

Jonas Hartelius and Edgar Borgenhammar

# **Corruption as a threat to international security and conflict resolution**

A systems approach to preventing and  
stopping corruption

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*In memoriam C. West Churchman (1913 – 2004), ethical guide in systems theory.*

## **Authors**

*Edgar Borgenhammar*, M.B.A, M.S.W., Ph.D., is Professor Emeritus of Health Services Administration at the Nordic School of Public Health in Gothenburg, Sweden. He is currently Deputy Chairman of the Swedish Carnegie Institute.

*Jonas Hartelius*, B.A., CPP, is a Scientific Advisor to the Swedish Carnegie Institute.

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[staff@carnegieinst.se](mailto:staff@carnegieinst.se), [www.carnegieinst.se](http://www.carnegieinst.se)

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# Foreword

Corruption is commonly defined as ‘abuse of public trust for private gain’. It is a threat to the rule of law, a challenge to human rights and an obstacle to conflict resolution. Corruption also constitutes a decisive causal or operational factor in a large number of specific threats to international security, such as the uncontrolled sale of restricted technology used in unlawful production of weapons of mass destruction.

Measures to prevent, detect and stop corruption should become a regular feature in any program dealing with international security issues. This should be done by legislation, law enforcement, opinion shaping, codifying of professional ethics etc. Value issues and transparency guidelines should be core themes for any educational or training activity in fields where corruption could arise.

In this report, the authors present a comprehensive and systems-based overview of the problems associated with corruption and offer a set of recommendations for coordinated countermeasures.

The publisher hopes this report will contribute to the public discussions about the serious threat to international security caused by corruption and about the need to develop effective countermeasures.

Stockholm in December, 2011

*Mr. Peder Langenskiöld*  
Executive Director  
Swedish Carnegie Institute



# 1. Origins and extent of corruption

## **Corruption since antiquity**

The first case of corruption probably arose in one of the early large state administrations some thousand years B.C.E. Deuteronomy (16:19, NEB) drew the attention to the dangers of corruption among judges: '... bribery makes the wise man blind and the just man give a crooked answer'.

In some administrations during certain periods, official commissions have been openly for sale. Field Marshal Arthur Wellesley, 1<sup>st</sup> Duke of Wellington, who defeated Napoleon at Waterloo (in 1815), promoted his military career by buying himself the rank of lieutenant colonel, as was the practice of his times.<sup>1</sup>

After World War II, the corruption in many countries has had such far-reaching consequences that a number of specific counter-measures have become necessary. Corruption has been widespread even in systems such as Communism, which according to official ideology was immune to any possibility of corruption. Milovan Djilas attracted wide attention when he, in his book *The New Class* (1957), described corruption within the Yugoslav Communist Party.

## **Corruption as a malfunction of an administrative system**

It is a defining feature of the idea of the modern, rational state (e.g. by Weber (1922) and Deutsch (1963)) that its bureaucracy (administrative system) has rule-bound control of every part of its domain. Employees are expected to be loyal to the goals of the system and 'objective' (meaning rule-bound) in applying its regulations. The owners of the public administrative system are the Government, and, in the Western democratic tradition, ultimately the people.

From such a viewpoint, corruption can be regarded as a malfunctioning, even a rotting, of the system. Political or administrative corruption constitutes a 'privatization' of various levels of government, where power is not transferred to an independent adminis-

trative or political system or to an open market. Instead, the use of power is taken over by the self-interests of officials or politicians.<sup>2</sup>

Corruption as a concept is derived from the Latin word ‘rumperre’, which means to mar, bribe or destroy – even cause to collapse. In *The New Oxford Dictionary of the English Language* (1998), corruption in relation to the executing of one’s duties is defined as ‘dishonest or fraudulent conduct by those in power, typically involving bribery [...] the action of making someone or something morally depraved or the state of being so’.

Transparency International (TI) uses the following definition of corruption: ‘the abuse of entrusted power for private gain’. TI differentiates between corruption ‘according to rule’, where a bribe is paid to receive preferential treatment for something that the receiver of the bribe is required to do by law (e.g. when issuing a permit), and ‘against the rule’, where a bribe is paid to obtain services which the receiver of the bribe is prohibited from providing (e.g. when destroying forensic evidence).<sup>3</sup> The TI definition also covers theft by officials from public coffers. If this kind of behavior becomes a defining characteristic of a regime, the regime is called a ‘kleptocracy’ (‘rule by thieves’).

A wider definition of corruption has been coined by Rose-Ackermann, who defines corruption as ‘using public goods and capacity for private benefits’.<sup>4</sup>

The United Nations Convention Against Corruption (2003) has no explicit definition of corruption. Instead, its penalty regulations (Art. 15 ff.) list the actions which must be penalized in countries which have acceded to the convention, such as ‘[t]he promise, offering or giving, to a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties’. The UN definition does not relate to bribery with two commercial actors at the respective ends of the improprieties.

As commonly defined, corruption does not cover wasteful or incompetent management, even if the two phenomena may be closely related. Neither do most definitions of corruption include ‘ideo-

logical' (political or religious) corruption, where a group infiltrates an administration to promote its own ideological platform. In such cases, the abuse of public trust could consist of twisting decisions to suit the ideology of the group while violating the owners' trust. The private gain could be e.g. ideological solace.

Corruption-related behavior can also be associated with other crimes, such as fraud, dereliction of duty, breach of fiduciary trust, embezzlement, cartel formation, misuse of insider information, sexual exploitation, extortion, racketeering (organized crime) or treason. To unduly favor one's family is called 'nepotism', friends 'cronyism', supporters 'patronage' and larger groups of voters or members 'clientelism' (sometimes also called 'political corruption').

### **Varieties of corruption**

Corruption can appear in many varieties. The more flagrant types may consist of regular 'negotiations' about services and advantages to be given and returned, the more discreet types could consist of putting banknotes in passports or applications, of treating someone to 'study tours', etc. Corruption can also take more subtle forms, such as the offering of privileges or support (including study grants) to relatives.

Differences in custom and courtesy between countries and cultures may be reflected in different perceptions of where to draw the line on corruption. A behavior which is accepted as a courtesy in one setting (e.g. lavish entertainment) could elsewhere be considered bribery. Drawing the line requires constant vigilance.<sup>5</sup> The pharmaceutical industry in Sweden for decades had a high profile of entertaining physicians under the cover of 'continuing education'. In recent years, the rules have become much stricter to avoid conflicts of interest over drug prescriptions etc.<sup>6</sup>

Political culture in e.g. the United States of America until recently put caps on the amounts various interest groups could contribute to a candidate or a campaign, whereas in Sweden, it has for decades been accepted that an organization supports a party or a candidate financially or in kind (e.g. manpower for election campaigns)

to promote its own interests. The Swedish political parties have so far been reluctant to discuss these types of gifts. The issue was, however, raised in connection with the 2010 election to the Riksdag (Swedish Parliament). In the spring of 2011, an informal agreement was underway between the parties to make public all contributions above SEK 20 000 (approx. EUR 2 000).

A number of methods are being used to influence public officials, ranging from opinion forming over lobbying to blatant corruption. Kaufmann (2009) has pointed to the problem of 'state capture', i.e. when powerful companies (or individuals) bend the regulatory institutions of a nation for their own benefit. The incentive offered to the politician or public servant could be a campaign contribution or a well-paid future job in the industry. The gain for the company could be a monopoly or changes in regulatory systems. The total cost to society of such influence could be immense. One of Kaufmann's examples is that the U.S. financial institutions Freddie Mac and Fannie Mae spent millions of dollars lobbying some members of the U.S. Congress 'in exchange for, among other things, lax capital reserve requirements for these mortgage giants'. This opened the way for an increase in 'subprime loans' and the ensuing financial crisis.<sup>7</sup>

In a broader sense, an administration can become corrupted also by its accounting systems. The possibility for many American police authorities to keep fines or forfeited money e.g. in drug cases has drastically directed enforcement operations towards the big money. If dominant, such considerations will cause other crime sectors to be assigned lower priority.<sup>8</sup> Considerations related to the cash flow ('gain') of the unit can become more important than laws and policy documents.

### **Extent of corruption**

Corruption, being an illegal activity, is difficult to measure.<sup>9</sup> Nevertheless, some studies have estimated the extent and impact of corruption. The World Bank has developed diagnostic surveys to calculate corruption in a country or region. In 2006, the bank

estimated the amount spent annually on bribes to be 1 000 billion USD. This is about 2 per cent of the world gross domestic product or more than 2.5 times the Swedish gross domestic product of 3 100 billion SEK (approx. 400 billion USD; 2009).<sup>10</sup>

According to Transparency International, Denmark, New Zealand and Singapore (shared 1<sup>st</sup> place) were the least corrupt countries in the world in 2010, followed by Finland and Sweden (shared 4<sup>th</sup> positions). The assessment is made according to a perceptions index that is based on 16 different investigations, performed by 10 independent institutions. In total, 178 of the 193 countries in the world are listed in the study. The bottom (most corrupt) positions are taken by Somalia (178<sup>th</sup> place), Afghanistan (shared 176<sup>th</sup>), Myanmar (shared 176<sup>th</sup>) and Iraq (175<sup>th</sup>).<sup>11</sup>

The wealth misappropriated through corruption by a single individual or in a single case could be immense. It has been estimated that Mohamed Suharto, President of Indonesia (1967–1998), while in office, stole 15 – 35 billion USD from public funds.<sup>12</sup>

Re-emergence of corruption ('recorruption', Dinino, 2005, pp. 233 ff.) could occur after a period of some success of an anti-corruption program. This was the case in Italy, when the Clean Hands operation, which started in 1992 and led to major successes, was shunted aside by the election of Silvio Berlusconi in 2001, as the pervasive clientelistic networks had not been fully eliminated.

### **Explanations of corruption**

Corruption has been the subject of a number of academic studies, ranging from ethics and sociology to jurisprudence and business administration. The origins of corruption have been attributed to many factors, such as culture or religion, elitism, poor wages for public employees, lack of regulations, poor oversight, gender structures or plain greed.<sup>13</sup>

One important factor in corruption is the zero-sum game situation occurring in many decisions. The number of available permits, appointment slots with an official etc. is always limited. Granting one applicant a favor reduces the chances for other applicants to get

the same service.<sup>14</sup> Thus, the temptation to pay for an advantage. Another factor contributing to corruption is that it can be immediately beneficial to both parties, if undetected.

Corruption, especially if it becomes regular or institutionalized, is a form of rent seeking. Rent seeking occurs when an individual or a group uses manipulation or exploitation of the economic or political environment to gain income or profit, rather than increasing their efficiency in transactions or wealth production. This motive can explain why certain functions, such as procurement in government agencies, can appear very attractive.<sup>15</sup>

Some analysts have taken an ethical approach and described corruption as being plain 'evil', as it breaks basic moral codes on openness, fairness etc. Unterkuffler (2009, pp. 27 ff.) emphasizes that the moral dimension is missing from most analyses of corruption. She describes corruption as evil, because it 'is a repudiation of the idea that a fabric of shared values is necessary to undergird societies and governments'.<sup>16</sup>

### **A larger complex of irregular methods**

Corruption is an example of a larger complex of irregular or criminal methods in economic and administrative contexts. These include the forming of cartels (which interferes with free competition), illegal discrimination (which reduces the access by certain groups to services, etc.), threats against officials (which thwarts the impartial exercise of duties) and employment of 'black' (unregistered) manpower (which withholds wages from taxation).

