

## *Chapter 1*

### **The concept of international drivers of corruption**

#### **Why do international drivers matter?**

Major changes in the global economy, in particular since 1970, have fundamentally affected the incentives facing political and economic elites. Recent research has focused on the impact of increasing global demand for natural resources, which has provided political elites in poor countries with historically unprecedented opportunities to extract high rents from the export of scarce commodities. Moore, Schmidt and Unsworth (2009) suggest that this has provided political elites with “unearned incomes” that have acted to undermine their interest in building effective, accountable public institutions and nurturing economic growth. Foreign aid also provides a source of “unearned income”, and can be associated with substantial corruption, for example in the manipulation of public procurement.

Elites governing poor countries are not the only ones influenced by the international environment. Powerful groups emerging from criminal backgrounds are often well connected across international borders, as are those empowered by socio-cultural or military links. Illegal narcotics trading and smuggling into rich country markets also generate high profits and rents, with particularly corrupting effects on police and politicians in transshipment areas (Mexico, West Africa, the Caribbean). The incentive to take advantage of all these opportunities for personal enrichment is intensified by financial liberalisation which both facilitates large transnational capital movements and provides scope for hiding financial assets overseas.

The broad and mainly negative effects of the “resource curse” are well-documented examples of the impacts of international drivers. The high level of international demand for raw materials generates massive rents that can greatly influence the economy and governance of producer countries. Impacts in relation to governance concern the struggle among and within elites to control the resulting rents and the negative effect of unearned incomes on accountability (Ross, 1999). The precise effect of natural resource rents on economic performance, civil war and types of political regime is contested in the literature. Some countries have performed much better than others in managing natural resource rents, which points to the fundamental role of individual political and economic contexts, and of the country-specific nature of institutions and social relations (Rosser, 2006). It is therefore vital to understand the interaction between the political economy and international drivers.

The impact of the global environment on developing countries is not all negative. There is increasing international pressure for electoral democracy and accountable, rules-based governance. Entrepreneurs facing competition in regional and global markets have an interest in pressing governments to provide investment-friendly public goods (for example improved infrastructure, phytosanitary regulation, or certification of sources of timber and diamonds). Transnational

companies can play a role in introducing more effective and transparent systems of accounting, commercial law and corporate governance. Consumer and media pressure in developed countries can drive improvements in governance by stimulating demand for legally produced and certified goods, and by damaging the reputation of firms that have been exposed as engaging in illegal and corrupt activities. International NGOs have the power to mobilise action and public opinion, and to build networks of organisations across countries. South-South networks and communities of experts (scientists, tax officials) can facilitate cross-country learning and co-ordinate action. International initiatives and regulatory instruments have sought to build on these positive effects of international drivers while countering negative influences (see Annex B).

## Concepts and approach

### *Corruption and governance failures*

This analytical tool addresses the essential issue of how the international drivers affect country-level governance. The tool focuses on those forms of corruption and governance failure most damaging to economic growth and development; corruption is broadly defined as the “abuse of entrusted authority for illicit gain” (see Box 1.1). Corruption and governance failures here also extend to other behaviours that may not always be considered illicit, but that are driven by the narrow and self-serving interests of powerful groups. This includes attempts by such groups to create and capture economic rents, and to direct public spending at private goods benefitting themselves or narrow groups of supporters rather than at broader public goods provision. Thus, in broad terms the tool is concerned with bringing about a shift away from *exclusive* forms of political behaviour – such as corruption, predation, rent seeking and patterns of public expenditure based on patronage – and towards productive use of resources and the creation of more *inclusive* public goods.

### *The political economy approach and elite strategies*

The tool uses a political economy approach that explains corruption and other governance failures as the outcome of political processes involving contestation and bargaining between interest groups with competing claims over rights and resources. The approach focuses particularly on the behaviour of the ruling elite, defined as those individuals and groups controlling the state and military apparatus, as well as other factions that are in a position to challenge the ruling elite’s power. In certain contexts elites may be narrowly concerned with predation, rule by coercion, rent creation and capture, and other forms of corruption. In other situations elite behaviour may nurture productive investment and growth, creating public goods and governing by consent.

