



University of Passau - Department of Economics  
Chair for Economic Theory  
Prof. Dr. Johann Graf Lambsdorff

THE ECONOMICS OF CORRUPTION 2008  
- POSTERS AND PRESENTATIONS -

### Requirements

Except for graduate students, all external participants are asked to present a poster covering their latest research efforts and/or findings, or their organization's/country's anti-corruption efforts.

Duration: 10 minutes maximum

### Posters

A poster is a static, visual medium (usually of the paper and board variety) that you use to communicate ideas and messages. The difference between poster and oral presentations is that you should let your poster do most of the 'talking'; that is, the material presented should convey the essence of your message.

Formatting: Din A2, A1, A0.

Texts and graphics should be easily readable (no handwriting; minimum font size: 20pt).


Poster examples from last year (see next pages).



# How to make money out of anti-corruption programs!

by Jörg Viebranz, Martin-Luther-University Halle-Wittenberg

Two factions influence the public opinion on corruption:



One faction tries to convince the public, that corruption is not that bad.

Another faction tries to convince the public, that corruption is evil.

The two factions entrench into their positions:

We want to do business; morality has to be sacrificed!

vs.

Morality is more important; we have to sacrifice profits!

No satisfactory solution will come up if people discuss corruption as a problem of lack of morality

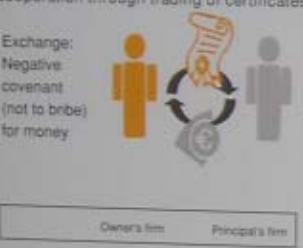
We would come up with better solutions if we discussed corruption as a dilemma in which firms act individually rational, but end up in a situation (II) in which every firm bribes to get contracts and where there is a situation in which no firm bribes (I) that everybody would prefer.

	Firm II	
	bribes	no bribes
Firm I	no bribes	I
	bribes	II

Corruption, understood as a dilemma shows that if we want to fight corruption, we don't have to call for morality, but for a change of incentives.

The proposed solution: realize gains from cooperation through trading of certificates


Exchange: Negative covenant (not to bribe) for money



Owner's firm

Principal's firm

In the event of bribery: Payment



Everybody gains from this arrangement

Owner's firm: Can make money out of anti-corruption programs.

Principal's firm: Less risk; cheaper corruption-prevention.

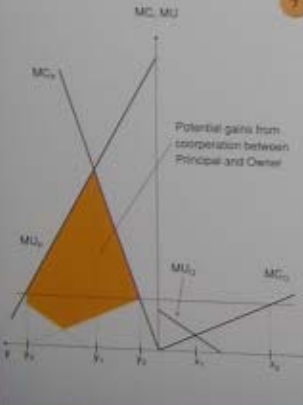
General public: Legal certainty; higher growth rates.

How should we change incentives?

- Increase level of punishment and police? No, even capital punishment does not root out corruption!
- Substitute anti-corruption programs by law? No, police cannot validate effectiveness of certain anti-corruption measures!
- Punish the firm, not the individual? No, this gives incentives to make corruption even less detectable!

There is another way to change incentives, that leaves everybody better off!

MC, MU




Potential gains from cooperation between Principal and Owner

There are potential gains from cooperation

- Principals gain high (marginal) utility from anti-corruption programs. Because of higher information barriers they also have to take high (marginal) costs for anti-corruption programs into account.
- Owners gain little (marginal) from anti-corruption programs, but can provide it at lower (marginal) costs.

Principal's firm

Owner's firm



Principal (loses from corruption)

Owner (Gains from corruption)

Wall of Ignorance

Agent

Client

Mutual Cooperation

# TOO LITTLE TOO LATE?

## A critical Look upon the Anti-Corruption Efforts of the EU

### Introduction

In the past decade, since its focus on **prevent, organised crime** and, therefore, **also terrorism** became clear, the topic of corruption moved into the **centre of international attention**. Specifically new and potential future member states of the EU feel themselves **under serious pressure** to develop national anti-corruption strategies and action plans to improve their track record in this field.

