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# **Rethinking Anti-Corruption Efforts in International Development**

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# Rethinking Anti-Corruption Efforts in International Development

## Abstract

**Purpose** – Corruption is commonly seen as a primary impediment to economic development, and its eradication has therefore featured high on development agendas. Most anti-corruption efforts in international development however fail. This paper reviews recent attempts to unpack the ‘black box’ of corruption to better understand its functioning in developing countries and find ways to combat corruption effectively.

**Design/methodology/approach** – The study has been undertaken through a comparative literature and case analysis of some of the primary findings within the field of anti-corruption in international development of the past decade.

**Findings** – The research finds that the black-and-white conceptualisation of corruption as an impediment to economic development, which is dominant in development circles, commonly fails to understand corruption as an alternative form of problem-solving in specific institutional settings. This has both hindered anti-corruption efforts and given unwarranted primacy to anti-corruption efforts in international development, to the loss of other priorities.

**Originality** – The paper strengthens recent calls for a more contextualized approach to combat corruption, which have been given insufficient attention in policy design and most of the literature on corruption, providing a novel starting point for ‘functional’, politically-aware anti-corruption and development efforts.

**Practical Implications** – Policy makers need to accept that there are no ‘magic bullets’ against corruption and work in a much more contextual manner, while accepting the fact that corruption might not be the primary impediment to economic growth in their country.

**Keywords** – Corruption, Anti-corruption, International Development, Thinking Politically, Good Governance, Principal-agent Problem, Collective-action Problem, Functionalism.

**Article Classification** – Research Paper

## 1. Corruption, the Scourge of the Developing World?

Over the last 25 years, corruption has come to be viewed as one of the primary impediments to economic development (Kurtz and Schrank, 2007a; Fisman and Miguel, 2008; Sharman, 2017). It has been called a “cancer” (Wolfensohn, 1996, p.10), a “disease” (Mackey *et al.*, 2016) and an “insidious plague” (UNCAC, 2004, p.iii), as it is taken to impose costs on companies, discourage investment and foster social and political instability. This depiction of corruption holds the attractive promise that economic growth will follow once we eradicate corruption, and as a result, anti-corruption initiatives have abounded and are nowadays a standard element of development programmes. However, it has proven very challenging to eradicate corruption, as most anti-corruption efforts fail (Heeks, 2011; Marquette and Peiffer, 2015a). At the same time, we still know relatively little about the factors underlying intervention failure or success (Ibid.; Kerusauskaite, 2018, pp.4-5). This begs the question how developing countries can control corruption, and where are our understanding of (anti-)corruption is lacking.

This paper argues that the rather black-and-white thinking on corruption as a ‘problem’ impedes such a more accurate understanding, following the innovative work by

Khan (2005, 2006) and Marquette and Peiffer (2015a, 2018), who have drawn attention to this gap in the debate. Instead of seeing corruption as a deviance from some universal norm, or a form of 'disease' which explains why countries are poor, does this paper argue that corruption functions as an alternative system of resource allocation and problem-solving in specific institutional settings. By relating the findings of Marquette and Peiffer (2015a, 2018) to the wider literature in development economics does the paper propose that corruption is a multifaceted, complicated phenomenon, which does not necessarily impede development and at times can even have growth-enhancing, although perhaps perverse effects, in contrast to the dominant view in development circles. Precisely because corruption often has important functions in different societies is it so hard to eradicate. Furthermore, based on the historical record of many developed countries, do I suggest that the eradication of corruption has often followed socio-economic development in a step-by-step process, instead of being a necessary pre-condition in the short-run for development to occur (Khan, 2006; Chang, 2011; Rodrik, 2014).

This is *not* to say that anti-corruption efforts are unimportant. In contrast, the eradication of corruption has much intrinsic value, as overt forms of corruption can and do lead to poor public service provision, diminish the effect of development projects or generate significant public unrest, as perhaps most dramatically showcased by Mohamed Bouazizi, the Tunisian fruit salesman who set himself on fire in an act of protest against a corrupt, ineffective government and that way ignited the Arab Spring.

