tax code, making it simpler to understand and reducing thereby the effective discretion of tax officials.

iii. Enhance Accountability

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

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

Efforts in e-government are proliferating around the world, with the promise of reducing corruption. President Pastrana's team used the Internet to publicize all contracts and budgets—and also to enable citizens to denounce cases of inefficiency and possible corruption. Similar efforts in Mexico and Korea, among many others, have led to documented reductions in corruption.

Accountability is also increased by inviting outside agencies to audit, monitor, and evaluate. Less formally, the press is an important source of accountability. Following the tsunami in Aceh, Indonesia, a team of local journalists produced a daily one-hour radio program dedicated to the rehabilitation and reconstruction effort. These journalists acted as watchdogs, often drawing attention to cases of corruption.

iv. Reform Incentives

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

improving information about performance and the incentives attending good and bad performance.

v. Ethics Reforms

What about ethics and morality? Successful leaders set a good example. They sometimes create ethics programs for employees and citizens. Codes of conduct can be useful.

Nonetheless, in the success stories I have studied, what might be called “moral reforms” are not a key to long-term success. Rather, the keys seem to revolve around systems that provide better incentives for imperfect human beings to perform in the public interest—and to avoid corruption.

How to Subvert Systemic Corruption

There is another set of anti-corruption tools, which go beyond prevention. They come into play in situations where corruption has become systemic. Consider a real example, stylized and made anonymous. The example is not Haitian, but some of the phenomena may sound familiar.

A government agency we’ll call PHS buys pharmaceuticals and distributes them to the poor. There are eligibility cards and subsidies, supply chains and special health posts, and lots of contracting and procurement. Corruption has always existed in PHS. But suddenly, things get worse.

The country’s president is involved in a scandal. He may be impeached. Parliament forms a committee to investigate and judge the president. The president and his party try to influence the committee. A relative of the committee chairman is named the director of PHS. Other new appointments in PHS involve people from the same region as the committee chairman.

Procurement in PHS becomes deeply corrupted. Competitive bidding, once the norm in 90 percent of the procurement contracts, is used in less than half. The other contracts are declared “emergencies.” They are now handled through the PHS’s regional offices, and contracts are let without competition. In these regional offices, always scarce on talent and on oversight, the new leadership of PHS combines the heretofore separate functions of procurement and internal auditing. In the words of one official, “Many of these people decide which firms will get the contract and then both manage the project and are responsible for auditing it.”

Even when procurement is competitive, abuses spread. Specifications are tailored to enhance the chances of favored suppliers. Cost overruns are approved in exchange for bribes.

Political influence paralyzes external controls. Parliament names a new director of the Supreme Audit Agency, and the president’s party installs a compliant individual. The Attorney General, the president’s old friend, is unwilling to pursue sensitive cases.

As the corruption in PHS grows, organizational chaos ensues. The manual of procedures is abandoned. Eligibility cards are allocated through extortion and fraud. Some files disappear, then many, so that even if investigations or audits are started there are often no records. No one is sure if contracts have been let, or if funds are available. As a result, some contractors are not paid. Delays and further rounds of corruption follow. Eventually, suppliers charge higher prices or retire from this market, leading to less competition and further opportunities for corruption and inefficiency. An honest auditor finds a PHS warehouse full of televisions, champagne glasses, and so forth. Straightforward theft becomes widespread, and medicines disappear.

PHS free falls into financial collapse. Health care for the poor disintegrates.

Under Normal Circumstances, Do This

What to do? When facing normal levels of corruption, a variety of preventive measures can be pursued.

1. *“Agents”* (that is, public officials) are selected on the basis of competence and honesty.
2. *Incentives* are structured to reward projects and purchases with excellent results. Penalties are exacted on those who give or receive bribes.
3. A variety of mechanisms are used to gather *information* about the possibilities of corrupt behavior at each stage—information ranging from bidding patterns to comparative costs to the lifestyles of the individuals involved (are officials living beyond their salaries?).
4. *Competition* is encouraged.
5. Official *discretion* is circumscribed, for example by objective studies and clear criteria.
6. The *moral costs* of corrupt behavior are sometimes emphasized through codes of conduct, publicity campaigns, and the encouragement of reputations for probity by the firms involved.

Under most conditions, these are valuable measures. But where corruption has become systemic, government suffers a breakdown in its ability to act in each of the six areas. Take the PHS, for example.

1. Suddenly, key *“agents”* are selected through a political process whose purpose is to give them access to public wealth.
2. Their *incentives* are to make money for their political masters, and they are protected by those masters and by the president who is in the masters’ debt. Careers in PHS are not advanced through a record of economical purchases and successful projects. Contracting firms are not punished for poor results. There are few official incentives to discover and prosecute corruption, and increasingly

there are strong political pressures not to do so. The penalties for corruption are weak and occur only rarely.

