

Public Procurement Analysis of Best Value in Anti-corruption Efforts

ABSTRACT

Anti-corruption efforts are rarely described in terms of best value. This paper is a first attempt to address this shortcoming by examining the differential incentives faced by those stakeholders charged with developing and delivering anti-corruption strategies. The authors identify the basic principles of best value and how they might be applied to anti-corruption programs along the contractual policy stream. By examining how different best value perspectives that are available to public procurement officials can lead to appropriate strategies and tools to fight corruption, it is hoped that anti-corruption and good governance efforts can be advanced and promoted.

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Introduction

“Good governance” is increasingly used in both the literature on development and anti-corruption, and for good reason. Research by Kaufmann and Kraay (2002) reveals that countries that tackle corruption and improve their rule of law can, over the long run, increase their national incomes by as much as four times while reducing child mortality by as much as 75 percent. For the purposes of this paper, governance refers to the opportunities and constraints that regulate the process of making and implementing public decisions. Carving out a wide swath, this involves analyzing both the formal and informal actors and the structures they use to make and implement decisions. It is noteworthy that government itself is but one of the actors involved in governance, and depending upon the level of government, there are numerous actors and stakeholders involved in a complex decision-making environment. As a consequence, it can be difficult to objectively distinguish “good” from “bad” governance, or for that matter, within systems, “good” from “bad” practices. This realization provides a background from which a discussion can occur concerning corruption and the global effort to fight it.

Public procurement plays a central role in governance and anti-corruption efforts because of its sheer impact on society. Consider that today, public procurement officials around the globe control spending that is equivalent to ten to thirty percent of GNP in any given year (Callender and Mathews 2000). Indeed corruption is nothing new, and it is typically used to describe a large range of illegal activities, but a common definition is “the abuse of public or private office for private or personal gain.” Adopting a more comprehensive definition, the Asian Development Bank (2003) says that it “involves behavior on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so, by misusing the position in which they are placed.”

This is consistent with the procurement guidelines issued by the World Bank (2004a) when it defines a corrupt practice as “the offering, giving, receiving, or soliciting, directly or indirectly, of any thing of value to influence the action of a public official in the procurement process or in contract execution.” In all of these cases, politically corrupt practices involve officials misusing public power in the pursuit of illegitimate private advantage. However, there is another dimension that includes actors

outside of the official public domain, such as business owners, who may collude to win a certain bid, typically referred to as bid-rigging.¹ Moreover, since corruption usually takes place away from public view and in secret, corruption can be conceptualized as the covert privatization of government functions (Passas 1997), and it usually prevails against the public interest. As a result, effective anti-corruption efforts must utilize procedures that inhibit stakeholders from abusing the power of government and that prohibit paying or offering money or anything of value that may sway public officials in their official duties.

Much of the recent literature on corruption is devoted to an institutional analysis of its causes and consequences in numerous areas such as procurement auctions, taxation, economic growth, bureaucratic red-tape, economic integration, and decentralization (Bannerjee 1997; Bibhas 2003; Compte, Lambert-Mogiliansky, and Verdier 2005; Ganuza and Hauk 2004; Gurgur and Shah 2005; Marjit et al. 2000, 2003; Shleifer and Vishny 1993; Wallace and Haerpfer 2000). However, not only has little analysis been done to gauge the effectiveness of anti-corruption programs throughout the contractual procurement stream, there appears to be few examinations that focus on the motivations and incentives of individuals in developing countries. Further, the adoption of various procurement reforms have not met with a corollary success in reducing the level of corruption in contract administration nor in the general contracting process.

The literature on the individual's propensity to engage in corruption found its basis in the scholarship on crime and punishment (Becker 1968; Becker and Stigler 1974). Although there has been a mild debate about whether the causes of corruption are context-specific and culturally bound, recent scholarship typically concludes that one-size-fits-all anti-corruption strategies are less effective than targeting a specific country's corruption problems within its own socio-political and supplier-competitive context (Kaufman 1998; Celentani and Ganuza 2002; also see Robinson 1998). If this view is correct, then a host of questions arise about how best to proceed in fighting corruption. For example, what is the value gained from various anti-corruption strategies? Are they assumed to be the same? How is value determined and by whom? Moreover, how do quality and effectiveness relate to value, and what role (if any) does benchmarking have

¹ There are other ways of envisioning corruption such as accounting for legal status, intervention potential, regulatory capture, and political pressure applied to influence outcome tenders (see Jones, Dietsche, and Weinzierl 2006, 4-5; Khan and Gray 8-10; Shah 2006, 4; and Søreide 2005).

when there may be few universal standards to apply? These are just some of , the questions that are addressed in this paper.