However, considering the 'stickiness' of corruption despite significant efforts to eradicate it and the limited amount of resources available in development, we should discern more carefully between various forms of corruption and the different factors which make corruption more (or less) corrosive to a country's wider development indicators, working to eradicate the more harmful forms of corruption in tread with local needs and circumstances. We should also allow for the idea that sometimes, anti-corruption should not take priority, as development projects which may more directly contribute to economic growth (e.g. investments in infrastructure or education) may have a greater long-term effect by following the often seen historical causality from development to less corruption and better institutions.

As such, this essay argues that anti-corruption efforts as often practiced are neither effective nor cost-efficient. Instead, to be successful, anti-corruption efforts need to work much more with existing institutions and use a piecemeal, embedded approach, aimed at replacing corrupt practices with reliable institutions which help solve the problems which caused the occurrence of corruption in the first place. This also means recognizing that anti-corruption efforts can affect imperfect, but working systems, and therefore come with social, economic and political costs which should be considered in policy design. As a result, anti-corruption efforts should therefore sometimes not take priority in international development.

## **2. What Does Corruption Actually Do?**

While corruption is nowadays viewed as outright dysfunctional, the consensus on the impact of corruption on development has actually seen significant shifts over the years. Till the 1980s, many developing agencies paid little attention to corruption, viewing it as an unimportant or too politically sensitive topic, as it was surrounded by too many cultural sensitivities. Proof for the negative consequences of corruption was also scarce, as many authors actually saw corruption as an inherent and even positive characteristic of economic and political modernization (Osrecki, 2017 and Walton, 2013 provide a good overview). Samuel Huntington (1968) for example described corruption as almost

unavoidable, as economic development was bound to create new commercial elites, who would try to use their new-found wealth to disproportionately influence politics to their benefit. He considered this a good thing. The extension of patronage could be used to discipline the new elites, integrating them in the political order while preventing potentially violent power struggles, which would thus contribute to political stability (Huntington, 1968).

On the economic side, Leff (1964) and Lui (1985) argued that the introduction of bribes simply introduced another element of competition in economic models, rewarding the most efficient firms as they would be able to pay the highest bribes. In the same manner, corruption was said to allow for more efficient provision of government services ('greasing the wheels'), and allow firms to bypass inefficient regulations ('cutting red-tape'). From such a perspective, it seemed that corruption did little harm to efficient resource allocation, and could even foster investment by concentrating funds in the hands of corrupt companies and state officials, which could be a greater stimulant to economic growth than many people consuming a little more (Kang, 2002, p.201). The relatively robust growth rates of most developing countries at the time provided little impetus to doubt these ideas.

This consensus however changed fundamentally in the 1980s. Most developing economies crashed, and the adjustment programmes introduced by the World Bank and other donors failed to generate results. In response, the World Bank declared in 1989 that a '*crisis of governance*' underlay the troubles of the developing world, specifically Sub-Saharan Africa (World Bank, 1989, p.60). Corruption and rent-seeking by elites came to be viewed as a primary impediment to sustained economic growth, as it was shown to discourage foreign investment and impose extra costs on firms in a wide variety of settings (Krueger 1990). In contrast to earlier work was corruption now also considered to foster social and political instability by fuelling grievances and reducing trust in the state, hampering socio-economic development and leading to a plethora of negative effects, from bureaucratic inefficiencies to environmental degradation and rising inequality. A wide range of 'good governance' and anti-corruption reforms followed, which have dominated both development practice and academic circles since then, with for example Daron Acemoglu and James Robinson (2012) even claiming that inclusive, non-corrupt institutions are the ultimate factor to explain (under)development.

However, while the earlier consensus might be described as too unconcerned with the negative fallout of corruption, the recent consensus on its turn provides a somewhat oversimplified account of corruption's effects, both considering its economic and political impact.