3. The many possible mechanisms used to gather *information* about performance and about possible corruption are underemployed or abandoned. Within PHS, financial and then administrative chaos has gutted record-keeping and accounting, so that information useful to investigate and control corruption is often missing.
4. *Competition* has been undercut in many ways. Instead of using a well-organized procurement process that uses technical criteria to judge bids and firms, contracting is decentralized and is subject to the classic formula: corruption equals monopoly plus discretion minus accountability.
5. Some political appointees have the *discretion* to let contracts without competition or technical reviews.
6. The *moral costs* of corruption diminish as systemic corruption takes hold. Honest firms find it harder to do honest business. Reputation matters less and less, and phantom firms are created for corrupt purposes.

When systems are so thoroughly corrupted, there may be little if any political will. Calling for better agents, improved incentives, better information, more competition, less official discretion, and higher moral costs is well and good. But who's going to listen? Who's going to act? When corruption reaches this point, the usual anti-corruption remedies may have little traction. Now what?

The Analogy of Disease

Consider an obviously imperfect but nonetheless suggestive analogy. In some ways, corruption is like HIV/AIDS. It is a problem in every country, and especially prevalent and damaging in a few. It has aspects of a contagion. It is based on private behavior, usually consenting, which the prevailing moral code usually considers immoral. The social consequences are at many levels, including economic. Finally, the disease is difficult to combat, and it may adapt itself to efforts to defeat it.

Like HIV/AIDS, corruption has moral dimensions and is particularly prevalent in certain subcultures. What might be called the first level of reacting to both problems raises consciousness. This immoral behavior has pernicious social consequences. The cure? Moral renovation, cultural change, an elevation of consciousness. (Incidentally, this is where Colin Leys (1985) sought a remedy. The "line of escape," he wrote, is "a nucleus of 'puritans' applying pressure for a code of ethics.") The problem with this advice is practical. Alas, we know little about how to engineer a moral renovation. So, just as with HIV/AIDS, we must also work at other levels.

A second level of reacting to AIDS or to corruption emphasizes prevention: keep healthy bodies free of the disease. The anti-corruption measures described above, from selecting better agents to raising the moral costs of corruption, are derived from this approach.

But what if corruption has already become embedded in the body politic? When prevention fails, a third level of fighting corruption is also needed, one that goes after the disease. This requires a different approach, as Table 2 suggests.

In addition to strengthening government institutions, the task is now to weaken corrupt institutions. This is difficult but not impossible. To engage in corruption a government official and a private party have to identify each other as potential corrupt partners, find a way to reach and enforce an agreement, and then deliver what each has promised. Each of these steps can be difficult, and each has vulnerabilities to detection.

So, one asks how the corrupt systems work. How are corrupt buyers and sellers found and matched? How do they make and enforce their implicit contracts? What footprints do their illicit transaction create, and how do they try to cover them up?

Table 2
Levels Two and Three in the Fight against Corruption

	Level Two: Fighting “Ordinary” Corruption	Level Three: Fighting Systemic Corruption
Key metaphor	Controlling corruption	Subverting corruption
Medical analogy	Strengthen the body to prevent the disease from taking hold. Examples: exercise, nutrition, lifestyle.	Attack the disease itself. Examples: antibiotics, chemotherapy, surgery.
Use analysis to find out	Where healthy systems are vulnerable and how to strengthen them	Where organized corruption is itself vulnerable and how to weaken it
Some key analytical questions	How are agents selected? How is the principal-agent-client relationship structured? What are the incentives? How can discretion be clarified and circumscribed? How can accountability be enhanced? How can the moral costs be increased?	How are corrupt deals made? Kept secret? How are corrupt goods and services delivered? How are members recruited and disciplined? What “footprints” are there from all these things? How can risks and penalties be created or enhanced? How is impunity now supplied and where is it vulnerable?
Draw inspiration from	Best practice in business management; public health programs	Best practice in fighting organized crime; pathology and medicine
Key functions in the fight against corruption	Audit, systems design, incentive and personnel system, control, citizen oversight	All of these, plus undercover agents, infiltrators, turncoats and key witnesses, “dirty tricks”
Key actors in the fight	People who run the system. The “principal” (metaphorically, the	People who can influence and, if necessary, subvert the corrupt system. Citizens,

against corruption	people; in practice, the people in charge)	professional associations, the press, business groups, one agency or level of government against systemic corruption in other agencies or levels
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Then countermeasures should be designed. For example, how might corrupt contracts be exposed, undercut, or destabilized? How might undercover agents be introduced to the system in order to disrupt it? Who are the disaffected in the corrupt system, and how may they be induced to defect? How might disinformation be injected into the corrupt system to create schisms, distrust, and greater risk?