## 2. Corruption – effects on governance and international security

### Levels of penetration

A measure of the depth of penetration by corruption into a system, such as a Government administration, can be adopted from SwissRe's (2001, p. 15) table of levels describing the effects of various impacts (e.g. accidents or attacks) on the functioning of a business system.

(Level)	Loss impact	State of system	Impairment	Management (action)
I	Trivial	Stable	No impairment of functioning	No extra measures necessary
II	Disruptive	Precarious	Substantial functional impairment, operations restricted, no acute threat to survival	Avoid escalation, repair or temporarily replace impaired functions
III	Survival-threatening	Unstable	Loss of vital functions, system not operational, survival of system acutely threatened	Avoid escalation, regenerate, repair impaired functions
IV	Destructive	Destroyed	Total system collapse	Reconstruct or rebuild

An example of a *trivial impact* of corruption would be a low-level employee taking a bribe and getting caught, reported, prosecuted, convicted and fired. This would be a routine matter. No extraordinary measures would be required by top management.

An example of a *disruptive impact* of corruption would be e.g. the Swedish Systembolaget (state monopoly for alcohol sale), which in 2005 terminated a large number of shop managers for taking bribes from alcohol producers and importers in order to expose their goods more favorably in their stores. The matter was dealt with very harshly by top management as a defense of 'brand impartiality' to ensure company survival as a state monopoly under EU law. The strict intervention was also necessary to prevent the crisis from escalating into a legitimacy issue. Media crisis management was a prominent feature. Measures taken included reassignment

of duties to new store managers, reorganization of routines etc. In the end, more than 60 office managers were convicted in court for taking bribes.<sup>17</sup>

A *survival-threatening* impact of corruption upon a national administration would be e.g. Colombia in the 1990s. There, the tactic of ‘plato o plombo’ (‘silver or lead’; meaning a choice between accepting a bribe or risking assassination) by the leading drug smuggler Pablo Escobar towards judges, prosecutors and public officials was so ‘notoriously effective that it would threaten to undermine Colombia’s democracy’. Bribes were paid to officials at various levels, reaching such levels and consequences that allegations finally caused deep mistrust between government agencies. Escobar was killed in 1993 during a shoot-out with a special narcotics enforcement team.<sup>18</sup>

A *system-destructive impact* of corruption would be represented by a failed state, such as Cote d’Ivoire (no. 12 on the 2010 list of failed states). There, President Huophouët-Boigny, by his death in 1993, had accumulated assets outside his country at a total sum of 7 billion USD. To reconstruct or rebuild a totally corrupt government administration is a matter of nation building and would call for measures covering also other concurrent problems of that country.<sup>19</sup>

### **Threats to international and national security**

In many ways, corruption creates or reinforces threats to national and international security. It can affect the reach of political and diplomatic efforts to prevent and stop conflicts. One way is by undermining the authority and effectiveness of the state, thus leaving more space for groups wreaking havoc upon public order or public security. Other ways are by enabling a black market in arms. End user certificates for arms can be bought at a rate of 20 000 – 50 000 US dollars from corrupt government officials.<sup>20</sup> A particularly hot commodity for corrupted practices is technology for producing weapons of mass destruction.<sup>21</sup> In post-conflict societies, corruption could thwart the forming of reliable and trusted public institutions.

Exposure to corruption is likely to be high in the arms industry.



Much of the arms business is secret for reasons of national security, thus reducing transparency.<sup>22</sup> The money at stake in a single contract for a weapons system can run into billions of dollars, thus tempting bidders to 'grease' officials.

Corruption as a threat to national and international security can be traced back to ancient times.

*Court spies in Ancient China.* In his work *The Art of War* (c. 500 B.C.E.), the Chinese military theorist Sun Tzu (Sun Zi) wrote a chapter (XIII) on the recruitment of spies. There, he described the use of bribed spies within the inner circle of the enemy, which he called 'court spies', almost as a financial virtue for one's own party to achieve one's political and military aims, as the alternative of keeping of an army under arms would cost vast amounts.

*Mercenaries in Renaissance Italy.* Machiavelli (1469 – 1527) in his famous assessment of top level political ethics, *Il Principe* (*The Prince*, written 1513, published 1532), pointed to the corrupt nature of mercenary commanders and troops, making them likely to switch allegiances if receiving better payment by another master or even plunder their masters in the absence of pay. Machiavelli expressly warned against the use of mercenaries.<sup>23</sup>

*Zaharoff's Système.* In the late 19<sup>th</sup> and early 20<sup>th</sup> Centuries, Sir Basil Zaharoff, a British arms dealer, personified the remorseless trader, who sold ships, arms and military equipment to both parties in a conflict, sometimes also reinforcing the conflict, while manipulating business conditions, bribing officials and the press (by 'open subsidies') and collecting hefty commissions. Through his maneuvering, guns from one country could end up in enemy hands, in combat being fired at soldiers from the producer country. Zaharoff took the first steps to make the private arms industry a power factor in politics. His reach and influence was so great that his network of business contacts in his days was called a *système*.<sup>24</sup>

*Pakistan's nuclear nexus.* The Pakistani nuclear physicist A. Q. Khan, who more or less singlehandedly built his country's nuclear arms capability and offered countries like Libya access to his technology and logistics, utilized a mix of lax export controls, greed among company management, clever ordering practices (to avoid

being inspected during transportation), theft and corruption to acquire everything needed to construct nuclear arms.<sup>25</sup>

*Bofors in India.* In 1987, the Swedish Public Broadcasting Corporation (Sveriges Radio) reported that the Swedish arms company Bofors had bribed Indian officials (through channels) to secure an Indian order for 410 heavy artillery pieces (total order value approx. 1 billion USD). The investigation by the Swedish National Audit Office (Riksrevisionsverket) found that Bofors had paid 260 million SEK (approx. 32 million USD) to an Indian agent. An inquiry by the Swedish Public Prosecutor was closed and nobody formally charged in Sweden.<sup>26</sup>

*Oil-For-Food in Iraq.* In 1995 the United Nations Security Council adopted a resolution having two major aims: first to permit the sale of oil to relieve the serious food situation in Iraq, and, second, to prevent Saddam Hussein's regime from profiting by the sale of oil and using the profits for arms. The resulting Oil-For-Food program was in effect from 1995 until 2003, when the new Iraq government took office.

Technically, the program was designed to allow Iraq to sell oil and deposit the profits in an escrow account with the BNP bank office in New York. The deposits were then to be used for buying food and other specially permitted goods. Military and 'dual use' equipment was ruled out.

The program was mismanaged. Oil for a total of 1.8 billion USD was sold outside the control of the program. Bribes were paid to companies, lobbyists and UN officials. It has been estimated that almost half of the companies that participated in the program (or more than 2 000 companies) may have been involved in kick-back schemes. The program was later investigated by the Volcker Commission and other bodies.<sup>27</sup>

*Dayton Peace Agreement.* In December 1995 the Dayton Peace Agreement was signed by representatives of Croatia, the Federal Republic of Yugoslavia and Bosnia's three major ethnic groups. The agreement ended three and a half years of war, which killed over 250 000 people, forcibly displaced about 2.3 million and damaged or destroyed much of the country's physical, economic and

political infrastructure. Implementing the agreement turned difficult. A report published in July 2000 by the United States General Accounting Office (GAO; an investigative arm of Congress) listed wide-spread corruption among the problems. Without mentioning specific violations or cases, the report nevertheless emphasized corruption as one of the main factors impeding the successful implementation of the economic, political and judicial reform goals of the Dayton agreement, i.e. on nation-building. Business people were reported to have stated that they routinely paid bribes to receive government contracts, obtain government loans and avoid being closed down by government inspectors. The GAO report also stated that anti-corruption measures had generally been inadequate.<sup>28</sup>

*Swedish JAS military aircraft to South Africa.* The Government of Sweden and the Swedish Aircraft producer SAAB in 1999 offered the JAS multi-purpose military aircraft to the South African Government. A deal was finally signed in December 1999 for South Africa to buy 28 aircraft with supplies etc. After a while, allegations of corruption surfaced. The deal was examined by a Swedish prosecutor, who in 2009 closed the investigation without prosecuting anyone, citing as reasons among other things the problems of applying Swedish anti-corruption laws. In a recent book, the Swedish investigating journalist Nils Resare (2010) gave an overview of the deal, the investigations and the decisions by Swedish and British prosecutors to close their investigations (in the British case after BAE Systems, which had become owner of SAAB, agreed to pay a record fine). Resare hinted that political considerations related to national security and export income affected the decisions not to prosecute. A Swedish NGO involved in international development aid in September 2010 filed a charge with the police on suspected bribing in connection with the JAS deal.<sup>29</sup> In September 2011, South African President Jacob Zuma indicated that the whole matter would be subject to a new inquiry.<sup>30</sup>

*BAE Systems.* The British arms conglomerate BAE Systems came under the investigation of the British Serious Fraud Office (SFO) for allegedly using corruption to sell arms to Chile, Czech Republic, Romania, Saudi Arabia, South Africa, Tanzania and Qatar. The

company repudiated the allegations, but it nevertheless implemented a series of 23 recommendations related to business ethics. In September 2009, SFO announced that it intended to prosecute BAE Systems for overseas corruption. In February 2010 the company agreed to pay 257 million GBP to the United Kingdom authorities and 30 million GBP to United States authorities in criminal fines. Currently, the whole matter is under judicial review, as an NGO has been successful in getting a court order to stop the SFO settlement with BAE Systems. Allegations of corruptions in a deal with Saudi Arabia were not further investigated, as it was stated that such an inquiry would cause a threat to British national security.<sup>31</sup>

*Viktor Bout.* In recent decades, the Russian national Viktor Bout has been a leading figure in illegal arms trading, using corruption to pave the way for an international network. He has been labeled 'merchant of death' and 'sanctions buster' for his involvement in illegal arms sales and violations of arms embargoes to Angola, Liberia, Sierra Leone and the Democratic Republic of the Congo. Among the methods used to facilitate his trade was false end user certificates.<sup>32</sup> In August 2010 he was the subject of a court battle in Thai courts to have him extradited to the United States for alleged money laundering and illegal sales of arms that have helped fuel wars in Afghanistan, Angola, the Democratic Republic of Congo, Liberia, Rwanda, Sierra Leone and Sudan. Bout denied the charges. In November 2010, Bout was extradited to the U.S. and is currently in custody in the U.S. awaiting trial.<sup>33</sup> Bout served as an inspiration for the main character in the film 'Lord of war' (2005).

*Blood diamonds.* Unauthorized mining and sale of diamonds from conflict-ridden parts of Africa, such as Sierra Leone, has fuelled conflict, especially civil war. In order to get into the 'legal' market, the diamonds require certificates etc. from public officials. This has created a market in forged documents and corrupt practices. A system to promote full transparency and prevent corruption has been adopted through the Kimberley Process Certification Scheme (started in 2000).<sup>34</sup>

*Causing domestic conflicts.* The kleptocracy of President Mobuto Sese Seko of Zaire was a factor in the development of the civil war

that lead to his ouster (Denino, 2005, p. 248). A more recent case is corruption in Egypt during the Mubarak regime being a factor in the popular uprising against him in January-February 2011.<sup>35</sup>

*Prolongation of armed conflicts.* The conflicts in Angola, Cambodia and Sierra Leone have all been cited as examples of conflicts where corruption played a part in prolonging the conflict, e.g. through arms smuggling or the replacement of government of state or central authority by strongmen ruling through private economic activities or warfare. Le Billon (2001) has highlighted two mechanisms, by which corruption prolongs war: one is that war provides a fertile ground for corruption and unlawful enrichment, another is that corruption can undermine the efficiency and moral of the armed forces. In a survey by the United States Senate (2010) covering the use of federal funds by private security contractors in Afghanistan, it was stated that local warlords, who had acted as force providers to American security contractors, had been involved in murder, kidnapping, bribery as well as anti-coalition activities.