### *2.1 Economic Consequences*

At first sight, the negative economic consequences of corruption seem robust, as there is a wide array of case-studies and macro-level analyses which demonstrate inefficiencies and cost inflations due to bribes and patronage. For example, a field study by Sequeira and Djankov (2010) of South-African transport firms found that 46% of the studied companies chose the longer way to Durban over the port of Maputo to avoid higher bribe payments, leading to an efficiency loss as firms opt for higher trucking costs to avoid paying bribes. In a comparable fashion, Olken and Barron (2009) found that corruption at truck weigh stations in Indonesia led to almost all trucks being overweight, as the benefits of overloading significantly outweighed the cost of the bribe in lieu of a fine. This led to significantly higher road degradation and therefore higher public costs. A variety of macro-analyses and regression models (such as Mauro, 1995; Mo, 2001; and Ugur and

Dasgupta, 2011) have also found a strong correlation between wealth and lower levels of corruption (i.e. richer countries commonly are markedly less corrupt), which has often been taken to indicate a strong causal link between corruption and low growth. However, these conclusions need to be complicated.

In contrast to popular belief in development circles do the macro-level analyses not provide sufficient evidence to conclude that corruption is a primary impediment to economic development, for two distinct reasons. Firstly, while there is a significant correlation between higher GDP and lower levels of corruption, this tells us little about the direction of causality between the two (Kurtz and Schrank, 2007a, 2007b; Olken and Pande 2012). While corruption can hinder development, institutional quality and corruption levels are to a degree also endogenous to economic growth. For example, rising income levels can free up the necessary resources to enable the clean-up of corruption, or lead to a rising middle-class demanding better institutions (Kurtz and Schrank, 2007a; Khan, 2005; Chang, 2011). Secondly, it provides scant evidence that corruption is by definition the most important variable to look at, instead of low-saving rates, poor infrastructure, lacklustre entrepreneurship or a wide range of other symptoms of underdevelopment (see Rodrik 2014). The marked heterogeneity in corruption levels between countries at comparable income levels, and even within countries, is in line with such findings, which strongly suggests that the relationship is more complicated (Olken and Pande 2012, p.490).

This is precisely what has been pointed out on the basis of various historical case studies. Goldsmith (2012) for example shows how 'bad government institutions', plagued by bribery, pervasive clientelism and election fraud, did not inhibit significant economic growth in either the USA or Argentina in the 19<sup>th</sup> century. Instead, institutional improvements followed the economic growth spurts, which for various social and political reasons often stalled in Argentina and not in the USA. A comparable point can be made by looking at the work of Kang (2002). In their famous book *Economic Gangsters*, Fisman and Miguel (2008) argue that the divergent development paths of Kenya and South-Korea can predominantly be explained by Korea's lack of corruption. Kang however has extensively shown how corruption was all-pervasive throughout Korea's development trajectory, as '*the Korean state intervened the way it did because doing so was in the interests of a small group of business and political elites*' (Kang, 2002, pp.178-179). The significant economic growth and public good provisions which followed were 'by-products' in his narrative (Ibid.). Likewise, Yuen Yuen Ang (2020) extensively describes the growth-enhancing role of bribes in allocating investments in China, although with perverse effects such as rising inequality, and Ferris *et al.* (2020) argue that corruption in various European countries persists because it actually increases overall firm profitability and the returns enjoyed by a firm's investors. Considering such counter-examples, there seems to be a genuine risk of selection bias when generalising the results of case studies which show the negative effects of corruption (even while they are also true), as also pointed out by Olken and Pande (2012, p.491).

This obviously does not mean that corruption is conducive to development, but it undermines the straightforward narrative that corruption is a primary factor to explain differences in development trajectories. In contrast, the relation between corruption and economic development is much more inconclusive than often suggested. The real, at the moment still somewhat unanswered question, is what factors enabled states like Korea and the USA to thrive at crucial parts of their development trajectories despite high levels of corruption, and in what circumstances rent-seeking can perhaps even be growth-enhancing instead of development-inhibiting, such as in Korea and contemporary China.

We are only at the beginning of understanding such 'corrupted-growth', including its potential downsides (see: Khan, 2000; Kang, 2002; Rodrik, 2008; Ang, 2020).