The tool deals with the most important factors affecting *elite strategies*, including their sources of support, their power and legitimacy, and threats to their security and wealth. Elite strategies are played out under different political systems, where contestation may, for example, arise from democratic competition, violent or potentially violent domestic opposition, or an external threat. Sources of revenue are central in shaping ruling elite incentives and strategies. In particular, it makes a difference whether or not rulers need to “earn” revenue by taxing citizens, which creates pressures for public accountability and a strong incentive for rulers to nurture productive investment and build the capability to raise and manage public revenues. The contrary situation arises where revenues are “unearned”, particularly in the case of rents arising from high-value natural resource exports. Elites will also adopt different strategies depending on whether revenues are channelled through the state (*e.g.* taxation of mineral companies) or whether they can be directly appropriated (*e.g.* illegal logging or drug trafficking).

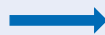
Elites do not form a monolithic or unified group that operates in isolation from the rest of society. It is essential to understand how power is exercised through relations among different sections of the elite, and between elite and non-elite groups. The latter often operate through patron-client relations, in which elite groups maintain their power and support by distributing favours and public resources to selected groups in exchange for their political loyalty.

### Box 1.1. A definition of corruption and other governance failures

The definition of corruption used by this tool – the “abuse of entrusted authority for illicit gain”<sup>\*</sup> – is rather broader than the conventional one, “the abuse of public office for private gain”. The latter is difficult to apply in developing country settings, where the distinction between the private and public sphere is often unclear, formal rules are weakly embedded, and more personalised forms of rule lead to different perceptions about what is licit and illicit. Corruption is not just an individual choice, but also an endemic problem in most poor countries. The definition used here responds to the need to look broadly at the behaviour of power holders, take account of local notions of what constitutes an abuse, and recognise the overlapping nature of the public and private sectors.

The tool does not restrict itself to corruption. It is also meant to be applied to a broader set of governance practices that may not be considered as being illicit or corrupt, but are driven by the narrow and self-serving interests of powerful groups, mainly for the purposes of self-enrichment and power preservation. In broad terms the tool is concerned with bringing about a shift away from exclusive forms of political behaviour to more inclusive provision of public goods, as illustrated and defined below.

#### Exclusive political behaviour



#### Inclusive political behaviour

**Predations** defined as the theft or confiscation of privately owned or publicly held goods for private gain.

**Corruptions** defined as the abuse of entrusted authority for illicit gain.

**Rent-seeking behaviour.** Rents are the excess earnings above normal profits – *i.e.* the proportion of the sales value of a product that can be captured by a tax authority, a criminal or a protection racket, while leaving the producer with enough profit to be motivated to continue to produce. Rents can be created by policy distortions, trade and sales restrictions and market power, and can also arise in the extraction of natural resources whose world market price greatly exceeds production costs.

**Political patronage.** The allocation of resources (arising either from rents or targeted public expenditure) to narrow interest groups in a way that is intended to buy political loyalty and keep political patrons in power.

**Public goods provision.** Public goods are goods providing collective benefits (formally defined as non-rivalrous and non-excludable). Market mechanisms do not provide incentives for the adequate provision of public goods; some form of government intervention or collective action is usually required. Examples of public goods include large-scale infrastructure, mass vaccination and environmental regulation.

<sup>\*</sup>NORAD Norwegian Agency for Development Co-operation (2009), *Anti-Corruption Approaches: A Literature Review*. [www.norad.no/en/Tools+and+publications/Publications/Publication+Page?key=119213](http://www.norad.no/en/Tools+and+publications/Publications/Publication+Page?key=119213).