Attacking Organized Crime

Let us return to the case of PHS and its corrupt coalition of the president, the congressional committee, some contractors, some political appointees, and many PHS officials. How could this corrupt system be subverted?

- Disseminate information that the corrupt system would like to keep hidden. For example, our research in PHS easily documented the switch from 90 percent competitive bidding to 50 percent. The “emergency” contracts had been recorded, and we could readily show that most had been awarded to cronies of political appointees. Inserting this information into the public dialogue created pressure for change.
- Some political appointees had received corrupt side payments, which proved difficult but not impossible to trace. In some cases, houses, cars, and other forms of conspicuous consumption were documented and then leaked to the press. Politicians had to explain how they accumulated such riches.
- The prices of various goods and services were compared with prices before the erosion of PHS, with prices in the private sector, and with prices in neighboring countries. All these comparisons showed the mark-ups that had taken place through corruption. These data provided a focal point for public outrage and a baseline for monitoring improvement.
- Businesses have a collective interest in reducing corruption, even when they are virtually required to participate in corruption systems in order to survive. One can work with firms that could potentially compete in PHS’s activities, as well as with associations of industry leaders, auditors, and lawyers. Pressure points can thereby be created to express outrage and to push for change.
- Organized extortion for PHS eligibility cards can be uncovered and documented by using hidden video cameras, undercover agents, and confidential exit interviews.

- Successful efforts against organized crime attack the criminals' culture of secrecy. Crucial are such measures as using undercover agents, planting electronic surveillance, and inducing key insiders to become state witnesses. Also, misinformation and "dirty tricks" have been used to create distrust among the corrupt—for example, planting false rumors that someone is a turncoat, or catalyzing animosity among various factions.

In a situation where political will is lacking, who might undertake these steps? The list of potential allies in fighting systemic corruption is long but not easy to mobilize. Citizens' groups, including the international NGO Transparency International. The press. Religious groups. Business groups, who realize that as a whole business loses from systemic corruption. International organizations. And, interestingly, people and units of government who are not yet infected by corruption. Even within a corrupted agency, the infection is never complete, and given the opportunity, people ranging from secretaries to technicians to long-term civil servants may be valuable sources of information about how exactly the corrupt system functions.

Ideally, anti-corruption efforts will bring together all these actors in order to subvert systemic corruption.

6. Toward a Strategy for Haiti

Reconstruction and development projects nowadays take corruption seriously. They couple careful planning and evaluation with beefed-up auditing, both local and international. Donors sometimes add projects designed to reform and strengthen the public sector. Reorganization, streamlining, outsourcing, training, computerization, and technical assistance are the mainstays of these projects. But these measures seldom address the underlying economics and politics of corruption. As a result, they seldom make an impact on systemic corruption.

But as we have seen, systemic corruption is one of Haiti's realities. It has undercut the provision of social services, the efficiency of ports and electricity, revenue agencies, the construction and maintenance of roads, and the system of justice—not to mention Haitian politics. It threatens also to undercut the country's reconstruction and development strategies.

"It's what I'd call a perfect storm for high corruption risk," says Roslyn Hees, author of a new Transparency International handbook called *Preventing Corruption in Humanitarian Operations* (2010). "You have a seriously damaged institutional infrastructure, a country with endemic corruption, a weak or fragile state in the best of circumstances, and sudden influxes of huge amounts of resources to a highly vulnerable population" (Baldwin 2010).

Three responses are possible. First, don't become involved in a country that is as systematically corrupt as Haiti.

Second, if you must become involved, evade corrupt systems as much as possible. Use enclaves of foreigners to provide high-level services such as planning, auditing, and in some cases implementing. Ring-fence development activities such as free zones, keeping them safe from government interference. Use foreign companies to do the reconstruction. Move development aid not through the government but through nongovernment organizations and the private sector (presumably but not always less subject to corruption).

This has been the approach of much aid in the past in Haiti. The results have not necessarily been encouraging. Nonetheless, given the unprecedented amounts of aid that will enter Haiti and the need for rapid, high-quality construction, enclave-like mechanisms have been proposed, and they deserve careful, case-by-case study. The short-term benefits of efficiency have to be traded off against the longer term costs of dependency and nationalist resistance. Some people have called for the reconstruction to be administered by a new, independent organization that is Haitian only through participation, not control. Several U.S. Senators have discussed putting Haiti "at least temporarily in something like a receivership." Not surprisingly, this suggestion affronts many Haitians' sense of sovereignty.

