



## **“Transparency, Democracy, and Reform: New Perspectives on Corruption in Mexico”**

With February’s arrest of powerful union leader Elba Esther Gordillo on charges of embezzlement, the question of government action on issues of transparency and corruption has come to the forefront of Mexican political discussions.

Thirteen years after the end of the Institutional Revolution Party (PRI) regime, the challenge of improving transparency has remained a vexing issue for politicians and civil society alike in the new era of democracy. With the return of the PRI to the presidency last summer, many feared the revival of its legacy of corruption. Incoming President Enrique Peña Nieto, however, has placed the creation of a new national anticorruption agency at the center of his government’s plans and has pushed for reforms to the national transparency agency, the Instituto Federal de Acceso a la Información (IFAI). If the idea of corruption has exerted outsized influence on Mexico’s political imaginary, few attempts have been made to contextualize or understand its meanings and impacts.

This event brought together scholars working on different aspects of corruption to provide valuable new perspectives on both the history and implications of PRI and PAN-era venality in the 20th and 21st centuries.

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[Click Here for Speaker and Discussant Bios](#)

### **Agenda**

**THURSDAY, May 16, 2013**

Location: UC San Diego Campus, Institute of the Americas, Weaver Center

**1:30 – 2:00pm | Registration**

**2:00 – 3:45pm | Panel 1: “Excavating the Prinosaurio: Historical Perspectives”**

Discussants: Barbara Zepeda, UC San Diego ([Click for Panel Comments](#)) and Maria Lorena Cook, Cornell University

[“Kickbacks, Collusion, and Cooptation: Mexico City’s Trash Industry, 1940-1980” \[Abstract\]](#)

Michael Lettieri, UC San Diego

[“The Functions of Corruption: Bartolomé García Correa and the Foundation of Mexico’s Postrevolutionary State, 1924-1935” \[Abstract\]](#)

Ben Fallaw, Colby College

[“Peculados and Politics: Mexico City’s Markets, 1946-1958”](#)

Ingrid Bleynt, King’s College London

**3:45 – 4:00pm | Break**

**4:00 – 5:00pm | Keynote Address**

Dr. Alejandro Poiré, Former Interior Secretary of Mexico and Visiting Fellow at Stanford’s Hoover Institution

**5:00 – 6:00pm | Reception**



**FRIDAY, May 17, 2013**

Location: UC San Diego Campus, Faculty Club, Conference Rooms 1-3

**9:00am – 11:00am | Panel 2: “Measuring the Mythical: the Political Economy of Corruption”**

Discussants: Alberto Díaz-Cayeros, UC San Diego

[“The Watchful Eye and the Cracking Whip: A Study on Corruption Monitoring” \[Abstract\]](#)

Paul Lagunes, Yale University

[“Local Supreme Audit Institutions in Mexico: Regulations, Practices and Transparency Assessment” \[Presentation\]](#)

Jana Palacios, Instituto Mexicano para la Competitividad

“Finding Irregularities in Mexican Local Elections”

Francisco Cantú, UC San Diego

**11:00 – 11:15am | Break**

**11:15am – 1:00pm | Panel 3: “Comparative Perspectives”**

[“Comparative Perspectives on and Measures of Corruption” \[Presentation\]](#)

Miriam Golden, UCLA

[“Controlling Corruption: The Role of Transparency and Accountability” \[Presentation\]](#)

Brigitte Zimmerman, UC San Diego

[“Democracy and Control of Corruption in Korea” \[Presentation\]](#)

Jong-sung You, UC San Diego

Corruption in India

Devesh Tiwari, UC San Diego



## Symposium Speaker and Discussant Bios



### **Ingrid Bleyнат**

Ingrid Bleyнат has just finished her PhD in History at Harvard University. Her dissertation is a social and political history of Mexico City's markets from 1867 to 1958. In July 2013 she will be joining the International Development Institute at King's College London. Before undertaking her historical studies she trained as an economist in Buenos Aires, Argentina.



### **Francisco Cantú**

Francisco Cantu is finishing his a PhD in Political Science at the University of California, San Diego. In July, he will join the University of Houston as an Assistant Professor. His research interest are political economy and economic development. Another strand assesses the impact of institution building programs, such as postconflict reconciliation efforts, through the use of experimental methods. His ongoing research is focused on electoral integrity and post-electoral protests in Latin America.



### **Maria Lorena Cook**

Maria Lorena Cook is a Professor in the Department of International and Comparative Labor at the School of Industrial and Labor Relations at Cornell and a Visiting Scholar at the Center for Comparative Immigration Studies at UC San Diego. She holds a Ph.D. in political science from UC Berkeley. She has written on Mexican trade unions and politics, labor law reform in Latin America, trade and labor rights, regional integration and transnational social movements in North America, and pro-migrant advocacy movements. Some of her books include "The Politics of Labor Reform in Latin America: Between Flexibility and Rights" (2007) and "Organizing Dissent: Unions, the State, and the Democratic Teachers' Movement in Mexico" (1996).



### **Alberto Díaz-Cayeros**

Alberto Díaz-Cayeros is an Associate Professor at the School of International Relations and Pacific Studies at UC San Diego and Director of USMEX. He is affiliated with the Center for Democracy, Development and Rule of Law, the Stanford Center for International Development and is a member of the board of the Center for Latin American Studies. His book "Federalism, Fiscal Authority and Centralization in Latin America," compares the evolution of Mexican fiscal centralization in the 20th century with Argentina, Brazil and Venezuela. He is currently working on a book manuscript entitled "Strategies of Vote Buying: Social Transfers, Democracy and Welfare in Mexico" (joint with Federico Estévez and Beatriz Magaloni).



### **Ben Fallaw**

Ben Fallaw completed his doctorate at the University of Chicago in 1995, and is currently associate professor at Colby College, where he teaches Latin American history in the Latin American Studies Program. He recently published *Religion and State Formation in Postrevolutionary Mexico* and *Forced Marches: Soldiers and Military Caciques in Modern Mexico* (with Terry Rugeley). He is currently working on a manuscript entitled "Between the Maya and the Mexican Revolution: Bartolomé García Correa and Mestizo Politics."



## Miriam Golden

Miriam Golden is Professor and Vice Chair for Graduate Studies in the department of Political Science at UCLA. Golden's research interests center on problems of political accountability and governance. She is currently conducting research on these issues in Italy, India, and Ghana. Golden is also the author or editor of four books on labor politics. Her research has been funded by the National Science Foundation, the International Growth Centre, the U.K.'s Department for International Development, and the governments of Canada and Quebec.



## Paul Lagunes

Paul Lagunes holds a Ph.D. in Political Science from Yale University. This fall he will be assuming a position as assistant professor at Columbia University's School of International and Public Affairs (SIPA). Lagunes' research explores issues in corruption, Latin American politics, and urban politics in developing contexts. As seen in his coauthored article entitled, "Corruption and Inequality at the Crossroad," his work applies field experiments to study bribery, shirking, influence, and similarly undesirable behaviors. His work has been published or referenced by a number of outlets, including the Financial Times, Transparency International's Anti-Corruption Research Network, Huffington Post, and Connecticut Courant.



## Michael Lettieri

Michael Lettieri is a Ph.D. candidate in the Department of History at UC San Diego. Prior to beginning his Ph.D., he worked as a Research Fellow at the council on Hemispheric Affairs in Washington, D.C. and maintains an active interest in contemporary Latin American politics. His research focuses on the informal mechanisms of PRI rule using a case study of the public transportation industry. Through this, he examines the central role intermediaries and mid-level political actors played in sustaining the soft-authoritarian system. He has received support for this project from a Fulbright-Hays grant, as well as several awards from UC San Diego research centers.



## Jana Palacios

Jana Palacios received a Master's degree in Public Administration and Public Policy from CIDE and an MBA and Bachelor's degree in Economics from ITAM. She is currently the Director of Good Governance Projects at the Mexican Institute for Competitiveness (IMCO), a public policy think tank. As Director of Good Governance, she has developed and headed key projects that have led to regulatory changes, law modeling, and public sector accountability systems. Prior to her current appointment, Jana was professor and Academic Coordinator in the Economics department at ITAM. She also was the Producer and Co-Anchor of the Opinion Pública Weekly Show at TV Azteca.



## Alejandro Poiré

Alejandro Poiré is the former Secretary of the Interior of Mexico. He holds a Ph.D. in political science from Harvard University and is currently a Visiting Fellow at Stanford's Hoover Institution, teaching governance and security in Latin America. He has been both a scholar and a senior security adviser in Mexico. He has also held top positions under the Calderón Administration, including national security spokesman and chief of national intelligence agency. Poiré is also heading a social startup, México Crece, devoted to finding scalable and high impact solutions to help Mexican students identify and pursue their dreams.



## **Devesh K. Tiwari**

Devesh K. Tiwari is a PhD candidate in the political science department at UC San Diego. He received a Master in Public Policy from the Gerald R. Ford School of Public Policy at the University of Michigan and a BA in Economics from the University of Michigan as well. His dissertation examines the relationship between party strength and the institutionalization of party systems in India, and the propensity of parties to field candidates with criminal records. In addition to his dissertation work, he is also interested in coalition politics and elections in India, and the relationship between party strength and the modes of citizen-party linkages in developing countries more generally.



## **Dr. Jong-Sung You**

Jong-Sung You is Assistant Professor at the School of International Relations and Pacific Studies, UC San Diego. His research focuses on Korean politics, comparative politics and political economy. He is currently writing a book on the political economy of democracy, inequality and corruption in South Korea, Taiwan, and the Philippines. He holds a Ph.D. in public policy from Harvard University. Before pursuing an academic career, he worked for democratization and social justice in South Korea. He was imprisoned for more than two years because of his active role in the anti-dictatorship student movement under the military regimes. He also worked for Citizens' Coalition for Economic Justice as Director of Policy Research and later as Executive Director.



## **Maria Barbara Zepeda Cortes**

Maria Barbara Zepeda Cortes earned her doctorate and master's degree in History from UC San Diego; and her bachelor's degree in International Relations from El Colegio de Mexico. She taught history and Spanish grammar courses at UC San Diego. Her works have appeared in Latin American and European publications and she has presented at conferences in the U.S., Mexico, and Spain. Zepeda Cortes has received a number of research fellowships and awards. Her research interests focus primarily on politics in Latin America, the Caribbean, Spain, and the early modern Atlantic world; and particularly on political culture, corruption, state reform, political social networks, nationalism and identity formation, and U.S.-Caribbean relations.



## **Brigitte Zimmerman**

Brigitte Zimmerman is a PhD candidate in Political Science at UC San Diego. Her research focuses on local government accountability, transparency and corruption in Sub-Saharan Africa. Recent projects focus on the political economy of corruption, foreign direct investment in Africa, aid politicalization, and field experiment methods. Before her studies at UC San Diego, Brigitte worked in for-profit and non-profit consulting in the U.S., Europe and Africa.



## “Kickbacks, Collusion, and Cooptation: Mexico City’s Trash Industry, 1940-1980”

Michael Lettieri, UC San Diego

ABSTRACT: “If we examine all today’s leaders, the single most corrupt is, beyond a shadow of a doubt, Rafael Gutiérrez Moreno... the King of Trash.” Thus began a 1972 article in the muckraking Mexico City magazine *Sucesos Para Todos*. Corruption, as it existed in the trash industry, was a historically-evolved byproduct, and Gutiérrez Moreno was not the first of his kind. As the metropolis had grown and its administration had fallen under the control of a generation of bureaucrats, Mexico City’s garbage collection and disposal continued to operate on the fringes of legality. This was no accident. The PRI’s political system condoned systemic informality and marginality, privileging the role of intermediaries as agents of cooptation and ensuring the pliability of exploited groups. This paper explores the various forms of “corruption” that permeated Mexico City’s trash industry under the PRI. These included low-level, quotidian kickbacks and bribes, abuses of trust, failures of administration, and obscene enrichment. If contemporaries considered the so-called King of Trash corrupt, the nature of his sins was less clear: he was neither a bureaucrat on the take, nor an acquisitive bigshot politician. The diffuse and diverse nature of “corruption” in the trash industry thus defies easy classification. I will suggest that these broadly defined instances of corruption served as the interface between the informal and the formal. Such a structuralist perspective sees the behavior of both dump bosses and Sanitation Department administrators as the inevitable mediator between the world of the trashpickers and world of city government. Beyond mediation however, the money and favors that flowed back and forth in this system also served as a sort of political stock purchase, creating shareholders in structures of authoritarian rule.