This paper is broken down into five sections. The first briefly distinguishes between two types of corruption in public procurement. The second section outlines the history and principles of best value as it has been developed and practiced in governance. The third section discusses how asymmetric or imperfect information may impact the concept of value. The fourth section addresses the function of quality in determining best value, and the fifth and final section concludes with a discussion of the implications for anti-corruption strategies concerning the role that value and quality should play, as well as to provide a conceptual taxonomy of best value practices that may limit the opportunity for corruption in the contracting stream.

Two Types of Corruption in Public Procurement

Corruption is the antithesis of good governance, and this implies that public institutions and those with whom they contract should conduct public affairs and manage public resources transparently, impartially, and honestly. This can be done by creating and strengthening the checks and balances of the political and procurement systems, and by giving oversight to proper authorities and civil society.

Although there are numerous ways to broadly conceive of corruption (Khan and Gray 2005, 8-10; Shah 2006, 2), most scholars agree on at least two kinds of corruption. The first is grand corruption which tends to erode the system while the second kind of corruption is referred to as petty corruption, and it is usually practiced by bureaucrats who threaten the efficacy of governing institutions by relying upon individual transactions that manifest private advantage at the public expense. Because public procurement is typically of this latter form, it shall remain the focus of this paper. In many less-developed countries, there is the prevalence of speed corruption (Bose 2004; Marjit et al. 2000; Guerrero and Rodríguez-Oreggi 2005), which involves the capacity to harass, delay, or withhold the decisions handed down by procurement officials unless a bribe is given. Where present, this suggests that potential suppliers not only have opportunities for collusion among bidders for a government contract, but these vendors may be in a unique position to make exaggerated claims about the effectiveness or success of the anti-corruption services that will be provided. Indeed, measurements of the

value and quality of the service are rarely known *ex ante* before the contract is tendered to provide the anti-corruption programs (ACP). While these issues will be taken up more fully in section three of the current paper, the point here is that if one-size-fits-all anti-corruption strategies are less effective than contextually-specific anti-corruption efforts, the decision-making environment is characterized by enormous uncertainty.

Public organizations around the globe are increasingly utilizing a wider variety of alternative service delivery mechanisms in the belief that competition in this area will spark efficiencies, and it is no different in gathering consultants and specialists to provide targeted anti-corruption programs. Because of this reliance on contracting out for services, it is important to understand the process by which suppliers of these services are chosen and how they are graded.

There are numerous ways to engage in corruption at the local level in developing countries such as theft and accepting bribes. Often these activities lend themselves to valid measures that can indicate when corruption has occurred, such as the amount of money absconded through embezzlement or the missing inventory resulting from someone stealing supplies. But consider the case where around the globe, there are relatively few providers of AC programs. Surely there is the potential for labor mischarges or bribing procurement officials to select a specific vendor, especially when the effectiveness of proposed AC programs are unknown *ex ante*.

Since there are no universal criteria for determining the appropriate purchase of specific AC programs, there is little doubt that public officials often face an array of options in this decision-making environment. In fact, since it may be that public goals in this area are contradictory, or that the value-goal relationship is not aligned, one can see why political commitment is extremely important, because the tone from the top helps to create an ethical culture and what is to be valued in anti-corruption efforts at the bottom of the organizational chain. Thus, anti-corruption strategies should emphasize ethics that are prized and that help to define moral boundaries on individual behavior, but they should also clearly define what those outcomes should be, and how they are to be measured. One process to help obtain this might be utilization of best value principles.

Best Value

Most people trace the movement and adoption of “best value” to initiatives emanating from the United Kingdom in the early-to-mid 1990s. Although never clearly defining the concept through required measures, the parameters of best value entail accounting for and pursuing the “aspirations” of local stakeholders by attempting to gain the highest quality and efficiency that are possible “at a price that people are willing to pay.” By the time of its official acceptance encapsulated in a consultation document disseminated throughout the country (DETR 1998), this meant that officials had a duty to obtain economic, efficient, and effective services year-over-year (often referred to as the ‘3 Es’). Moreover, service reviews are required whereby *comparisons* are made with other private and public providers of the service; that local business and the community are *consulted*; that officials charged with obtaining best value consider *competition* in the provision of the service; and that the reasons for, and methods of, the service provision are *challenged* to explain why and how a service is being provided. As the reader might guess, these elements of best value are known as the ‘4 Cs’. In addition, audits (Best Value Performance Reviews) are conducted and performance measurements (Best Value Performance Indicators or BVPIs) are used that are expected to reduce costs while increasing quality over time.² Utilizing the stick and carrot approach to governance, there are sanctions in those cases of failure, and rewards in cases of success.