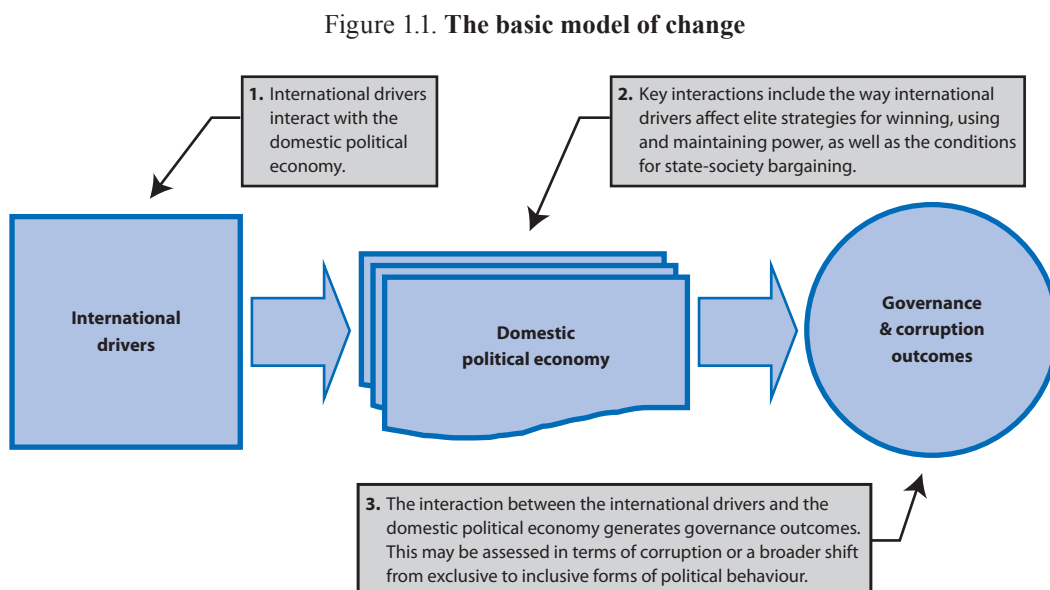
Interactions among elite groups as well as between elite and non-elite groups can also drive progressive change. The underlying assumption in this framework (and widely accepted among political scientists) is that effective and accountable public authority, and public institutions that support productive use of resources are created through bargaining among social groups, and between social groups and the state (referred to in this report as “state-society bargaining”). Political and economic development results from a strategy shift that occurs when rulers recognise that they benefit from promoting the prosperity of their economic base, and using coercion not to seize or to destroy wealth but rather to safeguard and promote its creation (Bates, 2001). Progressive change happens when bargaining between rulers and ruled, and between public and private actors, enables people to identify and build on common interests, and produce “win-win” outcomes. These may include, for example, security in exchange for recognising a legitimate, coercive role for the state; state protection of property rights (initially informal and exclusive) in return for productive investment; compliance with tax demands in return for political and civil rights and public goods and services.

### *International drivers*

International drivers are defined as “the global or regional factors that influence the domestic political economy”. They primarily include economic processes operating at the global or regional level, but also include trends in international relations and security as well as other aspects of globalisation, including the ease of communication and the flow of ideas. These drivers affect the various strategies adopted by elite groups for winning, using and retaining power, and the conditions for state-society bargaining. In tracing these links, it is possible to assess which international drivers are likely to bring about improvements in governance and which may be fuelling corruption.

### *Model of change*

Figure 1.1 illustrates the model of change embodied in the tool.



## References

- Bates R.H. (2001), *Prosperity and Violence: The Political Economy of Development*, W.W. Norton & Company, New York.
- Moore, M., A. Schmidt and S. Unsworth (2009), “Assuring Our Common Future in a Globalised World: The Global Context of Conflict and State Fragility”, working paper, UK Department for International Development.
- Ross, M.L. (1999), “The Political Economy of the Resource Curse”, *World Politics*, Vol. 51, No. 2, pp. 297-322.
- Rosser, A. (2006), “The Political Economy of the Resource Curse: A Literature Survey”, Institute of Development Studies, Working Paper 268.



**From:**  
**International Drivers of Corruption**  
A Tool for Analysis

**Access the complete publication at:**  
<https://doi.org/10.1787/9789264167513-en>

**Please cite this chapter as:**

OECD (2012), "The concept of international drivers of corruption", in *International Drivers of Corruption: A Tool for Analysis*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264167513-4-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).