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## “The Functions of Corruption: Bartolomé García Correa and the Foundation of Mexico’s Postrevolutionary State, 1924-1935”

Ben Fallaw, Colby College, [bwfallaw@colby.edu](mailto:bwfallaw@colby.edu)

ABSTRACT: As Plutarco Elías Calles’ agent in Yucatán, Senator (1928-30, 34-40) and Governor (1930-33) Bartolomé García Correa co-founded the PRI (as the PNR) in 1928, and dominated regional politics for a decade. Corruption made him a successful entrepreneur and investor. It allowed him to suborn generals and electoral observers, cultivate national patrons, court favorable press coverage, and sponsor a neo-Maya opera. He acquired two airplanes and Mexico City mansions to govern Yucatán while spending almost half his time in the national capital. There he participated in what I term private politics: formal banquets, secret juntas of callista notables, and bacchanals in the style of Luis Morones and Luis León. García Correa thus gained entrée into the cadre of Callistas that ran the ruling party, subordinated congress, and managed fractious regional politics. To do so, he diverted considerable sums from the state treasury and parastatals, above all the state-run railroads and Henequeneros de Yucatán (a federal-state-hacendado-worker cooperative) using opaque stock swaps, tax forgiveness and exemptions, loans, subsidies, and rental, sale and purchase agreements.

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## “The Watchful Eye and the Cracking Whip: A Study on Corruption Monitoring”

Paul F. Lagunes, Columbia University, [pfl2106@columbia.edu](mailto:pfl2106@columbia.edu)

Abstract: The spread of free elections in Mexico has failed to make local city governments in the country more responsive to the public interest. This critical problem is made evident by the persistence of bureaucratic corruption. Thus, the question is: Can independent monitoring significantly improve government accountability? In order to approach an answer, I collaborated with a city government’s Construction Licensing Office. The study examined a total of 100 building permit applications. 50 of these applications were randomly selected to enter into an experimental group. Officials were made aware that an independent auditor was carefully reviewing all the documentation for projects from this group. Officials did not know that another set of 50 randomly selected permit applications were, at the same time, part of a comparison group and subject to external review. This design tests whether bureaucrats modify their behavior when subjected to perceived oversight. The results reveal that monitoring spurs greater diligence, stringency, and honesty among government officials, but only when officials feel that there is the risk of a top-down sanction.

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## “Local Supreme Audit Institutions in Mexico: Regulations, Practices and Transparency Assessment”

Jana Palacios, Instituto Mexicano para la Competitividad (IMCO)

PRESENTATION: See below

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## “Comparative Perspectives on and Measures of Corruption”

Miriam Golden, UCLA

PRESENTATION: See below

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## “Controlling Corruption: The Role of Transparency and Accountability”

Brigitte A. Zimmerman, UC San Diego

PRESENTATION: See below

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## “Democracy and Control of Corruption in Korea”

Jong-sung You, IR/PS, UC San Diego

PRESENTATION: See below

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Comments on panel “Excavating the Prianosaurio: Historical Perspectives,” at symposium “Transparency, Democracy, and Reform: New Perspectives on Corruption in Mexico,” Center for U.S.-Mexican Studies, University of California, San Diego, May 2013.

María Bárbara Zepeda Cortés

#### General commentary

That the post-revolutionary regime in Mexico led by the PRI was very corrupt is a truth universally acknowledged. Studies of corruption in Mexico are usually more common among political scientists, anthropologists, and economists and therefore have a contemporary flavor. Until Stephen Niblo wrote about corruption during the Ávila Camacho presidential term in the 1940s, historians had not worried to explore this phenomenon as a research topic that deserved a central, exhaustive analysis. After Niblo published “Mexico in the 1940s: Modernity, Politics, and Corruption” in 1999, the topic became a usual member in the subtitles of historical literature situated in the post-revolutionary period. The three papers presented today are part of this relatively new academic interest on providing historical depth to the practices of bribery, embezzlement, malfeasance, and other shenanigans perpetrated by public officials.

This slow-moving trend (that I first identified at a panel at the 2010 meeting of the American Historical Association)<sup>1</sup> is very exciting for me as a historian of corruption. Today, I mainly draw my commentaries from the kinds of questions and paradoxes I found in these papers

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<sup>1</sup> The 2010 AHA session was “Islands of Stateness? Authoritarianism and Resistance in Mexico, 1938–68” in which Alan Knight, Gladys McCormick, and Paul Gillingham presented papers. I asked the panelists about the existence of this trend and McCormick and Gillingham agreed with me. In his work about water engineers and “técnicos” in post-revolutionary Mexico, Mikael Wolfe has dealt with the issue of corruption too; see Wolfe, “Watering the Revolution: The Technopolitical Success and Socioecological Failure of Agrarian Reform in La Laguna, Mexico” (book manuscript in progress)



that intersect with my own research about political corruption in the Spanish Empire during the Bourbon Reform era in the eighteenth century.<sup>2</sup>

Let me begin by highlighting some broader arguments. The first is how all three papers point to the degree to which the PRI-regime, since its Callista origins, was an intensely political arena, hotly contested and never solely a top-down process, but a multidirectional one. As we see in all three papers, a broad spectrum of corrupt practices served the very important function of mediating between leaders and followers at different levels. In Ben's paper it helped García Correa to smooth his relationships with the Mexico City political elite, the Yucateco businessmen, and also the cooperativista workers. In Mike's detailed and vibrant account Padilla Tabares used corruption to maintain his trash kingdom, ironically under the gaze of a state performing a sanitary system reform, and he did this by bribing higher public officials and using his resources to mobilize pepenadores to meet the PRI's electoral ends. In Ingrid's paper the Jefe de Mercados, "Maquiavelo" Peña Manterola used dubious means to increase the power of the CNOP within the PRI's internal political bickering.

The question about corruption being used as a mediating tool in struggles for power, leads me to a second general idea. In my own research and in other works that focus on corruption in the past it is possible to identify a stalemate phenomenon that I call the "Escalante paradox". In his classic work *Ciudadanos Imaginarios*, Fernando Escalante Gonzalbo suggests that one of the problems in the study of corruption is that usually accusations of malfeasance are answered with counter-accusations of the same dishonest practices; in this way, Escalante argues, denunciations of corruption are just a weapon used by political rivals and rarely reveal

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<sup>2</sup> María Bárbara Zepeda Cortés, "Empire, Reform, and Corruption: José de Gálvez and Political Culture in the Spanish World, 1765-1787" (Ph.D. diss., University of California San Diego, 2013).

more prosaic realities of actual practice.<sup>3</sup> In her paper, Ingrid tells us that sometimes is hard to determine who was the corrupt. The Mexico City markets director, Iñigo Noriega produced a report on the state of the market administration that denounced corruption at different levels, to which his enemies responded with accusations of corruption against him. Similarly, the authors of La Agonía de Yucatán (Ben's main source) described García Correa's misdeeds in detail in order to discredit him and gain a space for their own political candidacies. The question here would be to what extent are corruption accusations just a byproduct of political squabbles, that is, just a never-ending coming and going of accusations used to reach political ends?

But then another question that comes to mind is that, if everybody is corrupt, why bother or risk yourself to denounce corruption? This leads to the eternal problem faced by historians of corruption: the sources and the hardships of finding smoking gun documents. As many scholars point out a successful corrupt politician would be one who leaves no trail of his shenanigans. Yet, as these three papers demonstrate and as my own research experience dictates, it is amazing what one can find in the archives: more accounts of bribery, embezzlement, and cases of "illicit enrichment" than one can ever imagine. Corruption scandals were common in the past. Society and politicians knew who was using public funds for private or political ends. Like the case of Elba Esther Gordillo in our times, everybody knew she was abusing the teacher union's money with impunity. For years, however, authorities did not lift a finger to remedy the problem.

I have more questions about the sources. In Ingrid's and Mike's papers Federal Security Department agents were entrusted with the task of revealing the shenanigans of lower bureaucrats. I was wondering if you could expand on why this was the case and who were these

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<sup>3</sup> Fernando Escalante Gonzalbo, *Ciudadanos Imaginarios. Memorial de los afanes y desventuras de la virtud y apología del vicio triunfante en la República Mexicana – Tratado de Moral Pública* – (Mexico City: El Colegio de México, México, 1992), 238.

DFS agents. Do you have profiles on them? And for Ben: your central sources on García Correa's corrupt practices are La agonía de Yucatán and the series of articles titled Los Millonarios de la Revolución. Who were their author's informants? How they operated? Did these informants father investigative journalism techniques in Mexico?

I found a central point of my own research in these papers: moments of state-reform or of intensive state-formation, as Ingrid would call them, provide a rich field for the historian of corruption. In Mike's paper, an anti-corruption drive in Mexico City characterized the Ruiz Cortines presidency and the years of Uruchurtu as head of the Departamento del Distrito Federal. It is precisely in these moments of reform that the gaze of the state looks below the carpet and tries to put its anti-corruption institutional broom to work. In Ingrid's paper corruption scandals and accusations dotted the landscape of the thorough market reform from the 1940s to the 1950s. Are moments of reform more corrupt given the ample powers that state agents have in their hands to change state structures? Or are these just moments in which corruption is more visible because it becomes a target?

I found very interesting Mike's and Ben's efforts to give monetary substance to the corruptive practices they describe in exquisite detail: the thousand-peso bribes, the private airplanes and the lavish mansions, the millions spent to please followers and to feed the electoral machine. I have attempted to use financial data myself, and I know how hard it is to give credence to the numbers (and Ben highlights this problem in his paper). What I did not find in all of your papers was information about the assigned official salaries of García Correa, Íñigo Noriega, Padilla Tabares (or Gutiérrez Moreno), all public officials at some point in their political careers. In my opinion, the size of the gap between what you should earn and the actual

profits you are reaping from your office serves as a simple, good measure of the levels of an individual's corruption.

The three papers' discussion about how corrupt politicians used their profits not just for themselves but to maintain a greased machinery of political favors is fascinating. The three of you describe how part of the money taken from the public arks ended up in the hands of the leaders of the cooperativas, the Federación of market vendors, the pepenadores boss, people who then returned the favor by feeding the PRIista electoral machinery with popular mobilizations and votes.

Another analytical question I identified in the three papers is the relationship between corruption and the informal economy. Does corruption operate more broadly in contexts where the informal economy is rampant?

Finally, and very quickly, we have discussed with Alberto several times the dangers of making arguments about a Mexican cultural, quasi-natural proclivity to corruption. But the question still lingers of how to explain that the stories of corruption presented in these papers sound too modern as well as, from my perspective, too old. Maybe the prevalence of corruption is more related to a contested process of state formation, as Ingrid suggests—a process that is still going on today.

I will finish my commentaries with some contemporary pop music imagery. From Ben's paper situated in the PNR years, we might easily cite Lady Gaga and say that the PRI "was born this way". The post revolutionary regime was born corrupt, yet Ben reminds us the possible alternatives: either corruption Porfirio-Díaz-style (that is, a closed, oligarchic form of corruption), or corruption *á la* military-dictatorship (one even more violent than the type of

repression described in Mike's and Ingrid's papers, and one that other Latin American countries experienced). In 2012, as a society debilitated by the Panista war-on-drugs and presented once again with this sort of alternatives, Mexicans chose to dance to the rhythm of the "PRI-anosaurio- style!"

## **Local Supreme Audit Institutions in Mexico: Regulations, Practices and Transparency Assessment<sup>1</sup>**

### **EXECUTIVE SUMMARY**

This study was sponsored by the British Embassy and aims to produce a quality assessment of the regulatory framework and the Supreme Audit practices in the Mexican states. The ultimate purpose of this project has been to detect the deficiencies of the local auditing systems in order to propose legal and institutional reforms to counteract them.

In order to reach such goals, the following research was done:

1. An assessment of the local legal system of Supreme Auditing Institutions across Mexican states, using a series of indicators based upon the best practices;
2. An analysis of experiences and perceptions by civil servants at the local Supreme Audit Institutions or “EFSL” by its Spanish initials, (“Entidades de Fiscalización Superior Locales (EFSL)”), which were collected on a questionnaire; and
3. An assessment of the EFSLs websites , in terms of their capacity to present relevant information related to its function.