In sum, “best value” can be thought of as a process through which economic, efficient, and effective services are to be obtained in order to properly respond to local stakeholders. This implies that accountability is enhanced. Since the activities of government officials are reviewable, and if this process is applied to anti-corruption efforts, it is presumed that best value review can lead to identifying local priorities and concerns that may serve to more readily recognize where AC programs are performing poorly and where there is most room for improvement. But how might one know?

First, one has to consider that there are various perspectives from which to examine best-value. As stated previously, there are a number of stakeholders in best-value anti-corruption efforts, and many emanate from institutional stakeholders that are firmly entrenched in various anti-corruption process and techniques. For the purpose of this study, only four perspectives that relate directly to procurement and best-value are

² Performance is annually monitored at the local level through Best Value Performance Plans or BVPPs.

highlighted. The four perspectives include a financial perspective, an internal procurement perspective, an organizational perspective, and a customer/client perspective. Although some may contend that the political perspective is a critical dimension that needs to be addressed within procurement best-value, it is beyond the scope of this paper, because of its focus on petty rather than grand corruption.

From a **financial perspective**, a best value view may address how the stakeholders see the legitimacy (value) of the finance function relative to its fiduciary responsibility (cost of oversight). This includes the following three responsibilities: 1) developing measures that insure internal controls sufficiently limit the probability of fraud or mismanagement; 2) providing for unbiased external audits of financial records are conducted on an annual basis to limit or expose potential weaknesses in the financial system; and 3) ensuring that the individuals charged with stewardship of the financial health of the organization possess the educational and professional training necessary to make appropriate and accountable decisions.

Adoption of the **internal procurement perspective** identifies the value added by the main processes within the system and its associated sub-systems. Some of the value added activities may include electronic procurement processes that reportedly increase the transparency of procurement activities, reduce transaction costs, increase the diversity of the supplier base, provide public disclosure of bids and requests, enhance the opportunity for small and minority owned business integration, and foster supply-based initiatives (typically encapsulated in value-chain management). In addition, from the internal procurement perspective, process controls, accountability, and responsibility centers increase the likelihood of minimizing the potential for fraud. However, there is a potential trade-off between increasing value by limiting the potential for fraud, and the increase in costs associated with the bureaucratic procedures that are necessary to reduce the potential for fraud. In other words, this describes the “fraud-red tap dilemma” which the authors address elsewhere.

Turning now to the **organizational perspective**, the capabilities of both process and behavior to continually innovate, change and improve are highlighted by adopting this approach to thinking about best value in public procurement. This may involve the development of alternative ordering systems (such as that found in e-procurement) or in

different delivery systems in procurement that may emphasize more efficient logistical procedures or even encourage cooperative purchasing across regional and national boundaries. Moreover, this perspective is associated with the adoption of new rules and regulations which might strengthen the rule of law and promote strong ethics training.

From a **client/customer perspective**, there are a host of dimensions regarding “best-value” that could be examined. Through this lens of best value, clients can view procurement through an administrative nexus (where goods and services are delivered to meet the local demands), as a bureaucratic stumbling block that inhibits efficiency, or as a primary control against corruption – the guardian role. In addition, clients face an array of options in determining best value and they include a cost-benefit perspective, a cost-efficiency perspective, or a cost-effectiveness perspective. Although an in-depth discussion of these differences is beyond the scope of this paper, it is notable that these different perspectives lead to varying goals which are to be maximized.

Depending on the perspective adopted regarding the determination of best value in anti-corruption programs, it is easy to see that there are multiple layers and potentially conflicting goals derived from different perspectives of best value. That is, no one particular perspective can be taken as the only perspective of best value within the procurement stream. Moreover, since it is likely that the perspectives merge at various points along the procurement value-chain, the question is begged, if there are various perspectives that are included in determining best value in ACPs aimed at procurement, what then is the best way to increase procurement value, and how is value measured?