A third response is to take on Haiti's systemic corruption. We have seen that most initiatives in Haiti's new economic strategy cannot be carried out in an enclave or receivership fashion, nor by NGOs and businesses alone. As section 4 described, Haiti's strategy calls for many important roles for government, and it is therefore vulnerable in a variety of ways to corruption. To implement that strategy successfully, Haiti and its international partners will need to address Haiti's systemic corruption. Fortunately, as we have seen, international experience shows that corruption can be reduced, even in very difficult settings. And I would suggest a further idea for Haiti: fighting systemic corruption can be a catalyst for a new vision of governance in this country, one based on partnerships and accountability. (More on this below.)

How to Develop a Strategy

What will success against systemic corruption entail? It is not simply more controls and more audits, welcome though these may be. We must address the economics of corruption. Experience elsewhere teaches that reforming highly corrupt systems requires a shock to change expectations. "Big fish" must be fried. Then systemic reforms are required. Monopoly powers have to be reduced and competition increased. Discretion and arbitrariness in official actions and in the rules of the game must be avoided. Transparency and accountability need to be enhanced, through objective performance indicators and through systematic feedback from citizens, businesses, and public officials themselves. Positive and negative incentives need to be changed, for bribe givers as well as bribe takers.

Corrupt systems have their own economics. Even in places like Haiti, they cannot be out in the open. They rely on secrecy, in how they recruit participants, make and enforce contracts, make payments, and hide illicit gains. Each of these steps constitutes a point of vulnerability in the corrupt system. Understanding these weaknesses can enable us to subvert corruption. The needed measures go beyond prevention to something akin to interventions against organized crime.

If Haiti is like other countries suffering from corruption akin to organized crime, its corrupt systems are complicated and dangerous. Their secretive workings are not understood by most Haitians. The mysteries of corrupt systems makes it easy to accuse people, even innocent people, of corruption. Charges of corruption, never proven but quickly brought to a head, led to the Senate's rapid dismissal of Prime Minister Pierre-Louis last year.

A successful strategy against systemic corruption must go inside Haitian politics—and the politics of possible anti-corruption measures. This is an election year in Haiti. A few weeks after the earthquake, opposition candidates were already criticizing President Préval for inaction. The resource flows from reconstruction will be unprecedented, and they will heighten political stakes in Haiti. The supporters and opponents of the current administration will be excited by and

perhaps threatened by the promise of big changes in the way government works. In this context, corruption fighters need to protect themselves from blow back.

At the same time, this is a propitious moment for change. Haiti is a country in deep crisis, where corruption is already a headline issue and something the government has already promised to tackle. “I want this to be a new country,” President Préval said in late January. “I want it to be totally different.” The appropriate strategy may be to put *fighting corruption* in bold face and to emphasize such politically salient steps as the prosecution of a few “big fish,” symbolic steps to indicate that impunity is over and the rules have changed, the tracking down of ill-gotten wealth (even when economically relatively small), and the creation of an anti-corruption focal point within the Haitian government.

Successfully taking on corruption means thinking as hard and concretely about anti-corruption strategy as one does in any other area of policy and management. We need more analysis, more learning from experience, more getting Haitians together to come up with ideas that can work.

An effective anti-corruption initiative must involve local ownership and creativity. It should be championed by the highest level of political leadership. It should also involve the private sector and civil society.

It must have a strategy, as opposed to an assemblage of activities. This means, for example, that it recognizes that a corrupt equilibrium requires a shock; that incentives and information are at the heart of systemic corruption; and that one must pick “low-hanging fruit” rather than trying to do everything at once.

It must challenge political leadership without entailing political suicide.

It must recognize the Prisoners’ Dilemma aspect of many forms of corruption, where firms bribe because others do. Therefore, solutions should build on collective business self-interest.

It must be legitimate for international partners to participate. For example, anti-corruption should be linked with the support of reconstruction and with each component of Haiti’s new economic strategy, rather than be seen as an arbitrary attack on Haiti or on a particular political regime.

A Possible Process for Haiti

If these ideas and those of section 5 make sense at least in a preliminary way, the next step is to explore them in depth with Haitian leaders.

In my experience, high-level workshops prove an excellent way to mobilize creativity and create the beginnings of action plans. (Annex 1 outlines a method for organizing such workshops that has proven successful in a variety of countries, both government-wide and in particular ministries.)