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<sup>1</sup> This study was carried out by the staff of the Mexican Institute for Competitiveness (“Instituto Mexicano para la Competitividad A.C. (IMCO)”) and the University Center for Economical and Administrative Sciences of the University of Guadalajara, (“Centro Universitario de Ciencias Económico Administrativas de la Universidad de Guadalajara (CUCEA-UdG)”). Members of IMCO’s staff: Jana Palacios, Carlos Grandet and Marcelina Valdés, external analysts: Dionisio Zavaleta and Daniela Gómez; CUCEA-UdG staff: Aimée Figueroa, Jorge Chaires and Oliver Meza; as well as Nancy García, from “El Colegio de Jalisco” who also worked on this Project.

## 1. Brief Methodological Note

### 1.1. Assessment of the sub-national legal system of the Supreme Audit in Mexico

A constitutional reform was passed in 2008 which was meant to harmonize the basic traits of the EFSLs, the professional background of its head officer and the leading principles of the Supreme Audit activities. The reform took effect in May 2009 and stated that from this date onwards the states' laws had to meet specific constitutional standards.

Three years after the promulgation of the constitutional and legal reforms of 2008 and 2009, this project's goal has been to measure the quality of the *second generation Superior Audit Laws* in Mexico. This study contains an assessment of the legal system in the sub-national sphere with the present regulations up to December 31, 2012.<sup>2</sup>

The analysis of the legal system was performed based on 35 indicators grouped in 10 strategic normative points. In order to assess the quality of the strategic points and to give them a score, a scale ranging from 0 to 100 was given, in which 100 is the best possible score. The maximum score for each point is 10 and it divides itself among the indicators that make it up.

Table 1. Strategic Normative Points

STRATEGIC NORMATIVE POINTS	VALUE
EFSL Constitutional Basis	10
Legislative Harmony	10
EFSL Autonomy	10
Statutes of the EFSL head officer	10
Legislative Authority Duties	10
Reach of the EFSL Audits	10

<sup>2</sup> The laws that were reviewed were: the Political Constitution, the Supreme Audit Law or its state equivalent, Budget Law or equivalent, Government Accounting Law or equivalent, Organic Law of the Legislative Authority, Internal Regulations of the Supreme Audit Institution and the Law of Transparency and Public Information Access or equivalent.

Audit Proceedings	10
Audit Transparency	10
Audit Consequences	10
EFSL Accountability	10

Source: CUCEA-IMCO

## **1.2. From law to practice: the perception of the 32 EFSLs' personnel**

For the purpose of having a scope of the EFSL operation, we sent a questionnaire to its members in order obtain first-hand information on their perceptions and experiences. The questionnaire was answered by the 32 EFSLs between February and March, 2013.

The topics at stake were the following:

- Legal Framework
- Budget
- Capacities and Available Resources
- Head officer of the EFSL
- Operative Aspects
- Institutional Collaboration
- Sanctions
- Results of the Review to the Public Account (2011)

Likewise, we explored the convergences and divergences between what is marked by the regulations framework of the Supreme Audit Institution in the states and the impressions and experiences of those who implement them on an everyday basis.

## **1.3. Assessment of the EFSLs Websites 2013**

To assess the EFSL transparency practices, an analysis of the content and quality of the 32 official EFSLs websites was performed. Such research was carried out between February 1st and March 15th, 2013. Thus, the results show the EFSL efforts during this given period, when disclosing key information regarding its performance and auditing practices.



The study uses 19 indicators that are divided into three sections described in table 2. The chosen indicators have a value (or weight) that range from 5 to 10, according to their importance. The final assessment is the sum of the result of all the indicators, which can have a maximum of 100 points. Such indicators were made based on (a) what the federal and sub-national legislative authority demands in terms of the EFSL's transparency; (b) the demands of the international Agreements that Mexico has signed in this regard; and (c) the successful practices that the Mexican Federal Supreme Audit and other Supreme Audit Institutions worldwide have adopted in their web portals.

*Table 2. Sections of the assessment of the EFSL portals.*

SECTIONS OF THE ASSESSMENT OF THE EFSL PORTALS	VALUE
<b>Accountability Information.</b> It assesses the existence and accessibility to the results of the supreme auditing process performed by the EFSL	40
<b>Institutional Transparency.</b> It assesses the quality of the information that the EFSL provides to citizens with in regards to its internal structure and its performance	30
<b>Tools for the citizens.</b> It assesses the existence and utility of the mechanisms that allow the interaction of the citizens in the supreme auditing process.	30
<b>Total</b>	<b>100</b>

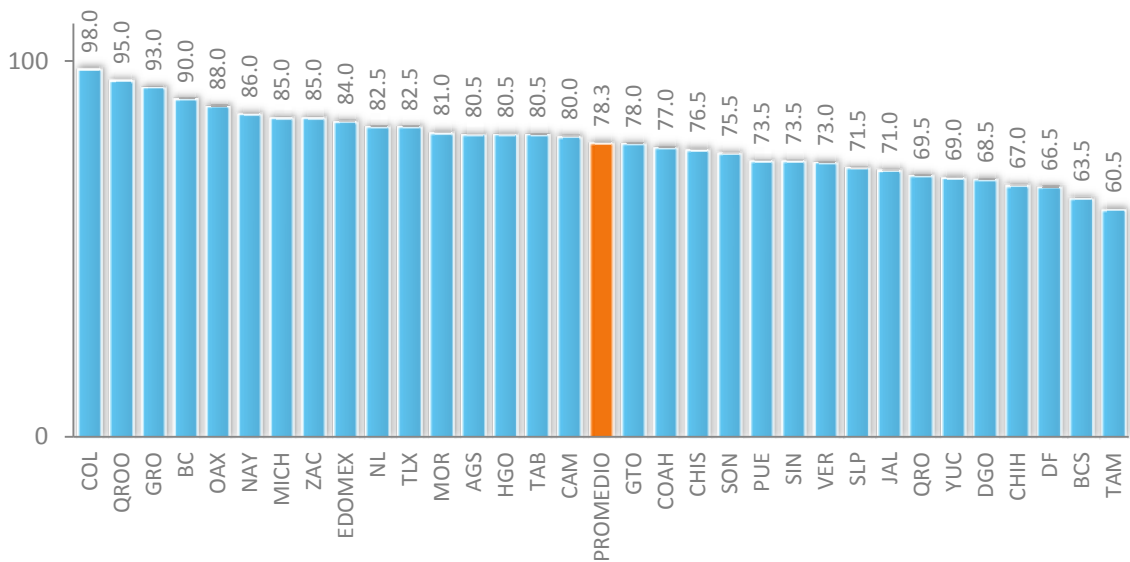
Source: CUCEA-IMCO

## 2. Findings

### 2.1. Main Results

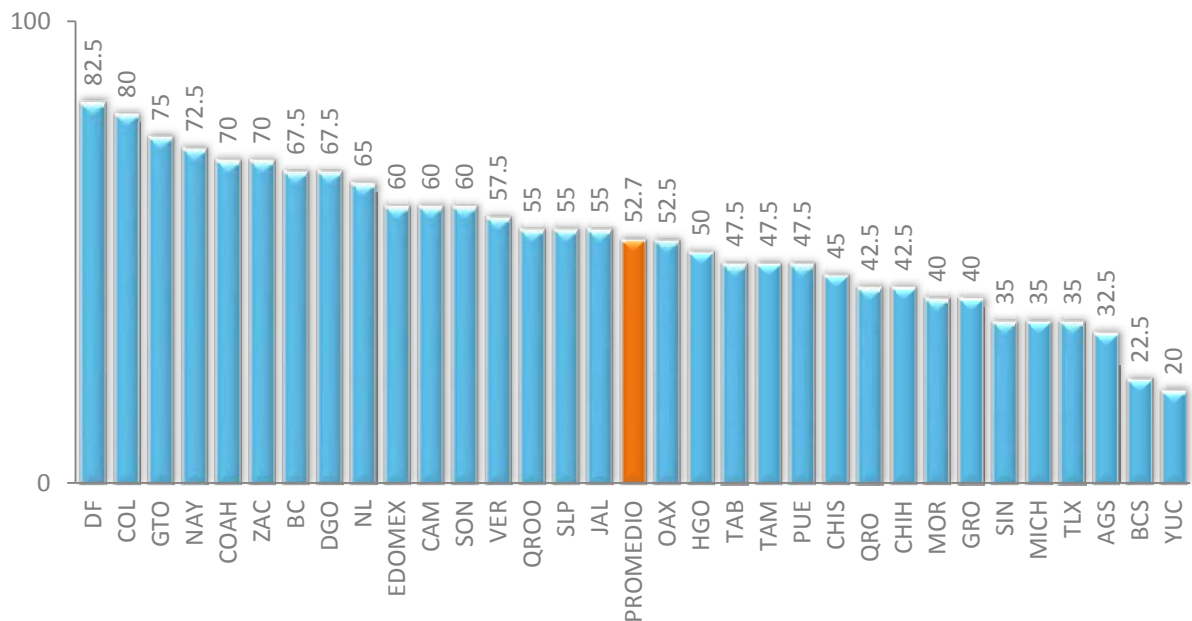
#### 2.1.1 States' scores regarding the quality of the auditing legal system

Graph 1. Score per state (from 0 to 100)



#### 2.1.2 EFSL web portals' score

Graph 2. Score per state (from 0 to 100)



Source: CUCEA-IMCO

## 2.2 Strengths of the Supreme Auditing in the states

### 2.2.1 *Legal system (legal ordinance)*

- 27 EFSLs have constitutional bases which characterize and grant them powers aligned with the Federal Constitution.
- 23 States have legal regulations that allow the appointment of the Head officer of the EFSL according to the Federal and Constitutional requirements and using objective and open proceedings. They also include clear rules regarding the way in which the Head officer of the institution can be removed, dismissed or substituted.
- The average score of the strategic point regarding “the reach of the audits” ranges from 8.72 to 10 points. In this area, 19 EFSLs received a score of 10, which means that they are qualified to carry out performance and special audits; and besides, that they do not have restrictions regarding the individuals that can be audited and information access.
- Since EFSLs were created more than a decade ago, there has been a progress in the reaches of the audits they carry out:
  - The universe of individuals and auditable resources has increased, as well as the information that can be accessed by the EFSLs.
  - The types of audits that can be made have increased, since more EFSLs make performance audits (28) and most of the Congresses may require audits for special situations (25).
- The average score in the strategic point regarding “accountability” ranges from 8.36 to 10 points. This result indicates that in general, the sub-national Audit Institutions are held accountable of their performance according to the law.

### 2.2.2 *Information given by the EFSL personnel*

- On average, between 2009 and 2011, the budget used by the states regarding auditing increased by 20%.
- In 29 states, at least once a year there is a training session regarding auditing methodologies.
- According to the personnel in 28 EFSLs, the legal framework regarding the types of audits that the EFSLs implement is appropriate. In 27 states the same is perceived regarding the EFSLs' powers .
- According to the civil servants, 22 of the EFSLs have an excellent relationship with the Mexican Federal Supreme Audit Institution.

### *2.2.3 EFSL Websites*

- Every EFSL publishes the information on the Program for the Audit of Federal Expenditure (“Programa para la Fiscalización del Gasto Federalizado (PROFIS)”) which is required in the Regulations of the Program Proceedings.
- 30 EFSL have their own website, 2 host their information in the local Congress website (Baja California Sur and Yucatán).
- 24 EFSLs publish the internal structure per administrative unit and present information about the heads of every unit.
- 24 EFSLs publish information about institutional contact.
- 23 EFSLs allow filing information applications on their website or display information on how to do so.
- 22 EFSLs publish the present laws that make up their legal ordinances.