*Post-conflict societies.* The challenge to post-conflict societies by corruption has rarely been dealt with in peace negotiations nor in academic studies.<sup>36</sup> Nevertheless, the challenges to conflict resolution caused by uninterrupted corruption are substantial, even risking a rekindling of the conflict. Post-conflict societies are vulnerable to corruption, as their institutions have been weakened by prolonged war and strife. In the immediate post-conflict period, such countries may receive substantial aid, which could be squandered by corruption. If corruption becomes a major problem in the implementation of development aid, donor perceptions and additional support can be negatively influenced. Corruption also diminishes feed-back, as it twists the book-keeping and the reporting of implementation. Some parties or officials may even sabotage anti-corruption measures, when they risk losing a profitable source of income. Corruption can also by itself contribute to the conflict, as in Rwanda and former Yugoslavia. As Bolongaita (2005) has pointed out, 'in virtually all peace agreements [...] there is no anticipation of the deadly consequences of corruption to post-conflict development'.

*Connection with terrorist attacks.* Corruption is a factor in making a country or an area more suitable as a launching pad for terrorist attacks. Factors at play could be e.g. that corruption weakens governmental control. Teeth and Chenoweth (2009, pp. 168 and 186) note that 'higher levels of corruption increase the number of terrorist attacks originating from that country'. An example of this is the Colombian armed group FARC bribing officials at all levels, terrorizing local populations and making grand sums of money from drugs trafficking.

*Greek financial crisis.* In the European economic crisis of 2010 it has been alleged that widespread corruption was one of the reasons for the economic problems of Greece, which threatened the country's financial and political autonomy. The economist Christofer Sardelis, Head of the Greek National Debt Office, stated that in order to regain government control of the economy, reforms of the public administration would be necessary, not the least to stop corruption.<sup>37</sup>

*United States Department of Homeland Security,* through its Commissioner, in June 2011 presented a statement before a U.S. Senate Subcommittee that since October 1, 2004, a total of 127 Customs and Border Protection Employees (of a total of 20 700) had been arrested or indicted for acts of corruption. The Mexican 'Zetas' drug cartel was cited as having become increasingly involved in 'systematic corruption'. Congress has passed the 2010 Anti-Border Corruption Act, which requires careful screening of candidates for employment and continuation of employment as agents.<sup>38</sup>

*Border protections issues* connected with corruption have been raised in the talks about Bulgaria and Romania joining the Schengen agreement. Widespread corruption enables heavy traffic in alcohol, tobacco and humans across the borders of Bulgaria and Romania. The main issue is that by admitting these countries to the Schengen agreement, the influx would continue into other EU countries.<sup>39</sup>

### **Threats to human rights**

Corruption can also be a threat to human rights. It can lead to 'state capture', where a group usurps the powers and functions of a state

primarily for its own benefit at the loss of democratic influence. It may create a climate which facilitates criminal activities, even impunity. Another immediate effect is the loss of equality before the law, as access to officials, services or courts is made dependent upon the willingness to pay.<sup>40</sup>

A positive correlation between corruption (as measured by the Transparency International Corruptions Perceptions Index) and violations of human rights in the form of levels on the political terror scale (PTS) and extrajudicial killings has been calculated by Englehart (2009).

Corruption can also contribute to the development of two-tiered (or multi-tiered) ethical and legal systems, such as when widespread corruption and frequent tax evasion cause a situation where 'distrust in the enforcement of formal rules increasingly leads to a universe of parallel rules that constitute the actual norms of society' (Ghani & Lockhart, 2008, p. 127).

### 3. Dealing with corruption and other 'wicked' problems through the systems approach

#### **'Wicked' problems**

Corruption easily takes on the notion of being a 'wicked' problem. This does not refer to the moral-ethical issues pertaining to corrupt practices but to the difficulties experienced when trying to solve the problem. The term 'wicked problems' was introduced by Churchman in 1967 to describe problems having incomplete, contradictory and changing requirements and thus no set solutions (i.e. commonly accepted criteria for conditions to be accepted as 'solutions'). Wicked problems may not even have a common definition of the problem under study, and they may have no immediate test of the solution. They are resistant to change. Examples of wicked problems could be found in environmental protection. Every wicked problem can also be seen as a symptom (i.e. an expression or a result) of another problem.<sup>41</sup> Corruption as a widespread administrative dysfunction clearly corresponds to Churchman's notion of a 'wicked problem'.

One of the few strategies available to confront wicked or other complex problems is the systems approach. The systems approach (systems analysis, systems theory, systems thinking, cybernetics, operations research) offers a rationalistic methodology (set of practices) for describing and solving complex problems. Its focus of attention goes beyond the individual parts and covers 'the whole' and the connections between interacting parts. As a knowledge generating process, the systems approach is empirical with a primary interest in studying how systems produce and adapt to outcomes. This approach carries no guarantee for success, but it presents a proven intellectual toolbox for analyzing complex problems.

A 'system' can be defined as 'a regularly interacting or interdependent group of items forming a unified whole'.<sup>42</sup> Systems appear



everywhere, from the homeostasis of the human body to the control of nuclear plants. Administrations are often simple to describe as systems, due to their nominally well defined functions.

The systems approach can be seen as an extension to the rationalist approach to bureaucracy, which was launched by Weber (1922). The rationalist approach was further developed by Deutsch (1963/1966), who actually used a specific terminology from early cybernetics in his analyses. Churchman (1979) and other computer specialists have extended this approach.

### **‘Enemies’ and applications of the systems approach**

The systems approach has a number of ‘enemies’ (Churchman, 1979, pp. 24 ff.), i.e. parties who do not accept its rational-empirical approach: politics (where forming of special interest groups (‘polis’) is a structural problem), morality (where good causes may justify inefficient or counterproductive means), religion (where some higher power or purpose cannot be rationally challenged) and aesthetics (where life is often influenced by surprises and not planned rationally). The systems approach constitutes a threat to the thinking of these ‘enemies’, as it demands more open-minded considerations, especially related to the system’s environment and to the outcome. The systems approach may offer antidotes to the ‘environmental fallacy’ by requiring an examination of the connections between functions and results.<sup>43 44 45</sup>

When carried out seriously, the systems approach demands that the proponents of a (new) system think through – and as far as possible also test – its possible effects on the external world. An ethical and logical cornerstone of the systems approach is that the client must ‘state his goals clearly’ for the analyst to accept the assignment.<sup>46</sup> The systems approach requires highly specific questions about proposals, such as point of intervention, function to be changed or criteria for success.

The systems approach is the foundation for the Logical Framework Approach (LFA) in project management. LFA is used widely in developmental projects. It focuses on a specific problem, such as

'Widespread corruption in the X-country development bureaucracy'. It then goes on to identify factors and effects. A further step contains measures to be taken to deal with the situation. LFA requires discussions about 'killer' factors, i.e. factors which are like to stop the project. In a development project, it could be nepotism. Killer factors may reach deep into the social or cultural setting. They may explain why efforts to stop corruption risk failure in certain contexts. A long list of killer factors will likely lead to a recommendation to cancel the project. By inviting such a discussion at the planning stage, project management forces everyone involved to confront the environmental fallacy.<sup>47</sup>

Risk Management (RM), is a set of practices related to risk-driving processes based on a systems approach. In RM, corruption is seen as an operational risk, as it is a risk associated with human behavior.<sup>48</sup>

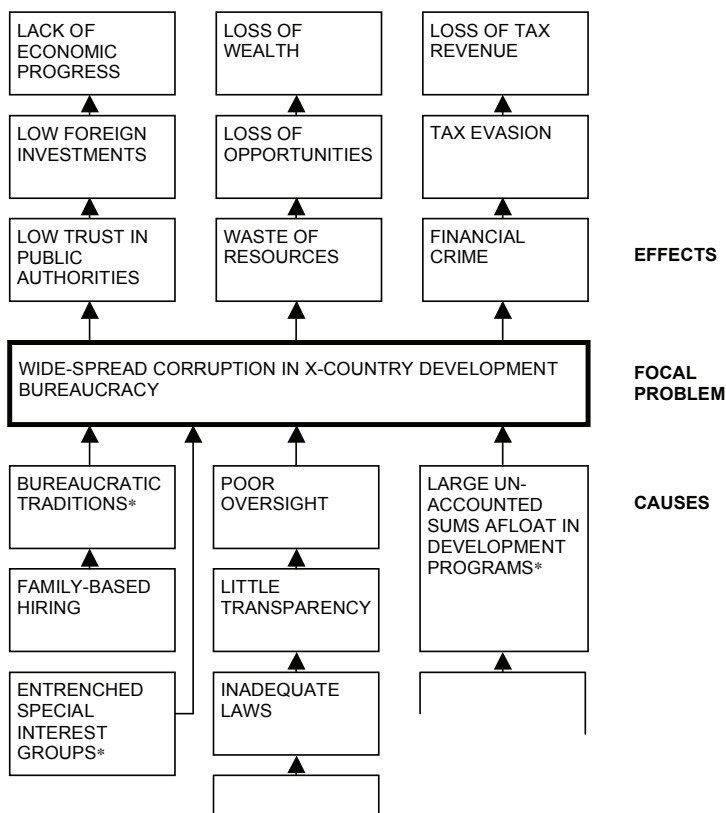
So far, there seems to have been few studies of corruption based on a fully developed systems approach.<sup>49</sup> The systems approach can, however, help promote an understanding of corruption as a form of malfunction in administrative systems and also help outline and coordinate countermeasures. The approach may also put countermeasures on a more evidence-based footing.<sup>50</sup>

### **General properties of systems**

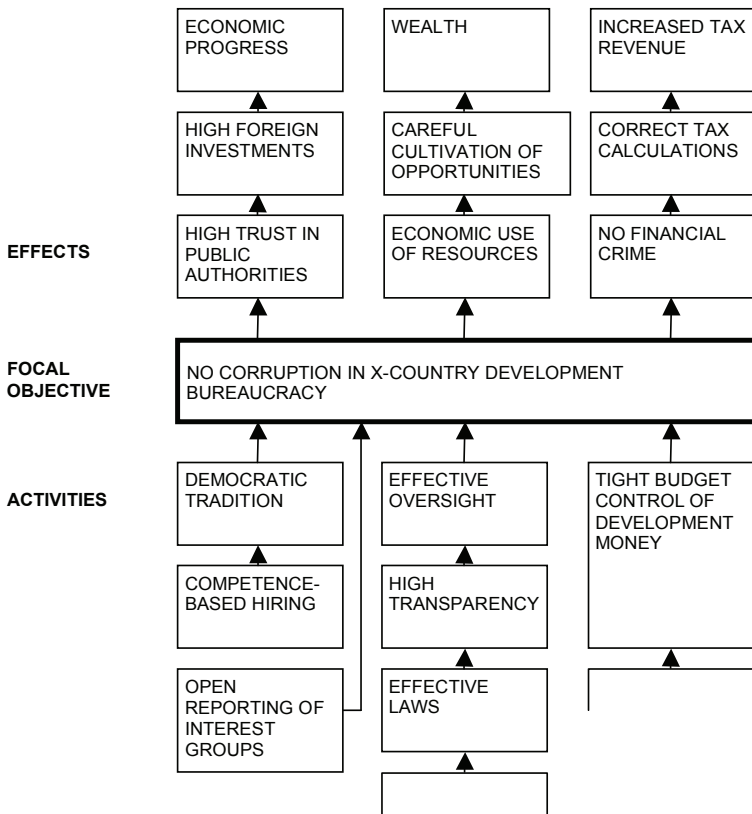
The systems approach has developed a specific terminology to describe systems, their functions etc.<sup>51</sup> Some important systems features will be described here, with examples from corruption.