Best Value Performance Indicators

Best Value Performance Indicators (BVPIs) are intended to provide elements that lead to a comprehensive view of ACP performance and implementation. BVPIs should be designed in such a way as to enable all levels of government and other stakeholders to monitor AC programmatic progress over a specified period of time. Moreover, their use should encourage benchmarking which allows authorities in charge of ACP implementation and other stakeholders such as residents to compare their performance against that of their relevant peers. These peers could be other regions or similar countries, adopted professional standards, or simply benchmark comparisons against past practice.

Obtaining best value also requires that periodic comprehensive performance assessments be done. These appraisals should match organizational capacity with attainable benchmarks that challenge anti-corruption efforts. Moreover, an independent body or commission should be vested with the power to help develop and audit the implementation of best value performance assessments. Whether they are called appraisals or reviews, time and personnel resources should be devoted toward these ends, and leadership should actively support the administration of AC programs that include BVPIs.

Best value entails a commitment to continuous improvement through a series of reviews focused on obtaining best value for both customers and users. But in a nation that is faced with fighting endemic corruption, it is not entirely clear who are the customers and who are the users. Consider that if the nation itself is considered to be the customer, are the government agencies the users? Where do the citizens play into this? These questions are left to the reader to decide, but they do illustrate that determining the clients is extremely important in ascertaining what value is created and delivered. Nonetheless, a policy committed to best value is one which attempts to maximize the benefits to users through reviewing decision-making and implementing improvement in the provision of public services, and specifically the delivery of public procurement. This also means that review should focus on balancing priorities via cost-benefit analysis.

There is little doubt that it is important for simple and straightforward implementation while taking account of the resources used to provide for priority needs (Harris 1999). However this can be difficult, especially if anti-corruption programs are fragmented, uncoordinated, and lack detailed stakeholder analysis at numerous levels. Thus a more holistic approach to anti-corruption is typically required in developing countries along with the creation of a new organizational apparatus to implement reforms.

One factor that should be in place is an overall strategy for transparently investigating public complaints of corruption. Returning to the previous discussion concerning BVPIs, how does one deal with the number of investigations as a measure of corruption? An increase in the number of corruption probes can be construed as positive in terms of anti-corruption responsiveness, yet an increase might also indicate that while

the amount of corruption may have actually remained steady, people are more disposed to make complaints than they were before. Without a definitive answer, an ACP that sets complaint reduction targets may legitimately be called into question.

Given the widespread impact of corruption, best value in AC programs typically reflect elements of stakeholder theory whereby external stakeholders such as members of the public and internal stakeholders like government officials should be consulted to determine their perceptions and expectations of specific ACP proposals. These can be done through a series of discussion groups, but no matter how stakeholder's views are obtained, principles of best value require extensive data collection to gauge costs and the adopted anti-corruption strategy's performance. Moreover, AC programs should provide ways to identify deviations from global best practices and areas that are falling short of anti-corruption standards and/or regulatory requirements. This leads to the issue of authoritative independence.

Consider the implications if after an initial review of anti-corruption processes, comparative levels of procurement corruption were far apart between two agencies, agencies A and B. Suppose that agency A had more corruption than agency B before implementation of a targeted procurement ACP – this would mean that agency A had to devote substantially more effort and endure relatively higher costs to produce ACP target outputs than agency B. In this case, if there is a national target standard of measurable procurement outputs that are not to vary by agency i.e. that reduction targets are measured in absolute terms as opposed to percentage reductions, surely best value must be impacted based upon the level at which best value is determined. At the level of the agency, if agency A measurably reduced procurement corruption by 70% while agency B reduced it by only 35%, agency A can be said to be twice as productive, yet there is the issue of different absolute starting points. If one looks at the anti-corruption effort at the national level i.e. if there was a national target standard based upon corruption events, agency A may not have reached it because procurement corruption was so prevalent while agency B may have met it because it had fewer instances of corruption given the measurements used.

To help with this issue, procurement process mapping can be used to identify the variations in working practices and best practice that should be allowed. This also means

that an ACP might want to allow increasing independence in the anti-corruption process on the part of one agency or region. This might result in identifying the costs of each ACP strategy which in turn can help assess the efficiency and effectiveness for each agency's measurable outputs of each activity.

Many of these elements of best value have been adopted by the World Bank (2003), which has created a how to step-by-step "anti-corruption guide" to develop an effective anti-corruption action plan. Adopting a utility-maximization perspective, among other things it calls for an integrated ACP design that embodies a corruption mapping matrix outlining priorities of corruption risks. Furthermore, it includes an analysis of incentives and disincentives. On top of calling for a credible complaints handling procedure, it also embodies stakeholder theory by obtaining independent feedback through corruption surveys and widespread dissemination of the anti-corruption program to all stakeholders. However, care must be taken regarding how to properly interpret stakeholder feedback.