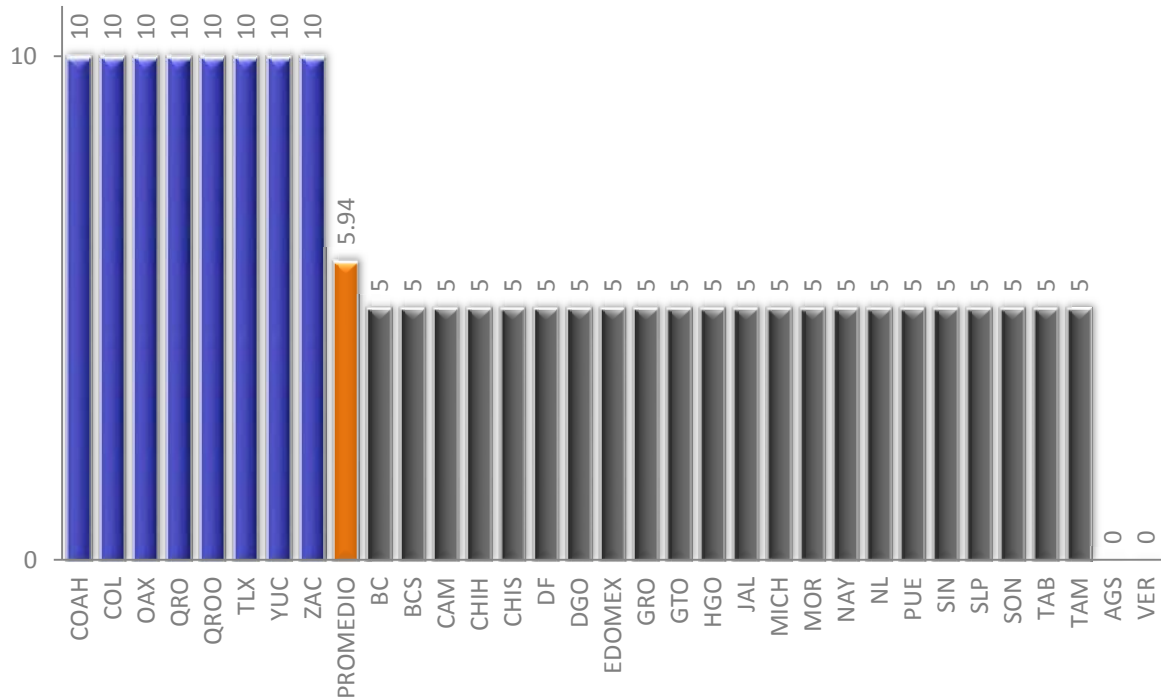
## **2.3. Weaknesses of the Supreme Audit in the states: four main areas that**

have to be considered

### 2.3.1 EFSL's Autonomy

- Three quarters of the states obtained a failing score (equal to 5 or less, ranging from 0 to 10) in the strategic normative point regarding its “EFSL’s autonomy”.

Graph 3. EFSL's Autonomy (score of the normative point per state, range from 0 to 10)



Source: CUCEA-IMCO

- Despite the fact that in 30 states the legal system declares that EFSLs are autonomous, in 24 of them autonomy is limited in the development of the law; most of the times, through certain faculties that the local Congress has. Some examples are:

- To approve the internal regulations of the EFSL.
- Congress has the final decision on the determination of damages incurred to public finances.
- To begin the corresponding proceedings to the alleged responsibilities of

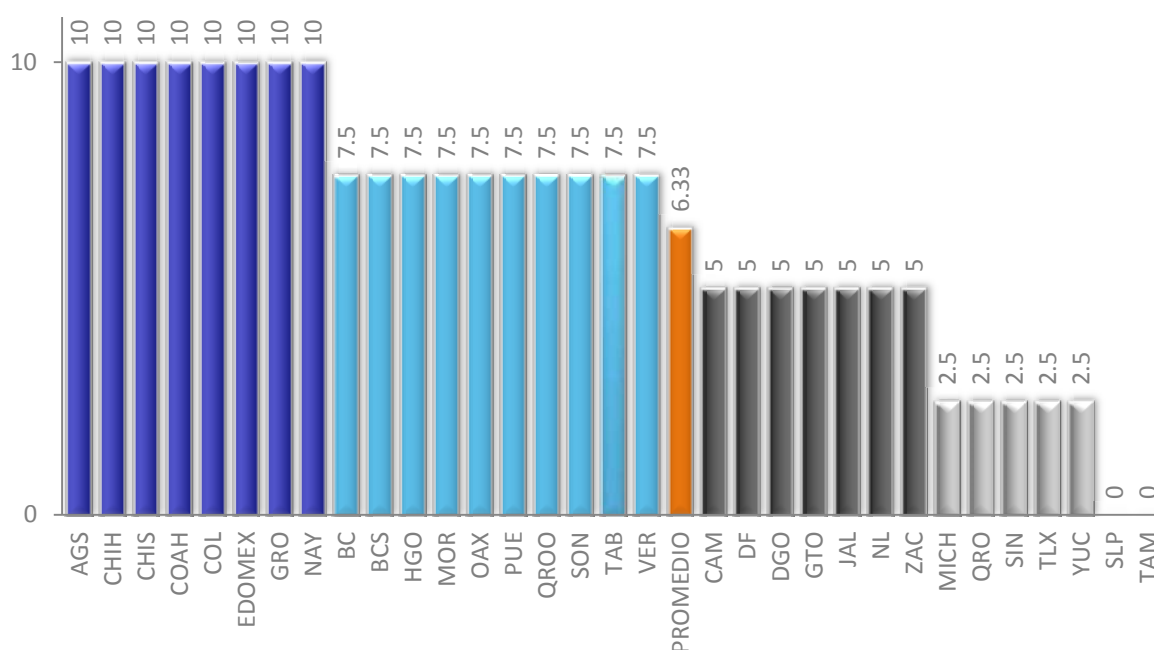
civil servants.

- The Final Auditing Report is subordinate, to the approval made by Congress.
  - To look after the EFSL with no particular mechanisms or objectives.
- 
- The EFSL personnel pointed out that one of the main challenges for the performance of the auditors is the lack of economic resources. Beyond the administrative limitations that this situation may create, the main risk is that the EFSL may not have a budgetary autonomy.
  - The questionnaire shows that it is common that the Heads of the Supreme Audit Institution have to leave their Office early. In 11 of them, the Head has left Office early at least once in their history. This is a relevant problem because the continuity of the EFSL work plan depends on it.
  - According to the results of the questionnaires, half of the states do not have a career auditing service. This is a weakness in terms of autonomy, because the career service is a mechanism to reduce the political interference in the EFSL.
  - Baja California Sur and Yucatán EFSLs do not have their own web site; this shows that the EFSL personnel cannot publish information related to their performance and operation directly on the website.

### *2.3.2 Transparency*

- 14 States had a failing score in the strategic normative point regarding auditing transparency.

Graph 4. Auditing Transparency (score of the normative point per state, from 0 to 10)



Source: CUCEA-IMCO

#### About the Audits

- Only in 16 states the regulation frame forces the EFSL to publish the annual auditing report. However, in practice, half of these don't even do so.
- Only four EFSLs publish an annual auditing report on their websites which explains the amount and type of audits to be done, as well as the auditing subject.
- Only three EFSLs publish a methodology and criteria regarding the auditing selection.

#### About the Annual Report of Results

- In 14 legal systems, the publishing of the final report of results is conditioned to some type of "approval" by the legislative authority.
- Among the EFSLs that are forced by law to publish the annual report of results, 19 of them do not do so.

Table 3. Publishing of the Final Report of Results in law and in practice

		Legal Obligation of Publishing the Report as Legal Information	
		No	Yes
Results in practice	Does publish it	Campeche	D.F., Baja California, Sonora, Coahuila, Veracruz, Estado de México
	Incomplete Publishing		Guanajuato, Nayarit, Oaxaca, Hidalgo
	Does not Publish it	Nuevo León, Morelos, Tamaulipas, Tlaxcala, Sinaloa, Zacatecas	Jalisco, Colima, Durango, SLP, Puebla, Chiapas, Q. Roo, Tabasco, Chihuahua, Guerrero, Michoacán, Querétaro, Aguascalientes, Yucatán, BCS

Source: CUCEA-IMCO

#### About the Annual Activities Report

- In 10 states there is no legal obligation to publish the Annual Activities Report. In practice, only five EFSLs publish this report.

#### About the Contact between the EFSL and the Citizens

- Only four EFSLs publish information on their websites to create awareness among citizens regarding their role in the auditing process and they provide tools that show the significance of accountability.
- Only four EFSLs answered e-mails sent by UDG-IMCO about doubts regarding the content of their sites.

### *2.3.3 Co-responsible Congresses*

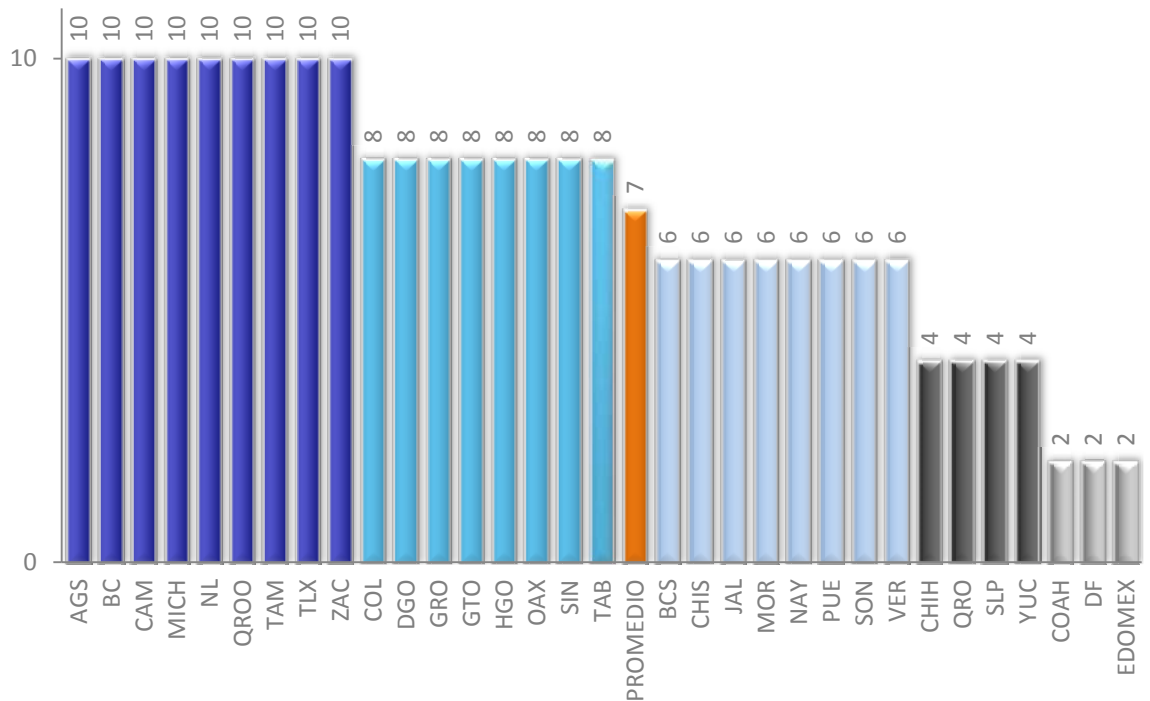
The responsibility of auditing public resources falls on the Legislative branch as part of its role of contention and counterweight of the Executive branch and as the fiscal-tax faculty it has. With the EFSL autonomy, this particular role of the Legislative Authority has not been well understood. The EFSL are responsible of the technical audits and the Congresses have a political role in the vigilance and assessment of public expenditures,



which in some cases has been neglected. Regarding the latter, only nine states have legislative frameworks that totally fulfill what is required by the legal assessment indicators related to this topic:

- They clearly establish the role of the Legislative Authority and the difference with the EFSL’s role.
- They determine what is the use the Legislative Authority should make of the Final Report issued by the EFSL (for example, for discussion and budgetary allocations).
- They establish a period to finish the review of the public account through some specific document (“approval”, “ruling”, “declaration”, and others).
- They force the Congress to follow up the observations given and the proceedings that have been started by the EFSL.