Ideally, the workshops would include leaders from government, business, and civil society. Together, these leaders would examine the various kinds of corruption and their costs. They would learn together about possible remedial actions, such as those discussed in section 5 and others, using case studies of other countries. They would analyze these alternatives in the Haitian context. They would identify areas where the costs of corruption seem high and the costs of the remedial actions seem relatively low—promising starting points in an anti-corruption initiative. At the broadest level, participants would consider how a strategy against corruption could become a lever for transforming governance in Haiti.

How to Build Momentum and Popular Support

After these questions are addressed, Haiti's anti-corruption strategy would start to emerge. Then another set of questions would arise. How does one get started implementing the strategy? How should the strategy be made credible? In a climate of cynicism, how can political leaders create momentum and popular support?

Here are some practical ideas, each based on a real, national-level example.

1. The President announces that all public officials will sign a simple code of conduct, which precludes the acceptance of bribes. At the same time, the President declares that no one will be allowed to bid on a public contract who has not signed a similar standard of conduct concerning the offering of bribes. The private sector will be enlisted to form an independent monitoring capability to follow up complaints. International organizations offer financial support for such investigations, including by international NGOs and investigative firms.

Various versions of this idea exist. The “integrity pact” of Transparency International is attractive because it enlists people from government and business in the fight against corruption.¹

2. The President announces a focal point for a coordinated campaign against corruption. The focal point may be the Prime Minister's office, Ministry of Justice and Public Security, the Ministry of Planning and External Cooperation, the Supreme Audit Authority, or the Interior Ministry; or it may be a new agency such as Hong Kong's Independent Commission Against Corruption. With international help, this new focal point will lead “vulnerability assessments,” a review of procedures in each agency with an eye to reducing opportunities for corruption. The focal point will coordinate high-level investigations of corruption.
3. The President and the new focal point will develop new ways to involve the public in the fight for good government (Paul 2002). The people of Haiti know where corruption exists; they need vehicles for reporting what they know. Here

¹ http://www.transparency.org/global_priorities/public_contracting/integrity_pacts

are some examples of practical steps to connect the private sector and civil society to the anti-corruption initiative:

- a. Give village councils and urban groups lists of the projects to be undertaken in their areas over the next year, with detailed specifications, and offering these groups a chance to report shortfalls (and also excellent implementation).
 - b. Initiate small, confidential surveys of the private sector to identify where corruption exists in the procurement system, the courts, various licensing schemes, customs, and other areas of concern.
 - c. Carry out client surveys, which cover negative bureaucratic behavior as well as the benefits and costs of public programs.
 - d. Organize focus groups, where manifestations of corruption can be revealed and analyzed in confidence.
 - e. Create citizen oversight boards at various levels of the police and the courts, the prosecutors, the procurement authority, customs, internal revenue, and the controller general or equivalent.
 - f. Involve associations of accountants and lawyers in both diagnosis of corrupt system and in overseeing progress.
 - g. Organize a hot line for people to report illicit activities.
4. The President (and perhaps key Ministers) designate teams of honest, senior civil servants and young, excellent university graduates
 - a. to investigate high-profile instances of corruption and
 - b. to evaluate random samples of tax payments and exceptions, public procurements, and so forth.
 5. The President announces an experimental program within the Customs Agency and the Tax Bureau. If revenues in the next year exceed a certain target increase, a small portion of that increase will go to employees of these agencies as a bonus. At the same time, officials in both agencies will develop a performance evaluation system, with revenue targets by region and type of tax and with non-revenue indicators of excellence and abuse (for example, time to clear customs). International organizations are asked to provide technical assistance and credibility to the design and evaluation of these experimental programs.
 6. The providers of public services (including NGOs) are challenged to develop measures of success against which performance may be pegged, and then to design an experiment linking increased funding to improved performance. Financial incentives might be included, using bonuses that could amount to 25 to 50 percent of salaries for excellent performance. The sustainability of the experiment would depend on the prospect of user charges.

7. The President announces publicly that the country will conduct some number of procurement “sting” operations during the next year. Even if only a few such operations are carried out, as part of a package of initiatives this step could deter potential bribe-takers.

How to Avoid Distortions from International Aid

Suppose Haiti’s anti-corruption strategy is launched. As we have seen, it should be designed to support the reconstruction effort and the new economic strategy. It also should take into account some of the problems that the large, forthcoming flows of international aid may create.

For example, judging by the experience of other countries, reconstruction in Haiti will be accompanied by predictable problems.

- Haitians will become bitter over the ratio of “tooth to tail,” meaning aid with too many studies and too little investment, with too much spending outside the country and too little inside.
- Foreigners will abound, and many of them will be earning ten or twenty times the salaries of the Ministers under whom they work.
- Some top civil servants will quit their posts to take lucrative consultancies with international aid organizations in Haiti.