*Owner (principal)* of a system is a person or an institution, which directs the system in general and has the authority and means to command the system to cease existing. Corruption could undermine the ownership of a system and, ultimately, cause it to change hands. This could happen through a group of corrupt employees usurping the day to day control of the system. Then, the system's *de jure* owners, such as the political government, would exercise little or no actual influence on the system.

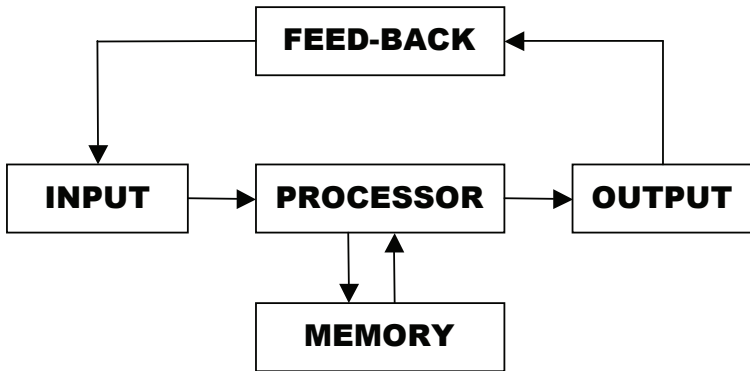
*Goal (objective)* is the end, which an individual or group tries to achieve through a system. The system's ability to reach or approxi-



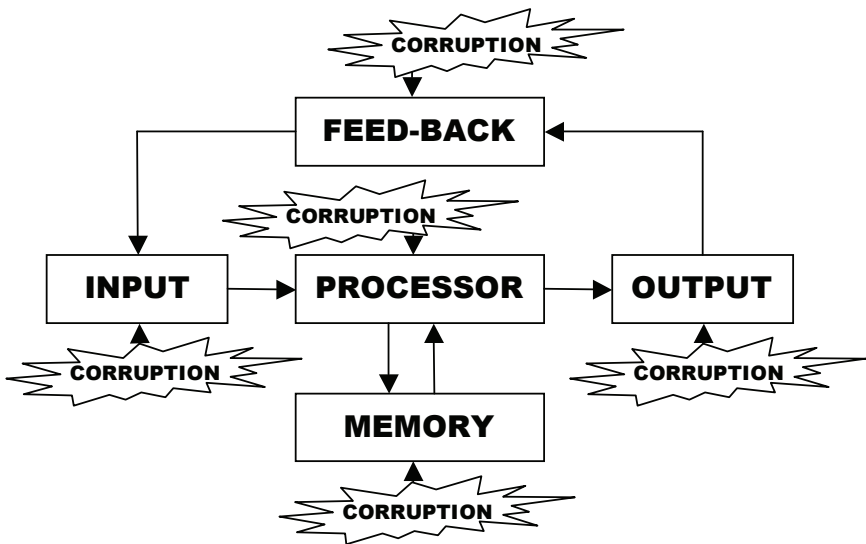
*Drawing 1. The Logical Framework Approach (LFA) is a system for analyzing a problem, its causative factors and effects. The focus is on one specific problem, here 'Widespread corruption in the X-country development bureaucracy'. Below the box summarizing the focal problem are listed contributing factors, such as 'bureaucratic tradition', which in turn is based on 'family-based hiring', which in turn is based on... Above the box summarizing the focal problem are listed the main effects, such as 'low trust in public authorities', which results in 'low foreign investments' etc. 'Killer factors' are conditions or obstacles being unmanageable under present conditions and thus likely to stop the project. Here, some killer factors, such as 'entrenched special interest groups' have been marked \*. (See NORAD, 1992, for a detailed description of the LFA.)*



*Drawing 2. The second phase of an LFA analysis is to describe the ideal state (goal). The problem is turned into its opposite, here: 'No corruption in X-country development bureaucracy'. To achieve this, every causative factor is turned into its positive counterpart, such as 'competence-based recruiting'. The changes are expected to lead to positive outcomes, such as 'high trust in public agencies', in turn leading to 'high foreign investment' etc.*



*Drawing 3. An administrative system can be depicted as an information processing system. The **input** (data, observations, applications etc.) serves as the basis for the **processor**, which relies upon a **memory** (archives, guidelines etc.) to make the correct calculations (decisions). The result is presented as **output** (adjudications, executive instructions etc.). To monitor the results, many systems have a **feed-back** function (reporting, auditing, quality control etc.), i.e. a monitoring of the actual outcome and measuring of any difference from the intended results. A complex system can have many subsystems, each with its own system of input, processor, memory, output etc.*



*Drawing 4. A systems description of an administration enables the pinpointing of various factors which can corrupt the functions of the system. Intentionally erroneous or absent information, such as forged documents or blocked reporting of errors, can corrupt **input**, causing the system to act upon false premises. Undue influences, such as bribes or threats, can corrupt the **processor** to deviate from proper calculations and deliver unlawful or non-optimal solutions. Application of the wrong guidelines etc. can corrupt **memory**. Inefficient execution etc. can corrupt **output**. Administrative or ideological censorship, lack of reporting, absence of auditing etc. can corrupt **feed-back**. The listing of corrupting factors is not exhaustive.*

mate its goal is called its *finality*. In political science, this feature of a government administration is sometimes called 'state capacity'. When this feature is low or absent in an administration, the deficiency is called 'agency loss'.<sup>52</sup> Corruption could change the ultimate goal of an administration, e.g. from providing a service to the public into becoming a private funding system for many of its employees. Corruption could also affect a system's finality by diverting resources and causing agency loss, e.g. in the form of deviance by administrators from goals set by the government.

*Input* is the information going into the system, i.e. the factors that can change the state of the system. Most systems have filters (selection mechanisms), which limit the type of input that can be received and processed. Corruption could severely impair or twist the input of an administration, e.g. when intentional bribing of inspectors stops the mandatory reporting of accidents or quality problems. This inhibits the incoming flow of reports, usually narrowing the available information. Intentionally clogged filters can also result in the system not getting access to the full range of possibilities (such as in bidding), due to favoritism and cronyism.

*Output* is the result (information) coming out of the system, i.e. the way it influences the outside world. Corruption could cause the output to stop completely, e.g. when the bribing of a customs officer thwarts the intervention in a particular arms-smuggling case. Some systemic output serving as input to other systems could cease altogether. When it becomes too expensive and too unpredictable to carry out business transactions (such as importation of goods to a corrupt-ridden country), customers could be deprived of a supply or service.<sup>53</sup>

Systems often cause *externalities*, i.e. 'secondary or unintended consequence[s]'.<sup>54</sup> Externalities can be positive, such as civilian use of military navigational systems (e.g. GPS), or negative, such as pollution emanating from a chemical plant destroying farmland. Corruption could influence externalities negatively, e.g. when toxic waste is cleared for non-ecological handling and causes environmental damage.<sup>55</sup> Justice could be perverted if detainees are released to continue their criminal activities.<sup>56</sup> Public health could be at

risk e.g. when a substandard pharmaceutical drug is licensed for medical use. Efforts of peacekeeping and conflict resolution could be negatively affected, when illegal end user certificates for arms are used as a cover to supply weapons in local wars. A common externality of corruption is misallocation or waste of resources.

*Process time* (turnover time) is the time for a specific input to be processed and yield a specific (input-dependent) output. It is a measure of the efficiency of the system. A long process time causes high transactions costs due to downtime (waiting for new input etc.). Corruption could cause an increase in process time (waiting or idle time for a project etc.) and thus increase the transaction cost for an applicant, e.g. when it becomes necessary to locate and negotiate with an official issuing particular permits.

*Feedback* is information going in reverse from the environment back into the system to give information about the system's effect (impact) on the external world. Feedback is essential for adjusting the settings of the system and for administrative accountability. Corruption could limit the spectrum of feedback, e.g. if officials are bribed not to report violations. Corruption could also erode administrative accountability by reducing the reach and precision of audits etc. Another effect of feedback is that corruption could cause more corruption: 'Corruption begets more corruption'.<sup>57</sup>

*Regulation* is the internal steering of the system and its subsystems. The actual set of governing factors are called *parameters* (these can change, but then the system alters its behavior in a major way). With no or weak regulation, a system will function largely at random (unpredictably). A *tightly coupled* system has little flex for deviations from set standards. A well-regulated system is said to be *well aligned*. Changing the regulation – at least in a particular case – is the primary intent of any corruption attempt. If corruption is repeated, the regulation is likely to change permanently as an adaptation to new conditions.

*Monitoring* is the external, deep and continuous measuring of a system's critical functions, such as output, process time, energy (resource) consumption, malfunctions etc. Close monitoring of an administration will increase the probability of detecting corrup-



tion, thus people involved in corruption are likely to oppose or to try finding ways to thwart increased monitoring of their activities.

*Stability* is the ability of the system to continue functioning under highly varied input. Corruption could reduce stability by disturbing alignment.

*Adaptation* is a modification of a system that makes it more fit to operate under new environmental conditions. Corruption could threaten adaptation through loss of competence, when some applicants are hired due to improper influence. Other losses of adaptation could be caused by misallocation of funds. *Inertia* is the absence of adaptation: an inert system is resistant to changes in the environment.<sup>58</sup> This could be the case when profound corruption hinders adaption to new political or legal guidelines etc. Inertia could also be a cause for 'recorruption' (Denino, 2005, pp. 233 ff.) when early gains by anti-corruption measures are lost at a later stage, due to influence from deeper structures in society.

*Absorptive capacity* is the ability of a system to recognize the value of new information, assimilate it, and apply it. This capacity is decisive for the system's survival in new situations.<sup>59</sup> Corruption is likely to inhibit the absorptive capacity, as new ideas or fresh intelligence (e.g. about new *modus operandi* in smuggling) are likely to be acted upon only if serving the interests of corrupt officials.

*Asymmetric information* is information which is unevenly distributed between systems, subsystems or parties (e.g. special interest groups). The asymmetry means that one system (party, person etc.) has an advantage in input, range of output etc. This can be due to better intelligence but also due to secrecy. Asymmetry can to some extent be compensated for by transparency. In corrupt systems, asymmetric information tends to become both more crucial and more unevenly distributed than in 'fair' systems. Knowing 'the right people', i.e. whom to bribe, and 'how to do it' without causing suspicion, can be decisive for obtaining a permit in time etc. A corrupt official is likely to know more about the 'power games' of his or her administration, i.e. the real reasons for decisions in a bidding process. Specifications are then likely to lose their relevance for the outcome. This it will make it difficult for

bidders to position themselves based solely on rational calculations.

*Transparency* is the openness of the system to outside inspection. A transparent system can be examined and its processing largely predicted by an outsider. A system which totally lacks transparency is often called a 'black box'. Loss of transparency, or even active blocking of transparency, reduces the likelihood of any emerging patterns of variation etc. be detected and reported early. One reason for this is that perpetrators prefer to operate within a 'black box'.