Specifically addressing the issue of adequate capacity and systems for procurement and contract management, best value principles are the cornerstone here as well, through its prescriptions concerning assessing value for money, asset verification, and comparison of prices obtained. Moreover, there are also calls for clearly defined compliance procedures that should provide corruption prevention measures and remedies to deal with implementation fraud. These remedies might include suspension or cancellation of contracts as some possible sanctions where evidence of fraud is suspected or found. In addition, there are provisions for annual reviews and audits by independent firms of the procurement process, as well as numerous comparisons of quantity and quality of delivered goods or services at given prices. If the World Bank has adopted many of the principles of best value as suggested herein, what is left to address? The answer is asymmetric information and its role in determining value and quality.

The Impact of Asymmetric Information on Value

Corruption and the efforts to rid society of it are replete with imperfect information – incomplete information about the extent of the problem and asymmetric information about alternative ways to attack it. The focus of this section is on the latter issue, especially in terms of discovering the relative value of anti-corruption programs

(ACPs) that may be adopted and instituted. The reasons for this include the difficulties of conducting an exhaustive search of appropriate AC programs and their objectives, the proliferation in alternatives offered to various nations, and the rapid advancements in understanding corruption brought about by such organizations as Transparency International, the World Bank, and USAID. No matter the reasons for this decision-making environment, there can be little doubt that the intersection of price and quality must play some part in determining which ACP should ultimately be adopted.

Price is often easy to obtain in the anti-corruption marketplace – consultants negotiate and bid to provide services to non-governmental organizations and nation-states alike. While price is but one of the most general attributes on which service providers are chosen, quality tends to be the other. However, correct and appropriate information about the quality concerning specific AC programs can be challenging to obtain, because quality is often more difficult to assess, especially before the contract is signed and the services are delivered.

In the face of tight budgets, many procurement officials in developing countries have realized that a transparent public procurement system contributes to good governance and fighting corruption. However, measuring the performance of ACP providers is fraught with difficulties. For example, when relying upon specialists, there is the presence of asymmetric information which refers to the uncertainty not only in the level of the vendor's knowledge, skills and abilities, but also in the effectiveness of the ACP and how it gets transformed into the output. This uncertainty is the result of the advantageous differential in knowledge held by the vendor about its own actions and abilities in serving the client – information asymmetry.

Because of the inherent dilemma of relying upon “outsiders” to deliver the ACP service, procurement officials in developing countries are faced with tremendous obstacles when contracting out in the hope of obtaining good anti-corruption outcomes. While recent scholarship has noted the importance of developing appropriate performance measures as a potent anti-corruption tool and as a vehicle for improving service delivery (Klitgaard, Maclean-Abaroa, and Parris 2000), the same may not be true for AC programs if it is argued here that many developing countries often lack clear, concise, and consistent measurements on how to most effectively fight corruption. For

instance in Southern Africa, punishment, prevention, and public education are the three main principles at the core of many national anti-corruption strategies (Matscheza and Kunaka 2000). But at what point in time does one know if the expenditures for an ACP is generating an effective return? Considering social development is a highly complex phenomenon, it may be that the initial phases of fighting corruption may actually create more problems in the short-term (Johnston 1993). If this is true, a nation may require a lag time for detecting the true effectiveness of the program. Moreover, those agencies and companies that provide AC programs face perplexing problems, because they offer services that cannot be examined or measured the way a product can. Unlike a tangible product, services cannot be stored for later use because they are tasks that are done for the customer (in this case, the nation). Consequently, they cannot be examined or tested for quality before the customer receives them. This suggests two things. First, if information about the true quality of the ACP is held only by the vendor, this information can be leveraged against the interests of the nation wishing to reduce corruption. Second, the lack of information held by the nation about the true quality of the service means that the client must rely upon the *ex ante* claims of the provider of the service. It is this latter situation that presents a problem in determining best value of anti-corruption strategies.

The role of quality in determining value and thus “best value” is often overlooked or at the very least, minimized in anti-corruption efforts. What is quality, who determines it, and what is its potential impact on contemporary anti-corruption efforts? These questions are answered in the next section.