How might these problems be forestalled?

A key issue is the low salaries of top government officials. Consider the case of Mozambique in the mid-1990s. Some key civil servants quit crucial government posts to become consultants to the donors. Their agencies suffered greatly, imperiling the development agenda. How did the donors react? Not by addressing the low government salaries, but by colluding to reduce the consulting salaries for Mozambicans. Donors did not ask whether the market was trying to tell them something else.

Agencies such as the International Monetary Fund sometimes analyze government wage bills only in terms of their macroeconomic impact and budgetary sustainability. They ignore the possibility of “capitulation wages,” the economist Timothy Besley’s term for salaries so low that moonlighting or corruption are required. The resulting low quality of people attracted to crucial positions in government, and the negative behavior capitulation wages can induce, create social and economic costs that go uncounted in the usual IMF analyses.

For many reasons, I believe the international community should support higher wages for top Haitian officials, coupled with new requirements for performance.

One idea: Donors would create a special fund, in which they would deposit the equivalent of 5 percent of the salaries received by international technical assistants in Haiti. The fund would provide bonuses for Haitian public servants. These funds

could go to the Haitian counterparts of the international experts, or more generally to the top levels of the government, where wages in Haiti seem far too low.

A related idea is to change the way foreign experts are conceptualized, from “adviser” to “teacher.” Every technical assistance contract would include clauses that Haitians must be trained to fill the position. In the contract, incentives would be linked to measurable success in this training.

If Haitians see that some percentage of the salaries of foreign technical assistance is going into a fund for Haitian civil servants, and that foreign experts are being paid in part based on their success in building Haitian capacity, then Haitian bitterness and resentment may be forestalled.

How to Build Skills and Leadership

Another way to forestall possible negative consequences of the reconstruction is to take steps now to build skills and enhance Haitian leadership.

As we saw in section 4, Haiti’s economic development strategy requires the government to do new things, and to do many old things better. Haiti faces short-term skill gaps. In the longer run, Haiti needs ethical leadership and effective management, in government, business, and civil society. Does the country also need a new vision for governance in the country, a vision that transforms a public sector legacy that few Haitians admire?

To meet these needs and opportunities, I propose that Haiti and its international partners create the Haiti Leadership Academy. Its short-term objective would be providing the competencies needed for reconstruction and for the new economic strategy. Because that strategy is so dependent on partnerships between government, business, and civil society, the Haiti Leadership Academy would teach people from all three sectors, not just from government.

In the longer term, the Haiti Leadership Academy would create a new cadre of Haitian leaders and support a new vision for the country itself. Some of the features of this vision may be discerned in Haiti’s economic strategy. Governing will be through partnerships. Bottom-up strategies will be employed. Accountability will be emphasized. And the ultimate objective is the empowerment of the Haitian people, to enable them to overcome poverty and insecurity and to advance their lives in the ways they see fit.

Annex 2 contains more thoughts about this proposal. Clearly, this is only the embryo of an idea. It is based on two needs: in the short run, for skills that can make a difference in reconstruction and development, and in the longer run, for ethical leadership and effective management. It also rests on desire of Haitians to enhance their sovereignty and transform the country’s governance.

These ideas, like the others in this paper, require vetting in Haiti—and if they pass that stage, then detailed development by Haitians using the best support, knowledge, and expertise the world has to offer.

Annex 1. A Process for Developing an Anti-Corruption Strategy

In a number of countries and ministries and city governments, strategic workshops have proved useful in diagnosing corruption and designing creative, effective action plans. This annex briefly describes how and why participatory methods can be useful in as sensitive an area as corruption.

In countries like Haiti, people have complicated feelings about corruption. They may sincerely loathe it and wish to eradicate it, while at the same time they may participate in it or allow it to occur. How might these mixed feelings be exploited to diagnose corrupt systems? One answer is to enable people to discuss corrupt systems analytically and without fear. Since corruption is a concept freighted with emotion and shame and defensiveness, the first task is to demystify it. This is done in two ways.

- First, participants analyze a *case study* of a successful anti-corruption campaign *in another country*.
- Second, participants learn *analytical frameworks* in order to see that corruption is not (just or primarily) a problem of evil people but one of corrupt systems. To members of corrupt organizations, this sort of analysis sometimes proves therapeutic.