*Entropy* is a measure of disorganization in a system.<sup>60</sup> A system's entropy is the negative of its information content. High entropy in a system means that it has low information content. Increasing entropy makes a system more unpredictable. A closely related measure is *variation*, which is the spread (distribution) of outcomes deviating from the norm (i.e. errors).<sup>61</sup> *Malfunction* is a failure of a system to operate as planned. It may come in degrees from transient errors to complete failures. Corruption is likely to allocate resources in less predictable and less efficient ways and thus likely to increase both entropy and malfunction in an administrative system.

*Suboptimization* is a propensity of a subsidiary system (subsystem) to optimize its own status (such as productivity or profits) at the expense of other subsystems or of the overarching system. The particular subsystem comes to dominate at the expense of the total system's goals.<sup>62</sup> Suboptimization is a defining characteristic of corruption, as officials increase their personal gain while short-circuiting a number of possible outcomes (especially those open to participants who are not involved in bribing). Suboptimization may also be a factor inhibiting countermeasures to corruption, e.g. when staff decide not to report suspicions as it would put them at risk for punishment for their own involvement in minor infractions.<sup>63</sup>

*Requisite variety* is a necessary condition for a system to be able to regulate or control a competing system. The 'principle of requisite variety' states that, in the competition between two systems, the system having a wider set of responses (with a higher number of intermediate steps) will dominate ('only variety can destroy variety') (Ashby, 1956/1964, p. 207). This observation is crucial for strategic analyses of countermeasures. Corrupt systems reduce their own re-

quisite variety in relationship to the external systems they are designed to control. Corruption reduces the span of measures (activities) by prioritizing on the basis of willingness to pay the official in person, which is not an objective (rule-bound) criterion for decisions. A system influenced by corruption also diminishes its range of action and effectiveness. This would be the case e.g. when police officers start taking bribes to overlook crime in their watch area, more or less ceding control to pimps or drug dealers.

*Benchmarking* is a process for measuring the output of a system and comparing it to similar systems in regard to resource utilization, turnover time, quality levels etc. Corruption is likely to stop or shunt out benchmarking processes in an administration, as any request for independent or objective measurements is likely to increase the risk of detecting and reporting corruption or inefficiency.

*The survival* of a system could be threatened by corruption. The threat could escalate to the point of causing irrelevance (i.e. being shunted out of connections with other systems). Such a downturn could occur when clients experience a feeling of despair or futility while dealing with the system and instead start looking for other channels. Corruption could also cause the final breakdown of a system, such as in a failed state.

An overview of this type may be used as a checklist for describing a system, such as an administration, and its environment in order to outline aspects for further study, and to design alterations or counterstrategies. This approach becomes particularly relevant in designing programs against corruption.

## 4. Preventing and stopping corruption – international efforts and further countermeasures

A number of academic, professional and political approaches assume that corruption is a limited malfunction, solvable by stepwise approaches, even down to the individual level. The proscription that no corruption is to be promoted or accepted at any level is largely operational: 'Just don't do it!'. It is an application of a Zero Tolerance<sup>64</sup> approach. This approach is largely accumulative: the system is to be changed by the adding up of a number of individual decisions in the proper direction.

It follows from the principle of requisite variety that in a country with low corruption, such as New Zealand or Sweden, the individual, step-wise approach of the IT Integrity Pact may be sufficient to prevent corruption. In a country with rampant corruption, such as Afghanistan, corruption takes on a higher degree of 'wickedness' with deeper entrenchment and thus requires a more comprehensive approach.

### **Contemporary measures against corruption**

A number of international organizations have developed strategies and sets of practices against corruption.

The *United Nations* (UN) has adopted a Convention Against Corruption (UNCAC, decided 2003, in force 2005) with specific rules on punishment.<sup>65</sup> The efforts advocated by UNCAC include long-term technical cooperation, preventive measures, local 'watchdogs', and attempts to create space for 'whistleblowers'. United Nations also promotes international coordination and defends the integrity of courts and other institutions for the administration of justice. The United Nations Global Compact (UNGC), which was launched in 2000, contains ten principles for good governance in business. They

relate to human rights, environmental protection and work against corruption. Principle 10 states: 'Businesses should work against corruption in all its forms, including extortion and bribery.'<sup>66</sup> The Bangalore Principles on judicial conduct<sup>67</sup> contains a set of rules to prevent corruption among judges and ensure impartiality of the judiciary.

In 1997, the *Organisation for Economic Co-operation and Development* (OECD) adopted a convention to fight the bribery of persons in authority of foreign countries during international business transactions ('anti-bribery convention').<sup>68</sup>

The *Financial Action Task Force* (FATF) focuses mainly on efforts against money laundering. Such efforts can reinforce other measures to stop corruption.<sup>69</sup>

In the 1990s, the *World Bank* (WB) discovered that large infrastructure projects often could be marred by corruption. As a consequence, the bank stopped such projects. Since 2001, the bank's internal unit for investigations has discovered 2 000 cases of suspected mis-use of money. Sanctions have been taken against more than 330 persons and companies. Nowadays, they are listed on the website of the bank. As of early October 2011 a total of more than 100 contractors (including specifically named individuals) were debarred or listed as ineligible for three or more years or permanently as a result of their violation of WB guidelines.<sup>70</sup>

The *International Monetary Fund* (IMF) promotes the development of good governance. Within this framework, the IMF supports research on the effects of corruption, development of guidelines against corruption, efforts against money laundering etc.<sup>71</sup>

The *Council of Europe* (CoE) has adopted a criminal law convention and a civil law convention against corruption, as well as a code of conduct for public officials and a series of recommendations for the fight against corruption.<sup>72</sup> A number of its member states have formed the Group of States Against Corruption (GRECO), which is open also to other states (USA is a member). GRECO's objective is 'to improve the capacity of its members to fight corruption by monitoring their compliance with Council of Europe anti-corruption standards through a dynamic process of mutual evaluation and

peer pressure'. GRECO helps to diagnose shortcomings in national anti-corruption policies and give advice about legislative, institutional and practical reforms. GRECO has also developed a platform for 'best practice' to prevent and detect corruption.<sup>73</sup>

The *European Union* (EU) has developed a comprehensive approach to fighting corruption. This includes an internal convention for the protection of the financial interests of the EU (the fraud convention, 1995).<sup>74</sup>

The *European Anti-fraud Office* (usually known under its French abbreviation OLAF) is an EU body for auditing EU funds, developing guidelines etc.<sup>75</sup>

The *International Chamber of Commerce* (ICC) already in 1977 published their own guidelines against extortion and bribes within business life. ICC worked closely with the UN to develop the 2005 UN Convention Against Corruption.<sup>76</sup>

*Transparency International* (TI) calls itself 'the global coalition against corruption'. Through 90 national chapters, TI is involved in informing and influencing public opinion. It does, however, not carry out any investigations of its own of suspected corruption. TI has developed an 'Integrity Pact' that the parties concerned can sign to ensure correct relations between public instances and private bidders in procurement. The pact has a fundamental rule that no party will allow themselves to do anything, such as bribery or cartel formation, which may interfere with correct bidding and procurement. The pact should function as a standard within a number of sectors. Step by step it contributes to creating sectors that are better protected against corruption.<sup>77</sup>

The *Extracting Industries Transparency Initiative* (EITI) is a platform intended to ensure that payments to governments and companies for minerals, oil etc. be transparent and accounted for. EITI has a set of criteria for countries wishing to become validated. Criteria include publication of all payments, regular audits and involvement of civil society.<sup>78</sup>

International Non-Governmental Organizations (NGOs; Civil Society Organizations, CSOs) often make important contributions by informing the public and calling for transparency in pu-

blic affairs. The *Lima Declaration Against Corruption* (1997)<sup>97</sup> calls for a broad approach to stopping corruption with recommendations such as debarring criminals from holding political or administrative office, blacklisting firms involved in corruption, and changes in financing of political campaigns. It also calls for recognition of the creative role that civil society can play in the fight against corruption.

Further action will nevertheless be necessary to reduce and ultimately eliminate corruption. This will require changing deeply ingrained patterns of thinking and behavior.

### **Requisite variety, coalitions and independence in anti-corruption strategies**

Actors involved in corruption have a wide variety of moves at their disposal and keep developing them to avoid being brought to justice.<sup>80</sup> Due to its systemic character, corruption needs a systems approach to be countered. *The principle of requisite variety* states that a system trying to regulate or control another system must possess at least as many degrees or steps as the system to be controlled (Ashby, 1956/1964, p. 207). A blunt approach will not work against a highly adaptive system such as corruption, where the operators have a remarkable 'creativity' to find new loopholes.<sup>81</sup>

An anti-corruption strategy must have at least the same richness in variety as the corrupt system which it tries to influence. In a specific case or a particular sector, a detailed investigation based on e.g. a Logical Framework Approach (LFA) analysis will be necessary. Some strategic principles can, however, be outlined. The approach advocated here follows Popper's (1957, sect. 21) approach of 'piecemeal social engineering', i.e. taking small steps, checking the outcome and then making corrections for new measures, and subsequently starting a new round of trial and error. As a management technique it has been called 'muddling through'.<sup>82</sup>

One important aspect of requisite variety is to build *coalitions against corruption*, i.e. to involve people and institutions who have a stake in stopping corruption. This will broaden the environment

of the corrupt system and may possibly change its feed-back parameters, making attempted corruption less profitable.

*Independent groups* in public agencies with a brief to deal with intelligence, analysis and administrative action in corruption cases can be successful, as they are less likely to be influenced by political considerations. The South African special unit 'The Scorpions' (officially The Directorate of Special Operations) was set up in 2001 to deal with i.a. corruption and achieved considerable professional success. In 2008 it was merged with the South African Police. From a systems analysis point of view, independent anti-corruption groups, can be seen as subsystems having their own separate parameters and feed-back loops and thus being more resistant to the general influence of corruption within the large system.<sup>83</sup>

From a systems approach point of view, countermeasures can be grouped into four main categories according to their point of intervention vis-à-vis the process leading to corrupt acts or practices: prevention; detection; intervention and retribution; and, finally, evaluation and feedback.

## **Prevention**

With respect to anti-corruption efforts in administrative systems, prevention covers all measures aimed at reducing both the overall risks and the case- or sector-specific risks of corruption. It can encompass measures to deal with both the susceptibility (vulnerability, 'weakness') of individuals or institutions and the exposure (external pressure as measured by the frequency and intensity of occasions to get tempted or influenced). Prevention aims at building and managing an administrative system with a high probability of alignment under official rules. Prevention can make use of measures and methods of the following kinds.

*Information, education and training* inside an administration should aim at improving regulation and alignment. These measures should provide knowledge about international conventions, domestic legislation, company policy, ethical guidelines etc.; give advice about handling sensitive situations; and set rules for main-



taining clear boundaries for proper behavior. Business schools should teach this as a core topic in their education. Opinion forming with officials as targets should also point to the problem that becoming involved in corruption entails a risk of getting exposed to criminal subcultures and to losing one's part of the 'bargain' (as contracts over corrupt deals could not be legally enforced if the other side would renege their part of the deal). Anti-corruption measures should be a topic in all professional training in sectors likely to experience corruption. This type of action can reduce the risks of deviance from norms and risks of variations in outcome. Outside administrations, 'name and shame' campaigns against corrupt officials and practices have turned out to have forceful deterrent effects.<sup>84</sup>

*Guidelines to staff* should make clear how staff are required to deal with a number of sensitive situations, such as the most common temptations or pitfalls and where to report suspicions. Whenever suitable, guidelines should be developed and adopted industry- or sector-wise, such as for the pharmaceutical industry or the financial sector to make the conditions more 'level'. When implemented and enforced, this type of action can increase alignment and shorten the feed-back time for the detection of deviations.