*Graph 5. Duties of the Legislative Authority (score of the normative point per state, from 0 to 10)*



Source: CUCEA-IMCO

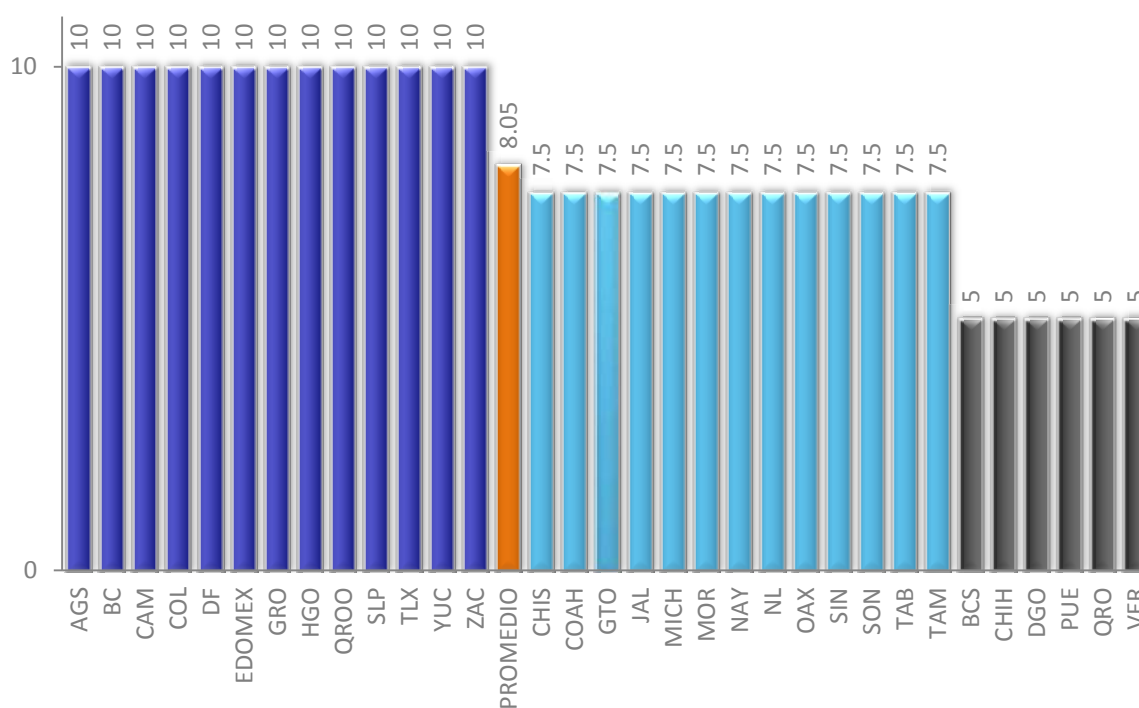
- In practice, only 12 congresses publish the rulings of the public accounts in the Congress’ website on a two-year basis.

- Only nine websites publish information about activities and members of the Monitoring Commission (or equivalent ones) of the EFSL.

#### *2.3.4 Consequences of the Auditing of Public Accounts.*

- Only 13 EFSLs have the necessary legal dispositions that relate auditing results with consequences. Only with this link the auditing results become an effective mechanism of accountability. These legal dispositions are:
  - The EFSL may determine compensating responsibilities of the civil servants, as well as damages to the public finances.
  - The EFSL may begin the proceedings of responsibility against civil servants at the corresponding authorities, without any authorization or any previous proceedings with the Legislative Power or any other authority.
  - The EFSL is forced to give recommendations to those individuals who have been audited (besides making observations regarding breaches).
  - The EFSL issues a follow-up report regarding the recommendations and proceedings that may arise from the review of the public account.

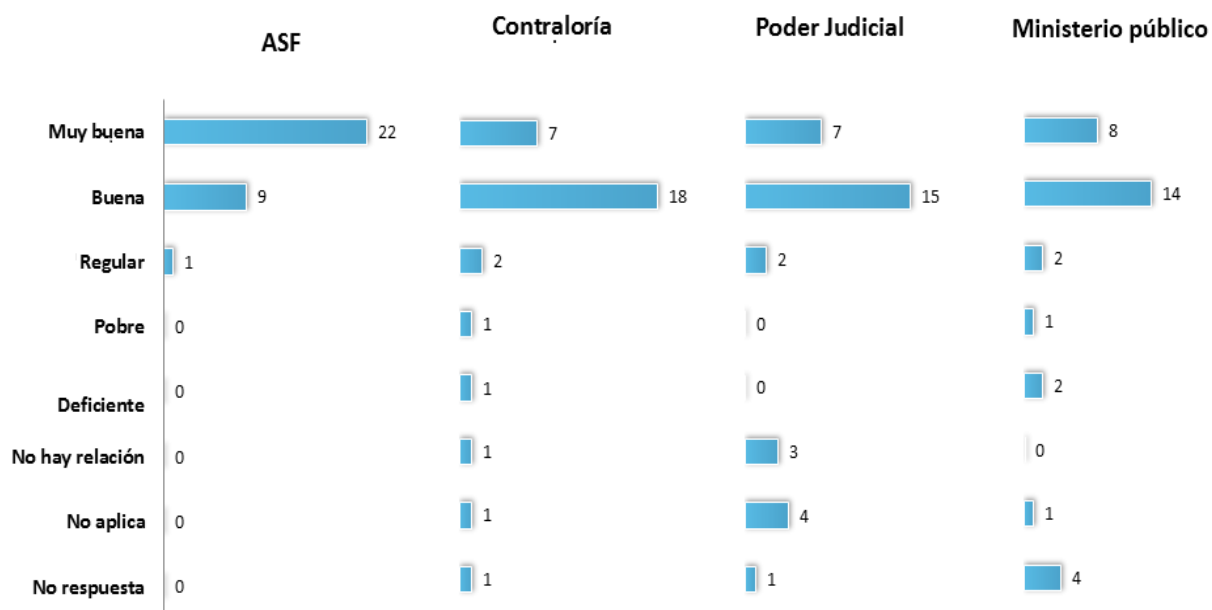
Graph 6. Consequences of the audit (score of the normative point per state, from 0 to 10)



Source: CUCEA-IMCO

- Likewise, according to the results of the survey, the personnel from 19 EFSLs consider the legal framework to be unsatisfactory regarding the capacity offered by the EFSL to make sanctions.
- Only one EFSL publishes on its website both the recommendations issued and a follow-up report. 18 EFSLs only publish the recommendations.
- Only seven states publish the proceedings on their websites (administrative and/or criminal) and the sanctions imposed to their civil servants.
- Despite the fact that the personnel from most of the EFSLs reported that there is a good relationship with the Controller’s Office and the Public Prosecutors within their states –institutions that are in charge of executing the sanctions-; there is still work to do in order to improve this. This is evident when analyzing the number of EFSLs in which it was mentioned that there is a “very good” relationship between these institutions and the Mexican Federal Supreme Audit Institution.

Graph 7. Score of the EFSL's personnel regarding the collaboration with the following parties (number of states per category)



Source: CUCEA-IMCO

### 3. Recommendations

#### 3.1 Reform with good intention

It is necessary to catch the legislators' attention in order to reflect and deeply analyze the role they play when it comes to looking after public resources and in order to reform the laws regarding the Supreme Audit institutions, processes and activities.

Particularly, we recommend the following:

To give the EFSL full autonomy without using any regulations or practices that may harm it

The legal reforms must be guided by the understanding that the relationship between the two institutions in charge of looking after the public expenditure –the Congress and the EFSL- must be ruled by the Supreme Audit function, using as a guideline the information that the Auditing Institution creates and not by the institutional subordination of the EFSL to the Legislative Authority.

#### To establish clear responsibilities of the Congress in the auditing process

The EFSL autonomy should not be confused with the disconnection of the Legislative Authority of its role played in the Supreme Audit of the public expenditure; since this public authority has the original obligation of looking after the use of public resources. Therefore, the dispositions that establish the competences and attributions of the Congresses regarding the review of the public account must be reformed, in order to ensure (1) that they may be political and budgetary decision-makers technically informed by the EFSL and (2) that they may give some follow-up in the medium and long term to the observations, sanctions and other consequences of the Supreme Audit.

In the present regulations, there is a big variety of ways by which the Legislative Authority finishes the review of the public accounts; in some states they are approved or rejected, in some others, they are resolved, evaluated, examined, glossed, ruled, issued, declared or it is sanctioned. It is essential that there is clarity and a national agreement regarding what the Legislative Authorities must do with the results of the auditing of the public account.

#### To give the EFSL tools so that there can be consequences of the auditing results.

There is still some backlog in the dispositions that grant attributions and faculties to the EFSL to determine damages and compensatory responsibilities for the public finances. The modifications to the legal regulations in this regard must prevent the EFSL to turn into a sanctioning institution; but they should guarantee that their findings and issued observations may have effects and impact. It is also relevant that the information that the EFSL offers may be considered for budgetary decision-making.

#### To create obligations of openness and transparency in key documents

The autonomy should not imply impunity, isolation or objectivity and impartiality on behalf of the EFSL. It is necessary that those who are looking after the public expenditure should also be looked after, but with a double determinant that must guide the legislative reforms: do not damage the institutional autonomy or to transgress the

faculties of the auditors; and that the vigilance and accountability mechanisms of the EFSL may be precise, objective and public.

#### To promote legislative harmony

Both the internal harmony of legal regulations within Mexican states and the external one between federal and sub-national regulations must be constant in a federal system. Despite the fact that some reforms have been started up regarding budget, government accounting and Supreme Auditing, they have not been synchronic and the progress has been slow. To homogenize all the country's public accounts will allow comprehensive analysis of the national public finances, according to what the General Law of Government Accounting intends.

### **3.2 To Use the Websites to Inform about the Auditing Activities of the Congress and the EFSL**

The technological tools available for the population have promoted transparency as a way to inform and to construct citizenship. In the case of the EFSL, such tools should be used as the connection between them and the general population in order to inform regarding the quality of the public expenditure and the use of the taxpayers' money.

Based on the analysis that was carried out, it is considered that EFSL websites should at least include the following:

#### Annual Auditing Program

The existence of this information is utterly significant because it is a way to learn about the EFSL plans throughout the year. It also prevents from doing random audits as a way of political coercion.

#### Final Results Report

The significance of this report lies in the fact that it shows a general scope of the public account and the findings of the auditing of the public expenditure. An additional step

would be to create a summary that informs in colloquial language about the results of the public account's review.

#### Recommendations and Sanctions

The usual practice at the ESFL regarding the publishing of recommendations is to include them in the reports of results of the public account. While this practice is considered appropriate, it is also necessary that the status of observations and recommendations made can be consulted; as well as a follow-up of the proceedings and sanctions.

#### Publishing of Budgets and Financial Reports

The institutions in charge of looking after the public expenditure have both a moral obligation and a legal one when it comes to publishing all the information regarding their financial management. However, this is not the most common practice.

#### Work Report

The relevance of this document is that it shows a comprehensive account of all the activities performed by the EFSL throughout the year, both in technical and managing terms.

#### Accountability Education

Nowadays, only three EFSLs have mechanisms to educate the citizenship regarding their role in the auditing process and the significance of accountability. The best practice would be that the EFSL's websites contain more didactical tools that could be easily understood when dealing with such topics.

### **3.3 To Analyze the Causes why Supreme Auditors Have to Rotate Positions**

This study has reinforced the findings of previous research regarding the high frequency in which Supreme Auditors leave Office early. The first step to face this lack of continuity would be to analyze the possible causes in every state and to determine

whether this has occurred because Supreme Auditors were fired or because they were removed from their position because of political issues. This analysis would help to define incentives that may promote the stability of the Heads of the EFSL.

### **3.4 To Establish a Career Auditing Service**

In any government institution, the personnel professionalization is the key to their successful performance; but it is even more important at the EFSL because of its technical nature. Besides, if a career auditing service existed, it could reduce the risks of political interference. As a consequence, it is a priority to create a program of this kind in all the EFSLs.





## Systematic Measures of Corruption

- ▶ Surveys:
  - ▶ of perceptions;
  - ▶ of experiences.
- ▶ Judicial;

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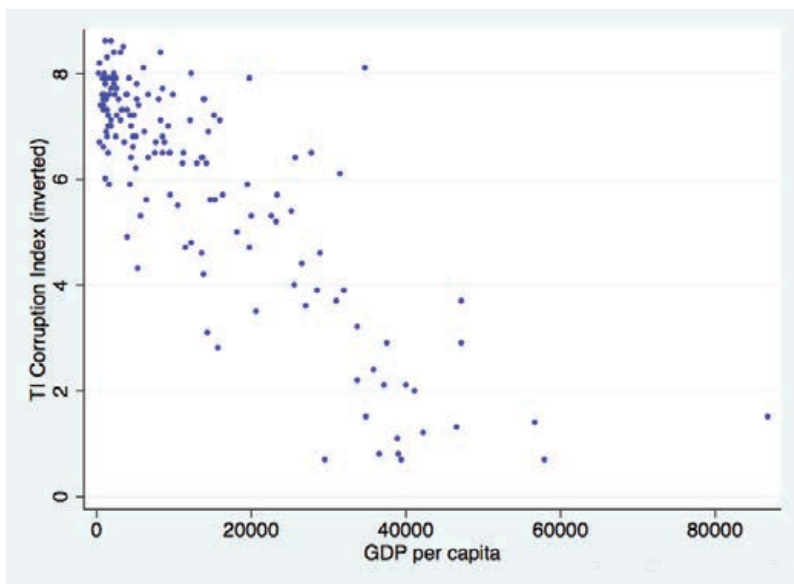
## Systematic Measures of Corruption

- ▶ Surveys:
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  - ▶ of experiences.
- ▶ Judicial;
- ▶ Press coverage;
- ▶ Forensic accounting;
- ▶ Participant records;
- ▶ Physical inspections.