Ideally, the head of state convenes the first workshop. In some cases the exercise is kept internal; in some cases outsiders are included. A few ministers, top civil servants, legislators, judges, police officials, heads of labor unions, heads of business groups, leaders of civic associations, and even heads of religious organizations may participate. The ideal number of participants is 30 people. The ideal format is one and a half to two days, in the mode of a retreat. (Another possibility is two hours a day for five days.)

How is the workshop structured?

The first session analyzes a case of a successful anti-corruption effort in another country. The case is presented in two parts. First, the problems, conveyed via slides. Then participants are split into subgroups of about eight people. Each subgroup is asked to describe the types of corruption in the case, discuss which type is most serious and which least, list alternative anti-corruption measures and their pros and cons, and make a tentative recommendation. The subgroups then present summaries of their deliberations to a plenary session. After discussion, the second part of the case is presented: what the country or city in question actually did, and the results. Participants then discuss what happened and why. Even though the context inevitably differs from their own, they are stimulated by the careful analysis and by the fact that reforms worked.

Then after a break there is a lecture on the economics of corruption, focusing on motive and opportunity, and on the equation

$$\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability}.$$

Questions and discussion are encouraged.

Then the group analyzes a second case study, again of a success story. This case requires them to provide both an analysis of corruption and how to fight it, and also for a **political and bureaucratic strategy**.

Three lessons emerge from the case. First, in order to break the culture of corruption and cynicism, “big fish” must be fried—major violators, including violators from the ruling party. Second, after big fish are fried, anti-corruption efforts should focus on corrupt systems. This includes the selection of agents, changing incentives, enhancing accountability, structural changes to mitigate monopoly and clarify discretion, and efforts to increase the “moral costs” of corruption. Third, anti-corruption efforts should involve the people in many ways. They know where corruption resides. Give them a chance to tell. Under this rubric come such initiatives as hot lines for reporting corruption, citizen oversight boards, using citizens’ groups and NGOs to diagnose and monitor agency performance, using community organizations to monitor public works, involving accounting and lawyers groups, and so forth.

After finishing the second case, the participants turn to their own country. The facilitator here asks them to go through the same headings as before: what kinds of corruption exist, which are more serious and which less, what are the alternatives and their pros and cons, and what tentative recommendations would they make. The subgroups go off and analyze, then present their results to the full group. A vivid discussion ensues, and the result is a tentative diagnostic of the types of corruption, their extent, their costs, and their possible remedies

As the workshop’s last exercise, the facilitator poses a challenge. “This has been a fascinating exercise. But we don’t want it to be just another workshop. What has to happen in the next six months, what concrete steps by this group, to move things forward?” In some workshops, participants read together an imaginary news story describing their country’s future success (like the one for Haiti in section 1 above). How could this success happen? Each individual is asked to write down the key steps in a story moving from now to that successful then. Then individuals at the same table share their key steps, and a composite story is created for each table. The tables then share their results, and together participants discuss which of the ideas are most attractive. Finally, the facilitator asks, “What does your discussion imply for what needs to be done in the next six months?”

The results can be remarkable. A fascinating and practical agenda usually emerges. But participants may lack the resources, the expertise, and the leverage to make that agenda come true. Here national leaders, perhaps exploiting external assistance,

may propose a special project to follow such an event—or several such events at different levels of the public and private sectors. The ensuing initiative should use some of the workshop’s recommendations, co-opt key participants as activists and monitors, and via carrots and sticks improve the chances that the anti-corruption effort succeeds.

Similar workshops can be convened at various levels of government, in particular agencies, and in public-private partnerships. Haiti’s international partners might run similar participatory diagnoses for themselves. One could combine staff members with expertise in Haiti with a group of sectoral specialists, who would identify the key points of vulnerability to corruption that typically arise. The results may be new, unanticipated ideas for improvement.

Annex 2. Ideas for a Haiti Leadership Academy

Objectives

1. Provide skills urgently needed for Haiti's new economy strategy

As we saw in section 4, for Haiti's economic strategy to succeed, the Haitian government and its partners will need strong skills, some of them novel. Haitian public officials will immediately have to do new things, and do old things in different ways. The Haiti Leadership Academy will provide modularized courses to convey needed skills

2. Develop leaders in government, business, and civil society

Haiti's challenge of course goes beyond the mustering and development of short-term skills. The greatest lack is said to be ethical leadership and effective management. The Haiti Leadership Academy would educate the next generation of Haitian leaders. Since effective governance from social services to reconstruction to the environment requires partnerships between government, business, and civil society, the Haiti Leadership Academy will educate people from all three sectors.