*Ethical controllers or compliance officers* should be appointed in administrations, companies and institutions where there is a need to maintain clear and strict ethical guidelines. The officers should be in charge of information, education, training and compliance and also be entrusted to give advice. To establish their basis of authority, they should be appointed at the highest levels of staff. They could reduce variation. This type of action can provide short-loop feedback on decisions and practices before they would be likely to turn into persistent patterns of variation.

*Appointment of public positions* should be transparent and strictly based on merit and competence. This kind of action can increase competence and reduce the risk of patronage (which is a form of suboptimization).

*Increasing the number of women in managerial positions* should become a systemic feature against corruption, as a higher number of

women in elected and responsible positions by itself seems to have a preventive effect upon corruption.<sup>85</sup> This type of action can ensure better ethical alignment.

*Selection and background checking* ('vetting') in hiring should aim at identifying people who have been involved in or are at risk of becoming involved in corruption or other forms of administrative or financial irregularities. It requires a careful balance against encroaching upon a person's privacy. Guidelines and procedures should be communicated in advance to applicants. This type of action can prevent the entry of candidates who have established a pattern of abusing trust or pursuing private ('hidden' or 'secondary') agendas, such as ideological platforms. This type of control could reduce the risk of suboptimization.

*Rotation or time (tenure) limits* for staff in sensitive positions, such as procurement or large scale project administration, should be instituted to reduce the risk for ethical mollification as a result of long-term exposure to corrupt colleagues, practices or sectors. This type of action can reduce the risk of increased variation over time.

*Dissociating or distancing* one's own operations from debarred, criminal, unethical or uncommitted<sup>86</sup> people should be the norm when hiring, subcontracting or collaborating with other parties. Background checks as well as pledges to refrain from corruption or criminal or unethical behavior should be used to prevent unsuitable people from entering through a 'back door', such as network contacts or subcontracted consultancies. Steps of this kind could be more effective if adopted as industry guidelines. This type of action can reduce the risk of exposing oneself to undue influence and also decrease the business opportunities for corrupt people.

*Competence building* is necessary both to infuse professional pride among officials in the carrying out of their duties under the rule of law (increased alignment), but also to increase the capability to detect corrupt activities (improved feedback).

*Adherence to the TI anti-corruption pact* should serve as a basic norm in any business relationship. The same requirement should also be extended to subcontractors or partners. This type of action

can improve the monitoring (feedback) of guidelines (alignment) and promote good governance (feedback related to effects on externalities).

*NGO action* (CSO action) should be developed and encouraged to support legislative or public opinion measures against corruption. A creative approach has been developed by the Indian 5<sup>th</sup> Pillar organisation, which distributes 'Zero Rupee Notes' to be handed over to public officials who demand or expect bribes. The notes have the form of a traditional banknote.<sup>87</sup> Presentation of such a note indicates a refusal to engage in bribing. This type of action can change the administrative environment to a more negative attitude towards corruption and consequently reduce the overall exposure to bribery.<sup>88</sup>

## **Detection**

Activities to detect corruption are intended to enhance the monitoring and improve the feedback of an administrative system at risk. They are also intended to catch any deviation at the earliest possible time. Detection must cover all aspects of searching out, investigating, analyzing and initiating action upon suspicions of corruption.<sup>89</sup> The following measures or methods can be applied or developed to enhance the detection of suspected corruption.

*Profile systems* should be used to indicate suspicious activities, contacts, transactions, unsubstantiated increases in personal wealth etc. Profile systems are based on the mathematical-statistical assumption that certain phenomena, traits or qualities, such as anti-social personality, hostile behavior and crime, appear in clusters. The occurrence of one trait then indicates a higher probability of another trait also being present. Profile systems are used in the monitoring of payments to search for suspicious activities which could indicate e.g. money laundering. Similar systems could be developed and validated to sniff out transactions, which may be related to corruption. A less complicated variety is the checklist, indicating what to look for in projects budgets (such as large, unspecified 'consulting fees'). This type of action can help focus energies on sectors with an in-

creased likelihood of corruption and thus help improve the chances of revealing it. Some caution is necessary, as profile systems may be abused for 'racial profiling' etc. Profile systems could intensify the monitoring of the administrative system.

*Auditing* of public and commercial accounting should include designated checking for corruption as a special risk, in parallel to environmental auditing. The audit should be enhanced by special audits of project types which, based on experience, are more exposed to corruption, e.g. large infrastructure projects. This kind of action can increase the chance of spotting corrupt activities at an earlier stage (early feedback).

*Indicators for increased risk of exposure to corruption* should be developed using statistics, sector-wise analyses, case reviews etc. If presented properly, it would not be condescending to state e.g. that dealing with construction permit officers in X-country carries a tangible risk of being asked for a bribe, whereas dealing with similar officers in Z-country carries very little risk. This type of action can serve as warning signs to people operating in certain regions (enhanced input).

*Whistleblower protection* should be reinforced and enacted by law in order to protect early reporting of deviance etc. Such systems could be modeled after the routines used by the World Bank.<sup>90</sup> This type of protection can make it easier for people with essential information to establish contact with the proper channels for reporting, thus improving feedback. Penal and civil law reform should protect whistle-blowers from litigation for libel (slander, vilification) if they can show that their disclosures were well-founded.<sup>91</sup>

*Transparency in public transactions* and decisions should be the norm. Sweden has the oldest open government records principle (public access to documents is the rule with a small number of exceptions specified by law). This type of law was enacted already in 1766 by the Riksdag (the Swedish Parliament) and put an end to the corruption and privileges in circles within or close to the Royal Administration. In 2005, India enacted the Right To Information (RTI) Act, which has become widely used to ensure transparency in public administrations. This type of action can facilitate indepen-

dent muckraking by investigative journalists or committed citizens' groups and thus provide new channels for feedback.

*Specialized task forces* (investigation teams etc.) should be set up in national (federal) administrations to deal with corruption at all levels, including trade deals as well as projects in foreign countries. They should have sufficient staff with specialized competence and personal integrity, sufficient technical resources and sufficient legal powers to deal with suspicions and also make preventive inquiries. Their independence should be protected (i.e. their parameters kept independent of the parameters of the system they are set to examine).

### **Intervention and retribution**

Intervention and retribution aim at changing an administrative system affected by corruption by decreasing the expected or actual gain from corruption or by increasing the costs for becoming involved in corruption. They comprise all measures to stop corruption, bring to justice the perpetrators and seize the misappropriated assets. Such measures can narrow the long-term prospects for corruption. They may involve criminal, civil, fiscal and human resource action.

*Debarring* of individuals, organizations or companies from doing business with a particular institution should be more widely used. This measure is used by the World Bank, which publishes a list of people or companies who are ineligible to be awarded a World Bank-financed contract for the periods indicated.<sup>92</sup> Lists of this type should be regularly exchanged between institutions working in the same sector, such as national development agencies. It would then have a similar function as the 'blacklists' exchanged between casinos to keep out cardsharpers. This type of action can reduce the risk of a person or group moving into other business arenas to continue their corrupt practices. It can prevent suboptimization. It can also serve as a deterrent (enhanced risk assessment).

*Trade prohibition* is a form of punishment in Swedish penal law for certain financial or tax crimes. It has the effect that an indivi-

dual cannot enter commercial contracts, hold executive positions etc. for a specific time (up to ten years).<sup>93</sup> This punishment should be used also in cases of corruption. It can stop some people from continuing their corrupt practices. This type of action functions as a very heavy feedback.

*Loss of the gain* from the specific deal tainted by corruption should be a possible penalty in some criminal cases. It would mean that the party profiting from the corruption should be punished by losing the gain, e.g. a contract or a gift, in addition to the penalty for bribery or taking a bribe. If that would not be possible due to the lapse of time (such as a construction project having been completed), the penalty should be equal at least to the profit from the project. This type of action can serve as a very powerful negative feed-back on corrupt behavior.<sup>94</sup>

*Penalties* are another form of punishment for corruption. They consist of contract-bound payments to be paid by the contractor if bribery is detected. The size could be proportional to the total amount of the contract (e.g. 2, 5 or 7 per cent) or proportional to the bribes paid (such as 50 times the sum of the bribes).<sup>95</sup>

*Personal responsibility* (criminal and civil) for company managers, institutional representatives and other people in positions of responsibility should be used to impose a personal feedback on the perpetrators of corruption. This type of action can counter any tendency to shrug off fines and administrative fees as just being 'business expenses'.

*International treaties and peace agreements* on peace, conflict resolution etc. should include a section on specific measures against corruption and, wherever legally possible, a requirement to bring perpetrators to justice.<sup>96</sup>

*Universal (global) prosecution* of corruption should be considered as a possibility, at least when United Nations or other international organizations have been the target of misappropriation. This type of action can prevent corrupt people from hiding themselves or their ill-gotten gains in other jurisdictions.<sup>97</sup>

## Evaluation and feedback

Evaluation and feedback cover all action intended to create learning (i.e. achieving a new state of effectiveness in a system) from output of the system, here the experiences related to fighting corruption. They can include the following measures or methods.

*Annual statistics* on corruption should review investigations, court cases, verdicts, amounts seized etc. It can provide international and national overviews of the situation and describe new modus operandi and new parties or sectors involved in corrupt practices. For parties involved in international transactions this would serve as valuable business intelligence (enhanced input). This type of action can help maintain awareness on the risk of corruption.

*Annual reviews of legislation* in various countries should be systematized to enable company representatives to position themselves well in advance of any negotiation which could entail a risk of corruption. This type of feedback can serve as a feed-back on changes in the environment.<sup>98</sup>

*Annual management seminars* on ethics, corruption, media reporting etc. should be used to bring and keep corruption issues in focus for management decisions. This type of action can keep commitments and rules (regulations) in the minds of people.

*Feedback to sharpen best practice*, increase effectiveness in auditing, improve benchmarking, amend guidelines etc. should be done industry-wide to ensure that operators adhere to the same high standards. This type of action can improve the fine-tuning of anti-corruption strategies.

*Updating of professional or institutional guidelines on ethics* should be carried out at specific intervals (such as biannually). Updating may require fresh policy analyses to deal with changes in public opinion, business climates etc. This type of action can sharpen the observance of rules (alignment).

*Measurements and statistics* should be based on validated measures and as far as possible avoid personal 'assessments' based on impressions etc. This type of feedback can help build a solid empirical base for further action.

**Vigilance**

When all is said and done, the responsibility for preventing and stopping corruption in an administration returns to the owner (principal) of the system, i.e. the Government and ultimately the people. Therefore, the most important protective factor against corruption remains 'eternal vigilance'.



## 5. Acknowledgments

This study makes extensive use of material from the authors' chapter 'Korruption som systemröta' ['Corruption as a systemic rot'; Swedish] in the book *Systemhotande brottslighet* ['Criminality threatening the rule of law'; Swedish] edited by Jonas Hartelius, Carnegie Dokumentationsserie 17, Langenskiöld Publishing Co., Stockholm, 2007, ISBN 978-91-975991-7-7. The authors wish to acknowledge the assistance of Ms. Helen Hartelius, M.Sc., for making translations and of Mrs. Karin Ek for making the drawings. Mr. Olle Persson, librarian at the SIPRI Library in Stockholm, assisted in locating important literature.