Failure to foster such a more accurate understanding risks missing the social-economic functioning of corruption, as on a micro-level described by Doevenspeck (2011, p.139) in his account on the role of corruption in facilitating cross-border trade between Congo and Rwanda. In lieu of sufficient salaries under a state with a poor tax base, Congolese border guards depend on bribes to feed their families. Attempts to limit such corruption, e.g. when Rwanda's president visited the border, diminished their income opportunities and grinded the cross-border economy to a halt as people were barred from crossing, leading to poverty and reduced economic growth. This illustrates the way that corruption is a social process, used as a solution to practical challenges, especially in the face of weak state institutions.

## *2.2 Social and Political Instability*

At the same time, corruption is considered to contribute to the erosion of such institutions, in the words of the World Bank (2011, p.6) by '*fuelling grievances and by undermining the effectiveness of national institutions and social norms*'. This can have a variety of negative consequences, such as lower tax revenues as people distrust the state, or a rise in crime and petty corruption as people built their own 'systems' to counter weak public service provision. The mentioned Congolese border guards are an example, just like the service provision for which the Italian mafia has come to be known (Kerusauskaite, 2018, p.26). Significant upheavals, such as the Arab Spring or the 2020 burning of the Guatemalan congress, are also well-known results of perceived corruption, and of themselves can have significant (often negative) implications for economic growth and wider development.

However, the actual impact of corruption on stability is highly contextual, just like the economic consequences of corruption. As described by Khan (2005) and North *et al.* (2009), corrupt payments and patronage networks can play an essential role in ensuring stability and limit both intra-elite and violent inter-group competition. By granting elites and specific social groups privileged control over political processes and sectors of the economy, a situation can be created in which (potentially violent) power struggles would reduce the received rents. This creates an incentive for these elites and groups to abstain from power competition to maintain their rents, which can reduce political and economic inefficiency, but also avoids unrest, civil wars and other phenomena which are more harmful to development.

The disruption of such networks can have unforeseen and even nasty consequences, as has been somewhat of a consistent experience with the 'good governance' attempts to transplant institutions from democratic, 'open-access' societies (such as markets, elections and strong private property rights) into more unstable political-economic contexts (North *et al.*, 2013; Grindle, 2017). The recent history of Malawi is a case in point. The donor-supported move to democracy and anti-corruption efforts in 1994 in that country disrupted its erstwhile centralised system of 'developmental patrimonialism' (i.e. an economically-productive autocracy) under dictator Hastings Banda (Cammack *et al.*, 2010). While there is little reason to idealize Banda's system considering its highly repressive characteristics, Banda did consciously use his extensive patrimonial network to shift rents to productive economic uses and overcome market failures. In contrast to short-sighted corruption is such highly centralized rent-utilization based on a long-time horizon, in which an extensive elite network spearheads economic development (Ibid., pp.1-5). While corrupt by almost any

measure, the entire system was not parasitic, instead leading to significant improvements in infrastructure, fixed capital formation and productivity. The World Bank even called the country's economic development 'impressive' in 1972, which it ascribed to the government's '*prudent management of the economy*' (Ibid., p.16).

The disruption of Banda's networks with the turn to democracy however generated significant incentives for politicians to start distributing state resources in the face of intense electoral competition to build their own networks and power base. This has not only led to social unrest, but increasingly corrupted the formerly relatively efficient bureaucratic system and inflated budget deficits (Ibid.; Anders, 2002; Conroy *et al.*, 2006, pp.125-130). Development and poverty reduction have since the 1990s been lagging (World Bank, 2018), and donor initiatives to combat widespread corruption have commonly failed, primarily because the underlying incentives to build political power and stabilize the country's political economy through clientelism persist, despite the cosmetic shift to a transparent and accountable democracy.

As such, it is problematic to assume a simple linear, causal relationship between corruption and political (in)stability, as there is a clear need to evaluate the actual workings of the system as it is, the short- and long-term benefits and costs of reform and what the available, viable alternatives are if we aim to make any positive changes without exorbitant transformation costs. While such insights have regained footing in academic circles (North *et al.*, 2009; Marquette and Peiffer, 2018), the impact on the mainstream consensus or development practice has been limited. In contrast, both the work of Yuen Yuen Ang (2020) and Marquette and Peiffer (2018) has been misunderstood and criticized as saying that 'corruption is good', which is distinctly different from saying that corruption persists because it serves a function and does not necessarily impede economic development (see Yuen Yuen Ang, 2021, and the debate between Persson *et al.*, 2019 and Marquette and Peiffer, 2019). Because the dominant narrative in international development persists in describing corruption as a 'pathogen', it has largely failed to appreciate that corruption is a political and socio-economic process, which is not just aimed at self-enrichment (although that is an important part of it), but has a wide variety of functions and effects in different institutional settings. This incomplete conceptualisation feeds into the mainstream understanding of the causes of corruption and the consequential anti-corruption efforts, which explains why corruption often persists.