The Function of Quality in Determining Best Value

Because quality involves meeting specifications, quality is important because different AC programs which are believed to root out and fight corruption will likely have different outcomes in terms of effectiveness. Moreover, they are likely to have differences in price. Although judging quality will often involve utilizing a host of subjective criteria, for the purposes of this paper, quality refers to the degree of conformance to the specifications for the service as it is valued by customers (in this case, either nation-states or NGOs). By defining the term in this way, it is hoped that many of the subjective elements about measuring quality may be replaced with objective and quantifiable indicators that flow from strategic goals anchored in best value principles.

Since the service to be provided is an anti-corruption program, the closer the service meets the customer-valued specifications, the higher the quality. In sum, quality is simply whether or not the service conforms to the specifications for a program of anti-corruption. However, given the various perspectives identified in previous sections of this paper, this may be a very difficult task, because information asymmetries among stakeholders can subvert best value principles outlined above.

Consider the following three stakeholders and their asymmetric incentives in determining ACP outcomes: a non-governmental organization (NGO), a developing country, and an ACP provider. If the identified client is the non-governmental organization that wants to lend money to a developing country with a history of corruption, there may be incentives for that country and ACP provider to collude. For example, when the NGO is considered the client, it would want to reduce exposure to risks by mandating the sharpest reductions in corruption. Meanwhile, the country may want the most expedient measured outcome that will allow it to quickly obtain the loan, and the provider may want the same to increase the probability of success and thus claim to provide value in order to charge a higher price to subsequent customers. Thus, the provider and country have asymmetric information and asymmetric incentives relative to the NGO, because they would like to make the reduction targets easy to obtain – the country to get the loan, and the provider to produce “value” by claiming that high quality was created in that the service met the customer-valued specifications. So when the provider meets this lower standard, high quality and better value are the results for both provider and country, all things being equal, yet the primary client (the NGO) will face constraints on obtaining quality and value based on its needs.

Now compare the previous situation to one in which the developing country itself is regarded to be the client i.e. is not obtaining the ACP because it is required to by the NGO. In this case, the country will likely have incentives to raise the standard of specifications for the provider to meet, because the parameters and determination of value for the country has changed from minimization to maximization best value strategies. Meanwhile, the provider is still presumed to face the same incentives involved with easy attainment of lower standards. This suggests that the various stakeholders in the anti-corruption contractual stream face different incentives and varying determinations of

best value. In both examples, objective measures of quality can be equally met (whether they are higher or lower standardized targets), yet the achievement of each outcome results in very different consequences.

When deciding on which ACP is the best choice, one must confront the fact there are three degrees of information which include certainty, uncertainty, and ambiguity (Dobbs 1991; Einhorn and Hillel 1986; Ellsberg 1961; Klibanoff, Marinacci, and Mukerji 2005). Because certainty involves possessing full knowledge about the utility and success of any ACP that would be adopted, it is assumed here that no entity has that ability. Thus the focus here shall be on the latter two degrees of information and how it relates to outcomes of an adopted ACP.

Uncertainty describes the situation where one possesses knowledge of the probability distribution of various outcomes – that is, where the causal process which generates outcomes is generally well understood. An example would be the roll of a dice because the probabilities for the outcomes are well specified. Ambiguity, however, refers to indefinite and perhaps inaccurate knowledge about the outcomes' probability distribution itself. In times when information is either unreliable or conflicting, ambiguity will generally be high. In terms of AC programs, uncertainty would describe the rule if ACP_1 produced a known probability of obtaining desired anti-corruption outcome₁ and a known probability of obtaining desired anti-corruption outcome₂, etc. This would obviously be helpful in obtaining best value because based upon this probability distribution, one could maximize quality at a given price which then reveals value. However, if the more likely situation is that the distribution for outcomes from adopting a specific ACP_1 are unknown, then ambiguity reigns.

Remember that best value is a process through which economic, efficient, and effective services are obtained, so that best value is really a choice about anti-corruption strategies that must account for uncertainties and ambiguities associated with quality and thus value. In turn, the specifications that are to be met by the various alternative AC programs actually reveal probabilistic outcomes across different measures to be associated with value. If the probabilities distribution cannot be ascertained, then there can be no assessment of quality because the relevant specifications cannot be met. In this

latter instance, best value as a choice strategy is abandoned and replaced by some other criteria.