## Survey measures

- ▶ Surveys of perceptions of corruption based on foreign businesspeople (*Transparency International*);

## Scatterplot of TI Index of Perceptions of Corruption and GDP, 157 Countries (2010)



## Survey measures

- ▶ Surveys of perceptions of corruption based on foreign businesspeople (*Transparency International*);
- ▶ Surveys of experiences of corruption by individuals (*UN Crime Victimization Survey; Africa*);

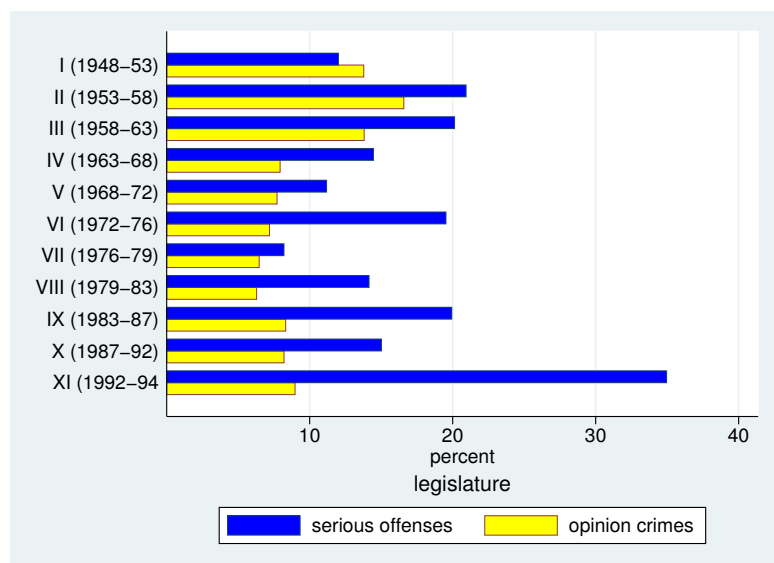
## Survey measures

- ▶ Surveys of perceptions of corruption based on foreign businesspeople (*Transparency International*);
- ▶ Surveys of experiences of corruption by individuals (*UN Crime Victimization Survey; Africa*);
- ▶ Enterprise surveys (*Russia*).

## Judicial measures

- ▶ Legislators investigated for, charged with or convicted of malfeasance (*Italy, US, Japan, Germany*).

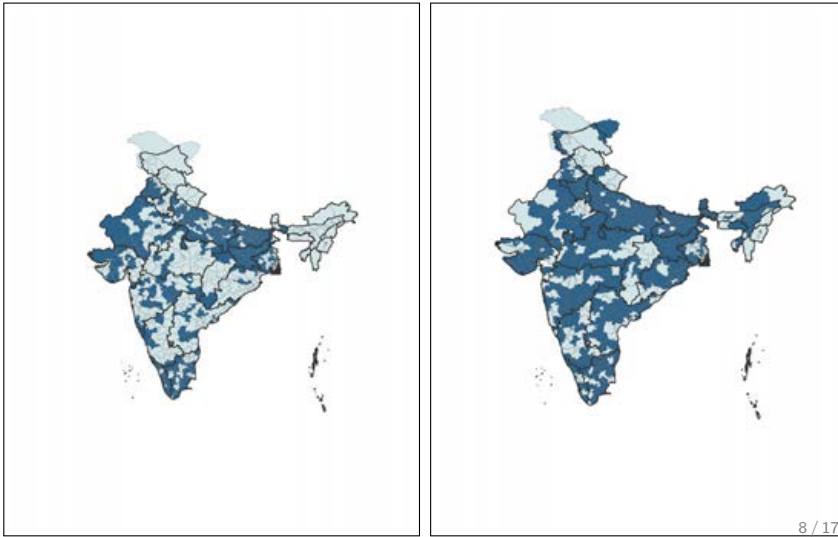
## Proportions of Italian Deputies Charged with Malfeasance by Class of Allegation (Legislature 1–XI)



## Judicial measures

- ▶ Legislators investigated for, charged with or convicted of malfeasance (*Italy, US, Japan, Germany*);
- ▶ Candidates for public office convicted of or under indictment for criminal activities (*India*);

Figure: Maps of Parliamentary Constituencies Showing Locations of Self-Reported Criminal Candidates, 2004 (Left) and 2009 (Right) Lok Sabha Elections



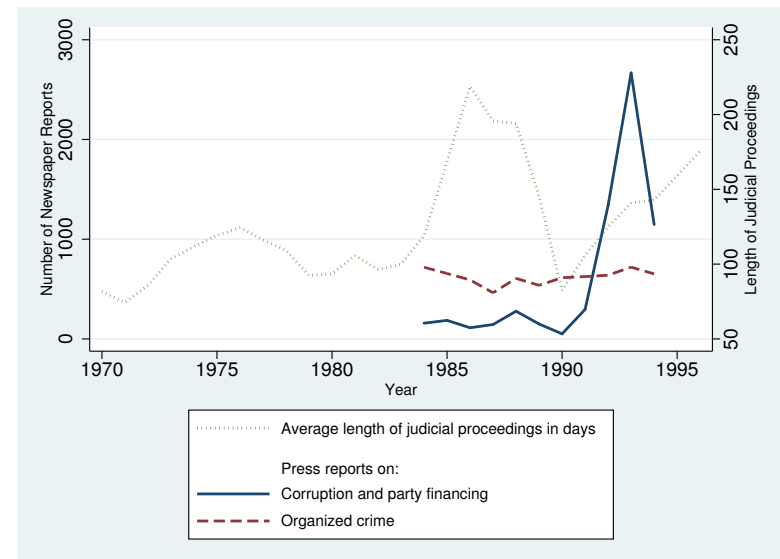
## Judicial measures

- ▶ Legislators investigated for, charged with or convicted of malfeasance (*Italy, US, Japan, Germany*);
- ▶ Candidates for public office convicted of or under indictment for criminal activities (*India*);
- ▶ Civil servants charged with or convicted of corruption-related activities (*Italy*).

## Media measures

- ▶ Press reports pertaining to political corruption (*Italy*).

## Number of Italian Newspaper Reports of Corruption and of Organized Crime by Year (1984–97)

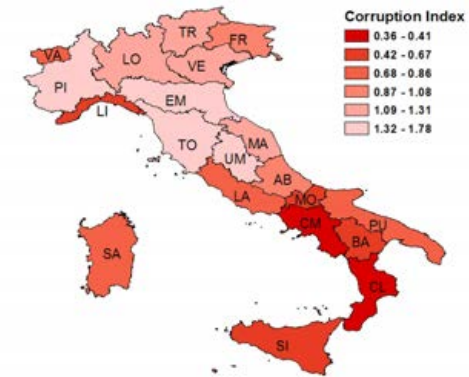


## Forensic measures

- ▶ Difference between amounts cumulatively spent on public infrastructure and actually existing public capital (*Italy, Spain, Mexico*);

## Golden-Picci Index, Italy

Figure 1: Map of Proposed Measure of Corruption by Region, 1997 c.



## Forensic measures

- ▶ Difference between amounts cumulatively spent on public infrastructure and actually existing public capital (*Italy, Spain, Mexico*);
- ▶ Public Expenditure Tracking Surveys (PETS) (*Uganda*);

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- ▶ Difference between amounts cumulatively spent on public infrastructure and actually existing public capital (*Italy, Spain, Mexico*);
- ▶ Public Expenditure Tracking Surveys (PETS) (*Uganda*);
- ▶ Audits of public accounts (*Brazil, Argentina, World Bank*).

## Participant records

- ▶ Original records of amounts paid in bribes (*Peru*).

## Physical measures

- ▶ Inspection of infrastructure (*Indonesia*);

## Physical measures

- ▶ Inspection of infrastructure (*Indonesia*);
- ▶ Photographs of places of public employment (*Pakistan, India*).

## Conclusions

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- ▶ Measuring corruption in any particular setting depends on what is available in that setting;
- ▶ Interpretation is sensitive to the data and measure used;
- ▶ We have no systematic data on differences between various types of data and measures.



## Outline

- Motivation
- Literature
- Research Question
- Research Approach
- Cases: Malawi and Zambia
- Corruption Measurement
- Conclusions

## Controlling Corruption: The Role of Transparency and Accountability

Brigitte A. Zimmerman  
University of California, San Diego

Prepared for USMEX Conference on Corruption in Mexico  
May 17, 2013

## Motivation: Observations of Corruption in Africa

- Media focus on grand corruption → Petty corruption unnoticed
- BUT
- Decentralization → Money (both government revenue and donor funds) spent at local level

## Motivation: Observations of Corruption in Africa (cont.)

- Incredible funding but corruption persistent → Anti-corruption measures seemingly unsuccessful
- WHY?
- Because politicians are smart, strategically responding to these anti-corruption initiatives by displacing their corruption

## Motivation:

### Observations of Corruption in Africa (cont.)

- Anti-corruption initiatives attempt to improve government accountability by improving elections (free and fair; turnout; education)

BUT

- African societies often have alternative accountability mechanisms that are active and effective (protests; going through chiefs; boycotts)

## Motivation: Case in Malawi



## Motivation: Case in Malawi

- Accountable to his people as a chief and as an elected official → Variety of bottom up and top down sanctioning mechanisms
- Encountered a transparency intervention, executed by a NGO working with government
- Presence of corruption didn't change. Form did.



## Literature

- Transparency → Corruption
  - Chang et al. 2010 (Italy)
  - Golden and Picci 2008 (Italy)
  - Linstadt and Naurin 2010 (cross-country)
  - Olken and Pande 2012 (cross-country)
- Transparency → Corruption (Selection Hypothesis)
  - Banerjee et al. 2010; Banerjee et al. 2010 (India)
  - Ferraz and Finan 2008 Brollo et al. 2010 (Brazil)
  - Chong et al. 2010 (Mexico)
- Transparency → Corruption (Incentive Hypothesis)
  - Humphreys and Weinstein 2010 (Uganda)
  - Olken 2007 (Indonesia)
  - Ferraz and Finan 2011 (Brazil)
  - Sequiera 2013 (South Africa)

## Research Question

### Does transparency reduce corrupt behavior?

Are some forms of corruption more affected by transparency than others?

Is there an interaction effect of transparency and accountability on corruption?