### **3. Problematizing Anti-Corruption Efforts**

Starting out from this mainstream conceptualisation of corruption as a straightforward 'problem' which is to be eradicated, contemporary anti-corruption programmes explain the causes of corruption through one of two lenses, taking either a principal-agent or a collective-action approach (Ugur and Dasgupta, 2011; Marquette and Peiffer, 2015a).

The principal-agent approach has been the predominant one till the mid-2010s, and focuses on individual rational choice. The approach starts from the idea that corruption is the result of an individuals' cost-benefit calculation on whether to engage in corrupt acts. It also assumes that there is some sort of honest or benevolent 'principal', which can be construed to be all kinds of things depending on the circumstances, such as a manager, a government or the public interest. Ideally, agents are supposed to act in the interest of the principal, e.g. bureaucrats providing public services to all citizens. However, the interests of the principal and the agent may diverge, such as when asking for a bribe would raise the financial gains of the agent, but harm the principal (e.g. the public good) by increasing the costs of public service provision or reduce its availability

to the population as a whole. Whether an agent will engage in a corrupt act will be the result of the balance of the agent's potential gains and costs, which may include immaterial aspects, such as reputational damage or feelings of guilt (Collier, 2000).

Principal-agent theories therefore commonly stress the importance of raising the costs to change the scales, such as by increasing the principals' ability to monitor and sanction their agents and bring their respective interests closer together. In practical anti-corruption efforts has this commonly meant reducing the level of discretion available to civil servants, promote transparency, heighten sanctions for those who engage in corruption and increase monitoring within the government and by supporting civil-society watchdogs.

However, most of these approaches have over the last 15 years failed to bear fruit (Marquette and Peiffer, 2015a). Since especially an article by Persson *et al.* (2013), it has been argued that this is because the principal-agent approach mischaracterizes the nature of corruption, as it should be considered as a collective action problem (Ibid.). Simply put, this suggests that individuals will be unlikely to stop being corrupt if their society is systematically corrupt: their individual choice to no longer engage in corruption will impose costs on them, while it is unlikely that it will change the broader system. Corruption in this regard is a form of free-riding leading to a tragedy of the commons, in which there is no 'principal' at the top or the bottom. The actors involved will likely see that there would be benefits if everyone refrained from corruption, but in lieu of the necessary trust and institutions, few will oblige. Collective-action theories are therefore likely to suggest that societal trust-building is essential to tackle corruption, e.g. by civil society building, community engagement and integrity programs (Ibid.).

However, as pointed out by Marquette and Peiffer (2015a, 2018), these approaches are much more complementary than suggested by recent critics (Persson *et al.* 2013, 2019). Both approaches assume rational, self-interested calculations to guide people's decision whether to engage in corruption, and consider that the likelihood of being caught and punished is an important factor in these decision making processes, as being caught would disrupt the benefits of the agent and/or exclude someone from their access to a public good. In this regard, both approaches actually agree that increased monitoring and punishment can change the incentives to engage in free-riding or corrupt behaviour (Persson *et al.*, 2013, p.456). We might therefore conclude that these approaches are non-exclusive, and that the collective action-approach draws attention to more systematic and institutional determinants of corruption, while the principal-agent approach is more apt to explain individual/incidental acts of corruption (Kerusauskaitė, 2018, pp.56-60). In this regard, they both have value in explaining arguably different but often related forms of corruption.