From the marketing literature, Tellis and Gaeth (1990, 34-35) identify at least three strategies that consumers can utilize under conditions of uncertainty, and they include best value, price-seeking, and price aversion. According to these scholars,

Best value is choosing the brand with the least overall cost in terms of price and expected quality; price-seeking is choosing the highest priced brand to maximize expected quality; price aversion is choosing the lowest priced brand to minimize immediate costs. The three choice strategies arise from three different research paradigms: best value from the economic theory of rationality, price-seeking from research on inference, and price aversion from research on risk aversion. Rationality is a set of principles that describe the normatively best (or utility maximizing) choice. Inference is the estimation of a value of a missing attribute from available attributes. Risk aversion is a preference for a more certain prospect to a more uncertain one even when both have the same expected value.

This means that in an uncertain environment concerning quality, instead of seeking the ACP that results in the lowest total cost of corruption given the maximization of utility (a best value strategy), decision-makers may either wrongly infer higher prices with better quality (price-see), or choose the alternative with the lowest immediate costs but that has higher costs than other AC programs over the long-run (a price-averse choice). When confronted with several alternative AC programs, how is a decision-maker to proceed? What criteria are deemed to be important? Is there a benchmark for each individual nation, or is there a universal benchmark of corruption activity?

The Implications for Anti-corruption Strategies

To this point, the discussion of best value has been informed by standards and principles developed under the rubric of stakeholder analysis. However, the relationship between quality, value, and price tends to be minimized in the discussion of traditional processes for determining best value in anti-corruption strategies. If value is conceived as the benefits divided by the cost, this implies that as the price or cost of something changes, the value of it changes as well, and vice versa. Moreover, while quality refers to how well the ACP is designed and how well the ACP will serve its purpose e.g.

conformance to specifications and expectations, cost (price) is the expenses a nation or agency puts forth in choosing, designing, and implementing an ACP.

Cost is not just the price, because it also includes all expenses associated with the ACP. If all other factors are equal, nations should choose the ACP that has the lower cost. However, most AC programs can be differentiated on several features such as design, quality, cost, convenience and ease of implementation, dependability of delivery and timeliness of ACP and outcomes, personalization and rapport between client and ACP provider, ethics and sustainability issues, and potentially, warranty. When discrimination on these or other features are knowable, the ACP can be properly chosen. Thus metrics on these features should be developed and measured to obtain best value.

It is noteworthy that the design or specifications of the anti-corruption programs themselves may have features that leave the program prone to failure or breakdown. Thus any measure of best value must leave open the possibility that an ACP might perform poorly due to a set of ill-conceived specifications. If the specifications create a poor fit to the nation's needs (see the discussion on contextual needs of anti-corruption programs), there need to be formal changes made to the ACP. Also recall that reliance upon quantifiable characteristics of quality makes it likely to attach more accurate cost estimates to ACP quality. These quality costs can be broken down into at least three categories: the costs of prevention, detection, and failure. Prevention costs are those costs that are encountered in the design and implementation of the ACP that is adopted. Detection costs are those associated with discovering and determining the extent of corruption activities both before and after the ACP is in place. The failure costs refer to the costs to the nation of enduring corruption. While a non-exhaustive list of some of these costs are identified in Table 1 below, the discussion to this point suggests that best value requires analysis of how these costs are associated with each other.

For example, are the total costs of prevention and the total costs of failure inversely proportional to each other, so that as prevention costs diminish, the failure costs rise? There is some evidence that this may be the case when one considers the costs of worldwide corruption. Indeed, in just looking at bribes alone, the World Bank (2004b) has recently estimated that more than \$1 trillion dollars (US \$1,000 billion) is paid in bribes alone each year. Moreover, there have been estimates of total costs of corruption

failure in the public sector that represents five percent of the world economy – or more than \$1.5 trillion dollars per year. How does this economic leakage relate to the total resources devoted to both preventing and detecting corruption? Little appears to be known at this time, but it is likely that future research will have to be done in this area, because it is a central dynamic in determining best value in AC programs.

Table 1.
Some Elements of Three Quality Costs for Anti-Corruption Programs

Prevention Costs	Detection Costs	Failure Costs
ACP design	ACP process capability measurement	Complainant registry
ACP process capability studies and mapping	Audits (both internal and external)	Criminality crossover
Audits (both internal and external)	Officials’ surveillance	Economic development
Officials’ training	Prosecution and Incarceration	Economic leakage (both internal and external)
Redesign and correction of failed ACP service	Supplier surveillance	Loss of political legitimacy
Supplier evaluations	Training and evaluation	Standard of living

Source: Authors

It is argued here that best value requires determining the empirical relationship between not just total costs along these three elements of quality, but also ascertaining how the individual costs of each category relate to each other. Thus quality cost mapping across nations should be conducted in order to tease out where the “biggest bang for the buck” can be obtained. It may be that putting in place some elements in each category of quality costs brings very little marginal gain to reducing total failure costs. For instance, it may be that supplier surveillance (a detection cost) which is a variable cost adds very little incrementally in reducing total failure costs, because it is possible that much of the

variation in failure cost that is correlated with supplier surveillance is also captured by the variation in audits.