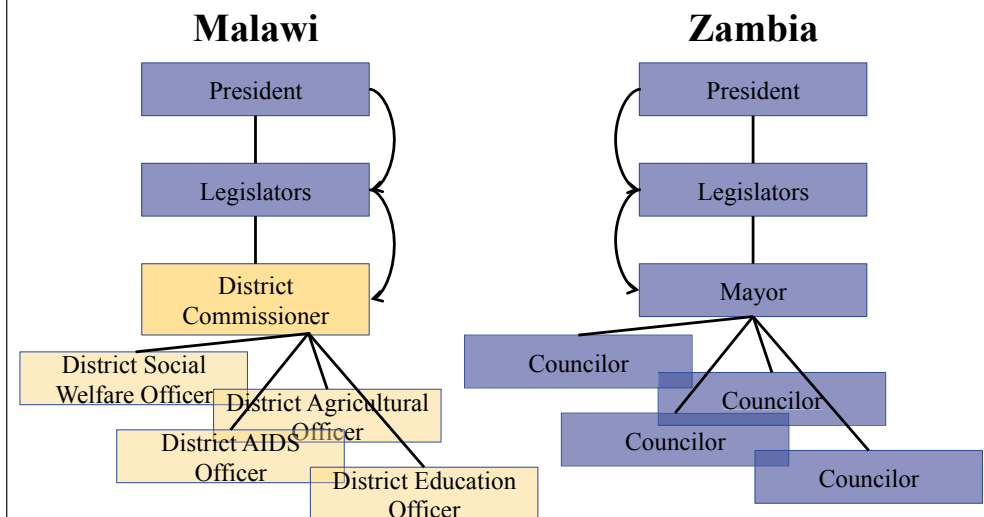
## Research Approach

1. Theory: Disaggregate construct of corruption; Theorize about role of transparency and accountability in altering prevalent forms of corruption
2. Test: Audit experiment with two treatment conditions: 1) a top-down transparency intervention; and 2) a top-down + bottom-up transparency intervention
3. Cases: Two different local government contexts: with and without elections, with other accountability structures varying at sub-national level
  - Malawi and Zambia
4. DV Measures: Three different measures of corruption:
  - First-person accounts of corrupt behaviors (individual)
  - Third-person reports of corruption to anti-corruption bureau (group)
  - Audit data on corruption at the legislative level (group)

## Cases: Malawi and Zambia

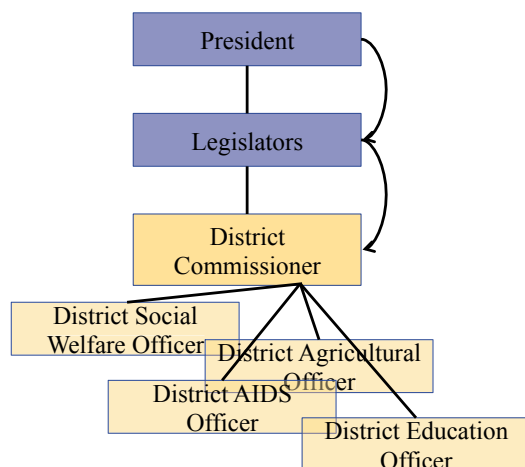
- **Balanced On:**
  - Colonial History (British)
  - Geography (Land-Locked Farmland)
  - Demographics (Poor, 13 M people)
  - Culture (Chewa and Tumbuka)
  - Politics (Presidential, FPTP, Weak Party System)
- Precedent for Comparing These Cases as Natural Experiment: Posner 2004

## Cases: Malawi and Zambia (cont.)



## Cases: Malawi and Zambia (cont.)

### Malawi



- Citizen Actions Leading to Investigation:
  - Violence
  - Protests
  - Letters / Phone Calls to ACB
  - Collecting Evidence and Giving to Media
  - Reports to Chiefs / MPs

## Corruption Measurement: First-Person Surveys

- Sample:
  - ½ district politicians in Malawi
  - Random sample
  - Total n=250
- Survey Instrument:
  - Covariates questions
  - Questions about group and individual
  - Direct (do you do this) and indirect (list experiment) questions of different forms
  - Survey experiment testing relationship between transparency and corruption
- Results:
  - Item nonresponse very low (lowest on political party question)
  - So far, no one has said their district abstains from any form of corruption, and no one has said they abstain from all forms of corruption
  - Survey experiment shows politicians aware some forms of corruption more prevalent in response to transparency
  - \*\*\* INTERESTING RESULT: Transparency → Third party involvement → Increase in corruption \$

## Corruption Measurement: Third-Party Reports

- Sample:
  - Anti-Corruption Bureau reports
  - Five years of all corruption reports: 2008-2012
  - Total n=
- Analysis:
  - Combine with district variables on accountability
    - Media reports → content analysis of radio and two major newspapers
    - Education and income variables (literacy, % with iron rooftops)
    - Centrality and network variables (chiefs, cell phones, population density, transportation network)
    - Political variables (party of MPs, density of MPs)
  - Analyze relationship between accountability and reports / punishments of corruption
- Results:
  - There is sub-national variation in the accountability environment across Malawi

## Conclusions

- In Africa:
  - Corruption hard to detect, but not impossible to measure
  - Anti-corruption efforts not futile! Corruption affected by transparency and accountability
- BUT
  - Politicians dampening effects by responding strategically to shift corruption
  - Limits to effects of “sunshine” → Perhaps must be combined with other efforts

# Democracy and Control of Corruption in Korea

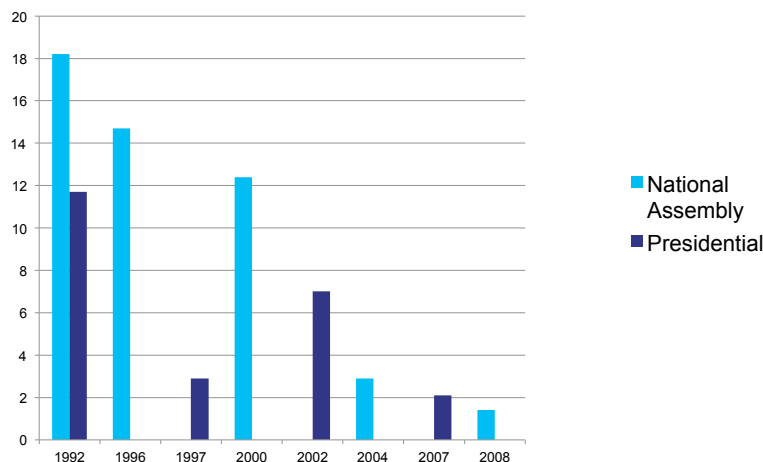
Jong-sung You

School of International Relations & Pacific Studies  
University of California, San Diego

# Democracy and Control of Corruption in Korea

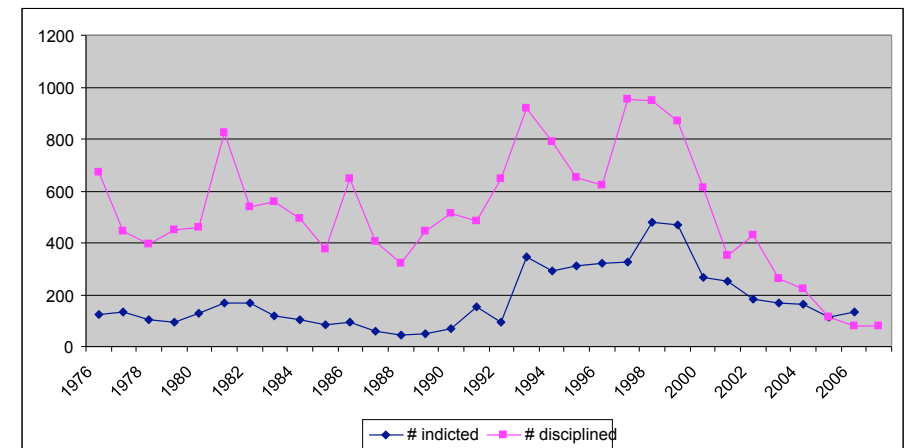
- Declining corruption: 1990s vs. 2000s
- Traffic police
- Bank loan
- Vote buying
- What has happened since 1987?
- Why anti-corruption reform/enforcement effective?
- Clientelism↓ Programmatic↑
- Capture↓
- Why clientelism and capture?
- Cross-national evidence; Korea's historical experience

## Voters given cash, gift, dining, or tour during election campaigns (%)



Source: National Election Commission

## Number of public officials disciplined/indicted for bribery charges (1976-2007)



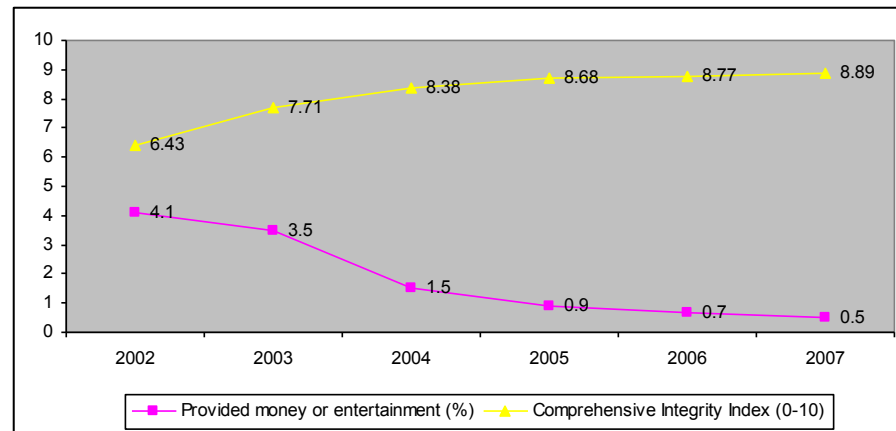
## KIPA surveys on perceived integrity of public officials



- Perceived integrity of public officials (general public):

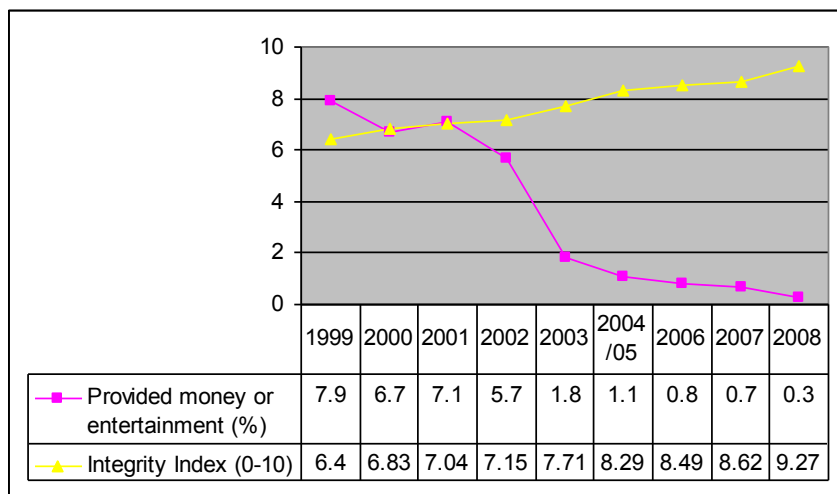
	1992	2001	2007
High	7%	9%	11%
Moderate	33%	34%	64%
Low	58%	39%	24%

## KICAC, “Comprehensive Integrity Index” and “Experience of Bribery”



Source: Anti-Corruption and Civil Rights Commission, *Integrity White Paper* (2007)

## SMG’s Integrity Index and Experience of Bribery, 1999-2008



## Tolerance of Corruption

- Public Opinion about the Acceptability of Bribery (1996 and 2003)

	To a traffic policeman		To a teacher		To a public official	
<Survey year>	1996	2003	1996	2003	1996	2003
Strongly oppose	36.2	61.9	55.9	66.8	44.6	71.0
Somewhat oppose	23.8	17.3	19.7	14.8	27.3	15.4
Uncertain	26.1	17.6	15.4	14.8	20.5	9.9
Somewhat	11.9	3.0	7.9	3.1	6.1	3.3
Very acceptable	1.8	0.3	0.8	0.6	0.8	0.3

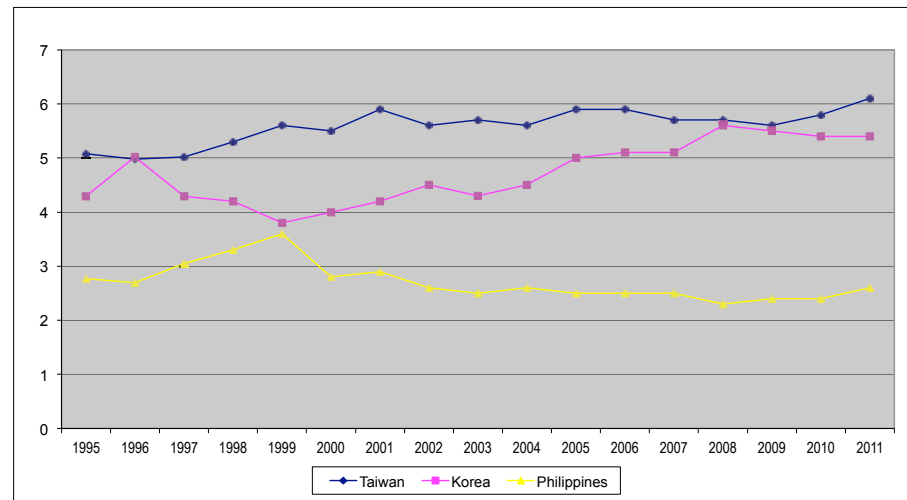
# What about political corruption?