3. Create a new vision for Haitian governance

A predictable reaction to the massive foreign participation in Haiti's reconstruction and development will be a surge in Haitian nationalism. So much foreign involvement will lead to calls for Haitian sovereignty. The calls may be negative and simplistic: "Now it's our turn to take over." Or they can become an invitation to analyze what was wrong in the past and to create a new vision for governance in Haiti.

Programs

The Haiti Leadership Academy will have three sorts of programs.

1. Urgently needed practical skills

As we saw in section 4, Haiti's economic strategies requires new skills. Some are cross-cutting, others are area-specific.

- *Cross-cutting skills.* Designing and managing public-private partnerships. Public works and reconstruction: planning, management, and maintenance. Evaluation. Preventing corruption.
- *Area-specific skills.* Property rights reforms and administration. Free zones (clothing; agriculture). Enabling and regulating the private provision of electricity. Enabling and regulating private ports. Customs reform (managing private customs organizations in free zones; computerizing customs data elsewhere)

Haiti's massive reconstruction effort, still undefined at this writing, will no doubt also demand better governance. Large-scale public works programs are notorious in Haiti and elsewhere for inefficiency and corruption. Moving people from disaster-susceptible areas to other parts of Haiti will require sophisticated planning, political mobilization, security, and property rights.

Modules would also include the risks of corruption and what to do about them.

2. Education for future leaders

An important objective of the Haiti Leadership Academy is to develop the next generation of Haitian leadership in government, business, and civil society. The education will enable Haitians to develop a new vision for the country and how it should be governed.

A curriculum for future leaders might be built around four large headings: Transformation, Integrity, Partnership, and Accountability.

Transformation

Where can Haiti be in the future, say 20 years from now? What would a thriving Haiti look like, economically, socially, politically, and environmentally? What lessons can be learned from other countries, even though Haiti's uniqueness means that what others do cannot simply be copied? What might governance look like in the future, given trends in technology, globalization, community empowerment, and so forth?

Given all these things, what vision should Haiti have for its future? What sort of governance does this imply? In order to make this possible, what sorts of leaders will Haiti require?

Integrity

What are the ethical obligations of leaders in government, business, and civil society?

What do careers look like that combine "doing good and doing well"?

What are the dangers of corruption, in Haiti and elsewhere? What does experience around the world teach about the causes and cures of corruption? What can leaders do to prevent corruption?

Partnership

Students would study worldwide trends toward new kinds of collaboration between government, business, and civil society. In particular, they would look at successful examples elsewhere of partnerships in sectors such as food security, social services and education, environmental restoration, free zones, electricity, public works and infrastructure, and security. They would examine the leadership and management challenges posed by partnerships.

Accountability

Organizations in government, business, and civil society face increasing demands for accountability. How can activities and outcomes be measured appropriately and efficiently, so that relevant information can be shared within and outside the organization? In Haiti and from around the world, what can be learned from successful evaluations? From successful management information systems?

How can ordinary people be empowered through such things as rapid rural surveys, client-based scorecards, using social networking tools for peer-to-peer communication of evaluative information, and other developments? How can the results best be communicated to them and through them?

What new opportunities and challenges for accountability are presented by public-private partnerships? How might partnerships be used effectively to develop evaluative information? How can partnerships employ such information to enable more appropriate and efficient collaboration?

3. Education at the grassroots level

The people of Haiti have long felt both abused and neglected by centralized control (both Haitian and foreign). The result may be a kind of learned helplessness, which can lead to ignoring or disdaining possibilities for civic action and self-reliance.

The Haiti Leadership Academy would provide training at the grass-roots level to try to unlearn the helplessness through examples from Haiti and elsewhere of successful local action. The training provided will use pedagogical techniques appropriate for a target audience that may lack formal education.

Thoughts on Logistics

Given the condition of Haiti's current infrastructure, the Haiti Leadership Academy will have to operate initially without a formal building and perhaps with only a skeletal faculty. Short courses for immediate skills—the first category of training provide by the Academy—will be organized within existing agencies, using ad hoc faculty from Haiti and outside.

Over the medium term, the Haiti Leadership Academy will have its own facility, as well as capabilities for online education. It will have capabilities for “traveling education,” especially at the grassroots level.

The Haiti Leadership Academy demands both the highest level of Haitian support and involvement and the marshalling of prestigious international institutions. The Board should include a predominance of Haitians, drawn from the public, private, and nonprofit sectors, as well as distinguished foreigners. The faculty might be organized by a consortium of high-profile universities with experience in leadership development and management in developing countries. International aid agencies would also be involved, bringing their experience from around the world about

what works and what doesn't. Particularly in the first category of training—needed skills in the short run—the Haiti Leadership Academy would work with international partners to identify people with successful experience who can share that experience in Haiti.

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