### *3.1 What does this leave out?*

However, while valuable, these approaches have a significant blindspot by feeding on the characterization of corruption as a pathogen, which suggests that most people will automatically be better-off when corruption is eradicated. As pointed out in the second chapter of this article, this fails to recognize that in various contexts, corruption and clientelism provide solutions to practical problems people face, such as by enabling certain services, providing income and/or socio-political stability. When we acknowledge such functions of corruption, it shines a new light on the often lambasted lack of political willingness to tackle corruption in developing countries. Instead of being a '*mere matter of ... no one willing or able to make the first move towards reducing corruption*', it concedes '*that the present state of affairs may serve purposes that seem defensible to those involved*'



(Marquette and Pfeiffer, 2015b, p.7). As such, it is likely that projects increasing monitoring and punishment, or building societal trust and institutional integrity, will be ineffective or even bound to fail if they do not (also) address the problems corruption or clientelism exist to tackle.

This means that solving corruption is actually very deeply integrated with other aspects of development, instead of merely being a precondition for development to occur. As mentioned, political leaders in most emerging economies face significant challenges in maintaining social-political stability or securing political support in the face of social tensions and poverty. And with a weak tax base, the options for legal redistribution of resources available in developed welfare states are often absent (Khan, 2005, 2006). As a result, *'through corruption, leaders find and redistribute the resources needed to make their political tenure viable, which, as a by-product, ensures the public good of a sense of political stability for society more generally'* (Marquette and Pfeiffer, 2015b, p.8). Therefore, if anti-corruption efforts do not coincide with broader institution building, economic development and welfare provisions which can provide comparable levels of security, they are unlikely to succeed while at the same time risking to impose exorbitant costs on societies by disrupting the 'working' system.

Such challenges expand into the social sphere of ordinary citizens. In Vietnam, the use of bribes to circumvent bureaucratic rigidities and acquire better healthcare through social networking is well-known (Nguyen, 2009). In Honduras, patron-client relations have been recorded as providing security and safety in the aggressive conflicts between banana companies and labour movements (Gauri *et al.*, 2011). And Grant Walton (2013) has described how petty corruption provides the poor and marginalised in Papua New Guinea, who have little access to public services, with some form of security and political clout. Such behaviour ties in with local understandings of what precisely constitutes corruption, as what may be considered nepotism or a political scandal in one society may be considered family solidarity or normal politics in another. Take, for example, the following quote from Lawrence Rosen (2010, p.78) who worked on corruption in Morocco:

*'A few years later I attended a meeting with workers from "buildings and grounds" to explain the anti-nepotism rules our university committee had proposed. One after another, the workers expressed concern. "What do you mean I can't hire a fishing buddy's kid or my nephew?" said one. "Often guys don't show up on time or at all, but if the kid is my nephew and he doesn't get here or pull his weight, I'll go to my brother who will see to it the kid shapes up. If I don't have that kind of hook in a guy, how am I ever going to be sure he will do his work?"'*

Gupta (1995, p.397) captures another such sentiment in his work on the discourse of corruption in postcolonial India, when he observes that *'a highly placed official who fails to help a close relative or fellow villager obtain a government position is often roundly criticized by people for not fulfilling his obligations to his kinsmen and village brothers'*. 'Corrupt' networks in different institutional settings tend to provide a different understanding of what exactly constitutes *problematic* corruption, while also being a reaction to the lack of a reliable, trustworthy political-economic arrangement through the state based on e.g. citizenship or merit. And while such corruption is not unlikely to undermine the availability and trustworthiness of formal state arrangements, this can understandably be of little interest to the individuals and families who need access to services *today*. The proposal that not engaging in corruption might eventually lead to

improve service delivery someday, even if accurate, is scant consolidation. As a result, corruption persists as an essential form of resource and service acquisition, even while the public opinion in many of the relevant countries is vehemently against corruption. Corruption sometimes simply is a necessary way of life or even a survival strategy in the face of weak institutions and lacking socio-economic development. In this regard, corruption is caused by underdevelopment, not its cause.