-recurring scandals, but smaller scale & punished

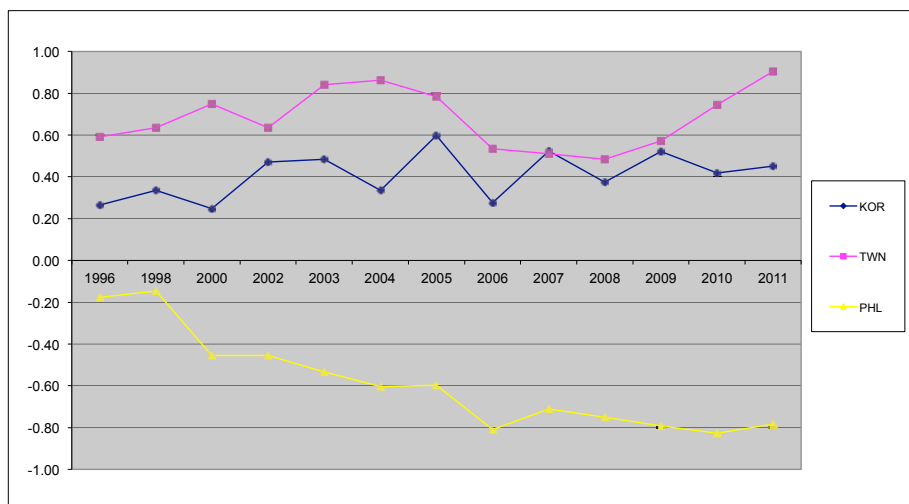
Decreasing trend of illegal political contributions for the presidential elections (unit: billion won)

Year	Major candidates	Illegal contributions confirmed by investigation
1992	Kim Young-sam Kim Dae-jung	Hanbo 60, Roh Tae-woo 200 Five enterprises 3.9, Roh Tae-woo 2
1997	Kim Dae-jung Lee Hoi-chang	Samsung (smaller than 10) Samsung 10
2002	Roh Moo-hyun Lee Hoi-chang	Samsung 3 Total 11.99 Samsung 34, LG 15, Hyundai Motor 10, SK 10; Total 82.32

# TI's Corruption Perceptions Index, from 1995 to 2011



# Trends of Control of Corruption Indicator, 1996-2011



# % businessmen who cite corruption as the biggest problem for doing business

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	Average
Singapore	0	0	0	0.3	0.3	0.1	0.8	0.1	0.3	0.2
Japan	1	0	1	1.8	1.1	0.7	0.2	0.1	0.1	0.7
<b>Taiwan</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3.6</b>	<b>3.2</b>	<b>3.2</b>	<b>0.9</b>	<b>2.6</b>	<b>0.5</b>	<b>2.4</b>
Hong Kong	4	4	5	1.6	2.3	1.6	2.5	3.4	0.7	2.8
<b>Korea</b>	<b>6</b>	<b>5</b>	<b>8</b>	<b>4.6</b>	<b>4.0</b>	<b>4.7</b>	<b>5.9</b>	<b>5.9</b>	<b>5.6</b>	<b>5.5</b>
Malaysia	4	12	8	8.0	9.0	14.5	10.4	8.0	9.6	9.3
Sri Lanka	11	10	12	8.7	8.4	11.5	7.1	10.5	9.1	9.8
Timor-Leste			10	10.2	9.7	11.4	9.6	10.7	14.4	10.9
Indonesia	17	19	11	4.6	4.2	10.7	8.7	16.0	15.4	11.8
Mongolia			10	10.5	11.3	11.6	11.2	12.2	12.8	11.4
China	11	15	13	12.0	11.6	7.4	7.4	9.5	8.5	10.6
Nepal				12.2	10.3	11.9	10.8	12.1	10.0	11.2
India	16	16	14	10.5	11.9	10.1	11.0	17.3	16.7	13.7
Thailand	17	15	13	14.7	10.8	10.3	11.0	11.4	14.5	13.1
Pakistan	13	18	16	13.3	11.5	13.1	11.5	18.4	11.6	14.0
Vietnam	15	22	20	18.8	14.8	9.0	5.1	4.8	5.7	12.8
Bangladesh	26	25	25	22.8	23.7	18.5	16.0	14.5	18.5	21.1
Cambodia			24	19.6	21.2	24.5	23.9	21.5	16.8	21.6
<b>Philippines</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>21.5</b>	<b>22.3</b>	<b>23.9</b>	<b>24.3</b>	<b>22.7</b>	<b>24.4</b>	<b>22.9</b>

Source: [World Economic Forum \(2003-2011\)](#)

## % people whose family members have bribed during the last year

Country	2004	2005	2006	2007	2008/09	2010	Average
Japan	1	0	3	1	1	8.9	2.5
<b>South Korea</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2.4</b>	<b>2.9</b>
<b>Taiwan</b>	<b>1</b>	<b>3</b>	<b>2</b>			<b>7.1</b>	<b>3.3</b>
Hong Kong	1	0	6	3	7	5.2	3.7
Singapore	1	4	1		5	8.8	4.0
Malaysia	3	6	3	6	8	9.1	5.8
China						9.3	9.3
Thailand		6	10		11	22.7	12.4
<b>Philippines</b>	<b>21</b>	<b>9</b>	<b>16</b>	<b>32</b>	<b>11</b>	<b>16.1</b>	<b>17.5</b>
Indonesia	13	11	18	31	28	18.2	19.9
India	16	12	12	25	8	54.2	21.2
Pakistan	19	13	15	44	18	49.4	26.4
Vietnam				14		43.9	29.0
Mongolia					28	47.6	37.8
Cambodia		36		72	47	84.0	59.8
Afghanistan						61.0	61.0

Source: Transparency International (2004-10)

## What has happened since 1987?

Kim Young-sam (1993-1997):

- anti-corruption reforms: real name system, FOA, APA, asset declaration, campaign finance reform

- prosecution of big fish (including two ex-presidents)

Kim Dae-jung (1998-2002):

- chaebol & financial reform
- e-government

Roh Moo-hyun (2003-2007):

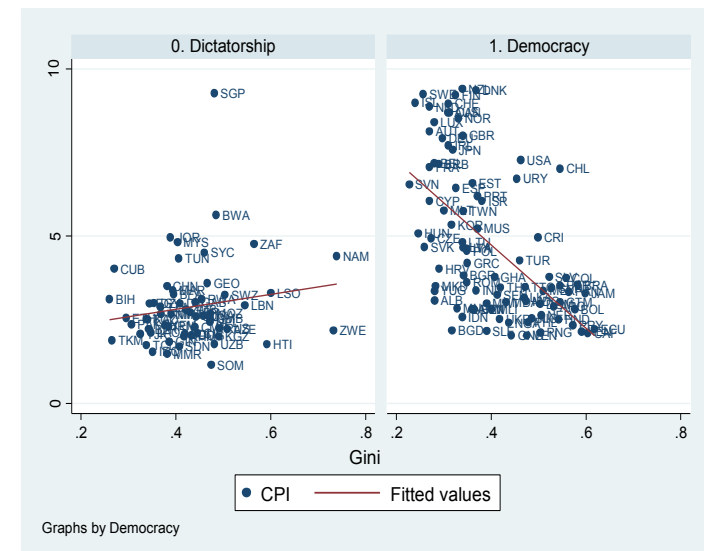
- investigation of presidential campaign funds
- campaign finance reform

Active role of civil society

## Why anti-corruption reform effective?

- Clientelism ↓ Programmatic ↑
  - politicians: incentives for corruption/anti-corruption
  - voters: ability to punish corrupt politicians
- Capture ↓
- Why clientelism and capture?
  - Age of democracy (Keefer)
  - Inequality: wealth concentration → clientelism, capture
    - widespread poverty → clientelism
    - small middle class & weak civil society

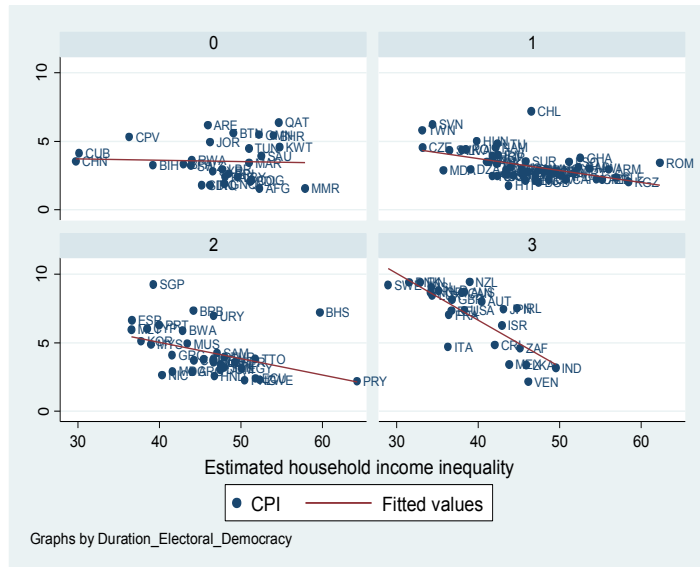
## The relationship between inequality and corruption, by regime types



Graphs by Democracy



## Inequality & corruption, by duration of electoral democracy



## The effects of democracy & inequality on corruption

	(1) OLS	(2) IV	(3) OLS	(4) IV
Years of democracy	0.0441 *** (0.0066)	0.0558 *** (0.0084)	-0.1142 * (0.0612)	0.0175 (0.1251)
Income inequality	-0.0326 *** (0.0108)	-0.1014 *** (0.0231)	0.0053 (0.0118)	-0.0101 (0.0240)
Democracy*Inequality			-0.0012 ** (0.0005)	-0.0019 ** (0.0009)
Per capita income	0.8461 *** (0.1325)	0.3196 (0.2168)	0.6207 *** (0.1177)	0.4657 *** (0.1439)
Democracy*Income			0.0204 *** (0.0049)	0.0105 (0.0103)
Constant	-2.8749 ** (1.3064)	4.2154 * (2.4671)	-2.2691 * (1.1727)	-0.4912 (1.6639)
N	141	110	141	110
R-squared	0.7649	0.7014	0.8200	0.8164
Over-id test p-value		0.8754		0.4064

- Dependent variable: CPI (2002-06)
- Independent variables (circa 2002)
- Instrumental variables: wheat-sugar ratio, mature cohort size (for inequality); distance from the equator, malaria index (for per capita income)

## Korea's historical experience

- Land Reform
  - egalitarian society; expansion of education
  - pressures for democracy & meritocracy
  - meritocratic bureaucracy →bureaucratic corruption↓
- Democratization
  - Student democratic revolution (1960)
  - Military dictatorship by Park & Chun (1961-1987): constrained by NK threat and democratization movements
  - Mass protests & democratic reform (1987)
- Continuing struggles for “economic democracy”
  - corporate governance & corruption scandals

## Modes of new recruitment at the Grade III-B in Korea, 1948-1995

Period	<i>Haengsi</i>	Special
1948-52	4.7	95.3
1953-59	48.3	51.7
1964	38.3	61.7
1965	35.6	64.4
1966-73	55.0	45.0
1977-79	65.2	34.8
1980-87	64.6	35.4
1988-95	70.4	29.6

Sources: Ahn (1978), Bark (1966), Ju and Kim (2006), and Ministry of Government (1977-1995)

## Number of indicted public officials on corruption charges in Korea

	Bribery	Embezzle	Sum	Ratio A*	Ratio B**
Rhee (48-60)***	60	152	211	36.8%	0.20%
Park (61-72)****	73	157	230	17.2%	0.12%
Park (73-79)	120	72	192	16.1%	0.06%
Chun (80-87)	116	43	159	14.3%	0.04%
Roh TW(88-92)	82	25	107	5.4%	0.02%
Kim YS(93-97)	319	111	430	5.1%	0.04%
Kim DJ(98-02)	350	86	436	5.4%	0.04%
Roh MH(03-07)	141	60	200	3.6%	0.02%

\*Ratio A: Ratio of # public officials indicted for corruption to # public officials indicted for any crime

\*\*Ratio B: Ratio of # public officials indicted for corruption to # of people (officials plus civilians) indicted for any crime

## Conclusion

- Institutional reforms & rigorous enforcement
- importance of transparency reform
  
- Anti-corruption reform, accompanied by:
  - 1) Programmatic politics, replacing clientelism
  - 2) Economic democracy, to curb capture
  - 3) Empowerment of civil society