Due to a **series of considerable national and international efforts** the **entire system** is in the process of being assessed as **emerging**, the EU itself seems to lag behind. Instead of being at the **forefront of this topic** it seems that it is **leaving out** to be a **reference point**. In respect of the fact that the EU has the **power, and possibly even the obligation** to actively contribute to the development of international anti-corruption benchmarks. The latter would be especially relevant for the membership applying Western Balkans, where the EU is viewed as the **most important** validation of the individual.

What the prevailing view is in work in progress, which remains to be seen.

- **any work in ICMPD** as a **project effort** for projects in the field of international anti-corruption efforts, mapping of the development of an anti-corruption policy in the EU and the EU's position within the international anti-corruption framework, also on the right, being the focal issue of anti-corruption activities of international agencies, and the left side (being the major international initiatives of corruption).
- **any PFD thesis**, analysing the possibilities of the EU to contribute to the development of international anti-corruption standards and benchmarks.

### Thesis

These corruption programs to be reported regarding the EU's anti-corruption efforts. However, in relation to its demands, **the EU does not provide adequate anti-corruption support** to the candidate and potential candidate states of the Western Balkans.

### Methodology

Analysis of **primary** (e.g. international conventions, EC investigations and conventions, relevant statistics and industry) and **secondary** literature (academic research, analyses and reports of specialised organisations), qualitative interviews with anti-corruption experts, as well as representatives of international organisations and state administrations. I will also draw from my **professional experience as manager of EU projects** in Southeast Europe.

### EU Statements, legal Instruments, Activities

#### Statements

A clear commitment towards the fight against corruption exists, which goes beyond the foundation of the EU. In 2005 policy speaks of a **firm intention to reduce corruption in all fields** in a **coherent way** within the EU institutions, in EU Member States and outside the EU, i.e. political corruption, corrupt activities connected by and/or actively with organised crime groups, private-public and so-called petty corruption.

#### Legal Instruments

The EU's legal instruments to the anti-corruption sphere have a **strong focus on criminal law**, requiring the member states to introduce legislation which are "effective, proportionate and dissuasive" for offences. The relevant legal instruments cover the following topics:

- protection of the financial interests of the EC;
- corruption involving officials of the EC, or of EU member states;

In addition to that the EU encourages member and candidate states to sign and ratify all relevant international instruments of UN, Council of Europe and OECD.

#### Activities in 3rd Countries

The EU's 2005 policy document includes **18 principles** for the improvement of the fight against corruption in candidate and other third countries, including the development of strategies, integrity in public services and awareness raising.

Besides political processes, the implementation of EU projects is the most important tool for fighting corruption in third countries, but in the majority of cases corruption is viewed and indirectly, through capacity building in the public administration, organisational restructuring, enhancing of transparency, etc. Citizens has been raised that efforts failed to tackle the broader underlying factors, and that the lack of an effective monitoring mechanism eroded the EU's strategy of identifying anti-corruption progress "target activities".

### Conclusion

Over the past years, the EU's approach towards corruption has changed significantly. From the limited focus on the EU's financial interests to the emphasis that corruption constitutes a serious problem with links to terrorism and organised crime, which merits attention and concrete action.

While it seems to extend relatively, the EU is not sufficiently coordinated with the activities of other international organisations, and often not even within its own institutions or members. The lack of a coherent strategy in developing conventions, unified standards and a package of good practices is especially felt. It therefore can not be considered that the EU's anti-corruption activities, based on the EU's standards, and the current support to the candidate states may be assessed as **insufficient** when compared to these countries' needs.

### Interdependency of Policies and Projects

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graph TD
    A[National & sector policies] --> B[EU development policy & country strategies]
    B --> C[Government programmes]
    C --> D[Project]
    C --> E[Project]
    C --> F[Project]
    
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EU	Final Areas of anti-corruption activities of international Agencies				
	OECD	UNEP	UN	OSCE	ICMPD
Public sector	Domestic reforms	Public sector management	Political accountability	Public sector management	Political accountability
Anti-corruption strategy	Public sector management	Political accountability	Political accountability	Political accountability	Political accountability
Industry and services	Political accountability	Political accountability	Political accountability	Political accountability	Political accountability
Public administration	Political accountability	Political accountability	Political accountability	Political accountability	Political accountability
Public sector	Political accountability	Political accountability	Political accountability	Political accountability	Political accountability
Public sector	Political accountability	Political accountability	Political accountability	Political accountability	Political accountability