## 6. Notes

- 1 Bengtsson (1950, p. 107).
- 2 The relationship between corruption in a failed state and the loss by the public of trust in a political system has been analyzed in detail by Ghani & Lockhart (2008, p. 24). In a corrupt state, common people experience a situation where they become 'totally disenfranchised; [...] they have no stake in the future since they see no evidence that the state is bettering their lot'. The privatization aspect of corruption has been emphasized by Vito Tanzi. See summary in Davidson & Rees-Mogg (1997, p. 350).
- 3 [http://www.transparency.org/news\\_room/faq/corruption\\_faq](http://www.transparency.org/news_room/faq/corruption_faq) (accessed 2011-10-15).
- 4 Quoted by Teets & Chenoweth (2009, p. 169).
- 5 For an analysis of fundamental differences between the West and the Arab world, see Rosen (2010). He points to major difficulties in trying to implement Western anti-corruption measures in other cultures.
- 6 For the current ethical guidelines of the Swedish Medical Association on contacts with the pharmaceutical and medical-technical industry, see SLF (2008). For a wider discussion about corruptive influences from the pharmaceutical industry on the medical profession, see e.g. Angell (2009). In June 2011, Astra Zeneca Pharmaceutical Co. declared that it would immediately stop all hospitality trips and all gifts to all physicians all over the world. (Atterstam, 2011)
- 7 Kaufmann (2009). State capture has also been analyzed by Rose-Ackerman (2008).
- 8 Naylor (2002, p. 276).
- 9 For an overview, see e.g. Kaufmann et al. (2006).
- 10 [http://siteresources.worldbank.org/INTGLOBALMONITORING2006/Resources/2186625-114556506938\\_1/GMR06Complete.pdf](http://siteresources.worldbank.org/INTGLOBALMONITORING2006/Resources/2186625-114556506938_1/GMR06Complete.pdf) 'Trillion' mentioned on page 3. World Domestic Product estimated at 63 000 billion USD in 2010, see [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_GDP\\_%28nominal%29](http://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28nominal%29) (accessed 2011-10-15). The actual detrimental effects of corruption are likely to be much wider, as any money spent on corruption can be seen as a kind of 'investment' expected to yield a profit, at the same time causing a loss to some other party. The total losses due to misappropriation etc. can hardly be calculated. An estimate indicates that the extra costs to a company doing business in a country where corruption is high could compare to 50 extra percentage points of business tax, see Rose-Ackerman (2008, p. 332).

- 11 [http://transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://transparency.org/policy_research/surveys_indices/cpi/2010/results) (accessed 2011-10-15).
- 12 BBC: Suharto tops corruption rankings, <http://news.bbc.co.uk/2/hi/business/3567745.stm> (accessed 2011-10-15). The basic figures were provided by Transparency International.
- 13 For an overview, see e.g. Lambsdorff (2007). It is a common perception that corruption is initiated by the party requesting or expecting a bribe. Some authors, such as Hanlon (2004) and Doudou (2009), nevertheless point to the responsibility and mindset of companies in inducing corruption. This issue, with particular reference to Western finance houses, is also briefly addressed by Rogers (2000, p. 145).
- 14 Pepys (2005) offers a comprehensive analysis of mechanisms and effects of corruption upon the justice system.
- 15 Lambsdorff (2009, ch. 5) offers a profound analysis of rent-seeking in corruption and other forms of influence. Commonwealth Secretariat (2000, pp. 32 f.) notes that economic reforms, such as a reduction in bureaucratic controls (number of permits required etc.) could reduce rent-seeking opportunities. Legvold (2009, p. 199) gives a number of examples from countries where people seeking official positions would pay thousands, even hundreds of thousands of US dollars to secure a position, the actual amount being dependent upon the profitability of the position.
- 16 Rose-Ackerman (2008, p. 338) is highly critical of the ethical-moral approach, as 'too much moralizing risks degenerating into empty rhetoric'.
- 17 The case received wide media attention for a long period in Sweden. For a very brief amendment (in Swedish), see <http://www.drugnews.se/article.asp?id=4137&p=mutor> (accessed 2011-10-15).
- 18 Quotation '... undermine Colombia's democracy' from Bowden (2001, p. 51). In his memoirs, Pablo Escobar's brother, Roberto Escobar (2009) gives the 'inside story' with a detailed description of the general culture of corruption in Colombia: 'Pablo and I grew up knowing that all the rules were for sale' (p. 18). Roberto goes on to describe a number of cases or incidents where police and other officials were offered or even asked for bribes, allegations in the 1982 election campaign about 'hot money' (election contributions) paid to politicians by drug cartels etc. (p. 102). The large sums spent by Pablo on bribing officials (keeping them on the 'payroll') and the low efficiency of this arrangement, led Pablo to start paying officials only for (useful) information provided (p. 125). This kind of domestic situation corresponds to what Rose-Ackerman (2008, p. 331) has labeled 'grand' corruption.
- 19 Baker (2005, p. 52).
- 20 Nordstrom (2007, p. 177).
- 21 See e.g. Bunn (2009) for an analysis of corruption and nuclear proliferation.

- 22 Calls for transparency in the arms (defence) industry have been put forward by e.g. Surry (2006) and Pyman et al. (2008).
- 23 Machiavelli (1532, ch. XII).
- 24 See e.g. Davenport (2008). Remark about subsidies p. 101. Remark about factor in politics p. 93. Remarks about *système* pp. 90 ff. In modern terminology, Zaharoff's *système* would likely be called a network.
- 25 Albright (2010, see index for the many aspects). See also Bunn (2009).
- 26 [http://en.wikipedia.org/wiki/Bofors\\_scandal](http://en.wikipedia.org/wiki/Bofors_scandal) (English), <http://sv.wikipedia.org/wiki/Boforsaff%C3%A4ren> (Swedish). There are some differences in content between the versions. (both accessed 2011-10-15). For the early stages, see also Westander (1990).
- 27 Volcker (2005).
- 28 GAO (2000).
- 29 A resume from a critical South African perspective can be found in Feinstein (2009).
- 30 Säll (2011).
- 31 See e.g. [http://en.wikipedia.org/wiki/BAE\\_SYSTEMS#Corruption\\_investigations](http://en.wikipedia.org/wiki/BAE_SYSTEMS#Corruption_investigations) (accessed 2011-10-15).
- 32 See e.g. [http://en.wikipedia.org/wiki/End-user\\_certificate](http://en.wikipedia.org/wiki/End-user_certificate) (accessed 2011-10-15). See also Farah & Brown (2007).
- 33 [http://en.wikipedia.org/wiki/Viktor\\_Bout](http://en.wikipedia.org/wiki/Viktor_Bout) (Accessed 2011-10-15)
- 34 Kimberley process: <http://www.kimberleyprocess.com/> (2011-10-15).
- 35 [http://en.wikipedia.org/wiki/Hosni\\_Mubarak#State\\_corruption\\_during\\_Mubarak.27s\\_presidency](http://en.wikipedia.org/wiki/Hosni_Mubarak#State_corruption_during_Mubarak.27s_presidency) (2011-10-15).
- 36 One of the few comprehensive analyses is Bolongaita (2005), which is the prime source for this paragraph.
- 37 Schück (2010). With respect to corruption, Greece has the worst position (shared 78th) of all the 27 EU member states (TI, 2010).
- 38 [http://www.dhs.gov/ynews/testimony/testimony\\_1307549850535.shtm](http://www.dhs.gov/ynews/testimony/testimony_1307549850535.shtm) (2011-10-15). <http://www.govtrack.us/congress/bill.xpd?bill=s111-3243> (2011-10-15).
- 39 <http://www.reuters.com/article/2011/03/15/us-romania-corruption-idUSTRE72E6DD20110315> (2011-10-15).
- 40 A comprehensive overview of the effects of corruption upon the justice system is Pepys (2005).
- 41 For an overview see [http://en.wikipedia.org/wiki/Wicked\\_problems](http://en.wikipedia.org/wiki/Wicked_problems) (accessed 2011-10-15).
- 42 Merriam Webster (2010).
- 43 The environmental fallacy consists of looking at the system in isolation, disregarding its environment.
- 44 The need for critical evaluation is discussed by Popper (1994, p. 60). He distinguishes between basing an argument for an idea on its premises (justifica-

- tion or dogmatism) and basing an argument on the consequences of an idea (critical rationalism).
- 45 The systems approach to administrative and social problem has nevertheless been criticized. Hodgkinson (1978) has written that 'systems theory, with its range of suggestive metaphor, its foundations in biology and mathematics, and its capacity for permitting the transduction and translation of multi-disciplinary jargon, is bound to prove attractive, even seductive' (p. 39). He has also summarized some criticism based on the overuse of biological (organismic) analogies (such as their use being 'occasionally [...] overdrawn', p. 26, and on the 'biological fallacy' (p. 38), i.e. confusing organizations with organisms (p. 138).
  - 46 Churchman (1979) devotes a chapter (no. VI) to 'Ethics of the Systems Approach'. Quotation from page 117.
  - 47 An LFA analysis listing a number of killer factors will likely make the problem 'wicked' in Churchman's sense. Rosen (2010) has given examples of cross-cultural differences in the perceptions of corruption. Even though not presented in LFA form, his overview deals with a number of conditions which could be presented as 'killer factors'.
  - 48 Basel II defines operational risk as 'The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events'. See [http://en.wikipedia.org/wiki/Operational\\_risk#Definition](http://en.wikipedia.org/wiki/Operational_risk#Definition) (accessed 2011-10-15).
  - 49 Systemic issues related to corruption have been described briefly by Johnston (2005, pp. 196 ff.), Schweitzer (2005, pp. 30 ff.) and Unterkuffler (2009, p. 39).
  - 50 The issue of evidence-basing countermeasures and performing statistical analyses of effects etc. has been addressed by Koechlin & Sepulvéda Carmo-na (2009, p. 329) and by Heller (2009). For a critical remark about the distractions caused by 'feel good' governance goals and measures, see Sundaram (2009), who calls for focusing on the critical development goals. All of these issues can be framed in terms of the systems approach.
  - 51 For overviews of systems theory, see e.g. von Bertalanffy (1968/1973), Checkland (1981), Krieger (1998) and Meadows (2008).
  - 52 Englehart (2009) defines 'state capacity' as the 'inverse of agency loss'; state capacity 'reflects the degree to which the principal (i.e. the government) controls its agents and to which the government can police private citizens'. Agency loss is a situation where 'agents fail to accomplish what their principals intend'.
  - 53 Norstrom (2007) offers several vivid on-scene examples of how a mix of corruption, crime, copyright infringements and lassitude create local or regional markets where the abundance of contraband makes the sale of legal and taxed goods almost impossible.