There can be little doubt that just like customers differentially perceive value in the commodities that they buy, nations perceive value in anti-corruption programs differently. In their most primitive form, AC programs group simple tasks into organizational processes that are specifically designed to contribute to a reduction in anti-corruption. When these processes are appropriately grouped, increased capabilities to reduce corruption result. Consequently, it is easy to see that not only are quality and price components of value, but processes and capabilities must be accounted for also, because they lead to (or detract from) conformance to specifications and expectations which are attributes of quality. Thus, value is really a function of appropriate processes and capabilities, and best value in anti-corruption programs is really about designing and managing the processes used to reduce corruption. It is also about determining the best mixture of correct resources, in the correct quantities, at the correct time, and at the lowest cost.

It is notable that in the private sector, globalization has resulted in increased competitive pressures due to the risks associated with newly-adopted anti-corruption strategies that have unknown expectations. This situation may create entirely new definitions of value, because, as noted previously, there are different stakeholders with potentially incompatible incentives. And remember that as value changes, so should the process that creates best value, because the environment and the different cultures having different expectations and needs, creates new objectives and new challenges. In general, the greater the need or expectation for customization in anti-corruption programs, the more difficult it is to maintain efficient and best value-generating processes. In turn, the management of an ACP, whether by the client or an outsourced consultant, becomes more difficult and expectations become harder to meet. Perhaps this is why AC programs do not come with an iron-clad warranty with money-back provisions, and one is left with utilizing the 3 E's and 4 C's discussed previously. Consider Table 2 below.

Table 2.
Best Value Anti-Corruption Strategies and Tools in Public Procurement From Four Perspectives

Best Value Perspectives	Best Value Strategies	Best Value Procurement Tools
Financial	Strategic Sourcing	<ul style="list-style-type: none"> • Product Standardization • Outsourcing • Leverage Buy
Internal Procurement Process	Integration Management	<ul style="list-style-type: none"> • Combined Sourcing Strategy • Implementation Management • Change Management
Organizational	Business Process Transformation	<ul style="list-style-type: none"> • Process Optimization • Organizational Alignment • Purchasing Card Implementation
Customer/Client	Performance Assessment and Improvement	<ul style="list-style-type: none"> • Peak Performance Strategy • Desktop Toolkit • Performance Dashboard

Source: Authors

Table 2 links the four stakeholders and their best value perspectives discussed earlier to best value strategies and potential procurement tools which might alleviate the potential for corruption. Although the taxonomy provided is not exhaustive, the specified role of each procurement tool and best value strategy that might be utilized within a particular perspective outlines how these elements should become part of aggressive anti-corruption procurement strategies. Moreover, close examination of the table suggests that procurement tools adopted under the best value strategies emphasized here can produce economic, efficient, and effective anti-corruption outcomes that can be challenged year-

over-year. Since many of the elements available to procurement officials that are listed under the column “Best Value Procurement Tools” require comparisons of both private and public providers, these best value procurement tools tend to produce competition in the implementation of the appropriate best value strategy. Consequently, each of the four best value perspectives emphasized in the table require that stakeholders be consulted.

Given that Table 2 does not identify all of the solutions available within each best value perspective, the taxonomy simply provides alternative ways to address some of the limitations of current procurement anti-corruption efforts. In addition, some tools available to procurement officials are not found in the table, such as e-procurement solutions. This is because technology and automation strategies, and the technical selection and implementation in support of e-procurement, may involve tools that support all four best value perspectives highlighted in Table 2. This only serves to highlight that different best value perspectives, strategies, tools, and the measures they engender, may in fact be understood as providing the same relief no matter which particular anti-corruption program is adopted – something that the current paper calls into question. Teasing out the role that each plays in determining best value gives the stakeholders valuable assets with which to assess specific recommendations and proposals. A word of caution is offered here, because refinement of the model explicated in this paper will require trial and error through a host of venues, across both time and space. However, as an alternative methodology, it is suggested that those charged with delivering AC programs take into consideration some of the issues addressed in these pages. After all, the value-added product that is created from the anti-corruption program is a revamped client – a country that is supposed to be freer from the grip of corrupt institutions and practices.

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