#### **4. Improving Anti-Corruption Efforts**

These considerations significantly complicate anti-corruption efforts. When corruption is viewed in its wider social-economic context as a form of problem-solving at various levels of society, it can no longer suffice to focus on overcoming political unwillingness to implement good 'technical' solutions or engage in societal trust- and governmental integrity building, although such instruments can be very valuable. Instead, the focus should also be on the complicated interrelationship between various forms of corruption, poverty and prospects for inclusive economic growth to be able to address corruption in a holistic manner. This means both addressing the contextual causes of corruption (e.g. political instability, poverty, poor public service provision, but also private greed) and its self-strengthening characteristics (such as perceptions that it is okay because 'everyone is doing it' or 'it is easy'). Thus, we should combine the best of all our insights.

This however would translate into quite a different approach to anti-corruption than how it is often practiced, which has commonly boiled down to implementing (Western) institutions and programmes which were capable of stamping out corruption in e.g. Europe or Hong Kong: there are few countries nowadays who do not have some sort of constitutional court, checks-and-balances, an anti-corruption bureau and an ombudsman (Mungiu-Pippidi, 2013). This has proven to be a naïve approach, as *"expecting people to reject corruption based on premise that 'it wouldn't be honest' is not tenable when corruption serves to redistribute state resources to the poor"* (Walton, 2013), or when it helps to stabilize an unstable political system (North *et al.* 2013; Gauri *et al.*, 2011). Instead, we need to work more nuanced, piecemeal and contextual, starting out from the situation as it exists on the ground instead of the normative prescriptions of a certain theory, or an overt focus on the end-goal of non-corruption, which has often led to the neglect of other priorities.

In practice, this would mean asking what kinds of corruption are (particularly) harmful to society and development in different countries and can realistically be controlled, discerning extortion from exchange, and petty from grand corruption. It requires acknowledging that corruption often has a socio-economic or political function instead of simply being a deviance from a universal social norm, and that interfering in such processes can come with significant costs for both individual citizens and the country as a whole. Therefore, 'independent' anti-corruption efforts are almost by definition bound to fail in emerging economies, as it does not solve the problems which caused corruption to occur in the first place, or might even generate new winners and losers and therefore new avenues for corruption to occur. Any attempts to change such systems should therefore also provide viable solutions to the existing problems by e.g. improving reliable public service provision or fostering socio-political stability.

Perhaps the biggest challenge is that it would require a certain kind of restraint on the part of development agencies, as the historical record strongly suggests that many countries only arrived at the ideally desired institutions after significant economic growth. Even more challenging is that forms of bribery and rent-seeking in Korea and China seem to have had growth-enhancing effects. This is no call for complacency about

corruption, but means that depending on the context and the effect corruption has, anti-corruption efforts should perhaps not take priority. Instead, our limited resources might sometimes be better spent by investing in more directly growth-enhancing factors, such as infrastructure, finance provision or technology transfers. Or to put it even stronger: *'A development strategy that focused on anti-corruption in China would not have produced anything like the growth rate that this country has experienced since 1978, nor would it have resulted in 400 million plus fewer people in extreme poverty.'* (Rodrik, 2007).

There is one important caveat here though: while corruption does not have to impede economic growth, it is quite likely to have harmful effects if the proceeds leave the country to end up in a Swiss vault or a Parisian apartment. It is not surprising that e.g. Korea and China have (had) extensive regulations on capital flows. In this regard, the biggest challenge (and biggest responsibility for developed countries) in anti-corruption efforts is likely to be restraining the outflow of capital and strengthening efforts to recover assets in favour of emerging economies (Kerusauskaite, 2018, pp.75-76).

## **5. Conclusion**

To conclude, it may be clear that corruption is a much more complicated phenomenon than often suggested. Corruption has a wide variety of different effects and causes in different societies, with significant social-economic and political importance in various institutional settings. Such insights however have not spilled-over to actual development projects, as many development agencies maintain a decidedly black-and-white perspective on the negative causes and effects of corruption. This is the reason why most anti-corruption efforts fail and will continue to do so if the conceptualisation of corruption as a pathogen is allowed to dominate. Therefore, I express the hope that the broader development community will pick-up on the recent insights, accepting that there are no silver-bullets to solve corruption and move towards a much more contextualised, embedded approach to not just tackle corruption but also its connected, wider development causes and effects.

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