- 54 Merriam Webster (2010).
- 55 A serious case of corruption in the mismanagement of toxic waste, leading to severe ecological and health effects, is the 2007 dumping of waste in Abidjan, Côte d'Ivoire. A Government inquiry found corruption to be a factor in the handling of the case, which lead to 17 deaths and caused some 100 000 local people to seek medical attention. The toxic waste came from a ship, Probo Koala, which had tried to dump toxic waste in Amsterdam harbor. See [http://en.wikipedia.org/wiki/2006\\_C%C3%B4te\\_d'Ivoire\\_toxic\\_waste\\_dump](http://en.wikipedia.org/wiki/2006_C%C3%B4te_d'Ivoire_toxic_waste_dump) (accessed 2011-10-15). Trafigura company has issued a statement about its ship Probo Koala (currently Gulf Jash) ([http://www.trafigura.com/news\\_articles/trafigura\\_responds/recent\\_reports\\_on\\_probo\\_koala.aspx](http://www.trafigura.com/news_articles/trafigura_responds/recent_reports_on_probo_koala.aspx); accessed 2011-10-15). The ship was reported to have been accepted for scrapping in Bangladesh, then India and is recently reported to be up for scrapping in China. ([http://articles.timesofindia.indiatimes.com/2011-06-03/india/29616992\\_1\\_gulf-jash-toxic-laden-ship-alang](http://articles.timesofindia.indiatimes.com/2011-06-03/india/29616992_1_gulf-jash-toxic-laden-ship-alang); accessed 2011-10-15). The total managing of the ship and its toxins gives an illustration of the problems and temptations associated with the handling of junk and waste and the risks of corruption in such cases.
- 56 An example of criminals being regularly released from prison upon paying fees to judges is the practice of the 16th and 17th Centuries in English Colonies in North America. Judges would 'extract tributes' from pirates in exchange for the pirates' freedom (Thomson, 1994, p. 50). In May 2009, more than 50 prisoners walked out of a jail in the Zacatecas region in North-Central Mexico, while staff were just watching. Fifty-one staff, including the director, suspected of involvement were arrested. Among the escapees were several linked to drug cartels. <http://news.bbc.co.uk/2/hi/americas/8063049.stm> (accessed 2011-10-15).
- 57 Quotation from Rotberg (2009, p. 343).
- 58 Inertia is an important but infrequently addressed factor in the shaping of politics. Rose & Davies (1994) use the concept 'inheritance' to designate systems conditions and parameters taken over from previous governments (administrations). Meadows (2008, p. 112) has a detailed analysis of 'policy resistance' by the actors of the system. She attributes the resistance to the bounded rationality of the actors, i.e. the 'the logic that leads to decisions or actions that make sense within one part of the system but are not reasonable within a broader context or when seen as a part of the wider system.' Corruption narrows the boundedness of rationality by shifting the focus of what 'makes sense' in the view of the actors.
- 59 This capacity has been studied mainly in relationship to commercial companies. See e.g. Cohen & Levinthal (1990).
- 60 Wiener (1961, p. 11). An open system can however, overcome an increase in entropy by exchange with the external world. See e.g. von Bertalanffy

- (1968/1973, p. 40). In von Bertalanffy's analysis of levels of systems, administration is a 'socio-cultural' system, i.e. an open system (pp. 26 f.).
- 61 Dettmer (1998, p. 8, ital. orig.) notes that 'Variation basically means *inconsistency*.' This means that increased variation will lead to more deviations from the norm.
- 62 Meadows (2008, p. 188), Answers (2010).
- 63 For a discussion, see e.g. Lambsdorff (2009, p. 400).
- 64 Zero Tolerance, meaning no acceptance of deviance from the norm, was originally developed as a quality control system in industry. It was also used as a motto ('Not on my watch, not on my ship, not in my navy.') in the 1980s by the U.S. Navy to stop drug abuse to by emphasizing personal responsibility at all levels. Today the concept also represents a non-discretionary policy in the criminal justice system. For modern discussions see [http://en.wikipedia.org/wiki/Zero\\_tolerance](http://en.wikipedia.org/wiki/Zero_tolerance) (accessed 2011-10-15). An adaptation of the U.S. Navy motto on drug abuse prevention to deal with corruption would be 'Not in my project, not in my administration, not in my country.' A 'zero tolerance' approach to corruption in some fragile states has, however, been criticized by Orre & Mathisen (2008) as 'impractical and unrealistic', and [...] likely [...] downright hypocritical'.
- 65 UN has also published a detailed handbook, see United Nations (2009).
- 66 <http://www.unglobalcompact.org/> (accessed 2011-10-15).
- 67 [http://www.unodc.org/pdf/corruption/corruption\\_judicial\\_res\\_e.pdf](http://www.unodc.org/pdf/corruption/corruption_judicial_res_e.pdf) (accessed 2011-10-15).
- 68 <http://www.oecd.org/dataoecd/4/18/38028044.pdf> (accessed 2011-10-15).
- 69 [www.fatf-gafi.org](http://www.fatf-gafi.org) (accessed 2011-10-15).
- 70 <http://web.worldbank.org/external/default/main?theSitePK=84266&contentMDK=64069844&menuPK=116730&pagePK=64148989&piPK=64148984> (accessed 2011-10-15).
- 71 [www.imf.org](http://www.imf.org) (accessed 2011-10-15).
- 72 Criminal law convention: <http://conventions.coe.int/treaty/en/treaties/html/173.htm> ; civil law convention: <http://conventions.coe.int/Treaty/en/Treaties/Html/174.htm> ; code of conduct: <https://wcd.coe.int/ViewDoc.jsp?Ref=ExpRec%2800%2910&Sector=CM&Lang=en> (accessed 2011-10-15).
- 73 GRECO (2008a; 2008b).
- 74 For an overview, see Dimitreva (2009); for the fraud convention, see <http://ec.europa.eu/dgs/olaf/legal/274/en.html> (accessed 2010-11-01).
- 75 [http://ec.europa.eu/anti\\_fraud/index\\_en.html](http://ec.europa.eu/anti_fraud/index_en.html) (accessed 2010-11-01).
- 76 <http://www.iccwbo.org/policy/anticorruption/> (accessed 2010-11-01).
- 77 [http://www.transparency.org/global\\_priorities/public\\_contracting/integrity\\_pacts](http://www.transparency.org/global_priorities/public_contracting/integrity_pacts) (accessed 2010-11-01).
- 78 EITI homepage <http://eiti.org/> (accessed 2010-11-01).

- 79 <http://www.transparency.ca/Reports/Readings/SR-B16-e-limadecl.pdf> (accessed 2010-11-01).
- 80 Kenney (2007, p. 53) notes that criminals may even do 'due diligence' when seeking out and approaching an official to be bribed.
- 81 When the Indian Government made a web publication of a list of officials under investigation for corruption, this list was rapidly utilized as an opportunity to find out which officials to bribe. (Economist, 2010)
- 82 Popper (1957, sect. 21) contrasts his recommended 'piecemeal social engineering' with 'utopian social engineering', where society is designed according to a master plan which is then enforced. An example of utopian engineering towards corruption would be to make some dramatic upheaval in society and declare the new system to be immune to corruption. For Popper's description of 'muddling through' see idem sect. 22. In management science the concept 'muddling through' was introduced by Lindblom (1959).
- 83 For a summary of the case related to The Scorpions, see [http://en.wikipedia.org/wiki/Scorpions\\_%28South\\_Africa%29](http://en.wikipedia.org/wiki/Scorpions_%28South_Africa%29) (accessed 2011-10-15).
- 84 Thachuck (2005, p. 151). Examples of corrupt officials named and shamed and finally driven from office listed in this reference are Guilio Andreotti and Alberto Fujimori.
- 85 See e.g. Dollar et al. (1999). They note that a number of studies indicate that 'women should be particularly effective in promoting honest government'. A contrary position about the empirical evidence can, however, be found in Lambsdorff (2007, p. 35) citing other research.
- 86 Here, 'uncommitted' means any person or organization not having made a public pledge to adhere to professional or sector standards such as the TI anti-corruption pact.
- 87 See <http://india.5thpillar.org/ZRN> (accessed 2011-10-15). Its motto is 'Encourage, Enable and Empower Every Citizen of India to Eliminate Corruption at All Levels of Society.'
- 88 Another Indian NGO, which has been involved in opinion shaping to end corruption is I Paid A Bribe (IPAB), <http://www.ipaidabribe.com/> (2011-10-15). It offers space for people to anonymously tell their stories on the theme 'I paid a bribe'.
- 89 A comprehensive manual for assessing corruption has been produced for USAID, see USAID (2006) for a draft.
- 90 <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21816567~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607,00.html> (accessed 2011-10-15).
- 91 For some of the problems experienced by whistleblowers, see e.g. Wrong (2009) and Bjuremalm (2009). Djilas, whose book *The New Class* (1957) exposed corruption in the Yugoslav Communist Party, was imprisoned for the publication of his book.



- 92 <http://www.worldbank.org/debarr> (accessed 2011-10-15).
- 93 Act (1986:436) on trade prohibition. Swedish language version <https://lagen.nu/1986:436> (accessed 2011-10-15).
- 94 With such a regulation, a Swedish hospice manager who inherited a patient would have lost that inheritance. The property included among other things, a building with a property tax value of SEK 344,000 (approx. 35,000 EUR). In this case, the penalty was 30 fines proportional to the manager's daily income. See Sterzel (2005, p. 382).
- 95 Penalties have been discussed in some detail by Lambsdorff (2009, pp. 406 f.). He points to some difficulties in executing penalties but states that penalties could be used as an alternative or an addition to debarment or nullification (cancellation of the contract), though penalties are seldom used today in procurement contracts.
- 96 Rausch (ed.) (2006, p. 163) lists combating corruption as an issue to be dealt with in post-conflict societies and also gives a small number of action-oriented references. Also Rose-Ackerman (2008, p. 339) addresses measures to limit corruption as a necessary part of peace agreements.
- 97 The U.K. 2010 Bribery Act (<http://ukbriberyact2010.com/>, <http://webarchive.nationalarchives.gov.uk/+http://www.justice.gov.uk/publications/bribery-act.htm>, accessed 2011-10-15; [http://en.wikipedia.org/wiki/Bribery\\_Act\\_2010#Prosecution\\_and\\_penalties](http://en.wikipedia.org/wiki/Bribery_Act_2010#Prosecution_and_penalties); 2011-10-15) substantially widens the territorial reach of powers to prosecute. The act entered force on July 1, 2011.
- 98 Even if Sweden currently has a favorable position by global comparisons, the Swedish Government in June 2010 published a Commission Report with a set of recommendations for changes in legislation (SOU 2010:38). It also presented a draft for a code for Swedish business life to prevent and stop bribery and other forms of undue influence. The Report is expected to lead to new legislation. A Government Proposal to the Riksdag (Swedish Parliament) has been scheduled to be presented in December 2011. The GRECO 2008 evaluation of Sweden criticized the lack of transparency in relation to funding of political parties (GRECO, 2008b). In August 2010 the National Anti-Corruption Unit of the Swedish National Prosecution Service (Åklagarmyndigheten Riksenheten mot korruption) investigated complaints that HRH Crown Princess Victoria and HRH Prince Consort Daniel had taken bribes by accepting lavish travel arrangements from a private person during their honey-moon period. On August 20, 2010, Director of Public Prosecution Mr. Gunnar Stetler decided not to start a formal investigation, as HRH Crown Princess Victoria, having inherited her position, was not considered to be an employee in the sense of the enumeration in the law of the groups covered by the rules on bribery etc. (Stetler, 2010). The case and the decision were widely covered by Swedish media. In Septem-

ber 2010, a bribery scandal in the City Office in Gothenburg (2nd largest city) was revealed by the media. It involved invoices for non-existent services etc. The city has introduced a system for whistle blowers. In October 2010, revelations that the Party Secretary of the Swedish Moderate Party (Conservatives; currently the party holding the office of Prime Minister) had had her study trips to e.g. an oil company site and to a Swedish development project were paid for by the organizers opened a debate on the ethical guidelines for politicians to accept travels, gifts, use of resources etc. On November 1, 2010, the Director of Public Prosecution decided not to open a formal inquiry.

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